

Shearwater Group plc

Annual report and financial statements
30 June 2026

Shearwater Group plc is an award-winning group providing cybersecurity, 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 cybersecurity 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 cybersecurity 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

Highlights

£42.3m
(▲ 34% vs FY25[1])
Revenue

£2.6m
(▲ 44% vs FY25[1])
Adjusted EBITDA

£1.4m
(▲ 186% vs FY25[1])
Adjusted profit before tax

£5.6m
(▲ 11% vs FY25[1])
Cash at bank

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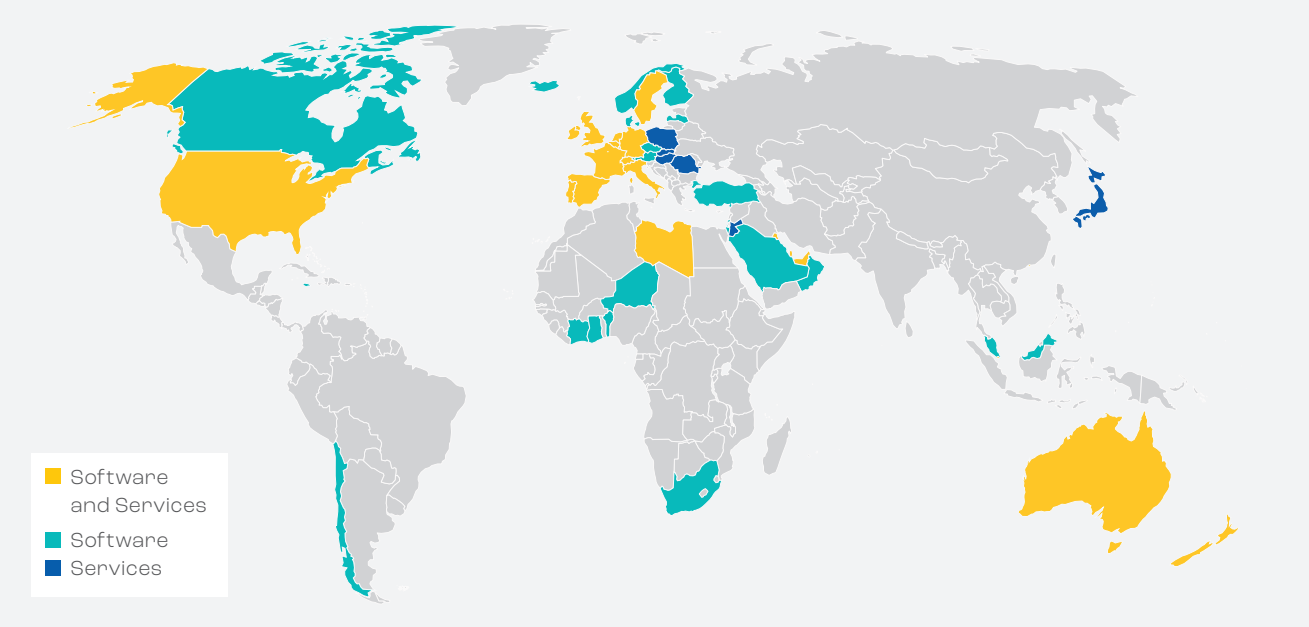
1. FY25 data covers the 15-month period to 30 June 2025; this data has been annualised by multiplying the result for the 15-month period by 12/15 for the purposes of calculating the percentage year-on-year movements shown above.

Definitions of alternative performance measures adjusted EBITDA and adjusted profit 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 cybersecurity and regulatory requirements of corporate clients.

Where we operate

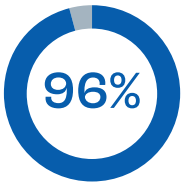


Our offerings are delivered from our two divisions

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.

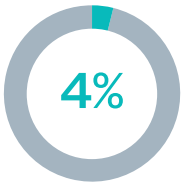
Revenue



Software

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

Revenue



Our vision

To become the provider of choice delivering Next Generation Technology, Professional Advisory and Cybersecurity 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 cybersecurity 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 16 and 17

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

> Cybersecurity will remain a defining challenge for organisations globally and with that comes opportunity.

Robin Southwell
Chairman



I am delighted to present my first statement as Chairman of Shearwater Group. Having been involved with the business for a number of years, I am particularly proud to take on this role and confident in the direction we are heading. This report outlines a second consecutive year of strong growth in both revenue and underlying profitability. This excellent performance reflects the success of our strategy, the quality of our people, and the increasing demand for our services in a rapidly evolving cybersecurity landscape.

Cybersecurity: a strategic imperative and opportunity

Cybersecurity remains a hugely important strategic issue for organisations across both public and private sectors. The threat environment is becoming ever more complex, with escalating risks and increasingly visible consequences of failure. This reinforces the critical importance of cyber resilience as a Board-level priority and, importantly, it helps create significant opportunity for Shearwater Group.

Our portfolio of award-winning businesses continues to be trusted by some of the most recognisable brands in both the UK and across the globe. This trust is a testament to our reputation, the calibre of our solutions, and the expertise of our team. We are proud to partner with these leading organisations.

Performance and progress

The Group has delivered strong organic growth, demonstrating the benefits of our strategic positioning and commitment to long-term value creation for all stakeholders. We continue to invest strategically in innovation, broadening the scope of our services to proactively address emerging threats and navigate complex regulatory environments.

Our people and stakeholders

This success wouldn't be possible without the dedication of our exceptional team. I extend my sincere thanks to our executive team and colleagues throughout the business, whose professionalism and deep expertise are central to everything we do and also to our Non-executive Directors and Advisory Panel for their invaluable input. In particular, I would like to note the contribution of David Williams and Giles Willits, who both stepped down as directors during the year after a combined tenure of more than 20 years. While we were sorry to lose them, I was delighted immediately following the end of the period to welcome Jon Entract to the Board. Jon's skillset excellently complements the existing Board and his experience in investment management and supporting growth companies will prove highly valuable for the next stage of Shearwater Group's growth.

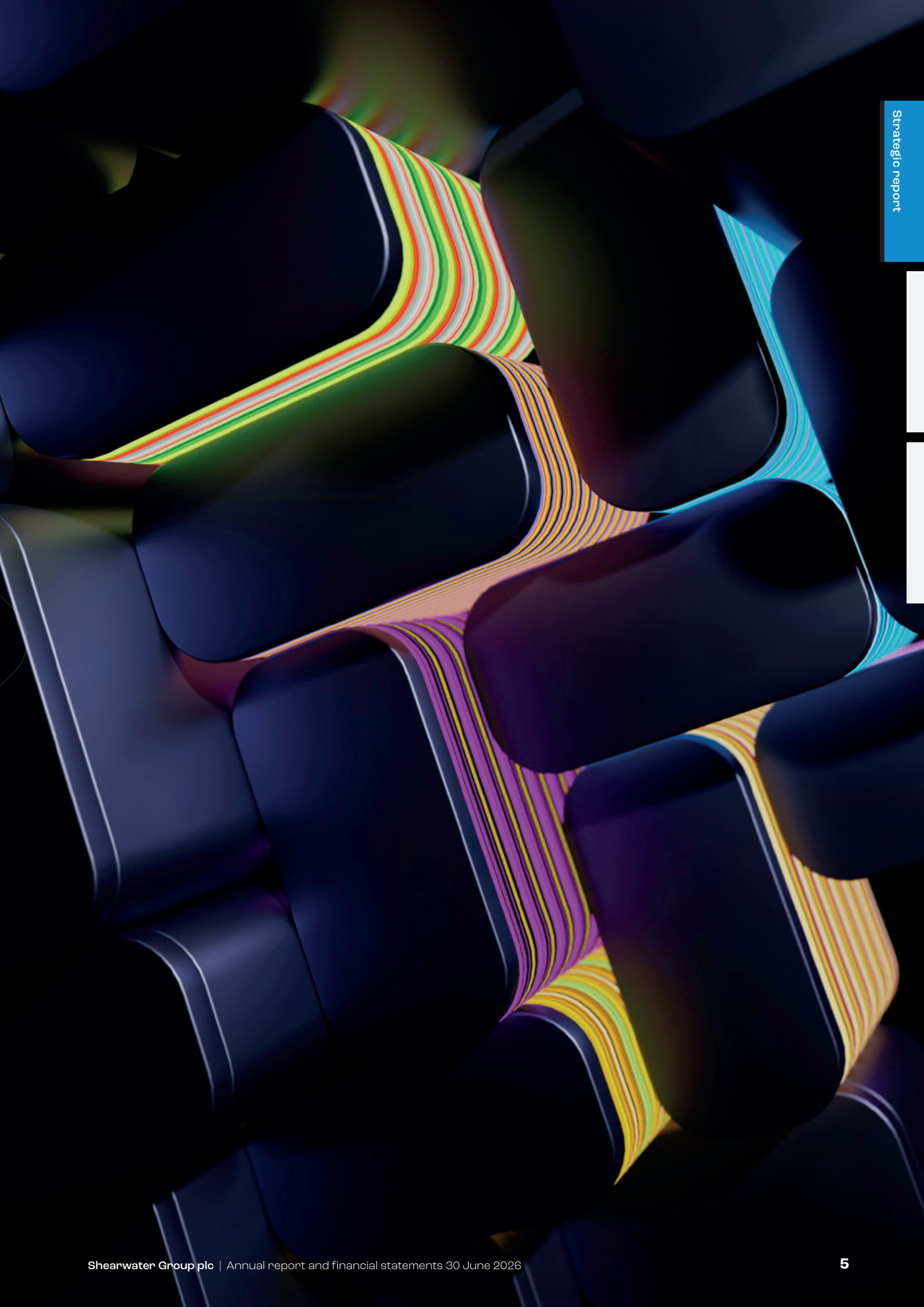
Looking ahead

Cybersecurity will remain a defining challenge for organisations globally and with that comes opportunity. Shearwater Group enjoys a strong reputation and trusted client relationships, based on a track record of delivery across many years. We also benefit from a strong balance sheet with significant net cash. This provides us with a great platform to continue to deliver sustainable growth. It also opens up further opportunities for us to deliver value for shareholders. On that front, I was delighted that on 13October 2026, we received overwhelming support from shareholders for the first stage of a proposed capital reduction programme which will open the door to Shearwater Group being able to declare a dividend and/ or buy-back its own shares at a point in the future.

On behalf of the Board, we look forward to building on our positive momentum in the year ahead and thank you for your continued support.

Robin Southwell
Chairman

26 October 2026



Chief Executive's review

> During the year to 30 June 2026, the cyber threat environment continued to evolve at pace, presenting organisations with an increasingly complex and dynamic set of risks.

Philip Higgins
Chief Executive Officer



The year to 30 June 2026 was one of strong progress for Shearwater Group, building on the growth we delivered in FY25, as we further cemented our position as the UK provider of choice for premium, next-generation cyber technology, professional advisory and advanced cybersecurity services.

I am delighted to report revenue of £42.3 million for the year, representing annualised growth of 34% (FY25: £39.5 million for the 15-month period) driven by continued growth in the Services segment of the business. Adjusted EBITDA for the same period reached £2.6 million, an annualised increase of 44% (FY25: £2.2 million for the 15-month period).

Operationally we continued to build momentum in our Services business through major contract renewals and expansion opportunities, increased our participation in public sector procurement frameworks, whilst also implementing a series of actions to position the Software division for a return to growth in FY27.

Our positive trading performance enabled us to further strengthen our balance sheet. We finished the year with cash of £5.6 million (FY25: £5.1 million) and no bank borrowings. This robust financial position creates opportunities for us. As a Board we continue to review how best to deploy that cash, whether that be through investment to accelerate growth, or through other routes to deliver value to shareholders.

In that context, in June 2026 we announced the commencement of a capital reduction process, which will help create the opportunity to either declare a dividend or to undertake a share buy-back programme should Directors believe this is the best way to deliver value in the future. I was delighted that in October 2026, the first step in this process received overwhelming support from shareholders at a General Meeting of the Company.

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 to continue its profitable growth into FY27.

Group operational review

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.

As in FY25, these two divisions experienced differing fortunes during the period. Our Services division, which now accounts for 96% of Group revenue (up from 94% in FY25) and 90% of gross profit (up from 83% in FY25), delivered significant growth. In contrast, trading conditions were more challenging within our Software division, where revenue declined by 17% in the period, to represent 4% of total Group revenue (down from 6% in FY25) and 10% of gross profit (down from 17% in FY25). As outlined in more detail within the Software section, we implemented a number of changes within this segment of the business, which we believe will result in stronger financial performance in FY27 and beyond.

Services

FY26 was a year of strong growth for the Services segment of the business, with revenue reaching £40.6 million, representing a 37% increase on an annualised basis compared to FY25.

We continue to deliver high-calibre, specialist cybersecurity 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.



Key programmes during the year included:

- A c.£25 million contract renewal and expansion to deliver a packet monitoring, forensic analysis and service assurance solution to a major UK-based global telecoms provider, with approximately £12.5 million of revenue recognised in FY26.
- A c.£9 million three-year contract renewal and expansion, with £2.7 million impacting FY26, for a leading global financial organisation for the provision of the customer's Advanced Email Gateway, insider threat management arrangements, and Secure Email Gateway.
- A £7.3 million contract extension, with £3.5 million impacting FY26, for a leading UK mobile network operator, for the provision of a solution to provide unified visibility, control and automation to protect sensitive data, prevent breaches and simplify compliance, including managed service support of the product across the three-year term.

As a result of the structure of some of these major programmes, which included the deployment of a significant proportion of third-party software, the gross margin for the Services segment of the business dropped slightly to 18.7%, however, overall gross profit increased on an annualised basis by 18% to £7.6 million (FY25: £8.0 million for the 15-month period).

Alongside our work with blue-chip businesses in the private sector, we continue to see a significant opportunity in the public sector. This is something we expect to accelerate following publication of the UK Government's defence spending plans, reflecting the growing recognition that resilient digital infrastructure and cyber defence are critical components of national security. We have made good progress in FY26 to capitalise on this, including:

- The extension and expansion of the existing contract with a central government department for the provision of threat intelligence services supporting its internal security operations, with a total contract value of £1 million over a three-year term.
- Delivery of the first year of a major three-year penetration testing programme across a government department.
- Securing an expanded presence on the latest government procurement framework, G-Cloud 15, with the number of approved Brookcourt technologies increasing by 77% from 31 on G-Cloud 14 to 55 on G-Cloud 15, and Pentest Limited also securing an independent presence across a range of specialist cybersecurity services, including cloud support service, security strategy, audit quality assurance and red teaming.

Our ability to respond to these opportunities and other complex tenders has been enhanced in the period through continued investment in our own proprietary AI tool, which enables us to digest and respond to opportunities in a much more efficient manner. This has been an important component in our ability to drive the revenue growth of 37% in the Services segment while retaining tight control over our administrative expenses. In the year to 30 June 2026, overheads for the Services segment remained relatively constant in real terms at £3.9 million (FY25: £4.7 million for the 15-month period, £3.7 million on an annualised basis).

Chief Executive's review continued

Services continued

	2026 12 months £m	2025 15 months £m	2025 (annualised) £m	Variance (annualised) %
Revenue	**40.6**	37.0	29.6	37.4%
Gross profit	**7.6**	8.0	6.4	18.4%
Gross margin %	**18.7%**	21.6%	21.6%	
Overheads	**3.9**	4.7	3.7	3.2%
Adjusted EBITDA[1]	**3.7**	3.3	2.7	39.9%
Adjusted EBITDA margin %	**9%**	9%	9%	

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

Software

Shearwater's Software division consists of two product sets:

- two related **multi-factor authentication/access management** tools: enabling organisations to control who can access their platforms and what permissions they have once that initial access has been granted. Flexible, highly customisable and quick and easy to deploy, these tools can be delivered either via the cloud, or can be installed and hosted on-premise by the client, and are currently deployed in more than 400 organisations spanning 32 countries across the globe; and
- a **data discovery** tool, filling an important legal and compliance gap for organisations, enabling them to identify and manage sensitive and confidential information from across their platforms, wherever it may reside.

During FY26, we continued to invest in the capability and feature set of each of these products, ensuring each possesses areas of distinct competitive advantage in comparison to competitor products, something we believe will position the products well for success going forward.

Nonetheless, trading through the period remained challenging. To date, revenues have almost exclusively related to the multi-factor authentication/access management product, which has been impacted by competitor products, notably Microsoft's Authenticator, sometimes being made available as part of wider software packages at no additional charge. As a result, revenue of £1.7 million in FY26 represented an annualised reduction of 17.4% (FY25: £2.6 million for the 15-month period), while the adjusted EBITDA profit from the Software business reduced to £0.2 million (FY25: £0.6 million for the 15-month period).

Following the reduced revenue in the period, in June 2026 the Directors implemented a number of changes to position the business for success in FY27 and beyond. These changes included:

- restructuring the sales operation, to better leverage Shearwater Group capability and relationships;
- removal of a distribution layer in key markets, to deliver an estimated 20% uplift in the average value per transaction to Shearwater in those markets; and
- a reduction of annualised expenditure by £0.8 million (£0.5 million capital expenditure and £0.3 million operating expenditure).

The combined impact of these changes, aligned to the investment made to improve the quality of the products, is expected to result in an improved financial performance in FY27.

	2026 12 months £m	2025 15 months £m	2025 (annualised) £m	Variance (annualised) %
Revenue	**1.7**	2.6	2.0	(17.4%)
Gross profit	**0.8**	1.6	1.3	(34.3%)
Gross margin %	**50%**	62%	62%	
Overheads	**0.6**	1.0	0.8	(23.3%)
Adjusted EBITDA[1]	**0.2**	0.6	0.5	(55.5%)
Adjusted EBITDA margin %	**11%**	21%	21%	

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 cybersecurity 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 and we're trusted to advise and deliver solutions to combat the latest and most challenging cybersecurity threats that they may face.

Our Software division delivers two complementary, next-generation security solutions that help organisations reduce risk, protect critical assets and maintain control in an increasingly complex digital world.

Our zero-trust access management platform secures access to systems, applications and data across corporate environments, while our advanced data discovery solution identifies and protects sensitive information wherever it resides.

Together, they empower organisations to strengthen their security posture, improve visibility, support regulatory compliance and safeguard the identities and information that underpin their business.

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

During the year to 30 June 2026, the cyber threat environment continued to evolve at pace, presenting organisations with an increasingly complex and dynamic set of risks. Cyber resilience has consequently become a strategic imperative across both the public and private sectors, with organisations required to defend against adversaries ranging from individuals operating independently to highly sophisticated, state-sponsored groups seeking to disrupt critical infrastructure.

The impact of new technology, in particular artificial intelligence, is only adding to this complexity: increasing the scale and effectiveness of potential attacks while also providing organisations with an expanding range of more powerful tools to identify, prevent and respond to them. Recent high-profile incidents have further demonstrated that the financial, operational and reputational consequences of inadequate cyber resilience can be immediate and substantial.

The pace of change shows little sign of slowing. The World Economic Forum's Global Cybersecurity Outlook 2026 highlighted artificial intelligence, geopolitical fragmentation and increasingly complex supply chains as key factors reshaping the threat landscape. Its survey found that 87% of respondents regarded AI-related vulnerabilities as the fastest-growing cyber risk during 2025.[1]

These structural drivers continue to support strong growth in demand for cybersecurity products and services. Fortune Business Insights valued the global cybersecurity market at approximately US$219 billion in 2025 and forecasts it to increase from US$248 billion in 2026 to US$699 billion by 2034, representing a compound annual growth rate of 13.8%.[2]

Within the UK, Mordor Intelligence estimates that the cybersecurity market will grow from US$18.36 billion in 2026 to US$30.19 billion by 2031, representing a compound annual growth rate of 10.46%.[3]

This backdrop creates opportunity for Shearwater Group. The Group's differentiated, full-service cybersecurity offering is well positioned to help organisations adopt a proactive and integrated approach to protecting their systems, data and operations. Supported by favourable long-term market dynamics, a clear growth strategy, a strengthened financial position, a prestigious customer base, strong industry recognition and an experienced team, the Board believes that Shearwater is well placed to capitalise on this opportunity and deliver sustainable value for shareholders.

Board update

In January 2026, we announced that David Williams was to step down from his role as Chairman, following more than a decade with the Shearwater Group, with Robin Southwell, an existing Non-executive Director, agreeing to take his place. Robin joined Shearwater in October 2016 as a Non-executive Director and has 40 years' experience in the aerospace and defence industry, where his roles have included Chief Executive Officer of Airbus UK and Airtanker Ltd, as well as senior positions at BAE Systems. Robin was a DTI Business Ambassador for the UK Government and received his OBE in 1997.

Giles Willits also stepped down from the Board during the period, following nine years with the Group. In July 2026, shortly following the period end, we announced the appointment of Jonathan ('Jon') Entract as a Non-executive Director. Previously a Partner at InfraRed Capital Partners, Jon is an ACA-qualified Chartered Accountant who brings over 25 years' experience in M&A, across both buy-side and sell-side transactions, evaluating investment opportunities, and serving on the boards of multiple portfolio companies to support their strategic development and growth ambitions. Jon will also assume the role that Giles had previously filled as Chair of the Audit Committee.

The Board would like to reiterate its thanks to both David and Giles for their many years of service and to welcome Jon to the Board and Robin to his new role.

Current trading and outlook

In the early months of FY27 Shearwater has traded in line with expectations. The level of interest in services of all companies within the Shearwater Group has remained high, as the frequency and complexity of threats that organisations are faced with increases. 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 FY27 and beyond with optimism.

Philip Higgins
Chief Executive Officer

26 October 2026

1. Source: World Economic Forum, Global Cybersecurity Outlook 2026.
2. Source: Fortune Business Insights, Cybersecurity Industry Outlook Analysis, 2026-2034.
3. Source: Mordor Intelligence, UK Cybersecurity Market Size & Share Analysis – Growth Trends and Forecasts to 2031.

Business model

Our Services division delivers award-winning solutions and business advisory services directly to a portfolio of blue-chip clients. These solutions comprise third-party hardware and software aligned to our own solution design, engineering, consulting and penetration testing services. Our Software division consists of supplying innovative, proprietary software products through a vast network of global resellers to clients in more than 30 countries around the world.

Key strengths

- Ability to provide broad offering 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 cybersecurity, managed security and professional advisory solutions:

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.

Managed services & warranties

Security solutions

Advisory & engineering

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

ESG
Read more on pages 18 to 23

Risks
Read more on pages 29 to 33

Governance
Read more on pages 34 to 49



Software

- Sold globally via well-established network of distributors and resellers.
- Our software works in the cloud, on-premise and a hybrid of the two.
- Over 85% recurring revenue coming from clients renewing contracts during the period.

Future plans and aspirations:

Relaunch proprietary data discovery project, supplementing the Group's access management solution, filling a legal and regulatory compliance gap for organisations needing to understand and manage sensitive data held across multiple platforms.

Increase proportion of direct sales and direct reseller arrangements, driving an increase in the average revenue per transaction.

Read more on our strategy on page 12.

Software licences from our own IP

Links to:

Responsible operations

Principal risks

Corporate governance

Strategy

Growth strategy

Drive growth and help create shareholder value by becoming the UK provider of choice, delivering premium, next-generation cyber technology, professional advisory and advanced cybersecurity 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 cybersecurity peace of mind. Further case studies are featured on the Shearwater Group website.

Services division

Securing the High Street – Physical and Technical Security Testing for a Multi-National Retailer
Pentest
https://www.shearwatergroup.com/case-studies/physical-and-technical-security-testing-for-a-multi-national-retailer/

Telecommunications Security Act Compliance: Subject Matter Expert and Compliance Adviser for Telecommunications Provider
Xcina Consulting
https://xcinaconsulting.com/case-study/telecommunications-security-act-compliance/

Software division

Strengthening Trust, Resilience and Growth Through Multi-Factor Authentication (MFA) for UK Specialist Bank
SecurEnvoy
https://securenvoy.com/case-studies/moneysolver/

Protecting Access to Sensitive Systems at Secondary Academy with SecurEnvoy Multi-Factor Authentication Solution
SecurEnvoy
https://securenvoy.com/case-studies/mfa-nl-homefurnishings-firm/

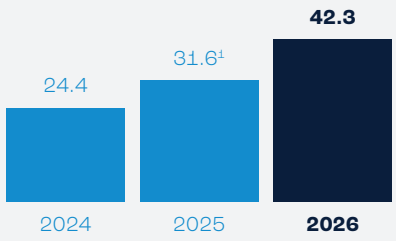
KPIs

Financial:

Revenue for the year
(£m)

£42.3m (34%)[1] ▲

Driven by growth in the Services segment of the business, representing cumulative growth of 74% in the past two financial years.



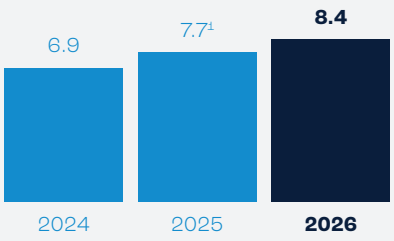
Description:
This measure details the demand for the Group's services and the capability of the Group to deliver products, services and solutions at scale for its network of clients.

Strategic link:
The Group aims to position itself as the UK provider of choice, delivering premium, next-generation cyber technology, professional advisory and advanced cybersecurity services, capitalising on the significant sector opportunity that exists in an increasingly complex cyber threat environment.

Gross profit
(£m)

£8.4m (9%)[1] ▲

Demonstrating an ability to continue to grow profits, notwithstanding a reduction in the gross margin relating to a shift in the mix of revenues in the period.



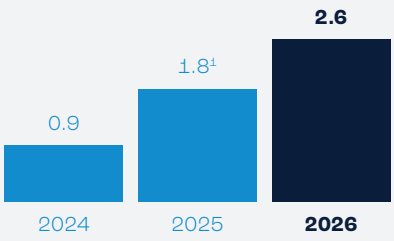
Description:
A new KPI included for this year, showing the Group's ability to earn profits from its work, net of the direct costs of delivery.

Strategic link:
The Group will continue to aim to maximise the level of gross profit that it can deliver from its products, services and solutions, even when the margin may fluctuate from year to year based on the product mix sold in that period.

Adjusted EBITDA[2]
(£m)

£2.6m (44%)[1] ▲

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.



Description:
This measure details the underlying performance of the Group after 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.

1. Annualised to show 12/15 of total for the 15-month period to 30 June 2025.
2. 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.
3. Adjusted profit/(loss) before tax excludes acquisition amortisation in addition to the adjusting items detailed above to calculate adjusted EBITDA.

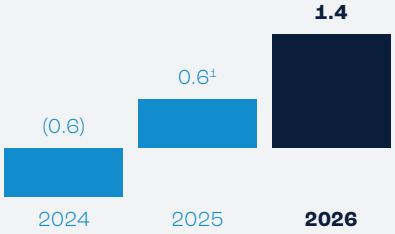
KPIs continued

Financial: continued

Adjusted profit/(loss) before tax[3] (£m)

£1.4m (185%)[2] ▲

Further growth in adjusted profit before tax, following an increase of 187% in the prior period, driven by the continued growth of the Services segment of the business.



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.

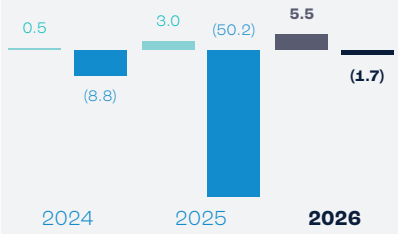
Strategic link:

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.

Adjusted EPS (p)

5.5p

Adjusted earnings per share was 5.5 pence, reflecting the improved underlying profitability.



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.

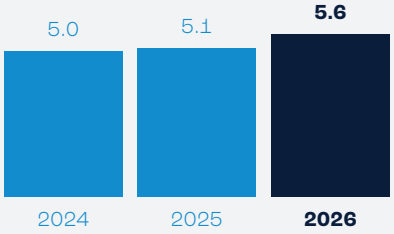
Strategic link:

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

Net cash (£m)

£5.6m (11%) ▲

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



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:

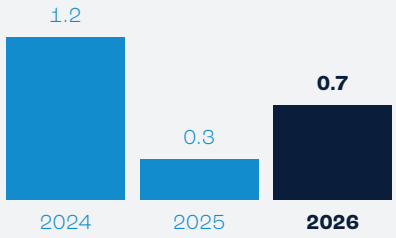
Ensuring that the Group has the means to fund its growth ambition, both organic and inorganic, as well as ensuring it retains the ability to service its debts when they become due.

Reported Adjusted

Free cash flows
(£m)

£0.7m

Positive trading inflows in the year, notwithstanding the fact that none of the cash in respect of a major deal signed and delivered on the final day of the financial year had yet been collected as of 30 June 2026. Partially offset by continued investment into the development of internally developed software to provide access to highly valuable recurring revenue streams that generate high gross margins.



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.

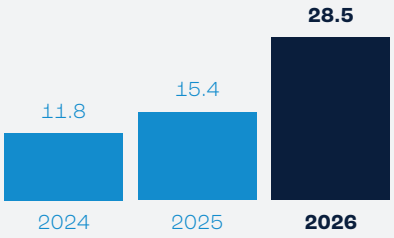
Strategic link:

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.

Future contracted revenue
(£m)

£28.5m (85%) ▲

Up 85% year-on-year, following strong sales performance, including a number of multi-year contracts, most notably a material five-year contract with a major telecoms company signed on the final day of the financial year. £14.8 million of this is expected to be recognised in FY27.



Description:

Already-contracted revenue still to be recognised in future periods. Following the change to revenue recognition policy in FY25, this principally relates to revenue from cloud-hosted solutions, third-party servicing and Shearwater consulting/engineering services that is being recognised over the duration of a contract. This exceeds the value of deferred income, as it also includes uninvoiced amounts in respect of future years.

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.

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 Térrea, 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 continue to invest in carbon-capturing projects each 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 18 to 23

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 18 to 23

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 employees are well supported.

» Please see responsible operations on pages 18 to 23

Shareholders

How we engaged:

Our Chairman, CEO and CFO 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 professional advisers to ensure that the views of shareholders are represented in key decisions taken by the Board. During the year, we have also attended investor events such as Mello, providing further opportunity to engage directly with the investor community.

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 12 and responsible operations on pages 18 to 23

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 12 and responsible operations on pages 18 to 23

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.

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.

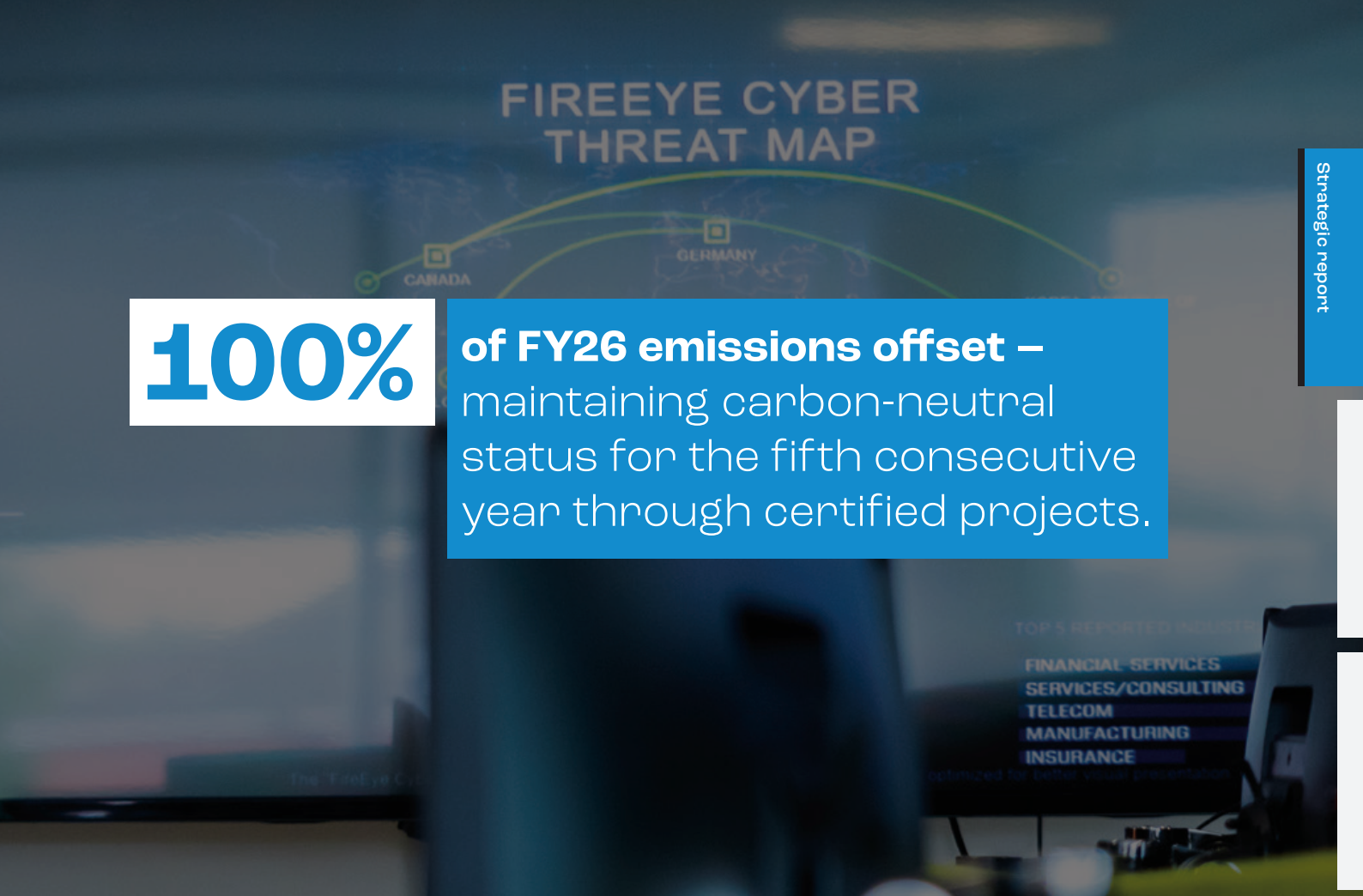
Central to this is managing our impact on the environment and taking care of our people, who are at the forefront of our success, and continuing to perform resiliently and professionally.

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 supported through offset projects





100% **of FY26 emissions offset –** maintaining carbon-neutral status for the fifth consecutive year through certified projects.

Our ESG strategy

Protecting our environment

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.

» Read more on pages 20 and 21

Supporting our team

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.

» Read more on pages 20 and 21

Maintaining strong governance

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 34 to 49

Responsible operations continued

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 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 2026 include direct emissions resulting from equipment we own or control and emissions from purchased electricity (referred to as Scope 1 and 2 emissions, respectively). FY26 is our first full twelve-month reporting year under the July to June financial calendar, covering 1 July 2025 to 30 June 2026, and our second year preparing a Streamlined Energy and Carbon Reporting (SECR) disclosure. 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 Térrea (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 CO_2 we release. Térrea 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.

FY26 (1 July 2025 – 30 June 2026) CO_2 emissions by GHG Protocol category	Tonnes CO_2e **2026**	% of total
Purchased goods and services	**182.8**	51%
Business travel	**70.5**	20%
Employee commuting	**70.3**	20%
Energy: heating, electricity and refrigerants (Scopes 1 and 2)	**18.2**	5%
Capital goods	**9.1**	3%
Fuel and energy, logistics and waste	**6.1**	2%
Total	**357.1**	100%

Figures are rounded to one decimal place and may not sum exactly.
Source: Térrea GHG Protocol report, generated 18 September 2026.

We calculated our greenhouse gas emissions at **357.1 tonnes of CO_2e** for the FY26 reporting period, our first full twelve-month year under the July to June financial calendar. We have offset these emissions in full by investing in a high-quality certified carbon-reduction project, described in the 'Carbon offsets' section of this report.

Against the comparable twelve-month figure of **326.8 tonnes of CO_2e** for FY25, emissions increased by **9.3% (+30.3 tonnes)**. Most of this movement comes from changes in measurement. FY26 is our first year reported on Térrea's new carbon accounting platform, which captured around 2,000 more transactions than the previous year's data extract and applies stricter exclusion rules: spend with suppliers describing themselves as carbon neutral is now included in full unless the supplier holds an official certificate. FY26 therefore becomes the baseline for future comparisons, and we remain focused on driving 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.

Electric car scheme

In October 2025 we introduced an electric car scheme, giving our people access to fully electric vehicles via a salary sacrifice, providing a significant tax incentive to switch to electric vehicle usage. Notwithstanding this, for day-to-day meetings we continue to encourage the use of public transport, and we 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.



Responsible operations continued

Carbon offsets: A case study

This year, we have invested in a carbon-reduction project in order to capture our Company's emissions in full.

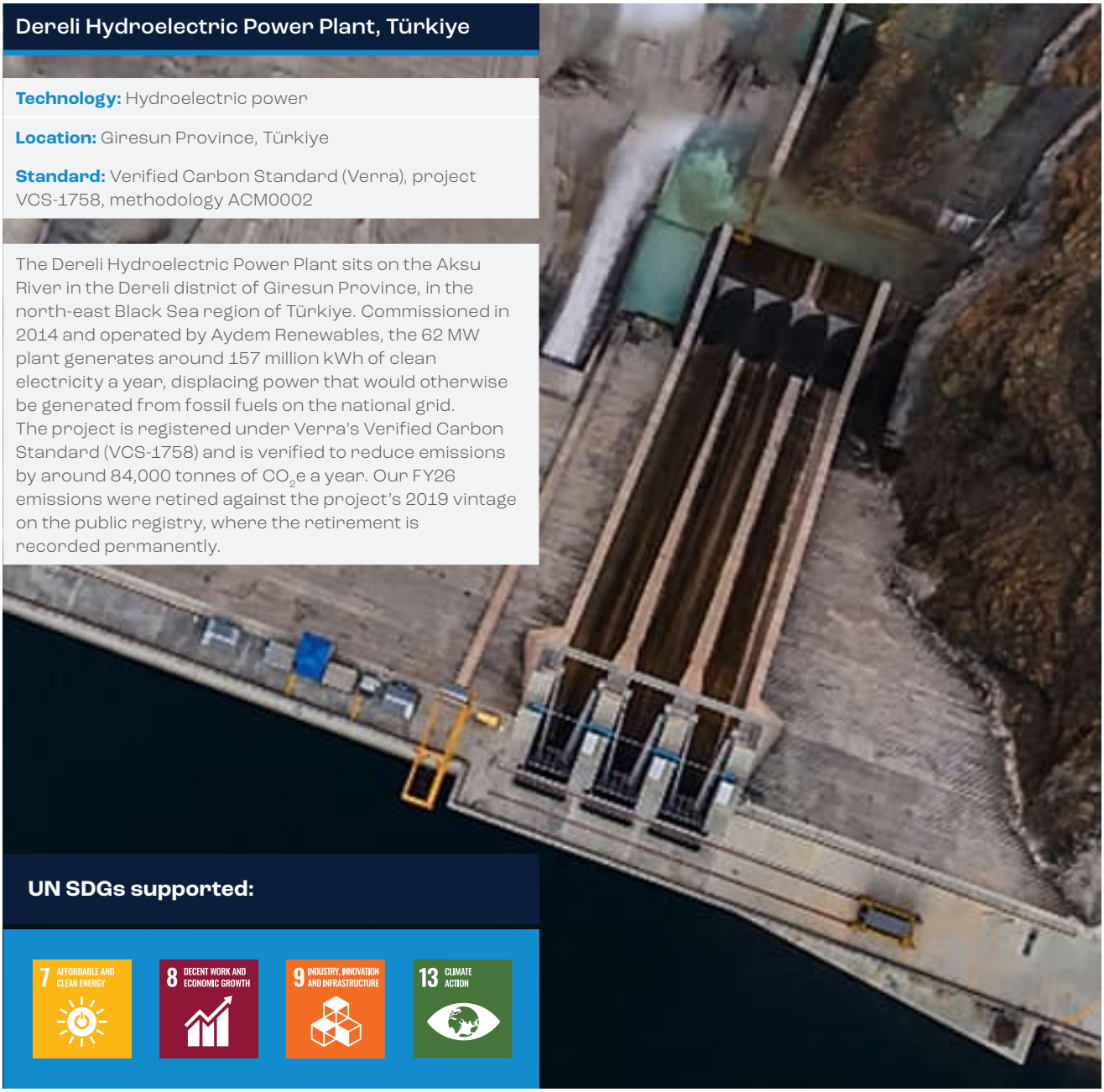
Dereli Hydroelectric Power Plant, Türkiye

Technology: Hydroelectric power

Location: Giresun Province, Türkiye

Standard: Verified Carbon Standard (Verra), project VCS-1758, methodology ACM0002

The Dereli Hydroelectric Power Plant sits on the Aksu River in the Dereli district of Giresun Province, in the north-east Black Sea region of Türkiye. Commissioned in 2014 and operated by Aydem Renewables, the 62 MW plant generates around 157 million kWh of clean electricity a year, displacing power that would otherwise be generated from fossil fuels on the national grid.
The project is registered under Verra's Verified Carbon Standard (VCS-1758) and is verified to reduce emissions by around 84,000 tonnes of CO_2e a year. Our FY26 emissions were retired against the project's 2019 vintage on the public registry, where the retirement is recorded permanently.



UN SDGs supported:

Streamlined Energy and Carbon Reporting (SECR)

Reporting period:

1 July 2025 – 30 June 2026

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 Defra 2025 conversion factors (gross CV), applied under the DESNZ majority-year approach.
- 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_2e)
Scope 1 – Heating (natural gas)	68,333	12.5
Scope 2 – Purchased electricity	27,556	4.9
Scope 1 + 2 Total	95,889	17.4
Scope 3 – transport (grey fleet & car hire)	n/a	0.0
Company vehicles/fuels	n/a	n/a

Total UK energy consumption:
95,889 kWh (Scope 1 + Scope 2).

Intensity ratio: 0.217 tCO_2e per FTE (based on 90 full-time equivalent employees).

Energy efficiency action in FY26:

- Continued hybrid working to reduce travel and office occupancy.
- Introduced an electric car scheme, giving employees access to fully electric vehicles utilising government approved tax advantages.
- Continued shift of client delivery to cloud and subscription services provided remotely, reducing on-site attendance.

SECR notes

This is Shearwater's second year preparing an SECR disclosure, covering the full twelve-month financial year (July 2025 – June 2026). FY25 comparative figures have been restated on the Térrea platform so both years are calculated on the same basis; the figures published in the FY25 Directors' report were prepared under the previous methodology.

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

Chief Financial Officer's review

> I am pleased to report on a second consecutive period of strong growth for Shearwater Group.

Jonathan Hall
Chief Financial Officer



I am pleased to report on a second consecutive period of strong growth for Shearwater Group, driven by the performance of our Services business. In the year to 30 June 2026, revenue reached £42.3 million, representing annualised year-on-year growth of 34% (FY25: £39.5 million for the 15-month period), while adjusted EBITDA rose 44% on an annualised basis to £2.6 million (FY25: £2.2 million for the 15-month period).

Adjusted profit before tax of £1.4 million represented an annualised improvement of 186% (FY25: £0.6 million for the 15-month period). The statutory loss before tax, including the impact of amortisation of acquired intangibles, exceptional items and the share-based payments charge for the Group, reduced to £0.3 million, down 97% (FY25: £13.4 million).

This positive trading performance helped us further strengthen the balance sheet, closing the period with £5.6 million in cash, a year-on-year increase of 11% (FY25: £5.1 million) and no bank borrowings.

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

	2026 12 months £m	2025 15 months £m
Revenue	**42.3**	39.5
Gross profit	**8.4**	9.6
Administrative expenses (underlying)[1]	**(5.8)**	(7.4)
Adjusted EBITDA	**2.6**	2.2
Adjusted EBITDA margin	**6%**	6%
Net finance charges	**0.1**	0.1
Depreciation	**(0.2)**	(0.2)
Amortisation of intangible assets – computer software	**(1.0)**	(1.5)
Adjusted profit before tax	**1.4**	0.6
Amortisation of acquired intangible assets	**(1.5)**	(2.6)
Impairment of intangible assets	**–**	(11.1)
Other exceptional items and share-based payments	**(0.3)**	(0.3)
Loss before tax	**(0.3)**	(13.4)
Taxation (charge)/credit	**(0.1)**	1.4
Loss after tax	**(0.4)**	(12.0)

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.

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.

Revenue and gross profit

Revenue for the year to 30 June 2026 of £42.3 million represented growth of 34% on the previous period on an annualised basis (FY25: £39.5 million for the 15-month period).

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

	2026 12 months £m	2025 15 months £m	2025 annualised £m
Services			
Managed services and warranties	**12.1**	9.9	7.9
Security solutions	**24.1**	21.6	17.4
Advisory and engineering	**4.4**	5.4	4.3
Software			
Software licences	**1.7**	2.6	2.0
Total revenue	**42.3**	39.5	31.6

The Services division delivered strong growth in the period, principally driven by an increase in the volume of cutting-edge cybersecurity solutions and related warranty and support contracts delivered for Brookcourt's network of blue-chip clients, who are seeking to address an ever more complex cyber threat environment.

Trading conditions, however, were more challenging in the Software business, where revenue dropped 17% on an annualised basis to £1.7 million (FY25: £2.6 million for the 15-month period). Investments made to enhance the quality of the proprietary software products, aligned to a restructuring implemented in June 2026, give the Directors confidence that the Software division will show an improved performance from FY27 onwards.

The impact of this change in the revenue mix is outlined in the table below:

	2026 12 months			2025 Annualised		
	Services	**Software**	**Total**	Services	Software	Total
Revenue (£m)	**40.6**	**1.7**	**42.3**	29.6	2.0	31.6
Gross profit (£m)	**7.6**	**0.8**	**8.4**	6.4	1.3	7.7
Gross margin (%)	**18.7%**	**49.6%**	**19.8%**	21.6%	62.0%	24.2%

Within the Services business, an increased proportion of major solution sales encompassing a significant value of third-party software costs reduced the gross margin, which fell from 21.6% in FY25 to 18.7% in FY26. In absolute terms, however, gross profit still rose £1.2 million (18.4%) on an annualised basis to £7.6 million in the year to June 2026.

In the Software business, there was a shift between cost of sales and administrative expenses from FY25 to FY26, with administrative expenses reducing by £0.2 million and cost of sales increasing by the same amount, with the overall cost base of the Software business remaining relatively constant year on year. Nonetheless, as a result of the increased cost of sales, coupled with a reduction in revenue of £0.3 million, gross profit declined by £0.5 million to £0.8 million – a gross margin of 49.6%.

This revised profile of revenue and cost of sales resulted in an overall reduction in the gross margin to 19.8% in FY26; however, the total level of gross profit earned in the period increased 10% on an annualised basis to £8.4 million.

Administrative expenses

Underlying administrative expenses of £5.8 million represented an annualised year-on-year reduction of 1% (FY25: £7.4 million for the 15-month period) as the Group continues to tightly manage its fixed cost base. This represents a second consecutive small year-on-year reduction, achieved despite the Group growing top-line revenue by 74% across the same period.

Chief Financial Officer's review continued

Adjusted EBITDA

The net impact of the factors outlined above was that the Group delivered a 44% annualised improvement in adjusted EBITDA to £2.6 million for FY26 (FY25: £2.2 million for the 15-month period).

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

	2026 12 months £m	2025 15 months £m	2025 annualised £m
Services and Software	**3.9**	3.9	3.1
Central administrative expenses	**(1.3)**	(1.7)	(1.3)
Adjusted EBITDA	**2.6**	2.2	1.8
Adjusted EBITDA margin %	**6%**	6%	6%

Finance charges

The Group earned net finance income of £0.1 million in the period (FY25: £0.1 million for the 15-month period). 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 (2025: £0.2 million for the 15-month period) 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 £1.0 million (FY25: £1.5 million for the 15-month period) relates to the amortisation of development expenditure incurred since acquisition on the Group's proprietary software solutions. This declined slightly year on year as a result of the impairment charge applied in FY25, which reduced the opening balance to be amortised in the year.

Adjusted profit before tax

The Group made an adjusted profit before tax of £1.4 million (FY25: £0.6 million for the 15-month period), reflecting the growth achieved in revenue and gross profit, aligned to ongoing tight control of underlying administrative expenses.

Amortisation of acquired intangible assets

Amortisation of acquired intangible assets was £1.5 million (FY25: £2.6 million for the 15-month period), an annualised reduction of 31% reflecting the reduced carrying value at the start of the period following the exceptional impairment charge applied at the end of FY25. This relates to amortisation applied to intangible assets identified at the time of acquisition, as opposed to the amortisation of development expenditure incurred by the Group.

Share-based payments

Share-based payment charges were £0.1 million (£55k) in the period (FY25: £0.0 million (£22k) for the 15-month period). This reflected a full year of charge applied to the grant in January 2025, coupled with the impact of a further grant in July 2025. Full details on the calculation of the Group's share-based payment charge are included within note 17.

Exceptional items

Exceptional items of £0.3 million (FY25: £11.3 million for the 15-month period) included:

- Restructuring costs: £0.2 million (FY25: £0.1 million) relating to restructuring costs to right-size the cost base, principally within SecurEnvoy Ltd.
- Other costs: £0.1 million (FY25: £0.2 million) including costs related to the closure of dormant Group entities no longer required.

The prior period was also impacted by an impairment charge of £11.1 million applied to goodwill and intangible assets, primarily relating to a reduction in the carrying value of goodwill and acquired intangible items from the acquisitions of SecurEnvoy Limited and Pentest Limited.

Reported loss before tax

The reported loss before tax of £0.3 million (2025: £13.4 million for the 15-month period) reflected the improved underlying operating performance of the business, offset by the continued amortisation of acquired intangibles.

Taxation

The income tax charge for the year of £0.1 million (FY25: credit of £1.4 million) was primarily the result of a reduction in the Group's deferred tax asset, in respect of brought-forward losses, following the utilisation of losses in the period, which slightly exceeded the value of a reduction in the deferred tax liability following the amortisation of intangible assets.

The Group has submitted a claim for R&D tax credits in respect of FY24, which if successful would result in a cash repayment of £0.2 million. No asset is shown in respect of this value as approval of the claim is still to be provided. No benefit from R&D claims has been assumed in respect of FY25 or FY26.

Statement of financial position

Intangible assets

Intangible assets decreased in the year by £1.4 million to £27.5 million at 30 June 2026 (2025: £28.9 million). This movement incorporates £1.1 million of investment into continued development of the Group's software assets (2025: £1.3 million for the 15-month period), less amortisation of £2.5 million, of which £1.5 million relates to acquired intangibles and £1.0 million to internally developed computer software.

Property, plant and equipment

Property, plant and equipment decreased in the year from slightly above to slightly below £0.3 million, reflecting depreciation in the year exceeding the value of new fixed asset additions.

Trade and other receivables

Trade and other receivables greater than one year totalled £9.2 million at 30 June 2026 (FY25: £0.2 million). This represents a significant increase on the prior year, almost exclusively as a result of accrued income on multi-year cybersecurity solutions contracts, where an on-premise solution has been delivered, resulting in revenue being recognised at the point of delivery, but where payment from the customer is being phased over the period over which the customer will have the right to use the software.

Trade and other receivables due in less than one year also increased in the period to £23.2 million (FY25: £17.6 million). This change principally reflected increases in:

- trade debtors, which increased to £7.0 million from £5.0 million in FY25, primarily as a result of a major solutions contract delivered and invoiced on the final day of the financial year;
- prepayments and other receivables, which increased to £10.1 million (FY25: £7.8 million), principally reflecting payments made to vendor partners at the start of each contract year, on cloud-hosted software and support contracts where the cost of sale is recognised across the duration of the contract, increasing broadly in line with the overall increase in activity seen in the period; and
- accrued income relating to the next twelve months, which is all unconditional, increased from £4.9 million to £6.1 million, again reflecting the increased volume of business contracted in FY26.

The Group continues to work primarily with a blue-chip client base and has no material issues with bad debts.

Trade and other payables (falling due within one year)

Trade and other payables increased from £15.8 million at the end of FY25 to £22.4 million at the end of FY26. The largest components of the increase were deferred income, which rose to £12.1 million from £7.3 million in FY25, and accruals, which rose to £5.6 million from £3.7 million. Trade creditors falling due within one year fell to £2.0 million at 30 June 2026 from £2.9 million at the end of FY25.

Deferred income principally relates to cloud-hosted software solutions and support services, which are typically billed annually at the start of each contract year, but for which the revenue is spread across the contract period. Accruals principally relate to the cost of multi-year contracts for on-premise software solutions, where revenue and cost of sales are recognised on delivery, but the billing may be spread over the period the customer retains access to the software. The year-on-year increase is a product of both the increased volumes seen during FY26 and the mix of solutions sold in the period.

Creditors: amounts falling due after more than one year

Creditors due after more than one year increased from £3.7 million at the end of FY25 to £10.4 million at the end of FY26. This was principally driven by an increase in accruals and other payables from £1.7 million to £9.1 million, which in turn reflected the major multi-year contract for an on-premise software solution, delivered at the end of FY26, with revenue and cost of sales recognised at that point, but on which the invoicing for the software component of the cost of sale will take place over multiple years.

Statement of cash flows

The Group generated cash inflows in the year of £0.5 million (2025: £0.1 million). This increase reflected net cash generated from operating activities of £1.8 million, slightly below the adjusted EBITDA value of £2.6 million due to the timing of payments on certain material contracts, in particular the fact that at 30 June 2026, none of the cash in respect of a major contract delivered on the final day of the financial year had yet been collected.

The Group continued to invest in its Software division during the period, with £1.1 million invested directly into the enhancement of its portfolio of proprietary software. Having completed an intense development phase to bring upgraded versions of both the access management and data discovery products to market, this level of investment is expected to drop to c.£0.6 million p.a. from FY27 onwards.

Chief Financial Officer's review continued

Statement of cash flows continued

The Group continued to collect cash effectively, with minimal bad debt.

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

	2026 £m	2025 £m
Adjusted EBITDA	**2.6**	2.2
Movements in working capital	**(0.8)**	(0.6)
Cash generated from operations	**1.8**	1.6
Adjusted cash generated from operations	**2.1**	1.9
Exceptional items (cash impact)	**(0.3)**	(0.3)
Net cash generated from operating activities	**1.8**	1.6
Capital expenditure (net of disposal proceeds)	**(1.1)**	(1.4)
Tax received	**0.0**	0.3
Net finance income	**0.1**	0.1
Payments of lease liabilities	**(0.2)**	(0.2)
Movement in cash	**0.5**	0.1
Opening cash and cash equivalents	**5.1**	5.0
Closing cash and cash equivalents	**5.6**	5.1

The above cash flow 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 £1.1 million (2025: £1.4 million) in the year primarily includes capitalisation of external and internal software costs for developing the 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. It is, however, expected to reduce from FY27 onwards, as an intense phase of development to bring upgraded versions of the Group's proprietary software to market has now been largely completed.

Financing activities

Expenditure on lease liabilities of £0.2 million remained in line with the prior year (2025: £0.2 million).

The Group earned net finance income of £0.1 million in the period (FY25: £0.1 million) through the use of short-term deposits to earn interest on cash balances.

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.

Jonathan Hall
Chief Financial Officer
26 October 2026

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 financial risk exposure and monitoring internal controls specifically as they relate to matters of solvency and financial reporting.
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.

Shortly following the period end, the Group introduced a more formalised Group risk management framework for managing and monitoring key risks impacting the business, intended to ensure that:

- the Board and the Risk and Compliance Committee have a single, reliable Group-wide view of risk;
- management attention and resource go to the risks that matter most;
- we meet our statutory obligations around risk disclosure; and
- risk management becomes an embedded part of how we routinely run the business, not a periodic compliance exercise.

Emerging risks

The Directors monitor the continuously evolving macro and micro-economic environment and assess any potential impact to the Group's businesses. A centralised Risk and Compliance Committee, chaired by the Senior Independent Director and comprising Executive Directors and functional leaders from within the business, also now meets on a quarterly basis to review new and evolving risks and how these should be managed.

Throughout FY26 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 on the following pages, with mitigating actions listed:

Principal risks and uncertainties continued

Risk	Description	Mitigating actions	Link to strategy
Technology **Risk level** Pre-mitigation – High Post-mitigation – High **No change** (2025: No change)	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 means that the rate of change in both the threats that organisations are seeking to manage and the tools available to them to counter these threats, has never been greater.	• 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 now and the threats that they are likely to face in the future. We are highly selective about which vendors we choose to work with, and aim to build strong relationships with those vendor partners we see as offering best-in-class solutions, such that we are seen by the vendors as a key conduit in bringing their technologies to the market and our clients as a trusted partner in advising them on the new solutions that may be available to help them manage future threats.	Ensuring that the products we sell are innovative and address the latest cyber threats ensures that the respective Shearwater Group companies remain a key part of the value chain for both customers and vendors.
Intellectual property **Risk level** Pre-mitigation – Moderate Post-mitigation – Low **No change** (2025: No change)	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. This risk has also now been expanded to consider the risk that the rate of development of competitor products exceeds that of our own, removing areas of competitive advantage and hence the Group's ability to drive revenues from its own proprietary software.	• 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. • The Group constantly monitors the capabilities of competitor products and seeks to focus development on areas that will build a lasting competitive advantage for its own product set.	Continued development of internally developed software provides the Group access to highly valuable recurring revenue streams that generate high gross margins. Classification of the risk as moderate/low reflects the increased proportion of total Group revenue and EBITDA accounted for by the Solutions business, rather than the Software business, over recent years.

Risk	Description	Mitigating actions	Link to strategy
Recruitment and retention of key personnel **Risk level** Pre-mitigation – High Post-mitigation – High **No change** (2025: No change)	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.	• 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, including the introduction of an electric vehicle scheme in FY26.	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 16 and 17 and Supporting our team on page 20.
Key contracts **Risk level** Pre-mitigation – High Post-mitigation – High **No change** (2025: No change)	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. 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.	• 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.	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 16 and 17.

Principal risks and uncertainties continued

Risk	Description	Mitigating actions	Link to strategy
Economic uncertainty including major incidents **Risk level** Pre-mitigation – High Post-mitigation – Medium **No change** (2025: Decreased)	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.	The non-discretionary nature of many of the Group's products and services, aligned to the fact that certain geopolitical risks can help create opportunities as well as threats, mean that 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.	The rapidly evolving threat environment, aligned to the high costs of failure that have been very visible over recent years, mean that the need for customers to invest in the Group's solutions has never been greater, even in times of economic uncertainty. Even where projects are business critical for clients, economic pressures can still have an impact on clients' ability to commit to necessary investment and the length of commitment that they are willing to make. This can have an impact on the consistency of our results from year to year. Please see the Market opportunity section of the Chief Executive Officer's report on page 9.
Cyber security attacks **Risk level** Pre-mitigation – High Post-mitigation – High **No change** (2025: No change)	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.	• 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 cybersecurity 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.	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 the Market opportunity section of the Chief Executive Officer's report on page 9.

Risk	Description	Mitigating actions	Link to strategy
Regulation **Risk level** Pre-mitigation – Moderate Post-mitigation – Low ▼ **Decreased** (2025: No change)	New industry regulation and government legislation continues to be introduced in order to compel companies to enhance their information and cybersecurity 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 help create a new set of data protection requirements for companies, which information and cybersecurity 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.	• 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 help 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.	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 12.

Board of Directors

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

Robin Southwell OBE
Chairman

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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.

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.

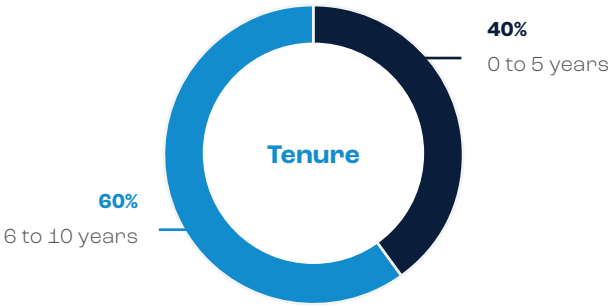
Jonathan qualified as a Chartered Accountant with Arthur Andersen, before spending seven years as a Management Consultant with PA Consulting. Jonathan was Finance Director of Saracens Ltd and the wider Premier Team Holdings Group of which it was part. From there he joined Gfinity plc as Chief Financial 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.

Meetings and attendance

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

David Williams	■■
Robin Southwell	■■■■
Philip Higgins	■■■■
Jonathan Hall	■■■■
Stephen Ball	■■■■
Giles Willits	■■■

■ Attended ■ Eligible to attend



Key:

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

Stephen Ball
Senior Independent Non-executive Director

A N

Appointed to the Board:
October 2016

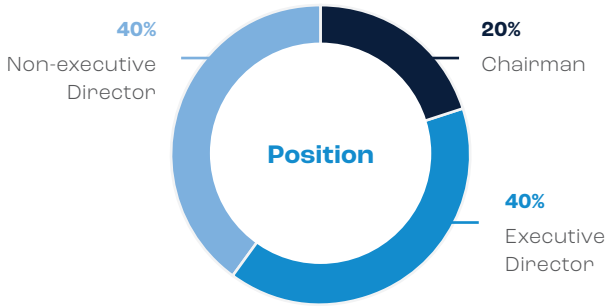
Key areas of prior experience:
Stephen has over 35 years' experience of working in senior roles in the technology, defence, information security and communications industries. Stephen was formerly Chief Executive Officer of Lockheed Martin UK until his retirement in 2016. Prior to this, he was Managing 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.

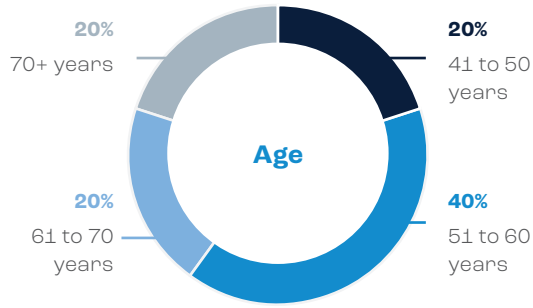
Jonathan Entract
Non-executive Director

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Appointed to the Board:
July 2026

Key areas of prior experience:
Jon is a commercially minded ACA-qualified Chartered Accountant who brings over 25 years' experience in investment management, having previously worked as a Partner at InfraRed Capital Partners. Through his work with InfraRed, he gained deep expertise in evaluating investment opportunities, undertaking M&A transactions on both the buy-side and sell-side, and has served on the boards of multiple portfolio companies to support their strategic development and growth ambitions.





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.

Chairman's introduction to governance

Dear Shareholder

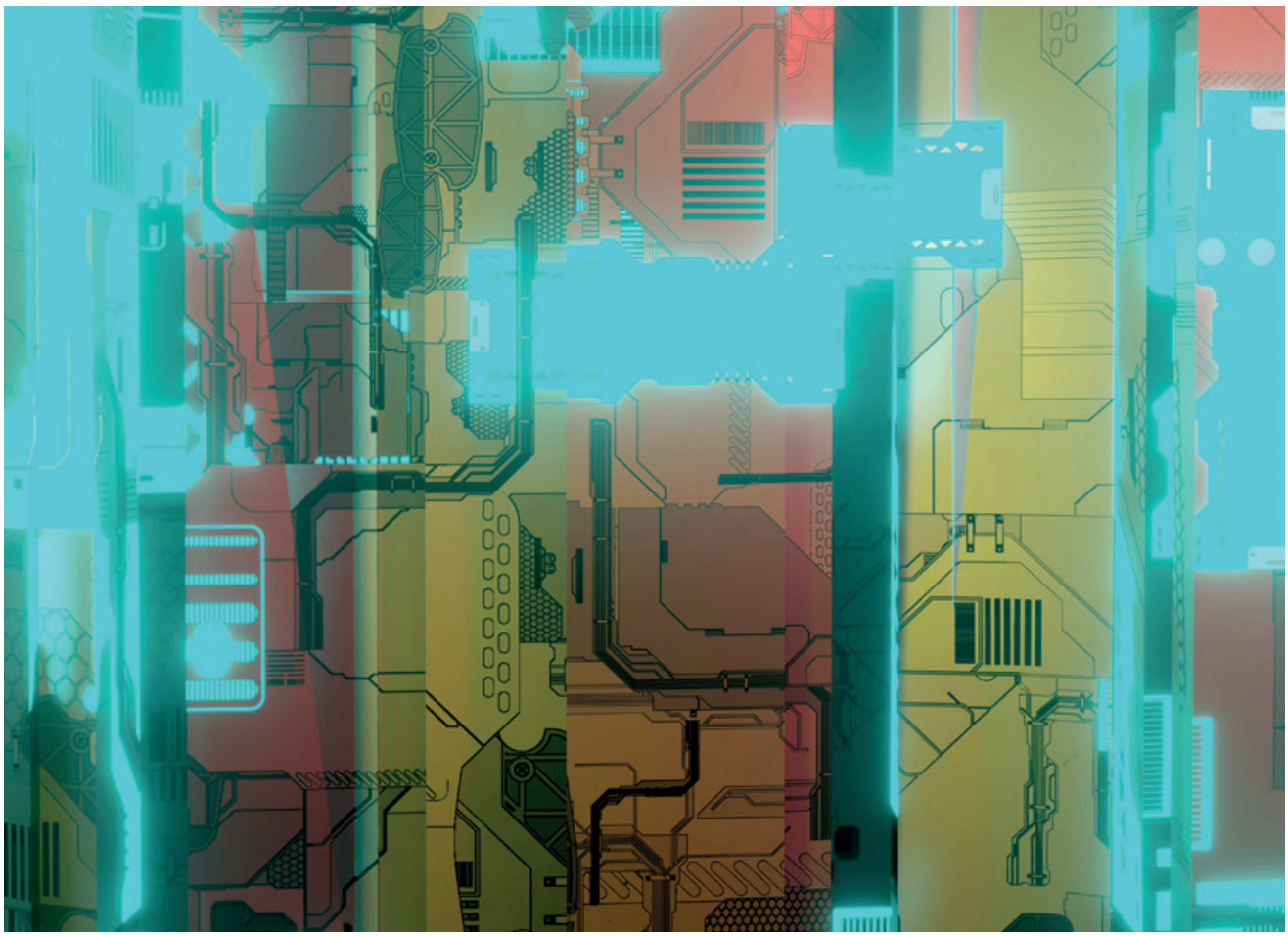
I am pleased to introduce Shearwater Group plc's governance report for the year to 30 June 2026 on behalf of the Board.

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 cybersecurity, 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 and 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.

Robin Southwell
Chairman
26 October 2026



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.

Governance structure and strategy

Strategy		Reference
Deliver growth		
01.	Establish a strategy and business model which promote long-term value for shareholders.	» See more on pages 10 to 12
02.	Seek to understand and meet shareholder needs and expectations.	» See more on pages 16 and 17
03.	Take into account wider stakeholder and social responsibilities and their implications for long-term success.	» See more on pages 16 and 17
04.	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	» See more on pages 29 to 33
Maintain a dynamic management framework		
05.	Maintaining the Board as a well-functioning, balanced team led by the Chair.	» See more on pages 34 and 35
06.	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	» See more on pages 34 and 35
07.	Evaluate Board performance based on clear and relevant objectives, seeking continuous Improvement.	» See more on page 40
08.	Promote a culture that is based on ethical values and behaviours.	» See more on pages 16 and 17
09.	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	» See more on pages 37 to 40
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 16 and 17

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 44.

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 42 and 43.

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 41.

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 34 and 35.

Corporate governance report continued

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 Jon Entract 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 the 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 evaluations 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	Financial	Governance
• Assessing the organic and strategic opportunities for the Group, including geographic expansion, potential merger and acquisition activities, and enhancement of product and service offering.	• 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. • Considered the appropriate use of Group cash reserves to enhance the position of the Company and maximise the value it delivers for shareholders.	• Communication with our employees. • Promotion of policy awareness to our employees including enhanced training.

Nomination Committee report

Robin Southwell
Chairman of the Nomination Committee

Committee attendance

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

Robin Southwell (Chair)	■■
Stephen Ball	■■

Dear Shareholder

On behalf of the Board, I am pleased to present the Nomination Committee report for the year ended 30 June 2026.

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 helps create 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. Prior to his departure from the Board, the Committee was chaired by the previous Board Chairman, David Williams.

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 following the decision of David Williams to step down as Chairman and Giles Willits advising the Board that he would also step down at the end of March 2026. The Committee determined that after the departure of David Williams, that the Board retained sufficient expertise and independence with the remaining Directors such that, with Robin Southwell stepping up to the role of Chairman, no replacement would be needed at that time. It was determined, however, that once Giles Willits left the Board, it would be necessary to appoint a further Non-executive Director, who also possessed the experience to serve as Audit Committee Chair.

The process for identifying and appointing a new Non-executive Director was handled internally, with a shortlist of potential candidates being identified through recommendations from the Company's professional advisers, a review of those with experience of similar size AIM listed companies and through the Board's own network of contacts.

Suitable candidates were interviewed by the Group CEO, Chief Financial Officer and Chairman, before a final recommendation was 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:

Robin Southwell
Chairman of the Nomination Committee
26 October 2026

Audit Committee report

Jonathan Entract
Chairman of the Audit Committee

Committee attendance

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

Giles Willits (Chair)	■■■
Stephen Ball	■■■
David Williams	■■■

Dear Shareholder

On behalf of the Board, I am pleased to present the Audit Committee report for the year ended 30 June 2026, my first report since assuming the role of Audit Committee Chair, shortly following the period end.

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 internal controls and risk management systems as they impact on the Group's financial reporting and capital structure. The Committee reviews the integrity of the interim and annual financial statements and reports to the Board its assessment that the annual accounts are fair, balanced and understandable and provide the shareholders 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;
- overseeing and reviewing the effectiveness of the Group's risk management and internal control systems 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
- overseeing and reviewing the relevant Group policies, systems and controls which exist to prevent fraud, bribery and to address other compliance concerns.

Committee members

The Committee consists of myself as Chair and my fellow Non-executive Director Stephen Ball. The Board is satisfied that I, as Chair of the Committee, have appropriate and relevant financial expertise. I qualified as a Chartered Accountant with Price Waterhouse and in my capacity as a Partner at InfraRed Capital Partners, I have served on the boards of multiple portfolio companies.

Prior to stepping down from the Board, the Committee was chaired by Giles Willits, with David Williams also serving as a Committee member alongside Stephen Ball. On behalf of the Board, I would like to thank both Giles and David for their work in their respective roles during their tenure on the Committee.

The Committee meets at least three times during the year and additionally 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

Amendment to revenue recognition policy

As part of the FY25 audit, conducted in early FY26, the Committee supported the newly appointed Chief Financial Officer and new external auditor, in undertaking a detailed review of the appropriateness of the Group's revenue recognition policies. This review resulted in a revision to the Group's approach to the recognition of certain categories of revenue. This revised policy was applied in the preparation of the FY25 annual report, involved the restatement of balances relating to FY24 and has continued to be applied through FY26.

Approval of financial statements

The Audit Committee reviewed and approved the audited financial statements for the 15-month period to 30 June 2025 and the unaudited financial statements for the six-month period ended 31 December 2025 and reported to the Board that in its view the statements were fair, balanced and understandable. Subsequent to the period end, the Committee has done the same with regard to the financial statements in respect of the year to 30 June 2026.

Agreement of audit focus and receipt of auditor feedback

Each year, the Audit Committee meets with the external auditor to review and agree the key areas of focus for the audit process. At the end of the audit process, the Committee will again meet with the auditor to receive feedback on the draft report and key findings from the audit process and will work with the Chief Financial Officer to ensure that any key findings and recommendations are appropriately enacted.

Re-appointment of external auditor

The Committee is pleased to recommend to the Board that HaysMac LLP is re-appointed as external auditor for the forthcoming financial year. At the AGM 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

As part of the FY25 external audit, the Group reviewed the appropriateness of its revenue recognition policies, particularly with regard to the provision of cloud-hosted cyber-security solutions and third-party support and maintenance of cybersecurity solutions. This review resulted in a revision to the Group's approach to the recognition of such revenues to spread the cost of sales and the majority of such revenue across a contract life, based on the proportion of the Group's obligations that had been discharged to that point in time.

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

The Audit Committee reviewed reports analysing 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.

As part of the FY25 audit work, the Committee concluded that it would be prudent to apply an exceptional impairment charge in the period to reduce these carrying values. Despite the overall positive trading performance, the Committee gave careful consideration as to whether a further impairment should be applied in respect of particular cash-generating units in FY26. The Committee concluded that no such impairment was required based on a number of steps taken by management to improve financial performance in respect of these units and initial positive indications as to the impact of this. The Committee, however, notes the sensitivity of this conclusion to any downward variation to revenue projections and will continue to monitor these values closely moving forward.

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.

4. Foreign exchange risk

The Group delivers complex, cutting-edge cybersecurity solutions to its customers, which can involve the provision of software and related support contracts across several years, with both customer and supplier payments being spread across the contract life. The Group predominantly contracts with its customers in GBP; however, the cost of sales incurred as part of these contracts will often be denominated in US$. The Group has a policy to mitigate the risk related to foreign exchange volatility, through the use of forward currency contracts. The Committee continues to monitor both the appropriateness and the application of this policy.

5. Cybersecurity risk

The Committee has reviewed the Group's Data Protection Committee's 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 of internal controls relevant to the Group's capital structure and financial reporting. Principal risks and uncertainties facing the business in this regard are presented on pages 29 to 33.

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:

Jonathan Entract
Chair of the Audit Committee
26 October 2026

Remuneration Committee report

Robin Southwell
Chairman of the Remuneration Committee

Committee attendance

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

David Williams (Chair)	■
Robin Southwell	■

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Committee report for the year ended 30 June 2026.

Roles and responsibilities

The role of the Remuneration Committee is to review and agree with the Board the framework for remuneration packages for Executive 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 now consists of myself as Chair and my fellow Non-executive Director Stephen Ball. I took over the role from the previous Chair, David Williams, following his decision to step down from the Board at the end of January 2026. Stephen Ball joined the Committee at the same time.

The Committee met once during the period to approve:

- Executive Director bonuses and remuneration for FY25 in the context of performance for that period;
- Executive Director salary increases for FY26; and
- a share option grant to Chief Executive Officer Phil Higgins.

The Committee met again shortly following the year end to approve Executive Director bonuses in respect of FY26 and pay increases for FY27. 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

Base salaries

The Committee reviewed the Executive Directors' base salaries and agreed that a 3% increase would be applied effective from 1 July 2025. 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.

Shortly following the year end, the Committee approved the same increase again effective from 1 July 2026, effective for the FY27 financial year, following the same rationale as had been applied in respect of the FY26 increases.

Bonus

The bonus opportunities for the CEO and CFO during the period were based on the delivery of revenue and adjusted EBITDA in line with budget and market expectations for the period, 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 both FY25 and FY26 in line with target levels for both the CEO and CFO.

Details of these bonuses are provided in the Directors' remuneration report.

Share options

At the start of the period, the Committee approved the award of options over 380,000 EMI qualifying shares to Phil Higgins, under the Group's ESOP scheme. This grant equates to 1.6% of outstanding share capital. The grant was made on the same terms as those made to other employees and a Director of the Group in January 2025. As such, the options vest in three tranches, based on continued employment and delivery of adjusted EBITDA targets across FY25, FY26 and FY27.

Remuneration of Non-executive Directors

Non-executive Directors' salaries increased by 3% effective from 1 July 2025. Following the year end, it was agreed that salaries would again increase by 3% from 1 July 2026. In each case, these increases mirrored the increases applied for Executive Directors and the wider salary increase budget applied across Group employees.

Approved on behalf of the Remuneration Committee by:

Robin Southwell
Chair of the Remuneration Committee
26 October 2026

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 a high level; 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	
	2026 £000	2025 (15 months) £000	**2026 £000**	2025 (15 months) £000
Wages and salaries	**713**	895	**327**	375
Social security costs	**102**	117	**48**	52
Pension costs	**6**	4	**–**	–
Share-based payments	**43**	2	**39**	–
Total remuneration	**864**	1,018	**414**	427

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

Year ended 30 June 2026	**Total salary and fees £000**	**Bonus £000**	**Benefits £000**	**Share-based payments £000**	**Sub-total £000**	**Pension £000**	**Total £000**
Executive Directors							
P Higgins	**227**	**100**	**–**	**39**	**366**	**–**	**366**
J Hall	**170**	**50**	**–**	**3**	**223**	**6**	**229**
Non-executive Directors							
D Williams[1]	**32**	**51**	**–**	**–**	**83**	**–**	**83**
R Southwell	**37**	**–**	**–**	**–**	**37**	**–**	**37**
S Ball	**26**	**–**	**–**	**–**	**26**	**–**	**26**
G Willits[2]	**20**	**–**	**–**	**–**	**20**	**–**	**20**
Total	**512**	**201**	**–**	**42**	**755**	**6**	**761**

1. David Williams resigned on 31 January 2026.
2. Giles Willits resigned on 31 March 2026.

In January 2026, an exceptional bonus was granted to David Williams prior to his departure from the Group, in recognition of additional services rendered during his time as Chairman.

Annual report on remuneration continued

Directors' remuneration continued

The remuneration of key management personnel during the prior period was as follows:

15 months ended 30 June 2025	Total salary and fees £000	Bonus £000	Benefits £000	Share-based payments £000	Sub-total £000	Pension £000	Total £000
Executive Directors							
P Higgins	275	100	–	–	375	–	375
A Hurst[1]	92	25	–	–	117	–	117
J Hall[2]	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**

1. Adam Hurst resigned on 25 September 2024.
2. Jonathan Hall was appointed to the Board on 25 September 2024.

Directors' interests in the share options of the Group as at 30 June 2026 were as follows.

	Date of grant	Exercise price	Number of options at 30 June 2026
P Higgins	9/07/2025	£0.35	380,000
J Hall	29/01/2025	£0.35	250,000

Directors' interests in the share options of the Group as at 30 June 2025 were as follows.

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

Directors' report

The Directors present their annual report together with the audited financial statements for the year ended 30 June 2026. The corporate governance statement set out on pages 38 to 40 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 cybersecurity, 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 2 to 33.

Results and dividends

Results for the year and financial position are detailed on pages 56 and 57. The Directors do not recommend the payment of a dividend for the year (FY25: £nil).

Directors

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

Name of Director	
D Williams (resigned 31 January 2026)	Chairman
P Higgins	Executive Director
J Hall	Executive Director
R Southwell	Non-executive Director/Chairman
S Ball	Non-executive Director
G Willits (resigned 31 March 2026)	Non-executive Director
J Entract (appointed 1 July 2026)	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 31 March 2026	Number of shares held at 31 March 2025
P Higgins	**2,649,349**	2,649,349
D Williams	**n/a**	1,618,757
R Southwell	**155,000**	155,000
S Ball	**119,444**	119,444
G Willits	**n/a**	67,717
J Hall	**23,500**	13,500
J Entract	**—**	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 2026, 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	14.9%
Mr P Higgins	11.1%
Interactive Investor	11.1%
Mr D Stacey	8.8%
Hargreaves Lansdown	8.3%
Mr D Williams	5.0%
Schroders	3.8%
IG Markets Stockbrokers	3.6%
Fiske Stockbrokers	3.1%

Directors' indemnities

The Group currently has in place, and had for the year ended 30 June 2026, Directors' and Officers' liability insurance for the benefit of all Directors of the Group.

Directors' report continued

Going concern

The Directors have considered the Group's going concern position, having reviewed detailed forecasts for the period to at least 30 June 2028, 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 16 and 17.

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 Térrea 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 the responsible operations section on pages 18 to 23 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 (FY25: £nil).

Events after the reporting date

Other than the capital reduction process described in note 22, 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.

Statement as to disclosure of information to the auditor

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 26 November 2026. Notice of the Annual General Meeting will be circulated shortly to shareholders.

On behalf of the Board

Robin Southwell
Chairman

26 October 2026

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 (collectively the 'Group') for the year ended 30 June 2026 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, seen as at the date the financial statements were approved, of the state of the Group and Parent Company's affairs as at 30 June 2026 and of the Group's loss for the year;
- 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 of 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, were 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 Solutions 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.

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 regards 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.	We obtained a detailed understanding of the revenue recognition policy for each revenue stream and evaluated whether it complied with IFRS 15. We challenged management's assessment of the policies and their application to the underlying revenue arrangements and evaluated the final accounting conclusions reached; We determined whether management have correctly identified the various performance obligations and allocated an appropriate transaction price to each performance obligation; We inspected a sample of new significant revenue contracts in the year and challenged management's judgement regarding the application of IFRS 15; We reviewed the treatment of accrued income and deferred income at year-end to determine whether income has been correctly recognised around the year-end date. We used data analytics to identify any unusual transactions that are posted outside of the 'normal' revenue cycle and any unusual trends or anomalies within the revenue transactional data; We performed an assessment of transactions round the year-end with verification to supporting documentation challenging the appropriateness of revenue recognition and ensuring revenue is recognised in the correct period. We performed detailed procedures over the new significant contract at the year-end and associated cost arrangement, including identification of performance obligations, evaluation of the transaction price and allocation methodology, review of the discount rate applied, and testing of management's revenue and cost recognition model against the underlying contractual terms.
Capitalisation of development costs under IAS 38 There is a risk that additions to intangible assets in the period are not correctly capitalised in line with IAS 38: Intangible Assets ("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 (£1,080k of additions per note 9).	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 period 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.

Independent auditor's report continued

to the members of Shearwater Group plc

Key audit matter	How our scope addressed this matter
Recovery of Goodwill and other intangible assets The Group's history of losses indicates that intangibles and goodwill, with a carrying amount of £27,482k (note 9), may be impaired and materially overstated.	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 performed sensitivity analyses over the key assumptions underpinning management's value-in-use models, including forecast revenue growth, terminal growth rates and discount rates (WACC). In particular, we assessed the impact of reduced revenue and pipeline conversion assumptions, reflecting execution risk inherent within forecast contract wins and renewals. We reviewed the value-in-use 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 (£33,316k per note 2 of company notes) and the risk of amounts owed by Group companies not being recoverable (£944k per note 5 of company notes).	We reviewed management's impairment assessment papers and supporting documentation, including methodology, CGU identification, allocation of goodwill and intangibles, and the basis of preparation for both Group and Parent Company assessments. For intercompany receivables, we took consideration for the material balances owed and corroborated the recovery of this per the work performed in our investment & impairment review, obtaining satisfaction that the material balance relating to Brookcourt Solutions Limited is deemed recoverable. We reviewed the discounted cash flow (VIU) models prepared by management for Brookcourt Solutions Limited, SecurEnvoy Limited, and Pentest Limited, and verified the mathematical accuracy of the models. We challenged key assumptions used in the models, including forecast revenue growth (8–10% CAGR), EBITDA margin progression, and capital expenditure levels, benchmarking these against historical performance, year-to-date results, approved budgets, and external market data. We evaluated the discount rate (WACC) and terminal growth rate assumptions (13.5% and 2.0% respectively) for consistency with sector data and current market conditions. We reviewed management's sensitivity analyses (including movements in WACC, terminal growth, revenue, and administrative costs) to assess the resilience of headroom and reasonableness of downside scenarios. We performed additional audit sensitivities to test the impact of reasonably possible changes in key assumptions on recoverable amounts, noting that sufficient headroom remained under the revised assumptions and that the assumptions were consistent with current trading performance. We performed detailed analysis on the sales pipelines for SecurEnvoy Limited and Pentest Limited, agreeing key sales contracts assumed to be earned to supporting communication/contracts/quotes with customers.

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)	£859,000	£501,000
How we determined OM	2% of draft Group revenue, retained following consideration of final reported revenue.	2% of total assets, restricted to £501,000 so that aggregated component materiality did not exceed 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)	£601,000	£351,000
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: 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, together with the consistency of prior period results and the control environment maintained by management, support the use of 70% performance materiality.	
Error reporting threshold	£42,900 (5% of overall materiality)	£25,100 (5% of overall materiality)

Independent auditor's report continued

to the members of Shearwater Group plc

Conclusions relating to going concern

In auditing the original 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 challenging the cash flow forecasts to 30 June 2028, including the key inputs and judgements used in their preparation, which form the central element of management's assessment and cover at least 12 months from the expected date of approval of the financial statements; and
- Performing stress tests and sensitivities over key assumptions, including revenue growth, profitability and working capital requirements, to assess the impact on the Group's liquidity and ability to continue as a going concern.

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.

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

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 period 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 49, 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 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 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
(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 year ended 30 June 2026

	Note	2026 12 months £000	2025 15 months £000
Revenue	3	**42,309**	39,549
Cost of sales		**(33,936)**	(29,983)
Gross profit		**8,373**	9,566
Administrative expenses		**(6,147)**	(18,719)
Other income		**20**	–
Depreciation and amortisation		**(2,659)**	(4,345)
Total operating costs		**(8,786)**	(23,064)
Operating loss		**(413)**	(13,498)
Adjusted EBITDA		**2,552**	2,214
Depreciation and amortisation		**(2,659)**	(4,345)
Impairment of goodwill and intangible assets	9	**–**	(11,058)
Other exceptional items	4	**(251)**	(287)
Share-based payments		**(55)**	(22)
Operating loss		**(413)**	(13,498)
Net finance income	6	**69**	126
Translation reserve release		**6**	–
Loss before taxation		**(338)**	(13,372)
Income tax credit/(charge)	7	**(56)**	1,405
Loss for the year and attributable to equity holders of the Company		**(394)**	(11,967)

Other comprehensive loss

Exchange differences		**2**	(4)
Reclassification of translation reserve adjustment		**(6)**	–
Exchange differences on translation of foreign operations		**(4)**	(4)
Total comprehensive loss for the year		**(398)**	(11,971)

Earnings/(loss) per ordinary share attributable to the owners of the parent

Basic and diluted (pence per share)	8	**(1.7)**	(50.2)
Adjusted basic (pence per share)	8	**5.5**	3.0
Adjusted diluted (pence per share)	8	**5.1**	3.0

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 basic and diluted earnings/(loss) per share.

The results above are derived from continuing operations.

The notes on pages 60 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 30 June 2026

	Note	2026 £000	2025 £000
Assets			
Non-current assets			
Intangible assets	9	**27,482**	28,854
Property, plant and equipment	10	**281**	337
Deferred tax asset	14	**469**	1,109
Trade and other receivables	11	**9,211**	229
Total non-current assets		**37,443**	30,529
Current assets			
Trade and other receivables	11	**23,171**	17,638
Cash and cash equivalents		**5,596**	5,062
Total current assets		**28,767**	22,700
Total assets		**66,210**	53,229
Liabilities			
Current liabilities			
Trade and other payables	12	**22,374**	15,772
Total current liabilities		**22,374**	15,772
Non-current liabilities			
Creditors: amounts falling due after more than one year	13	**10,448**	3,727
Total non-current liabilities		**10,448**	3,727
Total liabilities		**32,822**	19,499
Net assets		**33,388**	33,730
Capital and reserves			
Share capital	16	**22,279**	22,278
Share premium		**34,581**	34,581
Other reserves		**23,163**	23,108
Translation reserve		**19**	23
Accumulated losses		**(46,654)**	(46,260)
Equity attributable to owners of the Company		**33,388**	33,730
Total equity and liabilities		**66,210**	53,229

The notes on pages 60 to 83 are an integral part of these consolidated financial statements.

The financial statements on pages 56 to 83 were approved and authorised for issue by the Board and signed on their behalf on 26 October 2026.

Philip Higgins
Chief Executive Officer

Registered number: 05059457

Consolidated statement of changes in equity

for the year ended 30 June 2026

	Share capital £000	Share premium £000	Other reserves £000	Translation reserve £000	Accumulated losses £000	Total equity £000
At 1 April 2024	22,278	34,581	23,086	27	(34,293)	45,679
Loss for the period	–	–	–	–	(11,967)	(11,967)
Other comprehensive loss for the period	–	–	–	(4)	–	(4)
Total comprehensive loss for the year	–	–	–	(4)	(11,967)	(11,971)
Contributions by and distributions to owners						
Share-based payments	–	–	22	–	–	22
At 30 June 2025	22,278	34,581	23,108	23	(46,260)	33,730
Loss for the year	**–**	**–**	**–**	**–**	**(394)**	**(394)**
Other comprehensive loss for the year	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(4)**	**(394)**	**(398)**
Contributions by and distributions to owners						
Issue of share capital	**1**	**–**	**–**	**–**	**–**	**1**
Share-based payments	**–**	**–**	**55**	**–**	**–**	**55**
At 30 June 2026	**22,279**	**34,581**	**23,163**	**19**	**(46,654)**	**33,388**

The notes on pages 60 to 83 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 30 June 2026

	Note	2026 12 months £000	2025 15 months £000
Cash flows from operating activities			
Loss for the period		**(394)**	(11,967)
Adjustments for:			
Amortisation of intangible assets	4	**2,452**	4,115
Depreciation of right-of-use assets	4	**171**	169
Depreciation of property, plant and equipment	4	**36**	61
Share-based payment charge	4	**55**	22
Exceptional items:			
Impairment of goodwill and intangible assets	9	**–**	11,059
Other exceptional items		**251**	287
Net finance cost/(income)		**(69)**	(126)
Translation reserve release		**(6)**	–
Income tax		**56**	(1,405)
Cash flow from operating activities before changes in working capital		**2,552**	2,215
(Increase)/decrease in trade and other receivables		**(14,515)**	(7,352)
Increase/(decrease) in trade and other payables		**13,964**	6,285
Cash generated from operations		**2,001**	1,148
Net foreign exchange movements		**2**	364
Net finance income received		**69**	126
Tax (paid)/received		**(1)**	291
Net cash generated from operating activities before exceptional items		**2,071**	1,929
Net cash flows on exceptional items		**(251)**	(287)
Net cash generated from operating activities		**1,820**	1,642
Investing activities			
Purchase of property, plant and machinery	10	**(19)**	(26)
Purchase of intangibles	9	**(1,080)**	(1,343)
Net cash used in investing activities		**(1,099)**	(1,369)
Financing activities			
Repayment of lease liabilities	15	**(187)**	(185)
Net cash used in financing activities		**(187)**	(185)
Net increase in cash and cash equivalents		**534**	88
Cash and cash equivalents at the beginning of the period		**5,062**	4,974
Cash and cash equivalents at the end of the period		**5,596**	5,062

The notes on pages 60 to 83 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 30 June 2026

General information

The Group is a public limited company incorporated and domiciled in the UK. The address of its registered office is 1 Chancery Lane, London WC2A 1LF.

The Parent Company is listed on the AIM market of the London Stock Exchange. The Group provides cybersecurity, 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, has 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 has delivered strong growth across the past two accounting periods, with an adjusted EBITDA profit for the year to 30 June 2026 of £2.6 million. At 30 June 2026, the Group was well capitalised, with £5.6 million of cash and no bank borrowings.

The Directors have reviewed detailed budget cash flow forecasts for the period to 30 June 2028 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 2026 is broadly in line with management's expectations.

The Directors have reviewed and challenged a reverse stress test scenario on the Group up to June 2028. 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 a reduction of up to 15% across all revenue lines. Under this scenario, cost of sales related to the sale of cybersecurity solutions were assumed to scale down proportionally with the reduction in revenue. All other costs were unchanged. This scenario showed that under this adverse revenue scenario, even without applying the mitigating actions to manage the cost base, something that management would implement in such a circumstance, the Group still retained positive cash reserves to meet its liabilities throughout the review period.

Overall, the Directors consider that the positive trading performance over recent periods, the strong balance sheet position at 30 June 2026 and the outcome of the sensitised cash flow projections all support their belief that the Group will be able to pay its debts as they fall due for a period of at least twelve months from the date of signing the accounts 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 make an assessment of an appropriate terminal growth rate to apply beyond the forecast period. Because these calculations are sensitive to changes in assumptions, management perform 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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2026

1. Statement of accounting policies continued

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: (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. Where there is a significant difference between the date of revenue recognition and the expected date of cash receipt, the total value to be received is discounted using a cost of debt appropriate to the customer in order to determine the fair value.

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.

Services

Sales of integrated cybersecurity 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 licence, 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, reflective of a margin that would be expected for a simple reseller agreement. 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 fact that this is where the significant majority of Brookcourt's work is undertaken, including the design, procurement, integration and implementation of a solution. The balancing 10% is spread on a straight-line basis over the contract term.
- Where revenue recognition is not aligned with invoicing to customers, this can result in the creation of accrued or deferred income.

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 customer's 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. The 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 evaluates 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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2026

1. Statement of accounting policies continued

Intangible assets continued

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 date 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 is 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 contract 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 0.05% (2025: 0.16%). 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 0.05% is discounted by 20%, meaning a 0.04% 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 £4k (2025: £7k). 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 £5,000 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 disclosure 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. 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 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.

Notes to the consolidated financial statements continued

for the year ended 30 June 2026

1. Statement of accounting policies continued

Share-based payments continued

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

The Group has applied all new and amended UK-adopted international accounting standards that are relevant to its operations and effective for accounting periods beginning on or after 1 July 2025. The following amendment became effective for the first time during the year:

- Lack of Exchangeability (Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates).

This amendment specifies how an entity should assess whether a currency is exchangeable into another currency and how it should determine the appropriate spot exchange rate when exchangeability is lacking. The amendment also introduces additional disclosure requirements.

The adoption of this amendment did not have a material impact on the Group's consolidated financial statements.

Standards issued but not yet effective

At the date of authorisation of these financial statements, the following relevant standards and amendments had been issued but were not yet effective for the Group. The Group has not adopted any of these standards or amendments early.

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: Financial Instruments and IFRS 7: Financial Instruments: Disclosures);
- Annual Improvements to IFRS Accounting Standards – Volume 11, comprising amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7; and
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7).

The following standards and amendments 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; and
- Amendments to IFRS 19: Subsidiaries without Public Accountability: Disclosures.

IFRS 18 will replace IAS 1: Presentation of Financial Statements and introduces new requirements affecting the presentation of the statement of profit or loss, including defined categories and subtotals. It also introduces disclosure requirements for management-defined performance measures and enhanced requirements relating to the aggregation and disaggregation of information. IFRS 18 is not expected to affect the recognition or measurement of items in the Group's financial statements but is expected to affect their presentation and disclosure. The Group is continuing to assess the impact of the standard, including its application to the Group's alternative performance measures.

IFRS 19 permits eligible subsidiaries without public accountability to apply reduced disclosure requirements while continuing to apply the recognition, measurement and presentation requirements of other IFRS accounting standards. As the Company is publicly accountable, it is not eligible to apply IFRS 19 in its own financial statements. The Group is assessing whether the standard may be relevant to the individual financial statements of any subsidiaries.

The Group is assessing the impact of the remaining standards and amendments. Based on its assessment to date, they are not expected to have a material impact on the recognition or measurement of amounts reported in the Group's consolidated financial statements.

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:

	2026 £000	2025 £000
Loss before tax	**(338)**	(13,372)
Amortisation of acquired intangibles	**1,451**	2,624
Share-based payments	**55**	22
Exceptional items:		
Impairment of goodwill and intangible assets	**–**	11,058
Corporate restructuring costs	**251**	116
Other one-off costs	**–**	171
Adjusted profit/(loss) before tax	**1,419**	619
Net finance (income)/costs	**(69)**	(126)
Translation reserve release	**(6)**	–
Depreciation	**207**	230
Amortisation of other intangible assets – computer software (including in-house software development)	**1,001**	1,491
Adjusted EBITDA	**2,552**	2,214

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 year ended 30 June 2026 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 year ended 30 June 2026 £000	**Profit/(loss) year ended 30 June 2026 £000**	Revenue 15 months ended 30 June 2025 £000	Profit/(loss) 15 months ended 30 June 2025 £000
Services[1]	**40,623**	**3,685**	36,996	3,323
Software[1]	**1,686**	**208**	2,553	539
Group revenue/Group trading EBITDA[1]	**42,309**	**3,893**	39,549	3,862
Group costs[1]		**(1,341)**		(1,648)
Adjusted EBITDA		**2,552**		2,214

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

Notes to the consolidated financial statements continued

for the year ended 30 June 2026

3. Segmental information continued

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).

	2026 £000	2025 15 months £000
United Kingdom	**38,513**	35,636
Europe (excluding the UK)	**1,482**	1,047
North America	**1,077**	1,673
Rest of the world	**1,237**	1,193
	42,309	39,549

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

In the year to 30 June 2026, three customers within the Group made up more than 10% of the Group's revenue (FY25: three). These customers contributed £30.3 million to the Group's Services division (FY25: £21.7 million).

4. Expenses and auditor's remuneration

Operating loss is stated after charging/(crediting):

	2026 £000	2025 £000
Depreciation of fixed assets	**207**	230
Amortisation of intangibles	**2,452**	4,115
External auditor's remuneration:		
– Audit fee for annual audit of the Group and Company financial statements	**80**	78
– Audit fee for annual audit of the subsidiary financial statements	**82**	80
Share-based payments	**55**	22
Exceptional items		
Impairment of goodwill and intangible assets	**–**	11,058
Corporate restructuring costs	**251**	116
Other one-off costs[1]	**–**	171
Unrealised (profit)/loss on forward contracts	**(337)**	223

1. Other one-off costs in FY25 included completion of a one-off strategic project from FY24 and foreign exchange 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.

	2026 £000	2025 £000
Wages and salaries	**6,083**	7,566
Social security costs	**899**	1,015
Pension costs	**191**	237
Share-based payments	**55**	22
	7,228	8,840

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

	2026 No.	2025 No.
Administration	**25**	26
Production	**39**	44
Sales and marketing	**21**	19
	85	89

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

6. Interest receivable/(payable)

	2026 £000	2025 £000
Interest payable on revolving credit facility	**–**	(1)
Interest payable on lease liabilities	**(14)**	(16)
Other interest payments	**(27)**	–
	(41)	(17)
Interest receivable	**110**	143
	69	126

Other interest payments in the year reflect an early payment discount accessed from a customer.

7. Taxation

	2026 £000	2025 £000
Current tax:		
UK corporation tax at current rates on UK loss for the year	**–**	–
Under/(over) provision in respect of prior year	**–**	(49)
	–	(49)
Foreign tax	**1**	3
Total current tax charge/(credit)	**1**	(46)
Deferred tax movement in the period	**55**	(1,359)
Income tax charge/(credit)	**56**	(1,405)
Reconciliation of taxation:		
Loss before tax	**(338)**	(13,372)
Loss multiplied by the average rate of corporation tax in the year of 25% (2025: 25%)	**(85)**	(3,343)
Tax effects of:		
Expenses not deductible for tax purposes	**141**	2,592
Adjustments for previous periods	**–**	(49)
Foreign tax rate differences	**–**	3
Other items	**–**	(608)
Income tax charge/(credit)	**56**	(1,405)

Notes to the consolidated financial statements continued

for the year ended 30 June 2026

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 year ended 30 June 2026 and the 15 months ended 30 June 2025. 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:

	2026 £000	2025 £000
Net loss from total operations		
Loss for the purposes of basic and diluted earnings/(loss) per share being net loss attributable to shareholders	**(394)**	(11,967)
Add/(remove):		
Amortisation of acquired intangibles, net of tax	**1,452**	1,968
Exceptional costs, net of tax:		
Impairment of goodwill and intangibles	**—**	10,467
Corporate restructuring costs	**188**	87
Other one-off costs	**—**	128
Share-based payments	**55**	22
Adjusted profit for the purposes of adjusted earnings per share	**1,301**	705

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and adjusted loss per share	**23,828,333**	23,826,379

	Pence	Pence
Basic and diluted loss per share	**(1.7)**	(50.2)
Adjusted basic profit per share	**5.5**	3.0
Adjusted diluted profit per share	**5.1**	3.0

9. Intangible assets

	Goodwill £000	Customer relationships £000	Software £000	Trade names £000	Licence £000	Total £000
Cost						
At 1 April 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
Additions	**–**	**–**	**1,080**	**–**	**–**	**1,080**
At 30 June 2026	**36,660**	**10,838**	**13,375**	**6,826**	**1,005**	**68,704**
Accumulated amortisation						
At 1 April 2024	6,014	5,491	7,361	3,726	1,005	23,597
Amortisation for the year	–	1,168	2,093	853	–	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
Amortisation for the year	**–**	**765**	**1,004**	**683**	**0**	**2,452**
At 30 June 2026	**14,707**	**9,456**	**10,792**	**5,262**	**1,005**	**41,222**
Net book amount						
At 30 June 2026	**21,953**	**1,382**	**2,583**	**1,564**	**–**	**27,482**
At 30 June 2025	21,953	2,147	2,507	2,247	–	28,854
At 31 March 2024	30,646	5,347	3,591	3,100	–	42,684

The Group tests goodwill and intangible assets annually for impairment. The recoverable amount of goodwill and intangible assets 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.

The Group has three separate CGUs (FY25: three CGUs). For all three CGUs a weighted average cost of capital of 13.5% (FY25: 13.8%) and a terminal value, based on a long-term growth rate of 2% (FY25: 2%) calculated on year five cash flow, have been used.

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

	Software	Brookcourt Solutions	Pentest
Year 1	16%	(7%)	18%
Year 2	7.5%	10%	10%
Year 3	7.5%	10%	10%
Year 4	7.5%	10%	10%
Year 5	7.5%	10%	10%

In respect of the Software business, growth is expected to be stimulated by the bringing back to market of the Group's upgraded Data Discovery product, which has not contributed to revenue in FY26, but which has now undergone a successful proof of concept and is now being actively promoted to clients.

In respect of the Group's Services business, which includes Brookcourt and Pentest, the FY27 budgets reflect an expected change in mix towards higher-margin revenues to still deliver an increased year-on-year gross profit across the Group. The revenue growth from FY28 onwards of 10% is set to be slightly below the forecast industry growth rate of 11% to 12%.

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for the year ended 30 June 2026

9. Intangible assets continued

Sensitivity analysis has been performed on each of the Group's CGUs which incorporates changes in assumed revenue growth rates in addition to terminal value revenue growth rate and weighted average cost of capital (WACC). Outcomes of this sensitivity analysis in respect of each of the CGUs are outlined below:

Brookcourt Solutions – NBV of goodwill and intangible assets at 30 June 2026: £23.5 million:

- Reducing the terminal value from 2% to 1%: No impact on the conclusion in respect of the need for impairment.
- Increasing the weighted average cost of capital by 1%, from 13.5% to 14.5%: No impact on the conclusion in respect of the need for impairment.
- Retaining the revenue and cost assumptions for FY27 in line with the detailed Board-approved budget but reducing the anticipated revenue growth rate thereafter by 5% p.a., with administrative cost growth reduced by 2.5%: No impact on the conclusion in respect of the need for impairment. Under this scenario, revenue growth in each year would need to drop 5% p.a. below the baseline scenario level before any impairment would be required.

Pentest – NBV of goodwill and intangible assets at 30 June 2026: £1.7 million:

- Reducing the terminal value from 2% to 1%: No impact on the conclusion in respect of the need for impairment.
- Increasing the weighted average cost of capital by 1%, from 13.5% to 14.5%: No impact on the conclusion in respect of the need for impairment.
- Retaining the revenue and cost assumptions for FY27 in line with the detailed Board-approved budget but reducing the anticipated revenue growth rate thereafter by 5% p.a., with administrative cost growth reduced by 2.5%, would result in an impairment of £0.6 million.
- Under the baseline scenario, which aligns to management's best expectation of likely future cash flow, the value-in-use exceeds the carrying value by £0.8 million. Without mitigating action in respect of the cost base, a reduction of 1.6% in the annual revenue growth assumption would result in these two values becoming equal.

Software – NBV of goodwill and intangible assets at 30 June 2026: £2.3 million:

- Reducing the terminal value from 2% to 1%: No impact on the conclusion in respect of the need for impairment.
- Increasing the weighted average cost of capital by 1%, from 13.5% to 14.5%: No impact on the conclusion in respect of the need for impairment.
- Retaining the revenue and cost assumptions for FY27 in line with the detailed Board-approved budget but reducing the anticipated revenue growth rate thereafter by 5% p.a., with administrative cost growth reduced by 2.5%, would result in an impairment of £1.4 million.
- Under the baseline scenario, the value-in-use exceeds the carrying value by £0.6 million. Without mitigating action in respect of the cost base, a reduction of 1.2% in the annual revenue growth assumption would result in these two values becoming equal.

The Directors acknowledge the sensitivity of their conclusion in respect of impairment to changes in the revenue growth assumptions. In particular, in respect of the Software business, it is acknowledged that a significant factor supporting the conclusion that an impairment is not required is the Directors' belief that the enhanced Data Discovery product will contribute material revenues from FY27 onwards. Nonetheless, the Directors believe that the assumptions used in the baseline scenarios reflect their best estimation of the likely future performance of the respective CGUs and on that basis do not believe that an impairment charge is required as at 30 June 2026. The Directors will continue to closely monitor the appropriateness of this judgement.

10. Property, plant and equipment

	Right-of-use assets £000	Office equipment £000	Total £000
Cost			
At 1 April 2024	691	470	1,161
Additions	57	26	83
Disposals	–	(1)	(1)
At 30 June 2025	748	495	1,243
Additions	**132**	**19**	**151**
Disposals	**–**	**–**	**–**
At 30 June 2026	**880**	**514**	**1,394**
Accumulated depreciation			
At 1 April 2024	321	359	680
Charge for the year	169	61	230
Disposals	–	(4)	(4)
At 30 June 2025	490	416	906
Charge for the year	**171**	**36**	**207**
Disposals	**–**	**–**	**–**
At 30 June 2026	**661**	**452**	**1,113**
Net book amount			
At 30 June 2026	**219**	**62**	**281**
At 30 June 2025	258	79	337
At 31 March 2024	370	111	481

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

11. Trade and other receivables

Non-current	2026 £000	2025 £000
Prepayments and other receivables	**422**	229
Accrued income	**8,771**	–
Forward contract	**18**	–
	9,211	229

Current	2026 £000	2025 £000
Trade receivables	**6,963**	5,005
Prepayments and other receivables	**10,101**	7,759
Accrued income	**6,055**	4,874
Forward contract	**52**	–
	23,171	17,638

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11. Trade and other receivables continued

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

	2026 £000	2025 £000
At the start of the period	**8**	19
Movement in expected credit loss provision	**(4)**	(11)
At the end of the period	**4**	8

12. Trade and other payables

	2026 £000	2025 £000
Trade payables	**1,961**	2,851
Accruals and other payables	**5,599**	3,706
Deferred income	**12,063**	7,282
Other taxation and social security	**2,583**	1,504
Forward contract	**21**	276
Lease liabilities	**147**	160
Deferred consideration	**–**	(7)
	22,374	15,772

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

	2026 £000	2025 £000
Deferred tax	**1,161**	1,745
Forward contract	**148**	160
Lease liabilities	**79**	107
Accruals and other payables	**9,060**	1,715
	10,448	3,727

14. Deferred tax

	2026 £000	2025 £000
Non-current liabilities		
Liability at start of period	**1,745**	3,010
Deferred tax credit in the statement of comprehensive income	**(584)**	(1,265)
Total deferred tax	**1,161**	1,745

Deferred tax balance at 30 June 2026 includes a £1.2 million (2025: £1.7 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.

	2026 £000	2025 £000
Non-current assets		
At start of period	**1,109**	1,016
Credit/(charge) to statement of comprehensive income	**(640)**	93
Total deferred tax asset	**469**	1,109

The Directors consider that the Group has usable tax losses of £1.8 million (2025: £4.4 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 these tax losses which will be used to offset future taxable profits.

15. Lease liabilities

Lease liabilities at 30 June 2026, which include the extension of some existing office leases, are detailed below:

Lease liabilities	Property £000
At 31 March 2024	378
Additions	57
Interest expense	16
Payments to lease creditors	(185)
At 30 June 2025	266
Additions	**132**
Interest expense	**14**
Payments to lease creditors	**(187)**
At 30 June 2026	**225**

The maturity analysis of lease liabilities is detailed below:

Lease liabilities – (contractual undiscounted cash flows)	**2026 £000**	2025 £000
Less than one year	**157**	170
One to five years	**79**	110
Total undiscounted lease liabilities as at 30 June 2026	**236**	280

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

Lease liabilities included in the statement of financial position at 30 June 2026	**2026 £000**	2025 £000
Current	**147**	160
Non-current	**79**	107

Amounts recognised in the statement of comprehensive income	**2026 £000**	2025 £000
Interest on lease liabilities	**14**	16
Expenses related to short-term leases	**0**	0
Depreciation of right-of-use assets (note 10)	**171**	169

Amounts recognised in the statement of cash flows	**2026 £000**	2025 £000
Payment of principal	**187**	185
Payment of interest	**14**	16
Total cash outflows	**201**	201

Notes to the consolidated financial statements continued

for the year ended 30 June 2026

16. Share capital

The table below details movements within the year:

	Ordinary shares	
Number of shares (in thousands of shares)	**2026**	2025
In issue at the start of the period	**23,826**	23,826
Issued in the period	**4**	–
In issue at the end of the period	**23,830**	23,826

	2026	2025
Allotted, called up and fully paid	**£000**	£000
Ordinary shares of £0.10 each (2025: £0.10 each)	**2,383**	2,382
Deferred shares of £0.90 each (2025: £0.90 each)	**19,896**	19,896
Total	**22,279**	22,278

3,333 ordinary shares were allotted in the period (FY25: nil) on the exercise of options by an employee under the Group's EMI options scheme.

The Directors had previously stated that deferred shares were, for all practical purposes, valueless and that it was the Board's intention to repurchase, cancel or seek to surrender these deferred shares using lawful means in the future. On 25 September 2026 a circular was sent to shareholders including special resolutions proposing to cancel deferred shares for zero consideration, together with the Company's share premium account, as part of a capital reduction programme, with the amounts being credited to the Company's P&L reserve. These resolutions were overwhelmingly approved at a General Meeting of the Company on 13 October 2026. The Directors now intend to apply to the High Court to complete the capital reduction.

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 year ended 30 June 2026 include a share-based payments charge for the period of £55,000 (FY25: £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

	2026 £000	2025 £000
Share options – (CSOP)	0	11
Share options – (ESOP)	55	11
	55	22

Share options – (CSOP)

There were no options in issue under the Group's CSOP scheme at any point during FY26.

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

	2026		2025	
	Number	WAEP £	Number	WAEP £
Outstanding at the beginning of the period	–	–	327,589	0.95
Issued	–	–	–	–
Lapsed during the period	–	–	327,589	0.95
Exercised during the period	–	–	–	–
Outstanding at the end of the period	–	–	–	–
Exercisable at the end of the period	–	–	–	–

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% (2025: 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 either the end of the period or the prior period.

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17. Share-based payments continued

Share options – (ESOP)

The following options over ordinary shares remained outstanding at 30 June 2026:

	Options at 1 July 2025	Options issued during the period	Options lapsed during the period	Options exercised during the period	Options at 30 June 2026	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
P Higgins	–	380,000	–	–	**380,000**	£0.35	09/07/2025	31/10/2025	09/07/2035
Employees:									
Employees	977,000	–	92,776	3,333	**880,891**	£0.35	29/01/2025	31/10/2025	29/01/2035
Total	1,227,000	380,000	92,776	3,333	**1,510,891**				

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

	2026		2025	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**1,227,000**	**0.4**	33,169	1.1
Issued	**380,000**	**0.4**	1,227,000	0.4
Lapsed during the year	**92,776**	**0.4**	33,169	1.1
Exercised during the period	**3,333**	**0.4**	–	–
Outstanding at 30 June	**1,510,891**	**0.4**	1,227,000	0.4
Exercisable at 30 June	**468,061**	**0.4**	–	–

The share-based payment charge for options granted to employees and Directors has been calculated using the Black-Scholes model. For options issued during the period, the following parameters were used:

Share price at grant date	**£0.47**
Exercise price	**£0.35**
Expected option life (year)	**1 year to 3 years**
Expected volatility (%)	**19.8%**
Expected dividends	**0%**
Risk-free interest rate (%)	**4.6%**
Option fair value	**£0.47**

For options issued during the prior period, the following parameters were used:

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% (2025: 0%).

The weighted average remaining contractual life of options outstanding at the end of the year was 8 years 8 months (2025: 9 years 7 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 2026, 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)	
	2026 £000	2025 £000
Financial assets		
Cash and cash equivalents	**5,596**	5,062
Trade and other receivables	**21,859**	9,879
Total financial assets	**27,455**	14,941
Trade and other receivables		
Trade receivables	**6,963**	5,005
Forward contract	**70**	–
Accrued income	**14,826**	4,874
	21,859	9,879

	Amortised cost (payables)		Fair value through profit or loss (FVPL)	
	2026 £000	2025 £000	**2026 £000**	2025 £000
Financial liabilities				
Trade and other payables	**16,630**	8,271	**–**	–
Lease liabilities	**226**	266	**–**	–
Forward contracts	**–**	–	**169**	436
Total financial liabilities	**16,856**	8,537	**169**	436
Trade and other payables				
Trade payables	**1,961**	2,851		
Accruals	**14,669**	5,420		
	16,630	8,271		

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18. Financial instruments continued

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 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 previously held a revolving credit facility with Barclays Bank plc, which expired in FY24. The 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 the 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	2,000	27 August 2026	1.335
US dollar	3,000	15 March 2027	1.345
US dollar	5,000	28 May 2027	1.320
US dollar	1,000	15 June 2027	1.310
US dollar	500	15 June 2027	1.347
US dollar	3,000	31 March 2028	1.335
US dollar	5,000	31 May 2028	1.313
US dollar	5,000	31 May 2029	1.307
US dollar	5,000	31 May 2030	1.302

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. The amounts hedged include known future contract liabilities in respect of contracts where the cost of sale has not yet been recognised, nor invoiced to Shearwater Group, hence they exceed the value of trade and other payables at 30 June as disclosed in the table below.

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

	USD		EUR	
Net foreign currency financial assets/(liabilities)	**2026 £000**	2025 £000	**2026 £000**	2025 £000
Trade receivables	**435**	100	**52**	44
Other receivables	**8**	7	**0**	1
Trade payables	**(1,911)**	(1,343)	**(3)**	(8)
Other payables	**(13,466)**	(8,048)	**0**	3
Cash and cash equivalents	**192**	421	**56**	190
Total net exposure before excluding forward contracts	**(14,742)**	(8,863)	**105**	230
Forward contracts	**22,273**	9,800	**0**	0
Total net exposure	**7,531**	937	**105**	230

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 £0.8 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 £0.7 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 £0.01 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 £0.01 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 is 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 and as such the amounts may vary from the Trade and Other Receivables and Trade and Other Payables notes, which are shown at fair value.

Financial assets	**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**
As at 30 June 2026					
Trade and other receivables	**18,181**	**5,091**	**4,256**	**6,226**	**–**
Forward contracts	**11**	**41**	**18**	**–**	**–**
Total	**18,192**	**5,132**	**4,274**	**6,226**	**–**
As at 30 June 2025					
Trade and other receivables		15,398	2,240	229	–
Total		15,398	2,240	229	–

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18. Financial instruments continued

Liquidity risk continued

Financial liabilities	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
As at 30 June 2026					
Trade and other payables	**15,916**	**6,510**	**6,417**	**5,638**	**–**
Forward contracts	**(11)**	**21**	**148**	**–**	**–**
Lease liabilities	**54**	**100**	**34**	**37**	**–**
Total	**15,959**	**6,631**	**6,599**	**5,675**	**–**
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	–	–

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 assesses 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 the 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 12% (2025: 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.

During the period, the Company received a dividend from Brookcourt Solutions Ltd of £19.6 million (FY25: £nil).

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

20. Bank loans

The Group previously held a revolving credit facility with Barclays that it elected not to renew in FY24, as given the strong cash position and positive trading performance, there was no likelihood in the short term that such a facility would be required. As a consequence, no facility was in place throughout the period or the prior period. The 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 the Directors decide that this is desirable.

21. Notes to support cash flow

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

	2026 £000	2025 £000
Net increase in cash and cash equivalents	**534**	88
Cash and cash equivalents at the beginning of the year	**5,062**	4,974
Cash and cash equivalents at the end of the year	**5,596**	5,062

Cash and cash equivalents are held in the following currencies:

	2026 £000	2025 £000
Sterling	**5,348**	4,451
US dollar	**192**	421
Euro	**56**	190
	5,596	5,062

Reconciliation of liabilities from financing activities:

			Non-cash changes		
	2025 £000	Cash outflows £000	Loan interest £000	Right-of-use asset additions £000	2026 £000
Payment of principal on lease liabilities	266	**(187)**	**14**	**132**	**225**
Total	266	**(187)**	**14**	**132**	**225**

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

22. Events after the reporting period

On 25 September 2026 a circular was sent to shareholders including special resolutions proposing to cancel the Company's deferred shares and share premium accounts, with the resulting amounts being credited to the Company's P&L reserve as part of a capital reduction programme. These resolutions were overwhelmingly approved at a General Meeting of the Company on 13 October 2026. The Directors now intend to apply to the High Court to complete the capital reduction, which will create distributable reserves, providing the Company with the flexibility to either declare a dividend, or buy back its own shares should the Directors opt to do so in the future.

Company statement of financial position

as at 30 June 2026

	Note	2026 £000	2025 £000
Assets			
Non-current assets			
Investments in subsidiaries	2	**33,316**	33,316
Intangible assets	3	**0**	3
Property, plant and equipment	4	**0**	0
Total non-current assets		**33,316**	33,319
Current assets			
Trade and other receivables	5	**977**	344
Cash and cash equivalents		**1**	1
Total current assets		**978**	345
Total assets		**34,294**	33,664
Liabilities			
Current liabilities			
Trade and other payables	6	**5,398**	23,453
Total current liabilities		**5,398**	23,453
Non-current liabilities			
Creditors: amounts falling due after more than one year	7	**–**	–
Total non-current liabilities		**–**	–
Total liabilities		**5,398**	23,453
Net assets		**28,896**	10,211
Capital and reserves			
Share capital	8	**22,279**	22,278
Share premium		**34,581**	34,581
Other reserves		**23,165**	23,110
Accumulated losses		**(51,129)**	(69,758)
Equity attributable to owners of the Company		**28,896**	10,211
Total equity and liabilities		**34,294**	33,664

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 profit for the financial year for the Parent Company was £18.6 million (2025: loss of £14.6 million).

The notes on pages 86 to 90 are an integral part of these Company financial statements.

The financial statements on pages 84 to 90 were approved and authorised for issue by the Board and signed on their behalf by:

Philip Higgins
Chief Executive Officer
26 October 2026
Registered number: 05059457

Company statement of changes in equity

for the year ended 30 June 2026

Company	Share capital £000	Share premium £000	Other reserve £000	Accumulated losses £000	Total equity £000
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
Total profit and comprehensive profit for the year	**–**	**–**	**–**	**18,629**	**18,629**
Contributions by and distributions to owners					
Issue of share capital	**1**	**–**	**–**	**–**	**1**
Share-based payments	**–**	**–**	**55**	**–**	**55**
At 30 June 2026	**22,279**	**34,581**	**23,165**	**(51,129)**	**28,896**

Notes to the Company financial statements

for the year ended 30 June 2026

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 carrying 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. Based on this analysis the Directors do not believe any impairment is required at the reporting date. They note, however, the sensitivity of this assumption to the ability of the Group's Software and Pentest businesses to deliver on their revenue growth targets. If these are not achieved then there is the potential that an impairment may be required in the future.

Recoverability of intercompany amounts

Management make judgements, estimates and assumptions in determining the recoverability of intercompany amounts. The Company has intercompany receivable balances of £944k 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 Company's balance sheet when the Company 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 Company derecognises financial liabilities when, and only when, the Company'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 Company 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, include 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.

Notes to the Company financial statements continued

for the year ended 30 June 2026

2. Investments in subsidiaries

Company	Total £000
Investments in subsidiaries at 31 March 2024	47,187
Liquidation	(366)
Impairment	(13,505)
Investments in subsidiaries at 30 June 2025	33,316
Liquidation	–
Impairment	–
Investments in subsidiaries at 30 June 2026	**33,316**

There were no additions made in either the year to 30 June 2026, or in the prior period.

During the prior period, the Company 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 were made in that 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). The Company undertook the same review in respect of the carrying value as at 30 June 2026 and concluded that no further impairment was required.

The following table gives brief details of the entities controlled and included in the consolidated financial statements of the Group at 30 June 2026. 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
SecurEnvoy Limited*	England and Wales	22 Great James Street, London WC1N 3ES	100
SecurEnvoy, Inc.	USA	1209 Orange Street, Wilmington, Delaware	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 Company completed the process of placing Shearwater Subco Ltd, Xcina Ltd, Xcina Consulting Ltd, GeoLang Holdings Ltd, GeoLang Ltd and SecurEnvoy GmbH into members' voluntary liquidation as part of an exercise to simplify the Group structure. These entities had no external liabilities and no ongoing activities within them, having previously hived up any such activities into other Group entities.

Audit exemption and parental guarantee

In accordance with sections 479A–479C of the Companies Act 2006, Shearwater Group plc has provided a statutory guarantee of the liabilities of certain subsidiary undertakings. Those subsidiaries have therefore claimed exemption from the requirement to have their individual accounts audited. All UK subsidiary undertakings have claimed this exemption with the exception of Brookcourt Solutions Limited, whose financial statements are subject to statutory audit.

3. Intangible assets

	Total £000
Cost	
At 31 March 2024	16
Additions	–
At 30 June 2025	16
Additions	**–**
At 30 June 2026	**16**
Accumulated amortisation	
At 31 March 2024	6
Charge for the period	7
At 30 June 2025	13
Charge for the period	**3**
At 30 June 2026	**16**
Net book amount	
At 30 June 2026	**–**
At 30 June 2025	3
At 31 March 2024	10

4. Property, plant and equipment

	Total £000
Cost	
At 31 March 2024	31
Additions	1
At 30 June 2025	32
Additions	**1**
At 30 June 2026	**33**
Accumulated depreciation	
At 31 March 2024	29
Charge for the period	2
At 30 June 2025	31
Charge for the period	**2**
At 30 June 2026	**33**
Net book amount	
At 30 June 2026	**–**
At 30 June 2025	–
At 31 March 2024	2

Notes to the Company financial statements continued

for the year ended 30 June 2026

5. Trade and other receivables falling due within one year

Current	2026 £000	2025 £000
Prepayments and other receivables	**33**	29
Amounts owed by Group companies	**944**	315
	977	344

6. Trade and other payables falling due within one year

	2026 £000	2025 £000
Amounts owed to Group companies	**5,161**	23,134
Accruals and other payables	**237**	319
	5,398	23,453

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

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

	2026 £000	2025 £000
Deferred taxation	**–**	2
	–	2

8. Share capital

	2026 £000	2025 £000
Allotted, called up and fully paid		
23,829,712 ordinary shares of £0.10 each	**2,383**	2,382
22,106,460 deferred shares of £0.90 each	**19,896**	19,896
Total	**22,279**	22,278

9. Employees

The Company has one employee (FY25: one) who is the Chief Financial Officer of 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 £3k (FY25: £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 in FY24 and up to that point had not been utilised. The Directors do not currently believe that such a facility is required; however, at the period end, the Company remains party to a cross-guarantee arrangement with fellow Group entities related to this RCF, which was left in place to simplify the process, should the 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.

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Annual General Meeting
26 November 2026

Notes



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