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Shearwater Group PLC
24 July 2024

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (as amended), which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018. Upon publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

24 July 2024

Shearwater Group plc
("Shearwater", or the "Group")

Results for the year ended 31 March 2024
Resilient performance in a challenging environment, with confidence in a return to growth during FY25

Shearwater Group plc, the cybersecurity, advisory and managed security services group, announces its final results for the year ended 31 March 2024.

Financial Highlights

- Group revenue of £22.6m (FY23: £26.7m), impacted by a period of cautious customer spending.
- Adjusted EBITDA[1] of £0.9m (FY23: £(0.2)m).
- Adjusted loss before tax[2] of £(0.6)m (FY23: loss before tax of £(1.3)m).
- Strong financial position with net cash as at 31 March 2024 of £5.0m (FY23: £4.0m), £3m higher than the cash position at the half year.
- Recovering margins delivered in FY24 through an improved profile of business and cost control following the restructuring early in the year.

Operational Highlights

- Streamlined operations and enhanced synergies following the successful integration of Xcina into Brookcourt Solutions and GeoLang into SecurEnvoy.
- Notable contract wins and renewals in Services across the banking, telecoms and retail sectors, alongside the strategically significant new focus on central government departments.
- Three consecutive half years of stable Software sales with progress in the expansion of the Group's offering, positioning the division for growth and success.
- Despite FY24 performance being impacted by customer caution surrounding budget allocations, customer engagement levels remained high and the Group continues to benefit from a customer base of blue-chip organisations spanning a breadth of sectors.
- Five prestigious awards during the year, serving as a testament to the value of the Group's offering.

Outlook

- Post period end, clear signs that customer budget allocation is starting to be released at a modest pace.
- FY25 has started well with increasing momentum, including notable contracts secured and a strong pipeline of opportunities across both divisions.
- Expansion into Government departments remains a key strategic priority and a focus.
- Confidence in returning to growth in FY25, delivering solid, sustainable revenue and profit growth in the years ahead.

[1] *Adjusted EBITDA is defined as profit before tax, before one off exceptional items, share based payment charges, finance charges, impairment of intangible assets, depreciation and amortisation.*

[2] *Adjusted Loss Before Tax defined as net profit before tax, exceptional items, share based payments and amortisation of acquired goodwill.*

Phil Higgins, CEO of Shearwater Group, commented: *"I am encouraged by how resiliently the Group navigated challenging market conditions in the year. Although FY24 performance was impacted by some customers deferring budget allocations, we emerged having secured notable contract wins and having maintained a strong level of customer engagement.*

"We are encouraged that FY25 has started well, with a number of significant contracts already secured and clear signs that customer budget allocation is starting to be released at a modest pace.

"The team remains focused on converting the significant pipeline of opportunities across both divisions, with deepened expansion into Government departments remaining a key strategic priority and a major growth avenue for the business. We are confident in returning to growth in FY25 and in delivering solid, sustainable revenue and profit growth in the years ahead."

Investor Presentation

Shearwater Group's CEO, Phil Higgins and Interim CFO, Adam Hurst, will provide a live investor presentation relating to the results via the Investor Meet Company platform on Wednesday 24 July 2024 at 10.00am.

Investors can sign up to Investor Meet Company for free and add to meet Shearwater Group via:
https://www.investormeetcompany.com/shearwater-group-plc/register-investor

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About Shearwater Group plc

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

The Group's differentiated full service offering spans identity and access management and data security, cybersecurity solutions and managed security services, and security governance, risk and compliance. Its growth strategy is focused on building a scalable group that caters to the entire spectrum of cyber security and managed security needs, through a focused buy and build approach.

The Group is headquartered in the UK, serving customers globally across a broad spectrum of industries.
Shearwater shares are listed on the London Stock Exchange's AIM under the ticker "SWG". For more information, please visit www.shearwatergroup.com.

Chairman's statement

Phil's CEO report sets out the Group's performance for the year ended 31 March 2024, together with details of the work being undertaken by our management team in laying the groundwork for better results in the new financial year. Our Board has been encouraged to note the improved pipeline as it shows greater levels of activity than in previous years which gives us all confidence in the potential moving forward.

We are a fundamentally sound business, delivering robust and award winning solutions for our clients, but we are at the mercy of timing in winning large contracts and, after three years of profit growth and strong revenue performance, the last two years have been impacted by delays. Despite this we have maintained a healthy cash balance such that, as can be seen in the accounts, this represents roughly half our market capitalisation.

In common with many small companies our shares are languishing. This is in part due to those contract delays in the last two years impacting profits but also reflects the malaise in the market for micro cap companies where poor liquidity deters investors and exacerbates share price movements.

Your board is very mindful of this and, together with our Advisory Panel members, has been supportive of management's drive to win new business and improve the results. We can see a distinct improvement in the market for our products and services, which gives us optimism for the current year, but we also review other avenues to improve shareholder returns.

Our non executive directors and Advisory Panel members have done a great job in supporting and assisting management and I want to thank them for their contribution as well as thank our customers and shareholders for their support. We are all working hard to return your company to much improved profitability in the current year and beyond.

David Williams
Chairman

23 July 2024

Chief Executive's review

The year ending 31 March 2024 was one of consolidation which demonstrated Shearwater Group's resilience and potential. While headline revenue performance remained impacted by some customers continuing to defer budget allocations for larger contracts to future periods, we remain upbeat due to the promising pipeline of opportunities across both our Services and Software divisions and confident in the strong foundation we've built to enable us to capitalise on these opportunities moving forward.

While Group revenue for the year was £22.6m (FY23: £26.7m), Adjusted EBITDA[1] returned to profit at £0.9m compared to a £0.2m loss in FY23 and the Group delivered improved margins from a combination of an improved profile of business and cost control following the restructuring early in the year.

[1]*See notes 2 and 3 within the Group financial statements that present a reconciliation of Adjusted EBITDA to statutory measures including profit/(loss) before tax.*

The Group continues to be strengthened by a robust balance sheet, with year-end cash of £5.0m (FY23: £4.0m), in line with market expectations, £1m ahead of the prior year and £3m higher than the cash position at the half year. The improved cash position reflects strong cash generation in the second half, bolstering our financial position and positioning us well for future growth.

We move into FY25 with key wins already secured and are encouraged by the increasing levels of customer engagement, which provides more confidence in our return to growth. Whilst some larger contracts are still under negotiation, they continue to progress and remain in our pipeline. Consequently, we are well-positioned to deliver solid and sustainable revenue and profit growth in the years ahead.

Group operational review

The Group comprises two divisions: Services, which accounts for 89% of our revenue, and Software, contributing the remaining 11%. Despite encountering a period of cautious customer spending in FY24, resulting in a slight softening in the number of new client acquisitions, our commitment to excellence has led to notable contract wins, in particular in the banking, telecommunications and retail sectors, alongside our new focus of central government departments.

These achievements underscore the value of our established relationships with prestigious blue-chip organisations spanning a breadth of sectors.

In FY24 we completed a strategic initiative to integrate our Group businesses, resulting in streamlined operations and enhanced synergy. The successful integration of Xcina into Brookcourt Solutions and GeoLang into SecurEnvoy yielded tangible benefits in the year. These include the realisation of internal efficiencies, empowering us to channel resources into further product development initiatives across both divisions. We have emerged as a more unified business, ensuring we are poised to capitalise on Shearwater's long-term growth opportunities.

At Shearwater we take immense pride in delivering our top-tier cyber security, managed security and professional advisory solutions and services. We were delighted to have received further accolades, which serve as a testament to the exceptional value we provide. In total, five prestigious awards were secured across both divisions. Noteworthy mentions include SecurEnvoy's recognition as the Identity & Access Management Solution of the Year at the Computing Security Magazine Awards 2023, along with commendation in the Security Software Solution of the Year category for Data Discovery. Additionally, Brookcourt received the Customer Service Award at the same event and earlier in the year Brookcourt won the Logo Acquisition Award 2023 at the Proofpoint channel event for the most successful acquisition of an Enterprise bank over a three-year sales cycle. Furthermore, Pentest emerged as a triumphant winner at Pwn2Own Toronto for successfully compromising the Samsung Galaxy S23, underscoring our commitment to innovation and excellence in the field.

Services

Despite continued challenging market conditions in FY24 the Services division secured £20m in revenue, primarily through contract wins and renewals, notably in the banking, telecommunications and government sectors. Noteworthy wins included: a managed cyber security service, utilising AI-driven endpoint protection, for a leading finance investment house; tailored technical consulting projects for a new customer, an international financial technology company; and retention of our services for existing telecommunication customers. These examples illustrate our ability to navigate the current climate and capitalise on emerging opportunities.

The first half of FY24 saw pivotal wins, including partnerships with a prominent European Cyber Managed Security Services Provider (MSSP), an international retail chemist and cosmetics company, and a crucial security services contract with a UK government department. While financial performance was, as expected, weighted to the second half of the year, the pace of renewals and wins, particularly in Brookcourt Solutions was affected by customer hesitancy surrounding budget allocations and not secured at the pace we had anticipated.
Securing the £1.3m Government agency contract in October 2023 was an important milestone, as our first major Government contract, with a second three-year agreement worth c.£0.8m secured with another Government department following a successful one-year trial. This not only diversifies our client portfolio but also positions us for growth within the central government sector. Deepening our engagement with Government entities remains a strategic focus where we see an exciting opportunity for business expansion. Alongside this, Brookcourt secured a lucrative three-year contract with a leading global bank, valued at US$3.2m, further solidifying our position as a trusted provider of comprehensive security and cyber security services and solutions.

Our penetration testing business, Pentest, completed a record number of tests (3,174 days in total), adding 34 new clients and expanding the list of territories in which it operates to 22 countries. Revenues in the year were enhanced by a significant engagement from an existing US-based client and a number of key account wins with global enterprises. Due to our focus on delivering world-class service, Pentest maintained a strong pipeline throughout the year with repeat revenues from a high percentage of returning clients and a year-on-year increase in their day rate.

	2024	2023	
	£m	£m	%
Revenue	**20.2**	23.8	(15.1)
Gross profit	**5.4**	4.3	25.5
Gross margin %	**27%**	18%	+9%
Overheads	**3.9**	4.2	16.7
Adjusted EBITDA[1]	**1.5**	0.1	n/a
Adjusted EBITDA margin %	**7%**	1%	+6%

[1]Note that to provide useful analysis the above table is adjusted to net off FX movements on forward contracts (FY24: £0.2m credit; FY23: £0.4m cost) against the FX movement on the underlying balance which are accounted for within Gross profit. FX movements on forward contracts are included in Administrative costs in the financial statements. Adjusted EBITDA above is prior to Group costs as set out in Note 3.

Amidst an ever-changing cybersecurity landscape, we continue to tailor our offering to cater to the needs of our customers. Throughout the year, we expanded our AI-based solutions by collaborating with partners who are integrating advanced machine learning algorithms enhancing threat detection capabilities and delivering automated response systems. These efforts provide us with an additional competitive advantage over the general IT marketplace and ensure that our clients receive cutting-edge protection against evolving threats.

Software

While Software performance in the year experienced some challenges compared to the prior period, we have made significant strides in other key areas. The integration of GeoLang into SecurEnvoy has generated efficiencies that allowed for increased investment in product development in FY24. As a result, we successfully introduced a comprehensive product set across the Group's global distribution network. Our development team is now fully integrated and operating as a unified resource, leading to increased opportunities for Geolang, now renamed as SecurEnvoy Data Discovery, through SecurEnvoy's global network of resellers. These advances position us well for future growth and success.

Our ongoing R&D focus has significantly expanded our Software product portfolio, strengthening our market positioning and setting us apart from our peers. Key achievements during the year include:

- **Enhanced Security:** The V3.R3 update meets heightened government and critical network security requirements.
- **Deployment Flexibility:** We now offer On-Premise (Windows & Linux) and Private Cloud (Azure & AWS) options, catering to diverse customer needs.
- **Managed Service Integration (MSP):** A new MSP edition addresses the growing demand for managed security services and simplifies billing.
- **Enhancing SecurEnvoy with AI:** SecurEnvoy will leverage AI to reduce training needs, enhance security response and proactive threat prevention. SecurEnvoy's AI strategy aims to streamline user support, strengthen security posture through advanced threat detection, and empower proactive response to cyberattacks.

cyberattacks.

With an expanded product portfolio across the Software vision, we are well-placed to serve a broader customer base and cater to evolving market demands across both On-Premise and Private Cloud solutions.

Software's financial performance in FY24 was behind the prior year but has seen stable revenues for the last three half years and we are confident that traction and engagement will increase. We have a renewed confidence in the division, with marketing and activities increased as the year progressed, which will be key in positioning the division for growth in FY25. The second half of the year saw an encouraging increase in new customer acquisitions.
Further progress was made in the year with the expansion of channel partnerships through new agreements. In North America, we refocused our efforts and signed our first Managed Service Provider (MSP), BlueZone Cyber Inc., based in Texas. Additionally, we are advancing plans to offer our solution on the AWS Marketplace in North America by the second half of the FY25, making SecurEnvoy available to over 180,000 active customers on the platform. We have also made progress in the Middle East. This region continues to thrive, benefiting from in-person channel and customer meetings, resulting in a 20% year-on-year increase in deal registrations. In FY25, we will maintain a strong focus on this territory, with plans to deliver a Cloud Hosted Stack in the UAE to address regional data sovereignty and residency requirements.

	2024	2023	
	£m	£m	%
Revenue	**2.4**	2.9	(17.2)
Gross profit	**1.7**	1.8	(5.6)
Gross margin %	**71%**	63%	+8%
Overheads	**0.8**	0.8	-
Adjusted EBITDA[1]	**0.9**	1.0	-
Adjusted EBITDA margin %	**38%**	34%	+4%

[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 become a leader in next-generation cybersecurity solutions. We deliver a comprehensive suite of services, from cutting-edge technology to expert consulting, empowering businesses to navigate the evolving threat landscape.

Strengthening Organic Growth: Fuelling Our Momentum
While current market conditions have necessitated a focus on strengthening organic growth, M&A remains a strategic pillar. In the near term, we're capitalising on the increasing number of opportunities within our chosen sectors, driving robust organic revenue expansion.

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

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

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

Adding Shareholder Value Through AI Integration

Artificial intelligence (AI) is rapidly transforming industries, and our company is poised to leverage this powerful technology to create additional value for our shareholders. We are already providing AI based cyber security solutions to our customer base and also recognise the opportunity to drive AI within our business to enhance efficiencies through automating and streamlining processes and utilise the powerful analytical capabilities to enhance data-driven decisions to optimise our resource allocation and maximise return on investment. We believe that we can achieve competitive advantage through utilising AI-powered solutions to personalise customer experiences, improve product development and strengthen our overall market position, driving long-term growth and shareholder value.

We are committed to implementing AI responsibly and ethically keeping within our established AI code of conduct and we look forward to updating you on our developments.

Market Opportunity

Businesses globally are facing a growing number of cybersecurity challenges, requiring the implementation of controls to build and embed resilience, meet regulatory mandates and reduce overall risk. 50% of businesses report having experienced some form of cyber security breach or attack in the past 12 months, with a 72% increase in the number of data compromises in 2023 over the 2022 previous high [1].

The rise of cloud-based technology has driven a rise in cyber attacks, with cloud environment intrusions increasing by 75% from 2022 to 2023 [2]. The more recent exponential increase in the adoption of AI is proving to revolutionise not only the way in which businesses work, but also lower the barriers of entry for low-skilled adversaries, making it easier to launch sophisticated attacks.

[1] Cyber security breaches survey 2024 - GOV.UK (www.gov.uk)
[2] The rise of AI threats and cybersecurity: predictions for 2024 | World Economic Forum (weforum.org)

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

Board Update

Adam Hurst, Interim Chief Financial Officer, will shortly be completing his contract with the Company and a process has commenced to find a permanent replacement. Adam has agreed to remain with the business until his successor has been appointed and assist with handover.

Current Trading and Outlook

We are encouraged that FY25 has started well with the increasing momentum reported in April building in Q1, with notable contracts secured, including a £1.4m contract renewal and a $4.8m new deal with a British media and telecommunications company as well as one of the delayed projects from a leading international bank. There are clear signs that customer budget allocations, which had been squeezed in recent years due to the challenging external environment, are starting to be released at a modest pace. We are benefitting from increased customer engagement, with a stronger pipeline of opportunities across both divisions.

We remain focused on converting the significant pipeline of opportunities across the Group, with deepened expansion into Government departments remaining a key strategic priority and a major growth avenue for the business. We are confident in returning to growth in FY25 and in delivering solid, sustainable revenue and profit growth in the years ahead.

Philip Higgins
CEO

23 July 2024

Financial review

Overview
While the Group's financial performance in the year to 31 March 2024 was again impacted by market factors and delayed contracts in the Group's Services division, resulting in revenue down 15% to £22.6 million, gross margins improved from 24% of revenue to 31% and administrative expenses for the Group were lower by 9%.

The Group continues to retain a healthy balance sheet with a cash position of £5.0 million at 31 March 2024 (2023: £4.0 million) and no debt. During the year the Group again generated positive operating cash flows and continued to invest in the development of new software offerings which it expects to successfully monetise in future years.

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

	2024	2023
	£m	£m
Revenue	**22.6**	26.7
Gross profit	**6.9**	6.4
Administrative expenses (underlying)[1]	**(6.0)**	(6.6)
Adjusted EBITDA	**0.9**	(0.2)
Adjusted EBITDA margin	**4%**	-%
Net finance charges	**(0.1)**	(0.1)
Depreciation	**(0.2)**	(0.2)
Amortisation of intangible assets - computer software	**(1.2)**	(0.8)
Adjusted loss before tax	**(0.6)**	(1.3)
Amortisation of acquired intangible assets	**(2.1)**	(2.1)
Impairment of intangible assets	**-**	(6.0)
Exceptional items and share-based payments	**(0.6)**	(0.2)
Loss before tax	**(3.3)**	(9.6)
Taxation credit	**1.1**	1.5
Loss after tax	**(2.2)**	(8.2)

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

Revenue
Revenue for the year ended 31 March 2024 of £22.6 million was 15% down on the prior year (2023: £26.7 million).

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

	2024	2023
	£m	£m
Services		
Managed services and warranties	**9.8**	11.2
Security solutions	**5.1**	6.1
Advisory and engineering	**5.3**	6.5
Software		
Software licences	**2.4**	2.9
Total revenue	**22.6**	26.7

The Services division was impacted by the continued effect of market conditions on its customer base. While some contracts that had been delayed from the previous financial year were completed, there continued to be delays in some customers releasing budgets, resulting in lower revenue year on year. Advisory revenues included particularly strong demand for Pentest's consulting services in the year.

Software licences revenue fell in the year as falling sales of the legacy 'On Premise' multi-factor authentication software have not yet been replaced by sales of the new platform and cloud-based products which were released during the year and continue to be developed. Renewal rates with existing customers increased to over 80% demonstrating the value many long-standing clients place on this product and its future roadmap and resulting in stable revenue in the Software business for the third half year in a row. Continued investment into developing this software both as a cloud-based platform as well as a next generation on prem solution provides opportunities to drive additional incremental revenues in the future.

Adjusted EBITDA
The Group delivered a return to positive adjusted EBITDA of £0.9 million in the year (2023: Loss of (£0.2) million). The prior year was impacted by a £0.8m loss on foreign exchange which did not recur following implementation of a hedging policy. The increase in adjusted EBITDA, excluding the impact of foreign exchange in the prior year, was £0.3m and achieved despite the lower revenue due to higher gross margin percentages in both the Services and Software divisions, from improved profile of revenues and lower costs following the restructuring activity earlier in the year.

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

	2024	2023
	£m	£m
Services and Software	**2.3**	1.1
Central administrative expenses	**(1.4)**	(1.3)
Adjusted EBITDA	**0.9**	(0.2)
Adjusted EBITDA margin %	**4%**	**-**

Central administrative expenses increased by £0.1 million in the year to £1.4 million.

Finance charges
Net finance charges of £0.1 million were in line with prior year (2023: £0.1 million). In the second half of the year the Group began to utilise short term deposits to earn interest on excess cash balances.

Depreciation
Depreciation of £0.2 million (2023: £0.2 million) was similar to the prior year and mainly comprises depreciation of right of use assets.

Amortisation of intangible assets - computer software
Amortisation of computer software increased by £0.4 million to £1.2 million (2023: £0.8 million), reflecting the profile of expenditure in recent years.

Adjusted loss before tax
The Group's adjusted loss before tax for the year was £0.6 million (2023: £1.3 million loss). The improvement compared to the prior year was largely due to the increased EBITDA, which was partly offset by the increase in amortisation of computer software.

Amortisation of acquired intangible assets
Amortisation of acquired intangible assets of £2.1 million (2023: £2.1 million) was in line with the previous year.

Share-based payments
Share-based payment charges were less than £0.1 million in the year (2023: £0.1 million) mainly reflecting lapsed options and expiry of the SAYE plan.

Exceptional items
Exceptional items of £0.5 million (2023: £0.1 million) included one-off expenses relating to completion of the restructuring which followed a review of the Group in early 2023 and the cost of a one-off strategic project in the second half of the current year.

Reported loss before tax
Reported loss before tax for the year of £3.3 million (2023: £9.6 million loss) reflected the absence of the £6.0 million impairment charge incurred in the prior year.

Taxation
A taxation credit in the period of £1.1 million primarily comprises movements in deferred taxation.

Earnings/(loss) per share
Adjusted basic and diluted earnings per share of 0.3 pence (2023: loss of 0.4 pence) was similar to the prior year. Reported basic and diluted loss per share of 9.1 pence (2023: loss 34.3 pence) improved due to the absence of the impairment charge incurred in the prior year.

Statement of financial position

Intangible assets
Intangible assets decreased in the year by £2.2 million to £42.7 million at 31 March 2024 (2023: £44.9 million). This movement incorporates £1.0 million of investment into continued development of the Group's software assets (2023: £1.3 million), less £3.3 million amortisation, of which £2.1 million relates to acquired intangibles and £1.2 million to internally developed computer software. The prior year included a £6.0 million impairment charge relating to the write down of goodwill.

Property, plant and equipment
Property, plant and equipment increased slightly in the year by £0.1 million to £0.5 million at 31 March 2024 (2023: £0.4 million). Additions of £0.3 million include £0.2 million for the extension of an existing office lease which has been recognised as a right of use asset. Other movements in the period include depreciation in the year of £0.2 million.

Trade and other receivables
Trade and other receivables, including both non-current and current balances, decreased by £6.5 million in the year from £19.6 million to £13.1 million at 31 March 2024. The reduction was mainly due to receipts relating to large long-term customer contracts that were delivered and recognised in the income statement in previous financial years. By March 2024 none of the remaining balances were due after more than one year.

Trade and other payables (falling due within one year)
Trade and other payables increased by £0.3 million in the year from £12.3 million to £12.6 million at 31 March 2024. The balance includes a £4.1 million increase in trade payables and £4.5 million reduction in accruals and other payables as invoices were received in the year relating to long term supplier contracts where the costs were recognised in previous financial years in line with the long-term customer contracts noted above.

Creditors: amounts falling due after more than one year
Creditor amounts falling due after more than one year reduced by £5.6 million from £9.2 million to £3.6 million at 31 March 2024, due mainly to a reduction in accruals and other payables relating to long-term contracts. At 31 March

March 2024, due mainly to a reduction in accruals and other payables relating to long-term contracts. At 31 March 2024 none of the remaining balances were due after more than one year. Deferred tax was £3.0 million (2023: £3.6 million) and mainly comprised amounts held for acquired intangible assets.

Statement of cash flows
The Group generated cash inflows in the year of £1.0 million (2023: outflow of £1.6 million), driven largely by the return to positive adjusted EBITDA and positive working capital generation, particularly in the second half of the year. Working capital benefited in the year from the profile of long term deals concluded in previous years. The Group continued to invest in the Software division, with £1.0 million invested into internally developed software, the latest of which, SecurEnvoy's Access Management v.4.0 R2, went live in May 2024. The Group continued to collect cash effectively, with minimal bad debt.

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

	2024 £m	2023 £m
Adjusted EBITDA	**0.9**	(0.2)
Movements in working capital	**1.1**	0.5
Cash generated from operations	**2.0**	0.3
Adjusted cash generated from operations	**2.4**	0.4
Exceptional items	**(0.4)**	(0.1)
Net cash generated from operating activities	**2.0**	0.3
Capital expenditure (net of disposal proceeds)	**(1.1)**	(1.3)
Tax received/(paid)	**0.3**	(0.3)
Finance costs paid	**(0.1)**	(0.1)
Payments of lease liabilities	**(0.2)**	(0.2)
Movement in cash	**1.0**	(1.6)
Opening cash and cash equivalents	**4.0**	5.6
Closing cash and cash equivalents	**5.0**	4.0

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 (2023: £1.3 million) in the year primarily includes capitalisation of external and internal software costs for developing our software business's product sets. Expenditure of property, plant and machinery remains minimal.

Financing activities
Expenditure on financing activities of £0.3 million (2023: £0.3 million) including repayment of lease liabilities, was in line with the prior year.

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

Alternative performance measures
The Group uses alternative performance measures alongside statutory measures to manage the performance of the business. In the opinion of the Directors, alternative performance measures can provide additional relevant information on past and future performance to the reader in assessing the underlying performance of the business.

The table within note 2 of the consolidated financial statements details definitions of adjusted EBITDA and adjusted (loss)/profit before tax measures. Note 8 details the definition of adjusted EPS.

Consolidated statement of comprehensive income
for the year ended 31 March 2024

	Note	**2024 £000**	2023 £000
Revenue	3	**22,643**	26,686
Cost of sales		**(15,790)**	(20,236)
Gross profit		**6,853**	6,450
Administrative expenses		**(6,548)**	(12,875)
Depreciation and amortisation		**(3,531)**	(3,131)
Total operating costs		**(10,079)**	(16,006)
Operating loss		**(3,226)**	(9,556)
Adjusted EBITDA		**864**	(201)
Depreciation and amortisation		**(3,531)**	(3,131)
Impairment of intangible assets		**-**	(6,014)
Exceptional items	4	**(533)**	(125)
Share-based payments		**(26)**	(85)
Operating loss		**(3,226)**	(9,556)
Net finance cost	6	**(67)**	(77)
Loss before taxation		**(3,293)**	(9,633)
Income tax credit	7	**1,123**	1,458
Loss for the year and attributable to equity holders of the Company		**(2,170)**	(8,175)
Other comprehensive (loss)/income			
Exchange differences on translation of foreign operations		**(3)**	7
Total comprehensive loss for the year		**(2,173)**	(8,168)
Earnings/(loss) per ordinary share attributable to the owners of the parent			
Basic and diluted (Pence per share)	8	**(9.1)**	(34.3)
Adjusted basic and diluted (Pence per share)	8	**0.3**	(0.4)

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

The results above are derived from continuing operations.

Consolidated statement of financial position

As at 31 March 2024

	Note	2024 £000	2023 £000
Assets			
Non-current assets			
Intangible assets	9	**42,684**	44,939
Property, plant and equipment	10	**481**	433
Deferred tax asset	14	**1,016**	742
Trade and other receivables	11	**679**	7,280
Total non-current assets		**44,860**	53,394
Current assets			
Trade and other receivables	11	**12,392**	12,346
Cash and cash equivalents		**4,974**	3,964
Total current assets		**17,366**	16,310
Total assets		**62,226**	69,704
Liabilities			
Current liabilities			
Trade and other payables	12	**12,604**	12,348
Total current liabilities		**12,604**	12,348
Non-current liabilities			
Creditors: amounts falling due after more than one year	13	**3,646**	9,233
Total non-current liabilities		**3,646**	9,233
Total liabilities		**16,250**	21,581
Net assets		**45,976**	48,123
Capital and reserves			
Share capital	16	**22,278**	22,278
Share premium		**34,581**	34,581
Other reserves		**23,086**	23,442
Translation reserve		**27**	30
Accumulated losses		**(33,996)**	(32,208)
Equity attributable to owners of the Company		**45,976**	48,123
Total equity and liabilities		**62,226**	69,704

The financial statements were approved and authorised for issue by the Board and signed on their behalf on 23 July 2024.

Philip Higgins
Chief Executive Officer

Registered number: 05059457

Consolidated statement of changes in equity

for the year ended 31 March 2024

	Share capital £000	Share premium £000	Other reserves £000	Translation reserve £000	Accumulated losses £000	Total equity £000
At 1 April 2022	22,278	34,581	24,386	23	(25,062)	56,206
Loss for the year	-	-	-	-	(8,175)	(8,175)
Other comprehensive income for the year	-	-	-	7	-	7
Total comprehensive loss for the year	-	-	-	7	(8,175)	(8,168)
Contributions by and distributions to owners						
Expiry of share options	-	-	(1,029)	-	1,029	-
Share-based payments	-	-	85	-	-	85
At 31 March 2023	22,278	34,581	23,442	30	(32,208)	48,123
Loss for the year	**-**	**-**	**-**	**-**	**(2,170)**	**(2,170)**
Other comprehensive loss for the year	-	-	-	**(3)**	-	**(3)**
Expiry of share options	-	-	-	-	-	-
Total	**-**	**-**	**-**	**(3)**	**(2,170)**	**(2,173)**

Total comprehensive loss for the year				[illegible]	(2,170)	[illegible]
Contributions by and distributions to owners						
Expiry of share options	-	-	**(382)**	**-**	**382**	**-**
Share-based payments	-	-	**26**	**-**	**-**	**26**
At 31 March 2024	**22,278**	**34,581**	**23,086**	**27**	**(33,996)**	**45,976**

Consolidated cash flow statement
for the year ended 31 March 2024

	Note	2024 £000	2023 £000
Cash flows from operating activities			
Loss for the year		**(2,170)**	(8,175)
Adjustments for:			
Amortisation of intangible assets	4	**3,287**	2,891
Depreciation of right of use assets	4	**197**	184
Depreciation of property, plant and equipment	4	**47**	56
Share-based payment charge	4	**26**	85
Impairment of intangible assets	4	**-**	6,014
Exceptional items		**-**	125
Net finance cost		**67**	77
Income tax		**(1,123)**	(1,458)
Cash flow from operating activities before changes in working capital		**331**	(201)
Decrease in trade and other receivables		**6,509**	813
Decrease in trade and other payables		**(4,796)**	(248)
Cash generated from operations		**2,044**	364
Net foreign exchange movements		**3**	10
Net finance cost paid		**(47)**	(83)
Tax received / (paid)		**301**	(285)
Net cash generated from operating activities before exceptional items		**2,301**	6
Net cash flows on exceptional items		**-**	(80)
Net cash generated from / (used in) operating activities		**2,301**	(74)
Investing activities			
Purchase of property, plant and machinery	10	**(42)**	(57)
Purchase of intangibles	9	**(1,032)**	(1,280)
Net cash used in investing activities		**(1,074)**	(1,337)
Financing activities			
Repayment of lease liabilities	15	**(216)**	(200)
Net cash used in financing activities		**(216)**	(200)
Net increase / (decrease) in cash and cash equivalents		**1,011**	(1,611)
Foreign exchange movement on cash and cash equivalents		**(1)**	-
Cash and cash equivalents at the beginning of the period		**3,964**	5,575
Cash and cash equivalents at the end of the period		**4,974**	3,964

Notes to the consolidated financial statements
for the year ended 31 March 2024

1. Basis of Preparation and Accounting Policies

These Consolidated Financial Statements have been prepared in accordance with UK adopted International Accounting Standards and are in conformity with the requirements of the Companies Act 2006. They do not include all of the information required for full annual statements and should be read in conjunction with the 2024 Annual Report.

The comparative figures for the financial year 31 March 2023 have been extracted from the Group's statutory accounts for that financial year. The statutory accounts for the year ended 31 March 2023 have been filed with the registrar of Companies. The auditor reported on those accounts: their report was (i) unqualified, (ii) did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 March 2024 were approved by the Board of Directors on 23 July 2024 and will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 24 September 2024.

The financial information contained in this announcement does not constitute statutory accounts for the year ended 31 March 2024 or 2023 as defined by Section 434 of the Companies Act 2006.

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 Directors continue to regularly review the Group's going concern position, considering the impact of potential future trading downturns should there be another global event or further economic challenges. Over the past two years some of the Group's customers have experienced challenging trading conditions which has resulted in delays to projects, which impacted the business's performance.

At 31 March 2024 the Group has been able to report a robust financial position and is well capitalised with a net cash position of £5.0 million (2022: £4.0 million).

The Directors have reviewed detailed budget cash flow forecasts for the period to 30 September 2025 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 June 2024 is broadly in line with management's expectations.

The Directors have reviewed and challenged a reverse stress test scenario on the Group up to September 2025. The purpose of the reverse stress test for the Group is to test the impact on the Group's cash if the assumptions in the budget are altered.

The reverse stress test assumes significant adjustments to the Group's budget which include the scaling back of revenues across all business lines, for the year ended 31 March 2025 and onwards, by around 50%. Services revenues have been reduced to exclude significant opportunities in discussion with existing customers, delay some material renewals and exclude 50% of identified new business deals. Software revenues have been reduced with renewal rates lowered and all new business lines removed with the exception of the Access Management product new business revenues which have been reduced by 75%. Costs have been scaled back in line with the reduction in revenues. The resulting outcome of the stress-test forecasts that the Group would have sufficient cash resources to service its liabilities during the periods reviewed.

In the event that the performance of the Group is not in line with the projections, action will be taken by management to address any potential cash shortfall for the foreseeable future. The actions that could be taken by the Directors include both a review and restructuring of employment related costs. Additionally, the Directors would seek to negotiate access to other sources of finance from the Company's relationship banks.

Overall, the sensitised cash flow forecast demonstrates that the Group will be able to pay its debts as they fall due for the period to at least 30 September 2025 and therefore the Directors are satisfied there are no 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 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
Management make judgements, estimates and assumptions in supporting the fair value of goodwill, intangible assets and investments in subsidiaries. The Group carries out annual impairment reviews to support the fair value of these assets. In doing so, management estimate future growth rates, weighted average cost of capital and terminal values. Further information can be found in note 9.

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 31 March each year. 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 accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities of the acquired business at fair value. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets and liabilities is recognised in the consolidated statement of financial position as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets and liabilities is greater than the cost of the investment, a gain is recognised immediately in the consolidated statement of comprehensive income.

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

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

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

Revenue recognised in the statement of comprehensive income but not yet invoiced is held on the statement of financial position within accrued income. Revenue invoiced but not yet recognised in the statement of comprehensive income is held on the statement of financial position within deferred revenue.

The Group's revenues are comprised of a number of different products and services across our two divisions, details of

The Group's revenues are comprised of a number of different products and services across our two divisions, details of which are provided below:

Services

- Sale of third-party hardware, software, warranties and internal support:
  a) where the contract entails only one performance obligation to provide software or hardware, revenue 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 access third party software or warranties; and
  b) where a contract to supply external hardware, software and/or warranties also includes an element of ongoing internal support, multiple performance obligations are identified and an allocation of the total contract value is allocated to each performance obligation based on the standalone costs of each performance obligation. The respective costs of each performance obligation are traceable to supplier invoice and applying the fixed margins, standalone selling prices are determined. Internal support is recognised equally over the period of time detailed in the contract.
- Sales of consultancy services are usually based on a number of consultancy days that make up the contracted consideration. Consultancy days generally comprise field work and (where required) report writing and delivery which are considered to be of equal value to the client. Revenue is recognised over time based on the number of consultancy days provided within the period compared to the total in the contract.

Software

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

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

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

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

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

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

Where the Group is a principal, revenues are recognised on a gross basis in the statement of comprehensive income while when an agent revenues are recognised on a net basis in the statement of comprehensive income.

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 the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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

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

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

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

Intangible assets
Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired as part of a business combination are recognised outside goodwill if the assets are separable or arise from contractual or other legal rights and their fair value can be measured reliably. Material expenditure on internally developed intangible assets is taken to the consolidated statement of financial position if it satisfies the six step criteria required under IAS 38.

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

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

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

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

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

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

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

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

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

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

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

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

Expected credit losses are calculated with reference to average loss rates incurred in the three most recent reporting periods then adjusted taking into account forward-looking information that may either increase or decrease the current rate. The Group's average combined loss rate is 0.27% (2023: 0.24%). 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 0.27% is discounted by 20%, meaning a 0.22% 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 £18,935 (2023: £29,864). The movement has been recognised in the statement of comprehensive income. To date, the Group has a record of minimal bad debts, with less than £25,000 being written off in the past three years.

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

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

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

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

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

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

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

Right of use assets
In determining if a lease exists, management considers if a contract conveys the right to control the use of an identified asset for a period of time in return for a consideration. When assessing whether a contract states a right to control the use of an identified asset, management considers:
- if a contract involves the use of an identified asset, this could be specified explicitly or implicitly and should be physically

- 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' since 1 April 2019 are valued at the commencement date of the lease (this is usually the date the underlying asset is available for use). For leases that began prior to 1 April 2019, a right of use asset was created at 1 April 2019 when the Group adopted IFRS 16.

Right of use assets are depreciated on a straight-line basis from the commencement date (this is usually the date the underlying asset is available for use, or 1 April 2019 if the lease commenced before this 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 (or 1 April 2019 for leases which commenced before this date) the Group recognises lease liabilities, measuring them at the present value of lease payments at commencement of the lease (or 1 April 2019 for leases which commenced before this date) discounted at the determined incremental borrowing rate.

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

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

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

Practical expedients
IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applies the following practical expedients when applying IFRS 16 to leases previously classified as operating leasing under IAS 17:
• applied a single discount rate to all leases with similar characteristics;
• applied the exemption not to recognise right of use assets and liabilities for leases with less than twelve
months of the lease term remaining as at the date of initial application; and
• applied the exemption for low-value assets whereby leases with a value under £5,000 (usually IT equipment) have been classed as short-term leases and not recognised on the statement of financial position even if the initial term of the lease from the lease commencement date may be more than twelve months.

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

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

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

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

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

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

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

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

Uncertainty over income tax treatments
The Group applies the guidance in IFRIC 23 on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:
- the Group to determine whether uncertain tax treatments should be considered separately, or together as a Group, based on which approach provides better predictions of the resolution;
- the Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

New standards
and interpretations applied
There were no new standards or amendments or interpretations to existing standards that became effective during the year that were material to the Group. These include an amendment to IAS 12- Deferred Tax related to Assets and Liabilities arising from a Single Transaction).

No new standards, amendments or interpretations to existing standards having an impact on the financial statements that

No new standards, amendments or interpretations to existing standards having an impact on the financial statements that have been published and that are mandatory for the Group's accounting periods beginning on or before 1 April 2023, or later periods, have been adopted early.

New standards and interpretations not applied
The following new standards, amendments and interpretations have not been adopted in the current year:

International Financial Reporting Standard (IFRS/IAS)	Effective date	Adopted by the Group
Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases)	1 January 2024	1 April 2024
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements)	1 January 2024	1 April 2024
Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)	1 January 2024	1 April 2024
Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)	1 January 2024	1 April 2024
Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)	1 January 2025	1 April 2025

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 loss before tax

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

Adjusted EBITDA
In addition to the adjusting items highlighted above in the adjusted loss before tax:

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

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

	2024 £000	2023 £000
Loss before tax	**(3,293)**	(9,633)
Amortisation of acquired intangibles	**2,099**	2,099
Impairment of intangible assets	**-**	6,014
Exceptional items	**533**	125
Share-based payments	**26**	85
Adjusted loss before tax	**(635)**	(1,310)
Net finance costs	**67**	77
Depreciation	**244**	240
Amortisation of intangible assets - computer software (including in-house software development)	**1,188**	792
Adjusted EBITDA	**864**	(201)

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.

Segment information for the twelve months ended 31 March 2024 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 31 March 2024 £000	**Profit/(Loss) Year ended 31 March 2024 £000**	Revenue Year ended 31 March 2023 £000	Profit/(Loss) Year ended 31 March 2023 £000
Services[1]	**20,270**	**1,467**	23,830	149
Software[1]	**2,373**	**869**	2,856	977
Group Revenue / Group trading EBITDA[1]	**22,643**	**2,336**	26,686	1,126
Group costs[1]		**(1,472)**		(1,327)
Adjusted EBITDA		**864**		(201)
Amortisation of intangibles		**(3,287)**		(2,891)
Impairment of intangible assets		**-**		(6,014)
Depreciation		**(244)**		(240)
Exceptional items		**(533)**		(125)
Share-based payments		**(26)**		(85)
Net finance costs		**(67)**		(77)
Loss before tax		**(3,293)**		(9,633)

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

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

	2024 £000	2023 £000
United Kingdom	**17,867**	18,585
Europe (excluding the UK)	**3,428**	6,043
North America	**1,050**	1,620
Rest of the world	**298**	438
	22,643	26,686

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

In the year to 31 March 2024 one customer within the Group made up more than 10% of the Group's revenue. This customer contributed £4.3 million to the Group's Services division. In the prior year, one customer made up more than 10% of the Group's revenue, contributing £8.0 million to the Group's Services division.

4. Expenses and auditor's remuneration

Operating loss is stated after charging/(crediting):

	2024 £000	2023 £000
Depreciation of fixed assets	**244**	240
Amortisation of intangibles	**3,287**	2,891
External auditor's remuneration:		
- Audit fee for annual audit of the Group and Company financial statements	**132**	103
- Audit fee for annual audit of the subsidiary financial statements	**231**	179
Share-based payments	**26**	85
Impairment of intangible assets	**-**	6,014
Exceptional items	**533**	125
Unrealised (profit)/loss on forward contracts	**(194)**	407

Exceptional items include one off expenses relating to completion of the restructuring which commenced at the end of the previous financial year and the cost of a one-off strategic project in the second half of the year to 31 March 2024.

5. Staff costs

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

	2024 £000	2023 £000
Wages and salaries	**6,769**	6,864
Social security costs	**802**	835
Pension costs	**200**	207
Share-based payments	**26**	85
	7,797	7,991

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

	2024 No.	2023 No.
Administration	**21**	20
Production	**45**	53
Sales and marketing	**28**	26
	94	99

6. Interest costs

	2024 £000	2023 £000
Interest payable on revolving credit facility	**61**	56
Interest payable on lease liabilities	**20**	15
Other interest payments	**1**	6
	82	77
Interest receivable	**(15)**	-
	67	77

7. Taxation

	2024 £000	2023 £000
Current tax:		
UK corporation tax at current rates on UK loss for the year	**-**	-
Under/(over) provision in respect of prior year	**109**	(442)
	109	(442)
Foreign tax	**(20)**	2
Total current tax charge / (credit)	**89**	(440)
Deferred tax movement in the period	**(1,212)**	(1,018)
Income tax credit	**(1,123)**	(1,458)
Reconciliation of taxation:		
Loss before tax	**(3,293)**	(9,633)
Loss multiplied by the average rate of corporation tax in the year of 25% (2023: 19%)	**(823)**	(1,830)
Tax effects of:		
Expenses not deductible for tax purposes	**333**	1,532
Adjustments for previous periods	**109**	(442)
Foreign tax rate differences	**(12)**	(1)
Increase to deferred tax asset owing to changing tax rate from 1 April 2023	**-**	(136)
R&D relief	**(423)**	(130)
Other items	**(307)**	(277)
Brought forward losses	**-**	(174)
Income tax credit	**(1,123)**	(1,458)

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.

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 twelve months ended 31 March 2024 and for the twelve months ended 31 March 2023. 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.
- Impairment of intangible assets.
- 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:

	2024	2023
	£000	£000
Net loss from total operations		
Loss for the purposes of basic and diluted earnings/(loss) per share being net profit attributable to shareholders	**(2,170)**	(8,175)
Add/(remove):		
Amortisation of acquired intangibles (net of tax)	**1,808**	1,878
Impairment of intangible assets	**-**	6,014
Exceptional items (net of tax)	**400**	101
Share-based payments	**26**	85
Adjusted profit/(loss) for the purposes of adjusted earnings per share	**64**	(97)

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and adjusted loss per share	**23,826,379**	23,818,674

	Pence	Pence
Basic and diluted loss per share	**(9.1)**	(34.3)
Adjusted basic and Adjusted diluted profit/(loss) per share	**0.3**	(0.4)

9. Intangible assets

	Goodwill	**Customer relationships**	**Software**	**Tradenames**	**Gold exploration**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost						
At 1 April 2022	36,660	10,838	8,640	6,826	1,005	63,969
Additions	-	-	1,280	-	-	1,280
At 31 March 2023	36,660	10,838	9,920	6,826	1,005	65,249
Additions	**-**	**-**	**1,032**	**-**	**-**	**1,032**
At 31 March 2024	**36,660**	**10,838**	**10,952**	**6,826**	**1,005**	**66,281**
Accumulated amortisation						
At 1 April 2022	-	3,623	4,417	2,360	1,005	11,405
Amortisation for the year	-	934	1,274	683	-	2,891
Impairment	6,014	-	**-**	**-**	**-**	6,014
At 31 March 2023	6,014	4,557	5,691	3,043	1,005	20,310
Amortisation for the year	**-**	**934**	**1,670**	**683**	**-**	**3,287**
At 31 March 2024	**6,014**	**5,491**	**7,361**	**3,726**	**1,005**	**23,597**
Net book amount						
At 31 March 2024	**30,646**	**5,347**	**3,591**	**3,100**	**-**	**42,684**
At 31 March 2023	30,646	6,281	4,229	3,783	-	44,939
At 31 March 2022	36,660	7,215	4,223	4,466	-	52,564

Software intangible assets comprise acquired software assets plus software assets developed both in-house and externally. The amortisation charge for the year includes £2.1 million amortisation on acquired intangible assets and £1.2 million amortisation of internally developed software assets.

The Group tests goodwill annually for impairment. The recoverable amount of goodwill is determined as the higher of the value-in-use calculation or fair value less cost of disposal for each cash generating unit (CGU). The value-in-use calculations use pre-tax cash flow projections based on financial budgets and forecasts approved by the Board covering a five-year period. These pre-tax cash flows beyond the five -year period are extrapolated using estimated long-term growth rates. Following a restructuring of the Group during FY24, including the commercial integration of Xcina Consulting into Brookcourt Solutions and Geolang into SecurEnvoy, the Group now has three separate CGUs (FY23: five CGUs). For all three CGUs a weighted average cost of capital of 13.0% (FY23: 12.6%) and a terminal value, based on a long-term growth rate of 2% (FY23: 2%) calculated on year five cash flow has been used when testing goodwill**.**

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

	Software	**Brookcourt Solutions**	**Pentest**
Year 1	28%	47%	0%
Year 2	20%	15%	10%
Year 3	20%	10%	8%
Year 4	15%	8%	6%
Year 5	15%	6%	6%
4 year CAGR[1]	**17.5%**	**9.7%**	**7.5%**

4 year CAGR represents the average growth rate per year between FY25 and FY29.

No impairment charge has been recorded in the year (In the prior year an impairment charge of £6.0 million was recorded, writing down the goodwill balance held for the Group's SecurEnvoy and Xcina businesses).

Sensitivity analysis has been performed on each of the Group's CGUs which incorporates changes in assumed revenue growth rates and profit margin growth in addition to terminal value revenue growth rate and weighted cost of capital (WACC). Outcomes of the following sensitivities, before tax, are detailed below:

- Reducing the terminal value by 1% from 2% to 1% would flag insufficient headroom in one of the Group's CGUs (Software) resulting in an impairment of £0.3m
- Increasing the weighted average cost of capital by 1.0% from 13.0% to 14.0% would flag insufficient headroom in one of the Group's CGUs (Software) resulting in an impairment of £0.7 million.
- A 10% reduction in the assumed annual revenue growth rates for each CGU from FY25 (maintaining forecast gross profit margin % and adjusting administrative expenses in line with the % revenue reduction) would, subject to no other changes, flag insufficient headroom in each of the Group's CGUs resulting in a potential impairment of £14.0 million.
- A 15% reduction in the assumed annual revenue growth rates for each CGU from FY25 (maintaining forecast gross profit margin % and adjusting administrative expenses in line with the % revenue reduction) would, subject to no other changes, flag insufficient headroom in each of the Group's CGUs resulting in a total potential impairment of £21.7 million.

Gold exploration assets date back to before 2017 when the Group was known as Aurum Mining plc whose principal activity was mining and exploration.

10. Property, plant and equipment

	Right of use assets £000	Office equipment £000	Total £000
Cost			
At 1 April 2022	576	414	990
Additions	301	57	358
Disposals	-	(43)	(43)
At 31 March 2023	877	428	1,305
Additions	**250**	**42**	**292**
Disposals	**(436)**	**-**	**(436)**
At 31 March 2024	**691**	**470**	**1,161**
Accumulated depreciation			
At 1 April 2022	375	300	675
Charge for the year	185	55	240
Disposals	-	(43)	(43)
At 31 March 2023	560	312	872
Charge for the year	**197**	**47**	**244**
Disposals	**(436)**	**-**	**(436)**
At 31 March 2024	**321**	**359**	**680**
Net book amount			
At 31 March 2024	**370**	**111**	**481**
At 31 March 2023	317	116	433
At 31 March 2022	201	114	315

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	**2024 £000**	2023 £000
Trade receivables	**-**	5,226
Accrued income	**679**	2,054
	679	7,280

Current	**2024 £000**	2023 £000
Trade receivables	**8,948**	7,475
Accrued income	**2,889**	4,081
Prepayments and other receivables	**310**	499
Corporation tax asset	**245**	291
	12,392	12,346

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

	2024 £'000	2023 £'000
At 1 April	**30**	41
Movement in expected credit loss provision	**(10)**	(11)
At 31 March	**20**	30

12. Trade and other payables

	2024 £000	2023 £000
Trade payables	**7,320**	3,265
Accruals and other payables	**3,529**	8,031
Other taxation and social security	**1,275**	518
Forward contract	**213**	275
Deferred income	**137**	147
Corporation tax	**3**	7
Lease liabilities	**127**	105
	12,604	12,348

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

	2024 £000	2023 £000
Accruals and other payables	**385**	5,284
Deferred tax	**3,010**	3,602
Lease liabilities	**251**	216
Forward contract	**-**	131
	3,646	9,233

	[illegible]	[illegible]

14. Deferred tax

	2024 **£000**	2023 £000
Non-current liabilities		
Liability at 1 April	**3,602**	3,878
Deferred tax credit in the statement of comprehensive income	**(592)**	(276)
Total deferred tax	**3,010**	3,602

Deferred tax balance at 31 March 2024 includes a £2.5 million (2023: £3.0 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.

	2024 **£000**	2023 £000
Non-current assets		
At 1 April	**742**	-
Credit to statement of comprehensive income	**274**	742
Total deferred tax asset	**1,016**	742

The Group has tax losses of £4.1 million (2023: £3.0 million) across its Parent Company Shearwater Group plc and four subsidiaries that are available for offset against future taxable profits of the entity. A deferred tax asset has been recognised in respect of tax losses brought forward and in the current year which will be used to offset future taxable profits.

15. Lease liabilities

Lease liabilities at 31 March 2024, which include the extension of some existing office leases, are detailed below:

Lease liabilities	**Property £000**
At 1 April 2022	206
Additions	301
Interest expense	15
Payments to lease creditors	(200)
At 31 March 2023	321
Additions	**253**
Interest expense	**20**
Payments to lease creditors	**(216)**
At 31 March 2024	**378**

The maturity analysis of lease liabilities is detailed below:

Lease liabilities - (contractual undiscounted cash flows)	**2024** **£000**	2023 £000
Less than one year	**140**	118
One to five years	**265**	233
Total undiscounted lease liabilities at 31 March	**405**	351

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

Lease liabilities included in the statement of financial position at 31 March	**2024** **£000**	2023 £000
Current	**127**	105
Non-current	**251**	216

Amounts recognised in the statement of comprehensive income	**2024** **£000**	2023 £000
Interest on lease liabilities	**20**	15
Expenses related to short term leases	**6**	-
Depreciation of right of use assets (note 10)	**197**	185

Amounts recognised in the statement of cash flows	**2024** **£000**	2023 £000
Payment of principal	**216**	200
Payment of interest	**20**	15
Total cash outflows	**236**	215

16. Share capital

The table below details movements within the year:

	Ordinary shares	
In thousands of shares	***2024***	*2023*
In issue at 1 April	***23,826***	*23,818*
Options exercised during the year	**-**	*8*
Number of shares	***23,826***	*23,826*

Allotted, called up and fully paid	**2024** **£000**	2023 £000
Ordinary shares of £0.10 each (2023: £0.10 each)	**2,382**	2,382
Deferred shares of £0.90 each (2023: £0.90 each)	**19,896**	19,896
Total	**22,278**	22,278

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

No shares were issued or options granted in the twelve-month period ended 31 March 2024. In the prior year 8,320 options were exercised by a professional adviser to the Group.

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

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 31 March 2024 include the following transactions which have been recognised in the other reserve:

A reallocation to retained earnings from capital and share-based payments reserves of £382,000 relating to the share incentive scheme and other of lapsed share options was made in the year.

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

	2024 **£000**	2023 £000
Subsidiary incentive scheme	**-**	36
Share options - (CSOP)	**22**	38
Share options - (ESOP)	**4**	(1)
Save As You Earn (SAYE)	**-**	12
	26	85

Share options - (CSOP)

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

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

1. P McFadden resigned on 20 November 2023

The following options over ordinary shares remained outstanding at 31 March 2023:

	Options at 1 April 2022	**Options issued during the year**	**Options lapsed during the year**	**Options exercised during the year**	**Options at 31 March 2023**	**Exercise price**	**Date of grant**	**First date of exercise**	**Final date of exercise**
Directors:									
P McFadden	25,000	-	-	-	**25,000**	£0.95	10/02/2022	10/02/2025	10/02/2027
Employees:									
Employees	89,998	-	2,778	-	**87,220**	£0.95	10/02/2022	10/02/2023	10/02/2027
Employees	11,112	-	-	-	**11,112**	£0.95	10/02/2022	30/09/2023	10/02/2027
Employees	514,064	-	82,000	-	**432,064**	£0.95	10/02/2022	10/02/2025	10/02/2027
Total	640,174	-	84,778	-	**555,396**				

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

	2024		2023	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**555,396**	**0.95**	640,174	0.95
Issued	**-**	**-**	-	-
Lapsed during the year	**227,807**	**0.95**	84,778	0.95
Exercised during the year ended 31 March	**-**	**-**	-	-
Outstanding at 31 March	**327,589**	**0.95**	555,396	0.95
Exercisable at 31 March	**86,525**	**0.95**	87,220	0.95

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

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

The calculation includes an estimated leaver provision of 55% (2023: 55%).

The weighted average remaining contractual life of options outstanding at the end of the year was two years and ten months (Prior year: three years and eleven months).

Share options - (ESOP)
The following options over ordinary shares remained outstanding at 31 March 2024:

Options at 1 April 2023	**Options issued during the year**	**Options lapsed during the year**	**Options exercised during the year**	**Options at 31 March 2024**	**Exercise price**	**Date of grant**	**First date of exercise**	**Final date of exercise**

	2023	the year	the year	the year	2024	price	grant	exercise	exercise
Directors 1:									
P McFadden	7,875	-	7,875	-	**-**	£4.00	07/05/2018	07/05/2019	30/09/2023
Employees:									
Employees	5,250	-	5,250	-	**-**	£4.00	13/11/2017	13/11/2018	30/09/2023
Employees	454	-	454	-	**-**	£4.00	01/03/2018	01/03/2019	28/02/2023
Employees	5,313	-	5,313	-	**-**	£4.00	04/04/2018	04/04/2019	03/04/2023
Employees	524	-	291	-	**233**	£1.60	01/03/2019	01/03/2020	01/07/2024
Employees	3,000	-	3,000	-	**-**	£4.00	01/06/2019	01/06/2020	30/09/2023
Employees	7,500	-	2,500	-	**5,000**	£2.00	01/10/2019	01/10/2020	30/09/2023
Employees	27,936	-	-	-	**27,936**	£0.95	10/02/2022	10/02/2025	10/02/2027
Total	57,852	-	24,683	-	**33,169**				

1. P McFadden resigned on 20 November 2023

The following options over ordinary shares remained outstanding at 31 March 2023:

	Options at 1 April 2022	Options issued during the year	Options lapsed during the year	Options exercised during the year	Options at 31 March 2023	Exercise price	Date of grant	First date of exercise	Final date of exercise
Directors:									
P McFadden	7,875	-	-	-	**7,875**	£4.00	07/05/2018	07/05/2019	30/09/2023
Employees:									
Employees	39,500	-	39,500	-	**-**	£4.00	09/05/2017	09/05/2018	08/05/2022
Employees	9,390	-	4,140	-	**5,250**	£4.00	13/11/2017	13/11/2018	30/09/2023
Employees	1,023	-	569	-	**454**	£4.00	01/03/2018	01/03/2019	28/02/2023
Employees	5,625	-	312	-	**5,313**	£4.00	04/04/2018	04/04/2019	03/04/2023
Employees	911	-	387	-	**524**	£1.60	01/03/2019	01/03/2020	01/07/2024
Employees	3,000	-	-	-	**3,000**	£4.00	01/06/2019	01/06/2020	30/09/2023
Employees	10,000	-	2,500	-	**7,500**	£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
Non-employees:									
Other	8,320	-	-	8,320	**-**	£0.10	27/02/2020	27/02/2021	31/03/2023
Total	113,580	-	47,408	8,320	**57,852**				

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

	2024		2023	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**57,852**	**3.7**	113,580	2.8
Issued	**-**	**-**	-	-
Lapsed during the year	**24,683**	**3.8**	47,408	3.9
Exercised during the year ended 31 March	**-**	**-**	8,320	0.1
Outstanding at 31 March	**33,169**	**1.1**	57,852	2.2
Exercisable at 31 March	**2,500**	**2.0**	21,229	3.7

No options were exercised in the year. The weighted average share price of options exercised in the prior year was £0.89.

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 to £4.30
Exercise price	£0.10 to £4.00
Expected option life (year)	1 year to 6 years
Expected volatility (%)	10.6% to 80.0%
Expected dividends	0%
Risk-free interest rate (%)	0.60% to 1.54%
Option fair value	£0.04 to £2.87

The calculation includes an estimated leaver provision of 31% (2023: 31%).

The weighted average remaining contractual life of options outstanding at the end of the year was 11 months (2023: two years and two months).

Share options - (SAYE)

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

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

The following options over ordinary shares remained outstanding at 31 March 2023:

	Options at 1 April 2022	Options issued during the year	Options lapsed during the year	Options exercised during the year	Options at 31 March 2023	Exercise price	Date of grant	First date of exercise	Final date of exercise
Employees:									
Employees	**132,465**	**-**	**14,581**	**-**	**117,614**	**£1.515**	**25/01/2021**	**01/03/2024**	**30/09/2024**
Total	**132,465**	**-**	**14,581**	**-**	**117,614**				

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

	2024		2023	
	Number	**WAEP £**	Number	WAEP £
Outstanding at the beginning of the year	**117,614**	**1.515**	132,465	1.515
Issued	**-**	**-**	-	-
Lapsed during the year	**84,350**	**1.515**	14,851	1.515
Exercised during the year ended 31 March	**-**	**-**	-	-
Outstanding at 31 March	**33,264**	**1.515**	117,614	1.515
Exercisable at 31 March	**33,264**	**1.515**	-	-

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

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

The calculation includes an estimated leaver provision of 33% (2023: 33%).

At the 31 March 2024 there were no options held by Directors.

The market price of shares as at 31 March 2024 was £0.49 (31 March 2023: £0.50). The range during the financial year was £0.35 to £0.625. At the date of signing the financial statements the share price was £0.41.

The weighted average remaining contractual life of options outstanding at the end of the year was 6 months (2023: one year and six months).

Subsidiary incentive scheme
On 29 September 2016, the Group established a share incentive scheme for certain Directors and consultants to the Group, via the Group's subsidiary, Shearwater Subco Limited (the 'subsidiary'), in order to align the interests of the scheme participants directly with those of shareholders.

Pursuant to the subsidiary incentive scheme, the subsidiary issued 160,000 'B' ordinary shares of £0.000001 in the capital of the subsidiary ('incentive shares') on 18 January 2017 at a price of £0.032 per share. Subject to the growth and vesting conditions both being satisfied, participants may elect to sell their respective B shares to the parent company and the parent company shall acquire those B shares in consideration for cash or by the issue of new ordinary shares at the Group's discretion. The Group's intention was to settle these through the issue of new ordinary shares in the Group.

The subsidiary incentive scheme vesting period expired on 29 September 2022. Whilst the vesting condition of being employed were satisfied, the growth conditions were not met and subsequently no exercises were made. In the year ended 31 March 2024 the Company exercised a call option to reclaim the B shares from the current holders.

Directors' incentive shares
The incentive shares issued to Directors are shown in the table below:

	Participation in increase in shareholder value	Issue price	Nominal value of incentive shares	Number of incentive shares 1 April 2023	**Number of incentive shares 31 March 2024**	Number of Shearwater Group plc shares issued	Share-based payment charge
D Williams	6.5%	£0.032	£0.000001	65,000	**-**	-	-
P Higgins	7.5%	£0.032	£0.000001	75,000	**-**	-	-

Valuation of incentive shares
The share-based payment charge for the incentive shares in the prior year was calculated using a binomial valuation model at the grant date. The fair value amounted to £937,623 based on an initial expiry date of 29 September 2019. An option to amend the expiry date was exercised on 17 April 2020 to extend this expiry date to 29 September 2022, which increased the fair value by £18,349. Following this extension, £955,972 was to be recognised over the life of the scheme which expired on 29 September 2022. In the current year £nil (2023:£35,773) has been recognised as an expense in the statement of comprehensive income in respect of incentive shares. All 160,000 incentive scheme shares were subscribed for by participants at unrestricted market value.

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 31 March 2024, 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)	
	2024 £'000	2023 £'000
Financial assets		
Cash and cash equivalents	**4,974**	3,964
Trade and other receivables	**12,516**	18,836
Total financial assets	**17,490**	22,800
Trade and other receivables		
Trade receivables	**8,948**	12,701
Accrued income	**3,568**	6,135
	12,516	18,836

	Amortised cost (payables)		Fair value through profit or loss (FVPL)	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Financial liabilities				
Trade and other payables	**11,234**	16,580	**-**	-
Lease liabilities	**378**	320	**-**	-
Forward contracts	**-**	-	**213**	407
Total financial liabilities	**11,612**	16,900	**213**	407

Trade and other payables		
Trade payables	**7,320**	3,265
Accruals	**3,914**	13,302
Other creditors	**-**	13
	11,234	16,580

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

The Group is exposed to financial risks in respect of:
- capital risk;
- foreign currency;
- interest rates;
- credit risk; and
- liquidity risk.

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

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

The capital structure of the Group consists of cash and cash equivalents, borrowings and equity. Equity comprises issued capital, reserves and accumulated losses as disclosed in the Consolidated Statement of Changes in Equity.

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

The Group's three-year £4.0 million revolving credit facility, to fund further growth and short term working capital requirements, was not utilised during the current year and expired on 23 March 2024. The Group is currently considering whether to renew the facility and is in ongoing discussions with Barclays Bank plc.

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 has introduced a policy to use 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 further weakening of sterling against US dollar.

Currency	**Amount (000)**	**Maturity date**	**Foreign exchange rate**
US dollar	4,100	10 November 2023	1.138
US dollar	2,000	10 May 2024	1.140
US dollar	2,000	02 October 2024	1.216

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

As of 31 March the Group's net exposure to foreign exchange risk was as follows:

	USD		EUR	
	2024	2023	**2024**	2023
Net foreign currency financial assets/(liabilities)	**£000**	£000	**£000**	£000
Trade receivables	**369**	228	**160**	148
Other receivables	**85**	1,390	**0**	4
Trade payables	**(7,747)**	(2,537)	**(27)**	(43)
Other payables	**(67)**	(9,605)	**0**	(192)
Cash and cash equivalents	**2,572**	1,929	**176**	551
Total net exposure before excluding forward contracts	**(4,788)**	(8,595)	**309**	468
Forward contracts	**4,000**	6,100	**0**	-
Total net exposure	**(788)**	(2,495)	**309**	468

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 an increase of the pre-tax loss in the year and a decrease in net assets of £0.2 million. A 10% weakening in the exchange rate would, on the same basis, have decreased the pre-tax loss in the year and increased net assets by £0.2 million.

The effect of a 10% strengthening of the euro against sterling at the reporting date on the euro-denominated trade

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 £0.05 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 £0.04 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. In addition to this, the Group had a £4.0 million revolving credit facility (RCF) to provide further contingency against short-term working capital movements. The facility expired on 23 March 2024 and up to that point had not been utilised. The Group is currently considering whether to renew the facility and is in ongoing discussions with Barclays Bank plc. There has been no change to the Group's exposure to liquidity risks or the manner in which these risks are managed and measured during the year. Further details are provided in the strategic report.

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

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

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

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Financial assets					
As at 31 March 2024					
Trade and other receivables	**4,367**	**8,086**	**635**	**43**	**0**
As at 31 March 2023					
Trade and other receivables	6,515	5,041	7,280	-	-
Financial liabilities					
As at 31 March 2024					
Trade and other payables	8,541	3,728	3,462	-	-
Forward contracts	161	52			
Lease liabilities	32	95	131	120	-
Total	**8,734**	**3,875**	**3,593**	**120**	**-**

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 31 March 2023					
Trade and other payables	4,953	6,342	5,284	-	-
Forward contracts	-	275	131	-	-
Lease liabilities	30	75	59	157	-
Total	4,983	6,692	5,474	157	-

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's policy is that the lines of business assess the creditworthiness and financial strength of customers at inception and on an ongoing basis. The Group also reviews the credit rating of its banks and financial institutions.

Ongoing review of the financial condition of trade and other receivables is performed. Further details are in note 11. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk. Whilst the Group's exposure to credit risk fluctuates depending on its revenue performance, to date this has not materially impacted the Group's actual bad debt, which is partially due to the type of clients it contracts with as well as effective due diligence when issuing credit to its clients.

19. Related party transactions
The Directors of the Group and their immediate relatives have an interest of 19% (2023: 19%) of the voting shares of the Group. The shareholdings of Directors and changes during the year are shown in the Directors' report.

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

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

20. Bank loans
The Group's £4.0 million credit facility with Barclays Bank plc expired on 23 March 2024 and no facility was in place on 31 March 2024. The Group is currently considering whether to renew the facility and is in ongoing discussions with Barclays. A charge remains registered on Shearwater Group plc and a number of its subsidiaries as security for the facility.

21. Notes to support cash flow
Cash and cash equivalents, which are available on demand, comprise:

	2024 £'000	2023 £'000
Net increase/(decrease) in cash and cash equivalents	**1,010**	(1,611)
Cash and cash equivalents at the beginning of the year	**3,964**	5,575
Cash and cash equivalents at the end of the year	**4,974**	3,964

Cash and cash equivalents are held in the following currencies:

	2024 £'000	2023 £'000

Sterling	**2,774**	1,914
US dollar	**2,049**	1,566
Euro	**151**	484
	4,974	3,964

Reconciliation of liabilities from financing activities:

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

				Non-cash changes			
	2022 £'000	Cash outflows £'000	Interest savings on early repayment of loans £'000	Loan interest £'000	Right of use asset additions £'000	Early repayment discount on loan liabilities £'000	2023 £'000
Revolving credit facility interest payable	20	(76)	-	56	-	-	-
Other interest - paid	-	(7)	-	6	-	-	-
Payment of principal on lease liabilities	206	(200)	-	15	301	-	321
Total	226	(283)	-	77	301	-	321

22. Events after the reporting period

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