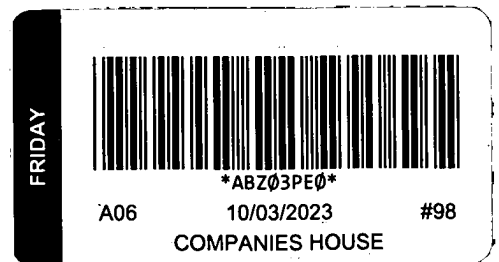


Brookcourt Solutions Limited
ANNUAL REPORT AND
FINANCIAL STATEMENTS

For the year ended 31 March 2022

Company Registration No: 05356175



BROOKCOURT SOLUTIONS LIMITED

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BROOKCOURT SOLUTIONS LIMITED

COMPANY INFORMATION

DIRECTORS

P Higgins
P McFadden
D Stacey
D Williams

COMPANY NUMBER

05356175

REGISTERED OFFICE

22 Great James Street
London
England
WC1N 3ES

INDEPENDENT AUDITOR

BDO LLP
55 Baker Street
London
W1U 7EU

BUSINESS ADDRESS

Kingsgate
62 High Street
Redhill
RH1 1SH

BANKERS

Lloyds Bank
82 Mount Pleasant Road
Tunbridge Wells
Kent
TN1 1RP

SOLICITORS

Mayer Brown
201 Bishopsgate
London
EC2M 3AF

BROOKCOURT SOLUTIONS LIMITED

STRATEGIC REPORT

The Directors submit their strategic report for the financial year ended 31 March 2022.

PRINCIPAL ACTIVITY

The Company's principal activity during the year was to deliver cybersecurity, network monitoring technologies and managed security services. These services were provided mainly to leading FTSE 350 and Fortune 500 companies.

BUSINESS REVIEW

The Company's key financial indicators during the year were as follows:

	31 March 2022	31 March 2021 (restated)
	£	£
Revenue	28,668,060	25,217,719
Operating profit	4,312,042	3,705,335
Operating margin	15%	15%
Net assets	20,384,951	16,540,634

Revenue of £28,668,060 for the year ended 31 March 2022 (31 March 2021: £25,217,719) represents a 14% increase and an operating profit of £4,312,042 for the year ending 31 March 2022 (31 March 2021: restated £3,705,335) represents a year-on-year increase of 16%. The Company continues to retain key clients as well as adding material new clients. In addition to securing profitable new business the Company has a policy of tight cost control which has enabled the company to maintain operating margins of 15% (2021: 15%). The business has seen an increased level of activity within the market it serves as companies look to re-establish security projects that were put on hold during the initial COVID19 crisis.

FUTURE DEVELOPMENTS

The Company is focussed to deliver sustainable growing revenues and profits from its existing core areas of expertise through the continued commitment to build a strong team capable of scaling the business, organisational effectiveness, investment in technology and tight cost control.

PRINCIPAL RISKS AND UNCERTAINTIES

The key business risk and uncertainties affecting the Company arise from potential cyber security attacks along with the rapidly changing technologies which require continued investment. Further discussion of these risks and uncertainties, in the context of Shearwater Group plc as a whole, is provided in the group's annual report. The financial statements of Shearwater Group plc are publicly available and can be accessed via the following link: <https://shearwatergroup.com/results-and-presentations/>

FINANCIAL RISK MANAGEMENT

Liquidity risk, credit risk and currency risk are managed on a group-wide basis by the Company's ultimate parent Company, Shearwater Group plc. The Company operates in accordance with funding policies controlled by the Executive Directors of the ultimate parent Company.

The Company is exposed to credit risk associated with selling on credit, which it manages through credit control procedures. The Company has international customers, some of which are invoiced in US Dollars and Euros. The Company maintains bank accounts in foreign currencies, which is converted to Sterling at appropriate times in accordance with the ultimate parent Company's policy.

By order of the board

Phil Higgins

P Higgins
Director
2 March 2023

BROOKCOURT SOLUTIONS LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the financial period ended 31 March 2022.

GOING CONCERN

The Financial Statements have been prepared on the going concern basis, following the Directors' review of the Company's operations, current financial position, cashflow forecasts and future financing requirements which have included a review of forecast cashflows to March 2024 which incorporate a sensitised reverse stress test (extreme-case scenario). In addition to this, the Company has access to a £4.0 million three-year revolving credit facility, held by its ultimate parent which provides additional financing capacity to all of its subsidiaries.

The Directors are satisfied that sufficient cash resources are available to meet financial commitments as they arise and for at least twelve months from the date of signing the Financial statements. Further disclosure is provided in note 1.

DIVIDENDS AND RESULTS

No dividends were proposed or paid in the year to 31 March 2022 or 31 March 2021. Results for the year are detailed on page 9.

DIRECTORS

The Directors who held office during the year and up to the date of signing the accounts are as shown below:

P Higgins
P McFadden
D Stacey
D Williams

DIRECTORS' THIRD PARTY INDEMNITY PROVISIONS

A qualifying third-party indemnity provision was in place for Directors throughout the year and at the date of approval of the financial statements.

FUTURE DEVELOPMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES

Future developments and principal risks and uncertainties are disclosed within the Strategic Report on page 3.

BROOKCOURT SOLUTIONS LIMITED

DIRECTORS REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosures Framework* (FRS 101).

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

DISCLOSURE OF INFORMATION TO AUDITORS

Each person who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board

Phil Higgins

P Higgins
Director
2 March 2023

BROOKCOURT SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROOKCOURT SOLUTIONS LIMITED

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Brookcourt Solutions Limited ("the Company") for the year ended 31 March 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

OTHER INFORMATION

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

BROOKCOURT SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROOKCOURT SOLUTIONS LIMITED (CONTINUED)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OTHER COMPANIES ACT 2006 REPORTING

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

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

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

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

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

Responsibilities of Directors

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

BROOKCOURT SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROOKCOURT SOLUTIONS LIMITED (CONTINUED)

Extent to which the audit was capable of detecting irregularities, including fraud

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

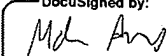
- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- We have identified and assessed the potential risks related to irregularities, including fraud, by considering the following:
 - enquiries of management regarding : the compliance with laws and regulations; the detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud; and the controls in place to mitigate risks related to fraud or non-compliance with laws and regulations; and
 - obtaining an understanding of the legal and regulatory framework in which the company operates.
- We have responded to risks identified by performing procedures including the following:
 - review of financial statements disclosures and testing to supporting documentation;
 - enquiry of in-house management concerning actual and potential litigation and claims;
 - performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of misstatement due to fraud; and
 - reading the minutes of meetings of those charged with governance.
- We have also considered the risk of fraud through management override of controls by:
 - testing on a sample basis the appropriateness of journal entries and other adjustments; and
 - assessing whether the judgements made in making accounting estimates are indicative of potential bias;

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

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Mark Ayres (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK 02 March 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

BROOKCOURT SOLUTIONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the financial year ended 31 March 2022

	Note	2022 £	2021 (restated) £
Revenue	2	28,668,060	25,217,719
Cost of sales		<u>(22,114,418)</u>	<u>(19,537,603)</u>
Gross profit		6,553,642	5,680,116
Administrative expenses		<u>(2,241,600)</u>	<u>(1,974,781)</u>
Operating profit	3	4,312,042	3,705,335
Interest receivable		-	1,177
Interest payable	5	<u>(3,468)</u>	<u>(40,640)</u>
Profit on ordinary activities before taxation		<u>4,308,574</u>	<u>3,665,872</u>
Tax (charge)/credit	6	<u>(445,769)</u>	<u>882</u>
Profit and total comprehensive income for the financial year		<u><u>3,862,805</u></u>	<u><u>3,666,754</u></u>

The revenue and operating profits for the year arises from the Company's continuing operations.

The Company has no other comprehensive income other than those included in the results above.

BROOKCOURT SOLUTIONS LIMITED

STATEMENT OF FINANCIAL POSITION As at 31 March 2022

	Note	2022 £	2021 (restated) £
FIXED ASSETS			
Intangible assets	7	2,196	-
Tangible assets	8	92,206	155,055
Investment in subsidiaries	9	86	-
Receivables	10	8,749,436	-
		<u>8,843,924</u>	<u>155,055</u>
CURRENT ASSETS			
Receivables	11	24,251,191	19,929,510
Cash and cash equivalents		4,956,036	7,235,183
		<u>29,207,227</u>	<u>27,164,693</u>
Creditors: Amounts falling due within one year	12	(13,692,319)	(10,732,049)
NET CURRENT ASSETS		<u>15,514,908</u>	<u>16,432,644</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,358,832</u>	<u>16,587,699</u>
Creditors: Amounts falling due after more than one year	13	(3,958,843)	(35,815)
PROVISION FOR LIABILITIES			
Provisions for liabilities - deferred taxation		(15,038)	(11,250)
NET ASSETS		<u>20,384,951</u>	<u>16,540,634</u>
CAPITAL AND RESERVES			
Called up share capital	15	30,000	30,000
Share based payment reserve		114,857	133,345
Retained earnings		20,240,094	16,377,289
TOTAL SHAREHOLDERS' FUNDS		<u>20,384,951</u>	<u>16,540,634</u>

The financial statements on pages 9 to 23 were approved by the board of Directors and authorised for issue on 2 March 2023.

Phil Higgins

P Higgins
Director

BROOKCOURT SOLUTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY for the financial year ended 31 March 2022

	Called up share capital (note 15)	Share based payment reserve	Retained earnings	Total shareholders' funds
At 1 April 2020	30,000	-	12,830,178	12,860,178
Restatement ¹	-	119,643	(119,643)	-
At 1 April 2020 (restated)	30,000	119,643	12,710,535	12,860,178
Profit for the financial year (restated)	-	-	3,666,754	3,666,754
Total comprehensive profit for the year	-	-	3,666,754	3,666,754
Contributions by and distributions to owners				
Share-based payments – note 16	-	13,702	-	13,702
At 31 March 2021 (restated)	30,000	133,345	16,377,289	16,540,634
Profit for the financial year	-	-	3,862,805	3,862,805
Total comprehensive profit for the year	-	-	3,862,805	3,862,805
Contributions by and distributions to owners				
Share based payments credit for the year	-	(18,488)	-	(18,488)
At 31 March 2022	30,000	114,857	20,240,094	20,384,951

¹ Restatement relates to prior year share-based payment charges relating to share options held by employees of the Company that had previously been recognised in the financial statements of the Company's Parent Company. Please see note 16 for further details.

BROOKCOURT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

Brookcourt Solutions Limited ('the Company') is a reseller and integration Company for leading high-end technology and services within the security, monitoring, network management and compliance marketplace for leading FT500 companies. The Company is a private limited Company and is incorporated and domiciled in the UK. The address of its registered office is 22 Great James Street, London, WC1N 3ES.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention unless otherwise specified within these financial statements and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101.

- Paragraph 45(b) and 46-52 of IFRS 2, 'Share-based payment' (because the share-based payment arrangement concerns the instruments of another group entity).
- IFRS 7, 'Financial Instruments; Disclosures'.
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment'; and
 - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliation between the carrying amount at the beginning and end of the period).
- The requirements of paragraphs 10(d), 10(f), 16, 38(a)-(d), 39(c), 111 and 134-136 of IAS 1 'Presentation of Financial Statements'.
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'.
- Paragraph 17 and 18A of IAS 24 'Related party disclosures' (key management compensation).
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j), to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations'.
- The requirement to include a list of new accounting standards that have been issued but not yet applied.

GOING CONCERN

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future, being a period of at least 12 months from the date of signing the audit report. To get to this position the Directors have reviewed the Company's track record of delivering profits over the past few years plus the Company's net asset position at 31 March 2022.

Management have reviewed and challenged what it believes to be an extreme scenario, a reverse stress test on the Company up to March 2024. The purpose of the reverse stress test for the Company is to test the impact on cash facilities if the assumptions in the budget are altered.

The results of the reverse stress test have been shared with the Company's ultimate parent Company Shearwater Group plc which has subsequently consolidated these to give a position for the overall Group which demonstrates that the Group will be able to pay its debts as they fall due for the period to at least 31 March 2024. The Directors thus believe that the basis of preparation of the annual accounts as a going concern is appropriate.

BROOKCOURT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In addition to this, the Company has access to a £4.0 million three-year revolving credit facility, held by its ultimate parent which provides additional financing capacity to all of its subsidiaries.

REVENUE

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.

Details of the material performance obligations are detailed below:

- 1) Sale of third-party hardware, software and warranties:
 - 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 e-mailing 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 include 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 obligations 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.

- 2) Sale of consultancy services:

Consultancy and engineering services are provided on a range of topics including data protection, project management, governance and compliance. Client contracts stipulate a number of consultancy days that make up the contracted consideration and the Company has an enforceable right to payment for work completed to date. Consultancy days generally comprise of 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 days in the contract.

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.

INTANGIBLE ASSETS

Computer software intangible assets represent the external cost of developing the website and e-commerce portal which will generate future economic benefit to the company. Computer software intangible assets are amortised through the income statement on a straight-line basis over their estimated useful lives not exceeding three years. Assets that are not in use at the reporting date (assets under construction) are recognised at cost and amortisation commences when those assets begin to generate economic benefit.

Computer software development costs recognised as assets are amortised over their useful lives as follows:

Computer software	33.33 per cent per annum
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TANGIBLE FIXED ASSETS

Tangible assets are stated at historical cost less accumulated depreciation. Cost includes the original purchase price of the asset plus any costs of bringing the asset to its working condition for its intended use. Depreciation is provided at the following annual rates, on a straight-line basis, in order to write down each asset to its residual value over its estimated useful life.

BROOKCOURT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fixtures & fittings	25% reducing balance
Office equipment	33.33% straight line
Other fixed assets	25% reducing balance
Right of use assets	Shorter of useful life of 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.

The Company assesses at each reporting date whether tangible fixed assets are impaired.

INVESTMENTS IN SUBSIDIARY

Investments in subsidiaries are valued at cost less provision for impairment. The company evaluates the carrying value of fixed asset investments to determine if there has been impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the Statement of Comprehensive Income.

TAXATION

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company'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.

LEASES

IFRS 16: Leases which supersedes IAS 17: Leases and IFRIC 4: Determining whether an arrangement contains a lease sets out the principles for recognition, measurement, presentation and disclosures of leases and requires lessees to account for most leases under a single on-balance sheet model.

Right of use assets

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

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

BROOKCOURT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 has been created at 1 April 2019 when the Company 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 Company's right of use assets are contained in note 8.

Lease liability

At the commencement date of a lease (or 1 April 2019 for leases which commenced before this date) the Company 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 Company 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 to use asset.

Lease liabilities are detailed in notes 12, 13 and 14.

Practical expedients

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company 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; 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 company has applied an incremental borrowing rate of 3.5%.

BROOKCOURT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Uncertainty over income tax treatments

IFRIC 23 provides guidance 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 Company to determine whether uncertain tax treatments should be considered separately, or together as a Company, based on which approach provides better predictions of the resolution;
- the Company 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.

The Company elected to apply IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings as at the date of initial application, 1 April 2019. The adoption of IFRIC 23 has had no impact on retained earnings or on corporate tax liabilities.

PENSIONS

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company in an independently administered fund. Contributions are charged to the Statement of Comprehensive Income in the period in which they are incurred.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Management make judgements, estimates and assumptions in determining the revenue recognition of material contracts sold by the Company. The Company work with large enterprise clients, providing services and solutions to support the clients' needs. In many cases a third-parties products or services will be provided as part of a solution. Management will 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 Company's performance obligations. In addition to this management will consider if it is acting as agent or principal.

Leases

Management make judgements, estimates and assumptions regarding the life of leases. At present management are assessing all existing leases which relate to office space. For this reason management have assumed that the life of leases does not extend past the break period clause detailed within the current contract. A judgement has been taken with regards to the incremental borrowing rate based upon the rate at which the Company can borrow money.

FINANCIAL INSTRUMENTS

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

Financial assets

Financial assets comprise trade and other receivables (excluding prepaid commissions and prepaid expenses) and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs.

BROOKCOURT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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 Company 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 Company's financial assets that are debt instruments measured at amortised costs or FVOCI as well as the Company's contract assets and issued financial guarantee contracts. The Company 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. The Company's average combined loss rate is 0.94% (2021: 0.34%). 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 Company's average combined loss rate of 0.94% is discounted by 20%, meaning a 0.75% 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 which works out to £33,755 (31 March 2021: £23,067).

A calculation for expected credit loss has been recognised in relation to the Company's inter-group receivables. This is made up of a specific provision for expected credit default plus a general provision which is based upon a 0.5% provision per-annum for each year the receivable is expected to remain outstanding.

At 31 March 2022 the expected credit loss on inter-group receivables is £311,975 (31 March 2021: £158,671).

The Company de-recognises 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 de-recognition 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 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).

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

BROOKCOURT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Share based payments

Shearwater Group plc, the company's ultimate and controlling party, operates equity-settled share based compensation plans, under which the company receives services from employees as consideration for equity instruments in Shearwater Group plc. The fair value of the employee services received in exchange for the grant of the awards is recognised as an expense in the statement of comprehensive income and as a separate reserve in equity. The total amount to be expensed is determined by reference to the grant date fair value of the awards, without taking into account expectations concerning the future impact of service conditions and non-market performance conditions. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified conditions are to be satisfied.

2. REVENUE

	2022	2021
	£	£
The company's turnover by geographical area was as follows:		
United Kingdom	25,393,145	19,902,627
Europe	2,994,560	4,961,667
North America	280,355	353,425
	<u>28,668,060</u>	<u>25,217,719</u>

	2022	2021
	£	£
The company's turnover by revenue type was as follows:		
Managed services, warranties and security solutions	26,996,892	22,927,338
Advisory & Engineering	1,671,168	2,290,381
	<u>28,668,060</u>	<u>25,217,719</u>

3. OPERATING PROFIT

	2022	2021
	£	£
Operating profit is stated after charging		
Depreciation of tangible assets (note 8)	78,578	90,029
Defined contribution pension cost (note 4)	46,464	44,098
Auditors' remuneration: statutory audit	41,000	41,000
Amortisation of intangible assets (note 7)	439	-
	<u>166,481</u>	<u>175,127</u>

4. EMPLOYEES

The average monthly number of persons (including Directors) employed by the Company during the year was:

	2022	2021
	No	No
Directors	1	1
Sales and Engineering	14	12
Administration	4	4
	<u>19</u>	<u>17</u>

	2022	2021 (restated)
	£	£
Staff costs for the above persons are:		
Wages and salaries	1,387,482	1,147,626
Share based payments (credit)/charge	(18,488)	13,702
Social security costs	178,868	160,660
Other pension costs	46,464	44,098
	<u>1,594,326</u>	<u>1,366,086</u>

BROOKCOURT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2022	2021
	£	£
Directors' remuneration:		
Wages and salaries	150,000	140,000
Social security costs	19,855	18,107
	<u>169,855</u>	<u>158,107</u>

Of the four Directors who held office during the year, one Director was remunerated by the company and their remuneration is included in the staff numbers above, one Director was remunerated by the company and their costs were recharged to Shearwater Group plc, the ultimate parent company and subsequently their remuneration is not included in the staff numbers above. The remaining two Directors were remunerated by Shearwater Group plc, the ultimate parent company; their emoluments are disclosed in the financial statements of Shearwater Group plc.

5. INTEREST PAYABLE

	2022	2021
	£	£
Lease liability	3,468	5,606
Other loan interest payable	-	35,034
	<u>3,468</u>	<u>40,640</u>

6. TAX ON PROFIT

	2022	2021
	£	£
Current taxation:		
UK corporation tax on profits of the financial period	441,981	-
Adjustments in respect of previous periods	-	-
Total current tax	441,981	-
Deferred taxation	3,788	(882)
Tax on profit	<u>445,769</u>	<u>(882)</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£	(restated) £
Profit before taxation	4,308,572	3,665,872
Profit multiplied by the standard rate of UK corporation tax of 19% (2021: 19%)	818,629	696,516
Effects of		
Other expenses not deductible for tax purposes	25,015	13,556
Prior year adjustment – share based payments	-	2,603
Other timing differences leading to an increase in taxation	238	5,155
Deferred taxation	3,788	(882)
Adjustment for group relief	(349,904)	(309,008)
Adjustment for loss relief reclaimed from previous periods	(51,997)	(408,822)
Total current tax charge / (credit)	<u>445,769</u>	<u>(882)</u>

BROOKCOURT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INTANGIBLE ASSETS

	Computer software £
COST	
1 April 2021	-
Additions	2,635
31 March 2022	2,635
ACCUMULATED AMORTISATION	
1 April 2021	-
Charge in the year	(439)
31 March 2022	(439)
NET BOOK VALUE	
31 March 2022	2,196
31 March 2021	-

8. TANGIBLE ASSETS

	Right of use assets £	Furniture and Fixtures £	Office Equipment £	Other FA £	Total £
COST					
1 April 2021	219,032	163,015	83,605	4,315	469,967
Additions	-	-	15,729	-	15,729
31 March 2022	219,032	163,015	99,334	4,315	485,696
ACCUMULATED DEPRECIATION					
1 April 2021	(123,188)	(105,774)	(82,377)	(3,573)	(314,912)
Charge in the year	(61,596)	(14,310)	(2,487)	(185)	(78,578)
31 March 2022	(184,784)	(120,084)	(84,864)	(3,758)	(393,490)
NET BOOK VALUE					
31 March 2022	34,248	42,931	14,470	557	92,206
31 March 2021	95,844	57,241	1,228	742	155,055

9. INVESTMENT IN SUBSIDIARY

	Total £
COST	
At 1 April 2021	-
Additions	86
31 March 2022	86
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 31 March 2021 and 31 March 2022	-
NET BOOK VALUE	
At 31 March 2022	86
At 31 March 2021	-

BROOKCOURT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The company holds the following investment in subsidiary undertakings:

Name of company	RSIN	Registered address	Business	Percentage owned
Brookcourt Solutions B.V.	863166829	Herengracht 449 A, 1017BR Amsterdam, Netherlands.	Other information technology and computer service activities	100%

Brookcourt Solutions B.V. was incorporated on 25 October 2021.

10. RECEIVABLES – Non-current

	2022	2021
	£	£
<i>Amounts due within one year</i>		
Prepayments and accrued income	8,749,436	-
	<u>8,749,436</u>	<u>-</u>

11. RECEIVABLES

	2022	2021
	£	£
<i>Amounts due within one year</i>		
Prepayments and accrued income	6,260,596	428,634
Amounts owed by group undertakings	14,336,397	11,979,473
Trade debtors	3,646,271	7,517,137
Other debtors	7,927	4,266
	<u>24,251,191</u>	<u>19,929,510</u>

Amounts due from group undertakings are interest free, unsecured and are repayable on demand.

12. CREDITORS: Due within one year

	2022	2021
	£	£
<i>Amounts due within one year</i>		
Accruals and deferred income	7,462,131	566,293
Trade payables	4,355,308	7,698,153
Amounts owed to group undertakings	886,391	1,364,625
Other taxation and social security	444,651	1,028,035
Corporation tax	441,981	-
Other creditors	66,033	11,754
Lease liabilities	35,824	63,189
	<u>13,692,319</u>	<u>10,732,049</u>

Amounts due to group undertakings are interest free, unsecured and are repayable on demand.

13. CREDITORS: Due after more than one year

	2022	2021
	£	£
<i>Amounts due after more than one year</i>		
Accruals	3,958,843	-
Lease liabilities	-	35,815
	<u>3,958,843</u>	<u>35,815</u>

BROOKCOURT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. LEASE LIABILITIES

Lease liabilities at 31 March

	2022	2021
	£	£
<i>Lease liabilities</i>		
At 1 April	99,004	160,048
Additions	-	-
Interest expense	3,468	5,606
Payments to lease creditor	(66,648)	(66,650)
	<u>35,824</u>	<u>99,004</u>

The maturity analysis of lease liabilities is detailed below:

	2022	2021
	£	£
<i>Lease liabilities (contractual undiscounted cash flows)</i>		
Less than one year	37,068	66,650
One to five years	-	37,068
Total undiscounted lease liabilities at 31 March	<u>37,068</u>	<u>103,718</u>

	2022	2021
	£	£
<i>Lease liabilities included in the statement of financial position</i>		
Current	35,824	63,189
Non-current	-	35,815

	2022	2021
	£	£
<i>Amounts recognised in the statement of comprehensive income</i>		
Interest on lease liabilities	3,468	5,606
Depreciation of right of use assets (note 8)	61,596	61,596

15. CALLED UP SHARE CAPITAL

	2022	2021
	£	£
Allotted, issued and fully paid:		
Ordinary A shares of £1 each	15,000	15,000
Ordinary B shares of £1 each	9,000	9,000
Ordinary C shares of £1 each	6,000	6,000
	<u>30,000</u>	<u>30,000</u>

Other reserves include:

Share based payments reserve

Shearwater Group plc, the company's ultimate parent and controlling party, operates equity settled share-based compensation plans, under which the company receives services from employees as consideration for equity instruments in Shearwater Group plc.

Retained earnings

Retained earnings represent cumulative profit, net of dividends paid and other adjustments.

16. PRIOR PERIOD RESTATEMENT

Prior year restatement relates to prior year share-based payment charges of share options held by employees of the Company that had previously been recognised in the financial statements of the Company's Parent Company.

BROOKCOURT SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2021 as previously stated £ (000)	Increase/ (decrease) £ (000)	2021 restated £ (000)
Impact on statement of financial position			
Equity			
Called up share capital	30,000	-	30,000
Share-based payments reserve	-	133,345	133,345
Retained earnings	16,510,634	(133,345)	16,377,289
Total equity	16,540,634	-	16,540,634
Impact on statement of comprehensive income			
Share-based payment charge	-	13,702	13,702
Other	-	2	2
Total comprehensive income for the financial year	3,680,458	(13,704)	3,666,754

17. ULTIMATE PARENT COMPANY

The Company is controlled by Shearwater Group plc, its immediate parent.

The ultimate parent Company, and the parent undertaking of the largest and smallest group for which consolidated financial statements are prepared is Shearwater Group plc, which is incorporated in the UK and for which financial statements are available from 22 Great James Street, London, WC1N 3ES.

18. RELATED PARTY TRANSACTIONS

Shearwater Group plc, together with its other wholly owned subsidiaries, offers certain group-wide purchasing facilities to the Company and other subsidiaries whereby the actual costs are recharged. Transactions during the year with other group entities were cost recharges and cash movements.

The Company is a wholly owned subsidiary of a group that prepares publicly available consolidated financial statements, namely the group headed by Shearwater Group plc, so it has taken advantage of the exemption IAS 24, 'Related party disclosure' to disclose related party transactions entered into between two or more members of a group.

19. POST BALANCE SHEET EVENTS

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