SRT

SRT MARINE SYSTEMS PLC

ANNUAL REPORT

AND FINANCIAL STATEMENTS

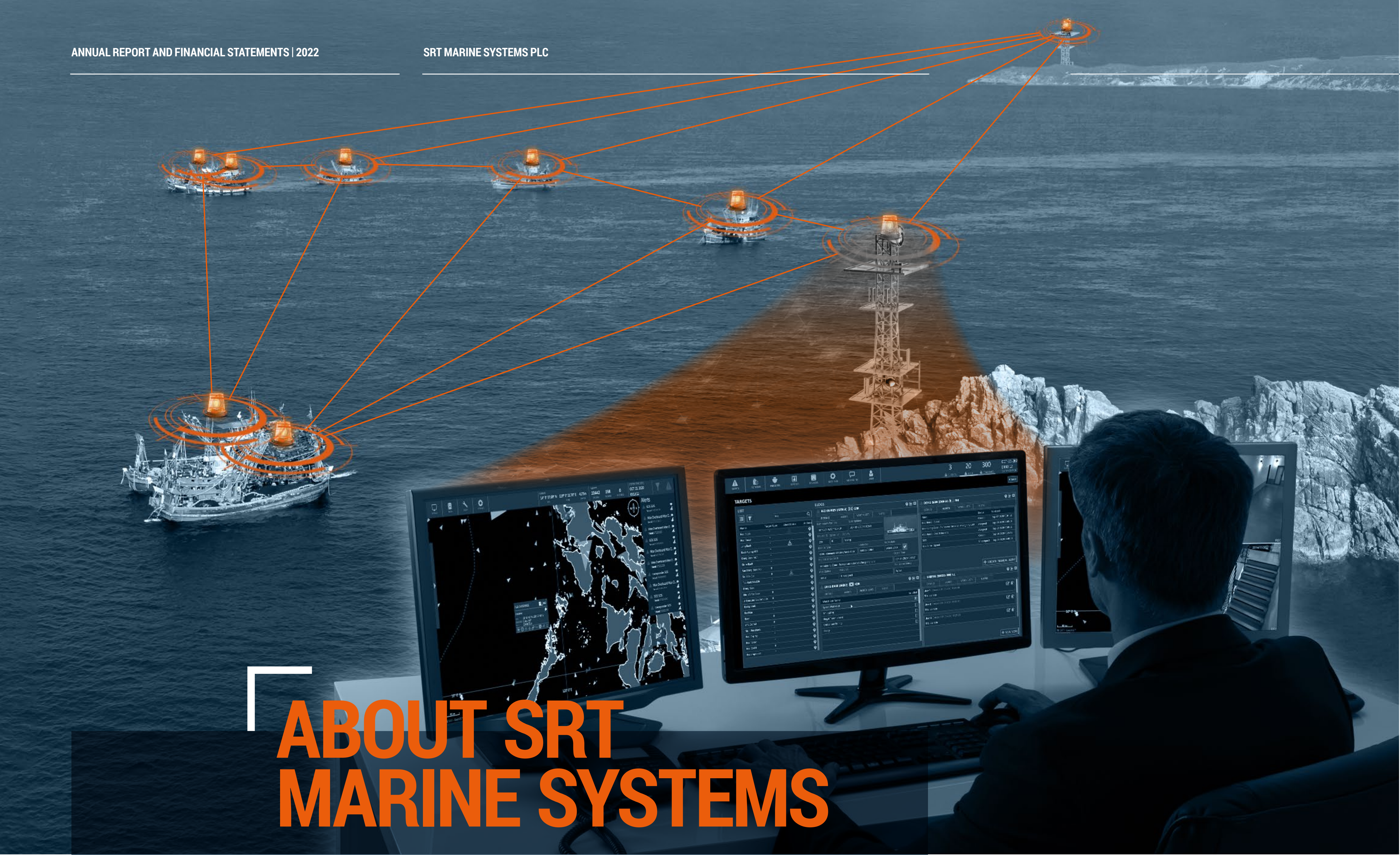
YEAR ENDED 31 MARCH 2022

CONTENTS

DIRECTORS AND ADVISORS

Directors	Simon Tucker Neil Peniket Richard Hurd Jean Francois Bonnin (appointed 3 February 2022) Kevin Finn Simon Rogers Simon Barrell
Secretary	Richard Hurd
Registered Office	Wireless House Westfield Industrial Estate Midsomer Norton Bath BA3 4BS
Bankers	Barclays Bank plc 4-5 Southgate Street Bath BA1 1AQ
Auditors	Nexia Smith & Williamson Audit Limited Statutory Auditor & Chartered Accountants Portwall Place Portwall Lane Bristol BS1 6NA

Solicitors	CMS Cameron McKenna Mitre House 160 Aldersgate Street London EC1A 4DD
Nominated Advisor & Broker	finnCap 60 New Broad Street London EC2M 1JJ
Registrars	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgewater Road Bristol BS99 7NH
Company registered number	05459678
Website	www.srt-marine.com



ABOUT SRT MARINE SYSTEMS

SECURITY | SAFETY | MANAGEMENT

SRT Marine Systems plc (SRT) is a global leader in maritime domain awareness. Our products enable customers to better understand and manage their marine domain, thereby enhancing their maritime security, safety and environment sustainability and protection. From national coast guards, fisheries, critical infrastructure owners, waterway & port authorities, to the largest cargo ships and smallest sailboat owner, our products and systems are relied upon and in daily use across the globe.

Years of accumulated experience and advanced technology development aggregate into each of our in-house developed high quality products that deliver essential functionalities to their user. Functionalities such as the detection and characterisation of illegal or suspicious activities amongst tens of thousands of vessels spread across millions of kilometres of ocean and coastline, detection and prevention of illegal fishing, prevention of maritime accidents, real time continuous monitoring of the marine domain or simply helping to increase maritime transportation efficiency.

Our market is the new and growing long term global macro-trend that is Digital Marine. Digital Marine is the deployment of intelligent technologies that enable continuous and accurate monitoring of the marine domain, enabling previously impossible functionality such as accurate identification of vessels and their activities in real time. This applies to a global market which numbers 26 million vessels, 361 million square km of sea and 1.63 million km of coast lines that accommodate tens of thousands of ports.

ANNUAL REPORT HIGHLIGHTS

FINANCIAL

Revenues of **£8.2m** mostly generated by transceivers division.

£5.9m gross cash as at year end following successful £4.9m equity placing in March.

£600m systems division validated system sales pipeline.

£3.2m transceivers division forward order book.

OPERATIONAL

Good progress with the development of new dual application VHF/AIS transceiver product (NEXUS) scheduled to commence shipping in 2023.

Continued development of Digital AtoN System (DAS) product offer for navigation safety and environment monitoring.

Significant new functionalities implemented in the SRT-MDA System.

Systems delivery model evolved to enable more efficient multi-project implementation.

CHAIRMAN'S STATEMENT

This year's poor financial performance belies the material progress across both our business divisions towards sustained profitability as the global economy and SRT recover from Covid. Government agencies such as Coast Guards, have returned to their long-term plans to build up sovereign maritime surveillance capabilities and restarted their processes. Whilst our transceivers business is experiencing strong demand as the macro digital-marine trend continues in both commercial and leisure sectors. Both are reflective of the strong fundamentals of our target markets coupled with our long-term strategy and significant cumulative investments over many years in the development of market leading products which we expect to be reflected in future financial performance.

As reported in our post year end trading update (April 2022), year on year group revenues were flat at £8.2m (2021: £8.3m) resulting in a loss after tax of £5.8m (2021: £5.1m) with gross cash as at the year-end of £5.9m (2021: £5.3m) following a successful £4.9m equity placing in March. The systems business did not complete any revenue milestones and thus only generated £0.6m of revenues during the period from the ongoing sale of data services to system customers. Cash payments amounting to £6.1m were received during the year from existing system customers. The transceivers business thus accounted for £7.6m of our revenues (2021: £8.2m).

Our systems business continued to execute on our project with BFAR-Philippines, with a number of operational milestones achieved, including the full commissioning of the core fisheries monitoring and management centre which is now in full daily operation. We expect this project to complete within the next 12 months, and for further follow-on data sustainability and system expansion contracts to follow. A contract for the first phase of a new £40m three-phase project for an SRT-MDA System with a new national coast guard agency customer was signed in January 2022. I am pleased to report that following customer inspection and factory acceptance at SRT in March, first equipment shipments were completed in April, and as of publication of this report installation is well underway. This project is currently scheduled to be implemented over 2 years, although the customer has now requested a faster implementation timescale. We consider this new customer to be of considerable long-term value to SRT and likely to generate further contracts as they build up their maritime surveillance capabilities.

The SRT-MDA System is a complex combination of systems networking and integrated functionality built around our core GeoVS technology. GeoVS has been developed entirely in-house over many years to realise our starting vision of a being able to provide a national scale integrated system solution that delivers a full range of sophisticated maritime surveillance, command, control and management functionality. The development of the SRT-MDA System has continued during the year, with new functionalities and capabilities implemented. Notably we have innovated in the areas of marine activity analytics, enabling much greater insight and detection of suspicious and illegal events and vessels, and further enhanced our ability to integrate multiple sensor systems located on different platform types such as coastal installations, drones, patrol vessels and satellites. These are substantial uplifts in system capability which we believe further extend the unique offer of the SRT-MDA System and meet the maritime surveillance aspirations of our customers. SRT has built up a formidable development systems capability of which we are very proud and is in itself a very valuable asset and will enable us to continue this process and thus ensure the SRT-MDA System remains a market leader.

Our transceivers business has performed solidly, with demand exceeding our current ability to supply, resulting in a growing order book backlog of £3.2m as at year end. This reflects the ongoing issues in global electronics component supply which has constrained our production. This continues to be problematic with component order lead times being highly variable at best and our product costs increasing substantially as we seek to fill supply chain gaps through grey-market premium component buying to maximise production. Over the years we have built a global reputation as the leading supplier of marine transceivers with customers expecting both the best products and reliable consistent supply. We have therefore actively engaged with our customers to explain the issues and why supply is constrained and thus why we have had to increase prices to cover these additional costs. I am pleased to report that this approach has been well understood and we have not experienced a drop in demand following the necessary price increases. Unfortunately, market indicators suggest that this issue will remain until the end of 2023, but we are increasingly confident of our capability to gradually increase production capacity through strategic component purchasing.

OUR NEW NEXUS TRANSCEIVER PRODUCT DEVELOPMENT HAS MADE SUBSTANTIAL PROGRESS DURING THE YEAR.

NEXUS is a VHF voice and AIS data radio combined transceiver with a range of very innovative functionalities that deliver a new level of convenience for the mariner – commercial and leisure. This product will significantly expand our target market from data only into marine voice communications. We have developed NEXUS from scratch, enabling us to deploy the full capabilities of our experienced transceiver team who are working alongside selected external contractors to deliver this exceptional product. This has enabled the development of an all-new optimal core technology platform unconstrained from historical architectures. As of this report, we have undertaken a soft teaser market awareness campaign, and the product is at early prototype and type approval testing stage.

As is typical for an SRT product, NEXUS will undergo very extensive testing to ensure exceptional performance of both the core radio transceiver and user functionality before shipping commences. We have commenced the component purchasing process and expect that the first units will start shipping towards the middle of 2023.

Our standard vessel transceivers continue to be recognised as the leading quality product in the market, with customers seeking SRT based products from our OEM partners and our own em-trak brand. We are working on further enhancements to these products as part of continuous improvement. Our Digital Aids to Navigation System (DAS) offer is being further developed to enable us to offer ready to install kits directly to ports and waterway authorities who, following a Covid induced lull, have re-engaged with their plans to digitise navigation. The first DAS products have been launched with further to come.

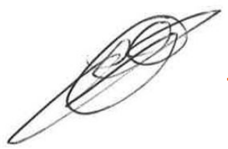
LOOKING TO THE NEW FINANCIAL YEAR, WE EXPECT TO SEE A MATERIAL RECOVERY IN OUR FINANCIAL RESULTS DRIVEN BY EXISTING AND NEW CONTRACTS IN OUR SYSTEMS DIVISION AND MODERATE, PRODUCTION CONSTRAINED, GROWTH, IN OUR TRANSCEIVERS BUSINESS.

In the first half we expect to show the first signs of that growth from the completion of revenue milestones from existing contracts, and during the second half from some substantial new system contracts that have been pending for some time and form part of the £600m worth of new contract opportunities on which our sales team are focused. We recognise and share the frustration at the time these are taking to convert into signed contracts, however in the last year, as reported we have seen vigorous re-engagement from these customers who have in many cases had to restart their approval processes due to internal time-out rules. We have close engagement with these customers and in several cases are now in the late sales stage administrative process that leads to contract awards. Whilst these late-stage processes are defined by the customer's respective legal procurement processes and thus entirely out of our control, we do have good visibility of their status and this underpins our confidence of new system contracts. An example of this is our January £40m project award where we had a high degree of certainty of the contract award well before the actual contract was signed and announced. I therefore expect a succession of substantial new contracts during the second half of the new financial year which will drive revenues in the new year and subsequent years. And thereafter further contracts driven by the long-term trend of countries wanting to build up sovereign maritime surveillance capability.

Our transceivers business will continue to benefit from increasing demand for AIS in both commercial and leisure markets, underpinned by existing and new legislation and general trend of digitising marine navigation. We also expect to see good results from our ongoing DAS strategy, that targets environment monitoring and navigation safety, where we have a market leading portfolio of products. Whilst we expect the component supply issue to remain until the end of 2023, we are confident that we can expand production to meet demand at the higher pricing and will continue to work closely with our valued customer base to that end. NEXUS will start to make a contribution in the next financial year (2023/24) and based upon initial market feedback we expect this growth to be substantial.

SRT's fundamental business model remains the same in that we focus on developing advanced core technologies and that deliver products with innovative functionalities for the marine market. These are delivered to customers through a global network of over 1,000 established partners, that range from marine electronic dealers, OEM marine electronic brands and system integrators. This enables us to focus our investment and resources primarily on product development and maintain low overheads whilst targeting a significant global market and multiple substantial projects. This means that we are structured to deliver substantial growth without commensurate growth in our cost base. However, it also means that we must have and maintain the very best core technology and product development capability as we have done in the past financial year, something that our management team has carefully built over many years and continues to evolve. Our transformation to a flexible hybrid work location model is enabling us to harness global talent and this process has accelerated during the past year and will continue going forward, enabling SRT to extend its product lead. In that regard I want to thank our team for their hard and intelligent work that enables us to have the products that are the foundation of our business and future.

In final summary, the year was one of operational and market recovery and we expect this to be reflected in our financial performance in the new financial year and years ahead – as such we as a board look forward to the future with confidence. I would like to thank both our staff and shareholders for their continued support that has enabled SRT maintain its business through this difficult period.



Kevin Finn, Chairman,
Date: 27 July 2022

FOR THE YEAR ENDED 31 MARCH 2022

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 March 2022.

BUSINESS REVIEW

The principal activity of the SRT Marine Systems plc Group is the development and supply of integrated maritime surveillance, monitoring, management and safety systems used by coast guards, fishery authorities, infrastructure and vessel owners for the purposes of managing and controlling their maritime domain.

The financial Key Performance Indicators (KPIs) used by the Board to monitor progress are revenue growth, gross margin, profit before tax and cash flow. These are used because they best indicate performance against the Group's strategic objective of delivering profitable growth which in turn will drive shareholder value. Non-financial KPIs used include status of customer and development projects against milestone targets. Performance against these metrics has been discussed in the Chairman's Statement on pages 8–9.

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks and uncertainties faced by the Group are:

Nature of systems customers

These customers tend to be governments and thus can be subject to significant risk, including but not limited to: the forecasting of project commencement dates and project delivery schedules, political and financial change and uncertainty, sudden cancellation and or changes to contracts without the possibility for redress, negotiation and or compensation. Furthermore, payment terms are frequently extended and variable and in the event of non-payment may not be collectable.

The Group seeks to manage this risk by obtaining a deep understanding of our markets, end customers and local partners which is achieved through extensive and close co-operation.

System execution risk

The implementation of a system contract contains a wide range of execution risks. These risks are mitigated through forming long term partnerships with local installation partners and investing in customer support and system project delivery teams.

Attracting and retaining employees with appropriate skills

The group's ability to execute its strategy is dependent on the skills and abilities of its staff. The group undertakes ongoing initiatives to foster good staff engagement and ensure that remuneration packages are competitive in the market.

Component shortages

The current global shortages of components have led to a significant lengthening of lead times and has meant that normalised production has been unable to meet customer demand. The Group has been able to mitigate this issue by acquiring components outside of normal supply chain routes, although these suppliers often require immediate payment and thus deployment of additional working capital to support growth.

SECTION 172 (1) STATEMENT

Each individual director must act in the way he considers, in good faith, would be the most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard to:

- long-term consequences of any decisions
- the interests of the Group's employees
- the need to foster business relationship with suppliers, customers and others
- the impact of the Group's operations on the community and the environment
- the need to maintain a reputation for high standards of business conduct and act fairly between members of the group

Key issues

Key issues include the investment and delivery of key projects in the systems business in overseas territories. In all evaluations the need to foster important business relationships with customers and local in country suppliers are key considerations which are weighted heavily as are the need for high standards of business conduct and health and safety and environmental compliance.

Furthermore, the interests of our employees post pandemic continues to be of paramount importance with the business having transitioned to a flexible hybrid work location operating model. We intend to update and improve our human resources strategy over the coming year.

Stakeholders

Key stakeholders include shareholders, employees, customers and suppliers.

Methods of engagement

The Group uses a range of methods of engagement with stakeholders, ranging from formal structures to personal engagement. Shareholders are updated regularly on business activities via investor roadshows, quarterly on-line web casts, one on one communication with the executive directors and AGM presentations.

The Group's flat management structure allows personal interaction at all levels which facilitates communication within the organisation as well as externally with customers and suppliers. An "open door" culture is operated with all stakeholders. Employees have regular personal interaction with their line managers and the executive directors and have annual targets set against which formal assessments of performance is reviewed.

All key suppliers and customers are personally met in order that business relationships can be fostered.

INVESTING FOR THE FUTURE

We acknowledge that our chosen marketplaces are still in their early stages and as a result we need to continue to invest in our organisation in order to meet the challenges that a growing market will bring. This will involve adding to our existing product and system portfolio as well as evolving our current technology offerings which is further discussed in the Chairman's Statement.

Approved by the Board of Directors and signed on behalf of the Board on 27 July 2022.

S Tucker Director

FOR THE YEAR ENDED 31 MARCH 2022

DIRECTORS' REPORT

GENERAL INFORMATION

SRT Marine Systems plc is a public limited Company which is listed on the AIM market of the London Stock Exchange and is incorporated and domiciled in the United Kingdom.

RESULTS FOR THE YEAR AND DIVIDENDS

The Group incurred a loss after tax of £5,838,005 (2021: loss £5,133,843). The directors have not recommended the payment of a dividend (2021: £nil).

FUTURE DEVELOPMENTS AND STRATEGY

These are considered in the Chairman's Statement on pages 8–9.

RESEARCH AND DEVELOPMENT ACTIVITIES

These are considered in the Chairman's Statement on pages 8–9.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Details of the Group's financial instruments and its policies with regard to financial risk management are given in note 24 to the financial statements.

DIRECTORS

The directors who served during the year were:

Non Executives

Chairman	Kevin Finn
Non Executive Director	Simon Rogers
Non Executive Director	Simon Barrell

Executives

Chief Executive Officer	Simon Tucker
Chief Operating Officer	Neil Peniket
Chief Product Officer	Jean Francois Bonnin *(appointed 3 February 2022)*
Chief Financial Officer	Richard Hurd

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

GOING CONCERN

The directors have prepared the financial statements on a going concern basis. They believe that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future. Further details can be found in note 1, Accounting Policies.

DISCLOSURE OF INFORMATION TO THE AUDITORS

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant available information of which the Company's auditors were unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITORS

A resolution to appoint the auditors, Nexia Smith & Williamson Audit Limited, will be proposed at the next Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board on 27 July 2022.

S Tucker Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 elected to prepare the Group and parent Company financial statements in accordance with UK-adopted international accounting standards. 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 Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether UK-adopted international accounting standards 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for ensuring that they meet their responsibilities under the AIM Rules.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FOR THE YEAR ENDED 31 MARCH 2022

CORPORATE GOVERNANCE REPORT

The directors recognise the importance of, and are committed to, high standards of corporate governance. AIM companies are required to apply a recognised corporate governance code. Of the three widely recognised formal codes, the directors have decided to adhere to the Quoted Companies Alliance's Corporate Governance code for small and mid-size quoted companies.

The Group's compliance with this code is summarised below and can be found in full on the Group's website at: www.srt-marine.com/corporate-governance.

BUSINESS MODEL AND STRATEGY

SRT is a global leader in the provision of maritime domain awareness (MDA). Our products are used by mariners, infrastructure owners, coast guards and fishing authorities to enhance safety, security and management efficiency of maritime regions.

SRT's strategy and business model is to address MDA market segments using a small set of innovative core technologies and products and systems which can be combined and customised into multiple product configurations and types each of which address different MDA market segments.

The key risks and challenges faced by the Group are set out in the Strategic Report on pages 10–11.

RISK MANAGEMENT

The Board is responsible for the systems of internal control and risk management and reviewing their effectiveness. Furthermore, through the activities of the Audit Committee the effectiveness of these internal controls is considered annually.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. Revised forecasts are also produced on a monthly basis. The Group's results, compared with the budget and forecast are reported to the Board on a monthly basis.

Within the scope of the annual audit, specific financial risks are evaluated in detail, including those in relation to revenue recognition, recoverability of receivables and stock and intangibles valuation.

SRT has published a share dealing policy on its intranet to seek the necessary approval from directors should they, or their families, plan to trade in the group's equities.

THE BOARD OF DIRECTORS

The members of the board have a collective responsibility and legal obligation to promote the interests of the group and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.

The board consists of seven directors of which four are executive and three are independent non-executives. The board is satisfied that at present it has a suitable balance between independence on the one hand and knowledge of the company on the other.

During the year ended 31 March 2022, there were four board meetings and calls. Each director attended all the meetings and calls during the year, except Simon Barrell who missed one meeting.

The board has an agenda of items to consider at each meeting subdivided into the key activities of the business, namely operations, product management, project delivery, sales and marketing and financial matters.

Prior to the board meeting a board pack of information is compiled by the executive directors and circulated around the board together with the minutes from the previous meeting for approval and the monthly management accounts. The board believes that the composition and breadth of experience of the board are appropriate for the Company at present and that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. All Directors receive regular and timely information on the Group's operational, sales and financial performance.

Biographies of the board are set out in the Corporate Governance section of the Group's website.

The board is supported by three committees: audit, remuneration and nomination.

AUDIT COMMITTEE

The Audit Committee comprises of Simon Barrell (Chairman) and Kevin Finn. It meets at least twice per year. The audit committee reviews the effectiveness of the internal controls of the business, as well as any key judgements made in the preparation of the interim and annual accounts and the effectiveness of the internal financial management. The audit planning meeting took place on 26 May 2022 and the meeting to review feedback from the 2022 audit took place on 19 July 2022.

REMUNERATION COMMITTEE

The Remuneration Committee comprises Simon Rogers (Chairman), Kevin Finn and Simon Barrell; it meets at least once a year. During the year, the Committee met to discuss the remuneration of the Executive directors. The remuneration policy for Directors is set by the Board and is described below. It is determined by the Remuneration Committee within the framework of this policy. The remuneration of the Executive Directors is determined by the Remuneration Committee which consists entirely of Non-Executive Directors. The Remuneration Committee consults with Simon Tucker, the Group Chief Executive Officer, as appropriate with regard to its proposals relating to the remuneration of the Executive Directors.

The policy of the Remuneration Committee is to review the Executive Directors' Remuneration based on market practice within the Company's market sector. The Group wishes to attract, motivate and retain key executives. Accordingly, its policy is to design remuneration packages which, through an appropriate combination of basic salary, performance related bonuses, share options, pension arrangements and certain benefits, reward executives fairly and responsibly for their individual contributions, whilst linking their potential earnings to the performance of the Group as a whole. The overall package, which is reviewed at least annually may contain the following elements:

a) Basic salaries

Basic salaries for Executive Directors are reviewed annually by the Remuneration Committee and are set at levels which reflect their performance and degree of responsibility.

b) Enterprise Management Incentive Share Option Scheme

The Company has had in place, since November 2005, an enterprise management incentive share option scheme under which awards are met at the discretion of the Remuneration Committee. The share options held by the Directors are set out in note 3.

c) Performance related bonus

The Remuneration Committee can award discretionary bonuses, which are linked to the achievement of demanding individual, business and corporate objectives.

d) Pension allowance

Simon Tucker elected not to join the Company's Money Purchase Pension Scheme and in compensation for this the Remuneration Committee agreed to pay him the amount that the Company would have paid to the pension scheme on his behalf, for him to invest as he wishes.

e) Other benefits

Other benefits include private health insurance.

f) Non-Executive Directors

The Non-Executive Directors are independent of management and have no relationship which could materially interfere with the exercise of their independent judgement. The remuneration of the Non-Executive Directors is decided by the Executive Directors.

NOMINATION COMMITTEE

The Nomination Committee comprises Kevin Finn (Chairman) and Simon Rogers. The Nomination Committee met during the year to discuss the appointment of new members of the senior management team including Jean-Francois Bonnin to the board.

CORPORATE CULTURE

The Board aims to lead by example and do what is in the best interests of the Company. It seeks to maintain the highest level of integrity in the conduct of the Group's operations. An open culture is encouraged within the Group, with regular communication to staff regarding progress and staff feedback sought on a regular basis.

Given the nature of the customers and markets within our systems business, a strict anti-bribery and corruption policy is operated to ensure that business dealings are carried out to the highest ethical standards.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SRT MARINE SYSTEMS PLC

OPINION

We have audited the financial statements of SRT Marine Systems plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity, and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

OUR APPROACH TO THE AUDIT

The Group performs all transaction processing and financial statement preparation centrally in the UK. Of the Group's nine reporting components, we audited individually three of them, with three being audited by targeted audit procedures to group materiality levels, and the remaining components being dormant entities.

The components within the scope of our work covered materially all of the Group's revenue, all of the Group's profit before tax and all of the Group's net assets.

KEY AUDIT MATTERS

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

KEY AUDIT MATTER	DESCRIPTION OF RISK	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Intangible assets – for Group only	The Group capitalises qualifying development costs as intangible assets, which are material to the Group's financial statements. The audit risk is considered significant, given the stringent requirements that must be met to capitalise these costs in accordance with IAS 38. In addition, the value of these costs to the Group, once capitalised, presents an area of audit risk, given the uncertainty and value of future sales, and the projected future life of the intangible asset and amortisation period assigned. For these reasons, we have considered this an area of key audit focus.	The main procedures performed on the recognition and valuation assessments, including areas where we challenged management were as follows: ▪ Obtaining and agreeing the breakdown of intangible assets by ongoing/finalised projects to note 9 in the financial statements. ▪ Assessing the most significant costs capitalised per each project at year end against the stringent recognition criteria of IAS 38 and corroborating the explanations received from management with information obtained elsewhere, such as corroborating sales levels and margins obtained on the projects for which amortisation is being charged to work performed on the respective sales area. ▪ Substantive testing a sample of costs capitalised during the year by agreeing to supporting documents and assessing them against the recognition criteria of IAS 38. ▪ Reviewing the amortisation charged during the year, to ensure it has been calculated in accordance with the Group's amortisation policy, and consideration of whether the amortisation period is appropriate for the specific costs capitalised. ▪ Reviewing management's assessment of the value of the intangible assets against the impairment indicators of IAS 36 ▪ Reviewing and challenging the impairment review conducted to ensure the value of intangible assets not yet in use were more than covered by the recoverable amount. ▪ Considering the appropriateness of the disclosures made in the financial statements in respect of these assets.
Inventories – for Group only	As shown in note 13, group inventories consist of raw materials and finished goods. The audit risk is considered to be significant given the high levels of old inventories included within the accounts. All inventory should be held at the lower of cost and net realisable value. If stock is held for long periods of time then the net realisable value is called into question. Given the uncertainty over this estimate we have considered this to be a key area of audit focus.	The main procedures performed on the valuation assessments, including areas where we challenged management were as follows: ▪ Obtaining and agreeing the detailed inventory listing to the note in the accounts ▪ Substantively testing a sample of inventory costs back to latest purchase invoices ▪ Considering the net realisable value of a sample of inventory lines by testing the latest sale of the lines ▪ Reviewing the appropriateness and effectiveness of management's stock provision ▪ Recalculation of appropriate provision and comparing to client's calculation of provision ▪ Considering the appropriateness of the disclosures made in the financial statements in respect of inventory

EMPHASIS OF MATTER – RECOVERABILITY OF INTANGIBLE ASSETS, INVESTMENT VALUE, INTERCOMPANY DEBTOR AND GOODWILL

We draw attention to note 1 in the financial statements concerning key sources of estimation uncertainty, and specifically the recoverability of £8.7m of intangible assets and £633k of goodwill on the Group statement of financial position; and £20.9m of investment value and intercompany debtor of £637k on the statement of financial position of the Company.

As described in Note 1 - Critical accounting judgements and key sources of estimation uncertainty - the recoverability of these assets is dependent on significant contracts being signed, delivered and cash collected, the timing of which is not certain. The financial statements do not reflect any impairment that may be required if the above Group assets totalling £10.5m or the above Company assets totalling £21.5m are not recoverable. Our opinion is not modified in respect of this matter.

OUR APPLICATION OF MATERIALITY

The materiality for the group financial statements as a whole ("group FS materiality") was set at £456k. This has been determined with reference to the benchmarks of the group's total assets and net assets as well as considering revenue, which we consider all to be key considerations for members of the company in assessing the group's performance. Group FS materiality represents 4.7% of the group's net assets as presented on the face of the consolidated statement of financial position.

The materiality for the parent company financial statements as a whole ("parent FS materiality") was set at £284k. This has been determined with reference to the benchmark of the parent company's net assets as it exists only as a holding company for the group, capped at the level of performance materiality applied to the group financial statements. Parent FS materiality represents 1.9% of the parent company's net assets as presented on the face of the parent company statement of financial position.

Performance materiality for the group financial statements was set at £296k, being 65% of group FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds group FS materiality. We judged this level to be appropriate based on our understanding of the group and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits. It was set at 65% to reflect the fact that few misstatements were expected in the current period but there is an element judgement and estimation in the financial statements.

Performance materiality for the parent company financial statements was set at £237k, being 65% of parent FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds parent FS materiality. We judged this level to be appropriate based on our understanding of the company and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits. It was set at 65% to reflect the fact that few misstatements were expected in the current period but there is an element judgement and estimation in the financial statements.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 in the financial statements. Whilst the directors have prepared cash flow projections to support the adoption of the going concern basis, the timing of future cash flows from contracts secured within the Group's systems business is uncertain.

The events or conditions along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- challenging the assumptions used in the forecasts prepared by management for the financial years ending 2023 and 2024;
- assessing the appropriateness of the assumptions concerning growth rates and inputs to the discount rate against latest market expectations and macro-economic assumptions;
- comparing the forecast results to those actually achieved in the 2023 financial period so far;
- considering the group's funding position and requirements; and

considering the sensitivity of the assumptions and re-assessing headroom after sensitivity.

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 other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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. 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.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

We obtain a general understanding of the group's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We also drew on our existing understanding of the group's industry and regulation.

We understand that the group complies with requirements of the framework through:

- The establishment of a testing department to ensure all AIS product approval requirements are met.
- Engaging external experts to ensure the group remains in line with regulatory expectations and is aware of any updates to legislation.
- Given the management structure and reporting lines, any litigation or claims would come to the Directors' attention and are considered at board meetings.

In the context of the audit, we considered those laws and regulations which determine the form and context of the financial statements, which are central to the group's ability to conduct its business and where failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the group:

- The Companies Act 2006 and IFRS in respect of the financial statements
- AIM rules and the UK Market Abuse Regulation
- Bribery Act 2010
- Health and safety regulations

We performed the following specific procedures to gain evidence about compliance with the specific laws and regulations defined above:

- Inspected the monthly board meeting minutes to ensure there are no reports of non-compliance
- Reviewed legal expense accounts to ensure spend is in line with expectations
- Inspected health and safety records kept in the year
- Reviewed the bribery policy to ensure adequacy against preventing instances of bribery occurring within the group

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of this discussion were:

- Manipulation of the financial statements through the posting of manual journals
- Valuation of stock and intangible assets where estimates are made by management

The procedures we carried out to gain evidence in the above areas included:

- Testing a sample of manual journals back to supporting documentation
- Testing a sample of capitalised development costs back to supporting documentation and confirming that they are capital in nature (see Key Audit Matter regarding Intangible Assets for further detail)
- Testing the cost and net realisable value of a sample of stock lines to ensure that they are valued correctly

Overall, the senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities. In particular, both the senior statutory auditor and the audit manager have a number of years' experience in dealing with companies in the technology development sector and those with cross-border activities, and also with companies listed on the AIM market of the London Stock Exchange.

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

USE OF OUR REPORT

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

Carl Deane
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
Portwall Place
Portwall Lane
Bristol
BS1 6NA

FOR THE YEAR ENDED 31 MARCH 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	2022 (£)	2021 (£)
Revenue	2	8,172,900	8,275,022
Cost of sales		(5,500,942)	(5,097,419)
GROSS PROFIT		2,671,958	3,177,603
Administrative costs		(8,721,560)	(8,048,640)
Foreign exchange losses		(147,754)	(486,675)
Total administrative costs and foreign exchange losses		(8,869,314)	(8,535,315)
OPERATING LOSS		(6,197,356)	(5,357,712)
Finance expenditure	5	(615,648)	(574,248)
Finance income	5	421	1,057
LOSS BEFORE TAX		(6,812,583)	(5,930,903)
Income tax credit	7	974,578	797,060
LOSS FOR THE YEAR AFTER TAX		(5,838,005)	(5,133,843)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		(5,838,005)	(5,133,843)
LOSS PER SHARE			
Basic	23	(3.53)p	(3.13)p
Diluted	23	(3.53)p	(3.13)p

The notes on pages 28–45 form part of these financial statements.

AS AT 31 MARCH 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2022 (£)	2021 (£)
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	9,368,069	8,274,170
Property, plant and equipment	10	1,328,842	1,688,512
Tax asset	7	-	793,602
Total non-current assets		10,696,911	10,756,284
CURRENT ASSETS			
Inventories	13	2,359,922	2,368,283
Trade and other receivables	14	3,847,735	3,600,187
Current tax recoverable	7	978,963	-
Cash		5,924,601	5,286,432
Restricted cash	12	906,245	-
Total current assets		14,017,466	11,254,902
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	(6,459,635)	(1,648,983)
Borrowings	16	(7,245,000)	(8,515,000)
Lease liabilities	17	(201,402)	(262,011)
Total current liabilities		(13,906,037)	(10,425,994)
NET CURRENT ASSETS		111,429	828,908
TOTAL ASSETS LESS CURRENT LIABILITIES		10,808,340	11,585,192
NON CURRENT LIABILITIES			
Borrowings	16	(312,500)	-
Lease liabilities	17	(703,317)	(861,409)
Total non current liabilities		(1,015,817)	(861,409)
NET ASSETS		**9,792,523**	**10,723,783**
SHAREHOLDERS' EQUITY			
Share capital	18	180,677	164,252
Share premium account	20	18,067,612	13,431,735
Retained loss	20	(13,946,362)	(8,362,800)
Other reserves	20	5,490,596	5,490,596
TOTAL SHAREHOLDERS' EQUITY		**9,792,523**	**10,723,783**

The financial statements were approved by the Board of Directors on 27 July 2022 and were signed on its behalf by:

S Tucker Director

Company's registered number: 05459678

The notes on pages 28–45 form part of these financial statements.

AS AT 31 MARCH 2022

COMPANY STATEMENT OF FINANCIAL POSITION

	NOTES	2022 (£)	2021 (£)
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	11	20,923,456	932,593
Property, plant and equipment	10	389,109	608,787
Other receivables	14	-	17,431,831
Total non-current assets		21,312,565	18,973,211
CURRENT ASSETS			
Other receivables	14	827,968	143,237
Cash and cash equivalents		1,282,903	1,700,504
Total current assets		2,110,871	1,843,741
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	(526,941)	(311,228)
Borrowings	16	(7,245,000)	(8,515,000)
Lease liabilities	17	(98,272)	(158,881)
Total current liabilities		(7,870,213)	(8,985,109)
NET CURRENT LIABILITIES		(5,759,342)	(7,141,368)
TOTAL ASSETS LESS CURRENT LIABILITIES		15,553,223	11,831,843
NON CURRENT LIABILITIES			
Borrowings	16	(312,500)	-
Lease liabilities	17	(287,063)	(370,476)
Total non current liabilities		(599,563)	(370,476)
NET ASSETS		**14,953,660**	**11,461,367**
SHAREHOLDERS' EQUITY			
Share capital	18	180,677	164,252
Share premium account	20	18,067,612	13,431,735
Retained loss	20	(3,357,029)	(2,197,020)
Other reserves	20	62,400	62,400
TOTAL SHAREHOLDERS' EQUITY		**14,953,660**	**11,461,367**

The loss for the year ended 31 March 2022 was £1,414,452 (2021: loss £1,309,289).

The financial statements were approved by the Board of Directors on 27 July 2022 and were signed on its behalf by:

S Tucker Director

Company's registered number: 05459678

The notes on pages 28–45 form part of these financial statements.

FOR THE YEAR ENDED 31 MARCH 2022

CONSOLIDATED STATEMENT OF CASH FLOWS

ASSETS	NOTES	2022 (£)	2021 (£)
OPERATING ACTIVITIES			
CASH GENERATED FROM OPERATING ACTIVITIES	22	1,405,136	2,164,982
Corporation tax received		789,217	674,236
NET CASH GENERATED FROM OPERATING ACTIVITIES		2,194,353	2,839,218
INVESTING ACTIVITIES			
Expenditure on product development		(3,327,011)	(2,770,455)
Purchase of property, plant and equipment		(183,802)	(341,875)
Interest received		421	1,057
NET CASH USED IN INVESTING ACTIVITIES		(3,510,392)	(3,111,273)
FINANCING ACTIVITIES			
Gross proceeds on issue of shares		4,919,130	2,000,005
Costs of issue of shares		(266,828)	(102,851)
New loans issued		1,000,000	3,525,000
Loan repayments		(1,957,500)	-
Lease repayments		(267,458)	(267,749)
Loan Interest paid		(566,891)	(514,726)
NET CASH GENERATED FROM FINANCING ACTIVITIES		2,860,453	4,639,679
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,544,414	4,367,624
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,286,432	918,808
NET CASH AND CASH EQUIVALENTS AT END OF YEAR		6,830,846	5,286,432

FOR THE YEAR ENDED 31 MARCH 2022 AND 31 MARCH 2021

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2022 (£)	INTEREST (£)	NEW LEASES (£)	CASH FLOW(£)	2021(£)
Bank loan	1,562,500	65,101	-	(1,002,601)	2,500,000
Other loan	5,995,000	501,790	-	(521,790)	6,015,000
Lease liabilities	904,719	48,757	-	(267,458)	1,123,420
TOTAL	8,462,219	615,648	-	(1,791,849)	9,638,420

	2021 (£)	INTEREST (£)	NEW LEASES (£)	CASH FLOW(£)	2020(£)
Bank loan	2,500,000	-	-	2,500,000	-
Other loan	6,015,000	514,726	-	510,274	4,990,000
Lease liabilities	1,123,420	59,522	61,461	(267,749)	1,270,186
TOTAL	9,638,420	574,248	61,461	2,742,525	6,260,186

The notes on pages 28–45 form part of these financial statements.

FOR THE YEAR ENDED 31 MARCH 2022

COMPANY STATEMENT OF CASH FLOWS

ASSETS	NOTES	2022 (£)	2021 (£)
OPERATING ACTIVITIES			
CASH USED IN OPERATING ACTIVITIES	22	(1,644,279)	(3,100,015)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(18,261)	(57,286)
Investment in subsidiaries		(1,726,053)	-
Interest received		61	276
NET CASH USED IN INVESTING ACTIVITIES		(1,744,253)	(57,010)
FINANCING ACTIVITIES			
Gross proceeds on issue of shares		4,919,130	2,000,005
Costs of issue of shares		(266,828)	(102,851)
New loans issued		1,000,000	3,525,000
Loan repayments		(1,957,500)	-
Lease repayments		(164,330)	(164,619)
Loan interest paid		(559,541)	(505,243)
NET CASH GENERATED FROM FINANCING ACTIVITIES		2,970,931	4,752,292
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(417,601)	1,595,267
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,700,504	105,237
NET CASH AND CASH EQUIVALENTS AT END OF YEAR		1,282,903	1,700,504

FOR THE YEAR ENDED 31 MARCH 2022 AND 31 MARCH 2021

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2022 (£)	INTEREST (£)	NEW LEASES (£)	CASH FLOW(£)	2021(£)
Bank loan	1,562,500	65,101	-	(1,002,601)	2,500,000
Other loan	5,995,000	501,790	-	(521,790)	6,015,000
Lease liabilities	385,335	20,308	-	(164,330)	529,357
TOTAL	7,942,835	587,199	-	(1,688,721)	9,044,357

	2022 (£)	INTEREST (£)	NEW LEASES (£)	CASH FLOW(£)	2021(£)
Bank loan	2,500,000	-	-	2,500,000	-
Other loan	6,015,000	505,243	-	519,757	4,990,000
Lease liabilities	529,357	27,330	61,461	(164,619)	605,185
TOTAL	9,044,357	532,573	61,461	2,855,138	5,595,185

The notes on pages 28–45 form part of these financial statements.

FOR THE YEAR ENDED 31 MARCH 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL (£)	SHARE PREMIUM (£)	RETAINED EARNINGS (£)	OTHER RESERVES (£)	TOTAL (£)
AT 31 MARCH 2020	154,844	11,543,989	(3,458,289)	5,490,596	13,731,140
Total comprehensive expense for the year	-	-	(5,133,843)	-	(5,133,843)
Transactions with owners					
Issue of equity share capital	9,408	1,990,597	-	-	2,000,005
Cost of issue of equity share capital	-	(102,851)	-	-	(102,851)
Share based payment charge	-	-	229,332	-	229,332
AT 31 MARCH 2021	164,252	13,431,735	(8,362,800)	5,490,596	10,723,783
Total comprehensive expense for the year	-	-	(5,838,005)	-	(5,838,005)
Transactions with owners					
Issue of equity share capital	16,425	4,902,705	-	-	4,919,130
Cost of issue of equity share capital	-	(266,828)	-	-	(266,828)
Share based payment charge	-	-	254,443	-	254,443
AT 31 MARCH 2022	180,677	18,067,612	(13,946,362)	5,490,596	9,792,523

The notes on pages 28–45 form part of these financial statements.

FOR THE YEAR ENDED 31 MARCH 2022

COMPANY STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL (£)	SHARE PREMIUM (£)	RETAINED EARNINGS (£)	OTHER RESERVES (£)	TOTAL (£)
AT 31 MARCH 2020	154,844	11,543,989	(1,117,063)	62,400	10,644,170
Total comprehensive expense for the year	-	-	(1,309,289)	-	(1,309,289)
Transactions with owners					
Issue of equity share capital	9,408	1,990,597	-	-	2,000,005
Cost of issue of equity share capital	-	(102,851)	-	-	(102,851)
Share based payment charge	-	-	229,332	-	229,332
AT 31 MARCH 2021	164,252	13,431,735	(2,197,020)	62,400	11,461,367
Total comprehensive expense for the year	-	-	(1,414,452)	-	(1,414,452)
Transactions with owners					
Issue of equity share capital	16,425	4,902,705	-	-	4,919,130
Cost of issue of equity share capital	-	(266,828)	-	-	(266,828)
Share based payment charge	-	-	254,443	-	254,443
AT 31 MARCH 2022	180,677	18,067,612	(3,357,029)	62,400	14,953,660

The notes on pages 28–45 form part of these financial statements.

FOR THE YEAR ENDED 31 MARCH 2022

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

SRT Marine Systems plc is a public limited Company, limited by shares, incorporated in England and Wales. It is listed on the AIM. The address of the registered office is Wireless House, Westfield Industrial Estate, Midsomer Norton, Bath BA3 4BS. The nature of the Group's operations and its principal activities are noted in the Chairman's Statement and Strategic Report. The principal accounting policies are summarised below. They have all been applied consistently throughout the period covered by these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards. The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company prepared to 31 March each year. An investor controls an investee if the investee has all of the following: power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. All intra-Group transactions and balances and any unrealised gains and losses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

Going concern and material uncertainties

The Group's business activities, together with the key factors likely to affect its future development, profitability, cash flows, liquidity position, borrowing facilities and financial position are outlined within the chairman's statement, strategic report and the financial statements. The directors have prepared the financial statements on the going concern basis, which assumes that the systems business will generate sufficient future recoverable income.

The level of future income to be generated is uncertain and is highly dependent on the timing of the awarding of contracts and cash receipts from the Group's systems business. A number of significant systems opportunities in the Middle East and South East Asia are expected to generate material cash receipts in the next 12 months although the Directors recognise that it is very difficult to predict the timing of these cash receipts and in order to mitigate the potential impact on cash flows, the Group completed a financing exercise during the year. The scale of these systems opportunities and associated working capital potential requirements are expected to necessitate project financing. Furthermore, the Group's projections have allowed for delays in its projections and specifically cash receipts and its projections have allowed for a range of possible outcomes on trading performance. That said, and whilst the directors consider that they have used a reasonable basis to forecast the timing of these types of cash receipts, they do recognise that the nature of these systems' customers does mean that the awarding of future contracts can be unpredictable, difficult to forecast and subject to change. These circumstances represent a material uncertainty that may cast significant doubt upon the Group's and the company's ability to continue as a going concern.

Notwithstanding this matter, after making due enquiries and considering the uncertainty described above, the Directors believe they have a reasonable basis to conclude that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and for this reason, the directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the year-end date and the reported amounts of revenues and expenses during the year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements

- **Development costs capitalised as intangible assets**
  Management exercises judgement in determining whether the costs can be capitalised, and this is done by reference to a number of criteria as set out in these accounting policies. During the year, the Group has capitalised intangible assets development costs of £3,327,011 (2021: £2,770,455).

- **Determination of performance obligations and satisfaction thereof**
  For the purposes of recognising revenue, management has exercised judgement in considering the bundle of products and services provided under long term contracts as one performance obligation in building a monitoring system.

- **Allocation of transaction price**
  The allocation of the total price to performance obligations is done, where possible, on the basis of relative stand-alone selling prices, which may need to be estimated as some performance obligations are never, in practice, sold on their own. Management exercises judgement to determine the best approach for allocating the transaction price to performance obligations where relative stand-alone prices are not readily available as some of the contracts are highly bespoke. The residual method of allocation of the transaction price is used when stand-alone prices are not available.

- **Revenue recognition method for performance obligations where satisfaction is over time**
  The Group uses either output methods or input methods to measure the progress towards completion of a performance obligation satisfied over time, depending on which method is considered to depict the entity's performance. Output methods recognise revenue on the basis of direct measurement of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. The output method used by the Group is based on milestones reached. Input methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. The input method used by the Group is based on costs incurred to date relative to total expected costs, which requires significant judgement. Contracts can be highly bespoke and hence historical cost information is not always useful in estimating future costs. The Group's policies for the recognition of revenue and profit are set out in the revenue recognition policy below.

- **Determination of the lease term**
  Rental contracts are typically made for fixed periods but may have extension options. In these cases, significant judgement is required to ascertain the correct lease term. When assessing whether the Group is reasonably certain to exercise the option to extend the lease, the directors consider all relevant facts and circumstances (both monetary and non-monetary) that create an economic incentive for them to exercise or not exercise that options. They also include any expected changes in facts and circumstances from the commencement date until the exercise date of that option.

Key sources of estimation uncertainty

- **Impairment of property, plant and equipment**
  Management tests property, plant and equipment for impairment if and when indicators of impairment arise. Where such an indication exists, management estimates the fair value less costs to sell of the assets based on the net present value of future cash flows. The directors have considered whether there are any indicators of impairment to the carrying amount of property, plant and equipment of £1,328,842 (2021: £1,688,512). The unpredictability of cash flows in the Group's system business has resulted in the existence of an impairment indicator which has been considered by the directors. Whilst recognising the challenges in forecasting these cash flows, the directors consider that they have used a reasonable basis to forecast the timing of these cash receipts.

- **Impairment of intangible assets**
  Management tests intangible assets for impairment if and when indicators of impairment arise. Where such an indication exists, management estimates the fair value less costs to sell of the assets based on the net present value of future cash flows. The directors have considered whether there are any indicators of impairment to the carrying amount of intangible assets of £9,368,069 (2021: £8,274,170). The challenging trading conditions in the Group's system business has resulted in the existence of an impairment indicator which has been considered by the directors. The recoverability of these assets is dependent on significant contracts being signed, delivered and cash collected within the projects arm of the Group, the timing of which is not certain. Whilst recognising the challenges in forecasting these cash flows, the directors consider that they have used a reasonable basis to forecast the timing of these cash receipts.

- **Valuation of inventory**
  Inventory is held at the lower of cost and net realisable value and is held for the Group's transceiver business (£1,633,354) and its systems business (£726,568). If transceiver inventory is held for a long period of time or relates to a product line that is superseded, then the net realisable value is brought into question. Management perform a review of any such inventory and provides accordingly thereby seeking to ensure that the value at which inventories are held is appropriate. Systems inventory is reviewed for provision based on the assessment of sales patterns which can be unpredictable in their timing and hence

difficult to forecast. The total provision at 31 March 2022 amounted to £717,098 (2021: £449,265).

- **Amortisation of development costs**
  Management consider the amortisation period of each development cost asset based on the revenue generating life of each asset, currently considered to be five years. Where an asset is not ready for use at the year end and therefore has not been amortised, management perform impairment review based upon anticipated future cash flow as detailed in the going concern section of this note.

- **Investments**
  The company accounts include an investment in subsidiaries balance of £20,923,456. Management tests investments for impairment if and when indicators of impairment arise. The unpredictability of cash flows in the Group's system business has resulted in the existence of an impairment indicator which has been considered by the directors. Whilst recognising the challenges in forecasting these cash flows, the directors consider that they have used a reasonable basis to forecast the timing of these cash receipts. When undertaking this assessment, the directors have adopted a post-tax discount rate of 15% and a terminal growth rate of 2%.

Research and development

Research expenditure is written off to profit or loss in the year in which it is incurred. Development expenditure is capitalised and amortised over the period during which the Company is expected to benefit, currently considered to be five years. This cost is included as part of administrative expenses within profit or loss.

Development expenditure capitalised represents time spent by Company employees, sub-contractor costs, and any other directly attributable costs incurred in creating the asset for the purposes intended by management, valued at cost. In recognising such development costs as assets consideration is given to each of the following:

- The technological feasibility of completing the asset so that it may be used or sold
- The intention and ability to use or sell the asset
- How the asset will generate future probable economic benefits, for example by demonstrating that there is a market for the asset's output
- Availability of adequate technical, financial and other resources to complete the development and to use the asset
- The ability to measure reliably the expenditure on the asset during its development.

Once management is satisfied that the above criteria are met the development costs are carried as assets. The amortisation periods of each of the assets is five years, as this is considered to be the revenue generating life of each asset. This period is subject to annual review by management. The AIS technology assets have between 9 and 60 months of amortisation remaining.

Revenue recognition

Revenue is recognised in accordance with the transfer of promised goods or services to customers (i.e. when the customer gains control of the good/service) and is measured as the consideration which the Group expects to be entitled to in exchange for those goods or services. Consideration is typically fixed on the agreement of a contract. Payment terms are agreed on a contract by contract basis.

Contracts include promises to transfer goods and/or services to a customer (i.e. "performance obligations") which are typically indistinct and hence are accounted for together in a single performance obligation. Where multiple performance obligations exist within one contract, the transaction price is allocated between each performance obligation on the basis of past experience, with reference to stand-alone selling prices of each component, and where appropriate by using the residual method approach.

A good or service is distinct if the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

The group recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer. A performance obligation is satisfied over time when the vendor's performance creates an asset under the control of the customer and the customer has an obligation to pay the vendor for performance to date, or when the customer simultaneously receives and consumes the benefits from the performance obligation.

The group recognises revenue from the sale of support services, maintenance and training over the time period to which the services provided relate, as this is considered the best indicator of when the customer receives and consumes the benefit of the service.

The group recognises revenue from the sale of maritime system solutions over the time as the monitoring system is installed on the customer's territory and therefore the asset is deemed under the customer's control.

The Group uses either output methods or input methods to measure the progress towards completion of a performance obligation satisfied over time, depending on which method is considered to faithfully depict the entity's performance.

Output methods recognise revenue on the basis of direct measurement of the value to the customer of the goods

or services transferred to date relative to the remaining goods or services promised under the contract. The output method used by the Group companies is based on milestones reached.

Input methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. The input method used by the Group is based on costs incurred to date.

If revenue is recognised over a period of time, the Group presents as a contract asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. Progress billings not yet paid by customers and retentions are included within 'trade and other receivables'. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses). Contract asset and liability balances fluctuate due to the timing and mix of contracts held across the Group.

The group recognises revenue from the sale of goods and licenses at the point in time that goods are transferred to a customer, which is the point in time that the customer gains control of the goods. This is due to the nature of goods being fairly standardised and hence specific contract accounting does not apply.

Contracts are deemed to be complete, and hence performance obligations fully satisfied, post customer acceptance of the goods. Amounts disclosed as current deferred income reflect revenue that will be recognised on performance obligations that will be satisfied within a year. The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, as of the end of the reporting period is £6,358,920 (2021: £7,106,353). This amount will be recognised over the remaining life of the contract.

Property, plant and equipment

All property, plant and equipment are valued at net book value, being the cost less accumulated depreciation and any impairment losses where there is an impairment recognised. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets concerned. Annual lives of 3-4 years are used for owned plant and equipment. All right of use assets are depreciated in equal instalments over the remaining term of the lease.

Taxation

Where an income tax credit arises, this represents the sum of the tax currently receivable and deferred tax. Current tax is based on taxable profits for the year using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is provided for on a full provision basis on all temporary differences, which have arisen but not reversed at the statement of financial position date. Temporary differences represent the accumulated differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated at the tax rates that are expected to apply when the related deferred tax balance is settled. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity. Deferred tax assets are recognised to the extent that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Pension costs

Contributions to defined contribution schemes are recognised on an accrual basis in accordance with the rules of the scheme.

Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the statement of financial position date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in profit or loss.

Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value. Cost comprises direct materials and other subcontracted manufacturing costs. The costs of finished products are expensed to profit or loss to match against the corresponding revenues from those products. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made against slow moving and obsolete inventories to ensure the value at which inventories are held in the statement of financial position is reflective of anticipated future sales patterns.

Share-based payments

The Group operates an equity settled share-based compensation plan whereby the Company grants share options to employees of all Group companies. The fair values of the options granted under this plan are calculated using an appropriate valuation model which takes into account assumptions about future events and market conditions. Further details are provided in note 19.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service condition are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense recognised for equity-settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the Directors' best estimate of the number of equity instruments that will ultimately vest.

In making this judgement consideration must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model, which is dependent on further estimates, including the Group's future dividend policy, employee turnover, the timing with which options will be exercised and the future volatility in the price of the Group's shares. Such assumptions are based on publicly available information and reflect market expectations.

Financial instruments

Trade receivables and contract assets

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Group do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short-term nature. A provision for impairment is established based on 12 month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short term bond deposits with an original maturity of three months or less.

Borrowings

Interest-bearing loans and overdrafts are recorded initially when the proceeds are received. Finance charges are accounted for at amortised cost using the effective interest rate method.

Trade payables

Trade payables are non-interest bearing and are initially measured at their fair value and subsequently at their amortised cost.

Leases

A right of use asset and lease liability has been recognised for all leases. The right of use asset has been measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of the costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Group will depreciate the right of use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. Where impairment indicators exist, the right of use asset will be assessed for impairment.

The lease liabilities are measured at the present value of the lease payments due to the lessor over the lease term, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's cost of capital.

After initial measurement, any payments made will reduce the liability and the interest accrued will increase it. Any reassessment or modification will lead to a remeasurement of the liability. In such cases, the corresponding adjustment will be reflected in the right of use asset, or profit or loss if the right of use asset is already reduced to zero.

On the statement of financial position, right of use assets have been included in property, plant and equipment.

Changes in accounting policies and disclosures

New and amended standards adopted by the Group

Amendments have been made to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to the definition of material. The amendments clarify the definition of what is material to the financial statements and how to apply the definition. These standards have not had a material impact on the group.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 REVENUE AND SEGMENT INFORMATION

Business and geographical segments

The directors have given due consideration to the requirements of IFRS 8 and the components of the Group which management use to make decisions about operating matters and internal reports that are regularly reviewed by the chief operating decision maker, which is considered to be the board of directors.

As in previous years, it has been concluded by management and the board that the organisation is structured as a single business segment, the Marine technology business. The Marine technology business is the segment which provides solutions to solve the problem of maritime domain awareness, both products and systems and which reflects the results presented in the primary statements. Individual contracts are specifically considered by management and the board if their magnitude is considered significantly large to warrant such consideration.

From a geographical perspective, the Group earns revenue from a number of countries as set out right:

REVENUE BY GEOGRAPHICAL DESTINATION	2022 (£)	2021 (£)
Europe	4,990,488	5,512,039
Middle East	181,529	133,385
North America	842,645	626,807
UK	494,617	601,989
South East Asia	734,251	522,676
Other	929,370	878,126
TOTAL	8,172,900	8,275,022

Included within revenue is a single customer (2021: one) with an amount exceeding 10% of the Group's total revenue. In both years, this customer from Belgium was within the Marine technology business segment and sales amounted to £2,087,127 (2021: £2,839,198). Revenue from the Group's customer in the Philippines is recognised over time whilst all other revenue is recognised at a point in time.

3 DIRECTORS' EMOLUMENTS

The remuneration of the individual Directors was as follows:

YEAR ENDED 31 MARCH 2022	SALARY (£)	BONUS (£)	PENSION (£)	TOTAL 2022 (£)
EXECUTIVE DIRECTORS				
S Tucker	225,000	-	-	225,000
N Peniket	150,000	-	7,500	157,500
R Hurd	110,000	-	5,500	115,500
JF Bonnin (appointed Feb 2022)	9,725	-	-	9,725
NON EXECUTIVE DIRECTORS				
K Finn	50,000	-	-	50,000
S Barrell	36,000	-	-	36,000
S Rogers	20,000	-	-	20,000
TOTAL	600,725	-	13,000	613,725

YEAR ENDED 31 MARCH 2021	SALARY (£)	BONUS (£)	PENSION (£)	TOTAL 2021 (£)
EXECUTIVE DIRECTORS				
S Tucker	225,000	-	-	225,000
N Peniket	150,000	-	7,500	157,500
R Hurd	110,000	-	5,500	115,500
NON EXECUTIVE DIRECTORS				
K Finn	50,000	-	-	50,000
S Barrell	36,000	-	-	36,000
S Rogers	20,000	-	-	20,000
TOTAL	591,000	-	13,000	604,000

Share options at 31 March 2022 and 31 March 2021

	TOTAL OPTIONS	EXERCISE PRICE	EXPIRY DATE
EXECUTIVE DIRECTORS			
S Tucker	1,500,000	0.1p	8 August 2026
N Peniket	1,200,000	0.1p	22 May 2030
N Peniket	750,000	0.1p	8 August 2026
R Hurd	600,000	0.1p	22 May 2030
R Hurd	450,000	0.1p	8 August 2026
R Hurd	500,000	20p	18 Dec 2022
JF Bonnin	500,000	0.1p	22 May 2030
NON-EXECUTIVE DIRECTORS			
K Finn	1,000,000	0.325p	27 May 2030
S Barrell	300,000	0.325p	27 May 2030

Those options granted to S Tucker, N Peniket and R Hurd at an exercise price of 0.1p and an expiry date of August 2026 vest in three equal tranches dependent on the Company's share price. The first tranche vests when the share price has exceeded 50p. This occurred during the year ended 31 March 2017 and so the first tranche has vested and is exercisable. The second and third tranches vest on the same basis but with thresholds of 75p and £1.25.

During the previous year, options were granted to N Peniket, R Hurd and JF Bonnin who was appointed as a directors in February 2022. These options have an exercise price of 0.1p and an expiry date of May 2030 and vest based on four equal tranches dependant on the Company's share price exceeding 75p, £1.25, £1.50 and £2.00. Irrespective of these share price targets, 10% vest after 2 years and a further 25% after 5 years from the date of grant. Furthermore, options were granted to K Finn and S Barrell with the same vesting criteria but with an exercise price of 32.5p. The vesting criteria has not been met and as such those options have not yet vested and are not exercisable.

The criteria for the options granted to R Hurd with an expiry date of December 2022 have been met and therefore are exercisable immediately.

An insurance premium of £28,000 (2021: £5,160) was paid in respect of directors' and officers' liability. Retirement benefits are accruing to two directors (2021: two) under the money purchase pension scheme.

4 EMPLOYEE INFORMATION

The average number of persons, including directors, employed by the Group during the year was:

	2022 NO.	2021 NO.
Technical	60	49
Administration, sales and other	23	21
	83	70

Staff costs for the above persons were:

	2022 (£)	2021 (£)
Wages and salaries	3,086,208	2,935,814
Social security costs	303,040	281,415
Pension costs - defined contributions	112,972	106,287
	3,502,220	3,323,516

Total amounts payable for wages and salaries exclude costs capitalised as development expenditure within intangible assets, amounting to £2,216,420 (2021: £1,642,426). Total amounts payable for wages and salaries include an amount of £255,443 (2021: £229,332) in respect of share-based payment charges.

The Company employed an average of 7 persons within administration, sales and other (2021: 7) with total wages and salaries of £844,470, (2021: £822,009), including social security costs of £26,257 (2021: £31,381) and pension costs of £9,660 (2021: £9,584). The wages and salaries of the Company also include an amount of £255,443 (2021: £229,332) in respect of share-based payment charges.

5 FINANCE INCOME AND EXPENDITURE

GROUP	2022 (£)	2021 (£)
Bank interest payable	65,101	1,682
Interest on lease liabilities	48,757	59,522
Other interest payable	501,790	513,044
Total interest payable	615,648	574,248
Bank interest receivable	(421)	(1,057)

6 OPERATING LOSS

Operating loss for the year is stated after charging:

	2022 (£)	2021 (£)
Inventories recognised as an expense	4,258,381	4,985,600
Amortisation of intangible assets (included in administrative costs)	2,233,112	2,273,167
Depreciation	543,472	496,872
Auditors' remuneration		
Fees payable to the company's auditor for the audit of the parent company's accounts	27,000	25,500
Fees payable to the company's auditor for other services:		
Audit of the company's subsidiaries	61,000	64,000
Audit-related assurance services	4,200	4,000
Tax compliance services	-	20,400
Tax advisory services	-	3,730
Exchange loss	147,754	486,675
Research and development costs not capitalised	161,544	108,495

7 TAXATION

INCOME TAX CREDIT	2022 (£)	2021 (£)
UK CORPORATION TAX AT 19% (2021: 19%):		
Adjustments in respect of prior periods	789,217	674,236
Deferred tax credit	185,361	122,824
TOTAL TAX CREDIT FOR THE YEAR	**974,578**	**797,060**
FACTORS AFFECTING TAX CREDIT FOR THE YEAR		
Loss before tax	(6,812,583)	(5,930,903)
Loss before tax multiplied by standard rate of corporation tax in the UK 19% (2021: 19%)	1,294,391	1,126,872
Effects of:		
Expenses not deductible for tax purposes	(2,173)	(62,671)
Other differences	16,855	96,140
Additional deduction for R&D expenditure	757,262	587,765
Adjustment to tax charge in previous periods	787,595	674,196
Surrender of tax losses for R&D credit	(1,282,781)	(670,778)
Impact of change in tax rates	343,972	-
Temporary differences in relation to share options	(10,999)	(272,574)
Deferred tax not recognised	(929,544)	(681,890)
TAX CREDIT FOR THE YEAR	**974,578**	**797,060**
Losses carried forward	20,995,938	21,393,562
MOVEMENT IN DEFERRED TAX ASSET:		
At 1 April, 2021	793,602	670,778
Deferred tax credit	185,361	122,824
Reclassified as current asset	(978,963)	-
At 31 March, 2022	-	793,602
DEFERRED TAX ASSET:		
Fixed asset temporary differences	(1,849,030)	(1,585,141)
Losses and other deductions	1,849,030	2,378,743
Deferred tax asset	-	793,602
CURRENT TAX ASSET:		
At 1 April, 2021	-	-
Reclassified from deferred tax	978,963	-
At 31 March, 2022	978,963	-
UNPROVIDED DEFERRED TAX:		
Fixed asset temporary differences	(486,143)	(1,585,141)
Short term temporary differences	58,039	438,208
Losses and other deductions	1,572,873	3,271,175
Unprovided deferred tax asset	1,144,769	2,124,242

The deferred tax asset was previously provided for to the extent that it related to recoveries from the R&D tax credit. Due to the track record having been established in recovering these credits, the asset has now been treated as a current tax asset. The Finance Bill includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April, 2023. Accordingly, unrecognised deferred tax assets and liabilities have been calculated at 25% (2021: 19%).

8 COMPANY LOSS FOR THE FINANCIAL YEAR

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 not to publish its individual income statement. The loss for the year ended 31 March 2022, dealt with in the financial statements of the Company, was £1,414,452 (2021: loss £1,309,289). The Company made no gains or losses which would be reported in other comprehensive income in the years ended 31 March 2022 and 2021 and therefore the Company has not published its individual Statement of Comprehensive Income

9 INTANGIBLE ASSETS

	PATENT (£)	DEVELOPMENT COSTS (£)	GOODWILL (£)	TOTAL (£)
COST				
At 1 April 2020	54,160	21,031,633	633,645	21,719,438
Additions	-	2,770,455	-	2,770,455
At 31 March 2021	54,160	23,802,088	633,645	24,489,893
Additions	-	3,327,011	-	3,327,011
At 31 March 2022	54,160	27,129,099	633,645	27,816,904
AMORTISATION				
At 1 April 2020	54,160	13,888,396	-	13,942,556
Charge for the year	-	2,273,167	-	2,273,167
At 31 March 2021	54,160	16,161,563	-	16,215,723
Charge for the year	-	2,233,112	-	2,233,112
At 31 March 2022	54,160	18,394,675	-	18,448,835
NET BOOK VALUE				
At 31 March 2022	-	8,734,424	633,645	9,368,069
At 31 March 2021	-	7,640,525	633,645	8,274,170
At 1 April 2020	-	7,143,237	633,645	7,776,882

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination identified according to operating segments. The carrying amount of goodwill has been allocated to the Marine CGU.

The recoverable amount of the goodwill has been determined based on a value in use calculation. That calculation uses cash flow projections covering a three-year period, and a discount rate of 15%. Management estimated the discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the market in which the Marine CGU operates.

The main assumption in the cash flow projections is the budgeted sales which have been determined using in-house estimates based upon detailed discussions with the Group's customers and risk discounts applied where necessary.

Management have concluded, based on its forecasts and the net present value of its forecast future cash flows, that there is no recognised impairment. None of the goodwill is expected to be tax deductible.

Development costs in respect of assets not in use are subject to an impairment review.

The patent is the only intangible asset owned by the Company.

10 PROPERTY, PLANT AND EQUIPMENT

GROUP	PLANT & EQUIPMENT		LAND & BUILDINGS	
	OWNED ASSETS (£)	RIGHT OF USE ASSETS (£)	RIGHT OF USE ASSETS (£)	TOTAL (£)
COST				
At 1 April 2020	1,767,074	248,928	1,308,373	3,324,375
Additions	341,875	61,461	-	403,336
At 31 March 2021	2,108,949	310,389	1,308,373	3,727,711
Additions	183,802	-	-	183,802
At 31 March 2022	2,292,751	310,389	1,308,373	3,911,513
DEPRECIATION				
At 1 April 2020	1,082,886	81,190	378,251	1,542,327
Charge for the year	273,595	107,712	115,565	496,872
At 31 March 2021	1,356,481	188,902	493,816	2,039,199
Charge for the year	318,890	109,017	115,565	543,472
At 31 March 2022	1,675,371	297,919	609,381	2,582,671
NET BOOK VALUE				
At 31 March 2022	617,380	12,470	698,992	1,328,842
At 31 March 2021	752,468	121,487	814,557	1,688,512
At 1 April 2020	684,188	167,738	930,122	1,782,048

COMPANY	PLANT & EQUIPMENT		LAND & BUILDINGS	
	OWNED ASSETS (£)	RIGHT OF USE ASSETS (£)	RIGHT OF USE ASSETS (£)	TOTAL (£)
COST				
At 1 April 2020	535,568	248,928	495,206	1,279,702
Additions	57,286	61,461	-	118,747
At 31 March 2021	592,854	310,389	495,206	1,398,449
Additions	18,261	-	-	18,261
At 31 March 2022	611,115	310,389	495,206	1,416,710
DEPRECIATION				
At 1 April 2020	285,238	81,190	185,702	552,130
Charge for the year	94,448	107,712	35,372	237,532
At 31 March 2021	379,686	188,902	221,074	789,662
Charge for the year	93,549	109,018	35,372	237,939
At 31 March 2022	473,235	297,920	256,446	1,027,601
NET BOOK VALUE				
At 31 March 2022	137,880	12,469	238,760	389,109
At 31 March 2021	213,168	121,487	274,132	608,787
At 1 April 2020	250,330	167,738	309,504	727,572

The corresponding leases in respect of the above right of use assets are disclosed in note 17.

11 INVESTMENTS IN SUBSIDIARIES - COMPANY

COST - SHARES IN GROUP UNDERTAKINGS	£
At 31 March 2021	932,593
Additions	24,316,976
Provision for impairment	(4,326,113)
At 31 March 2022	20,923,456

The additions during the year comprise the following transactions:

a) SRT Marine Technology Limited issued 9,300,000 ordinary shares of £1 each to its parent company.

b) SRT Marine System Solutions Limited issued 15,000,000 ordinary shares of £1 each to its parent company.

c) The company incorporated a 100% owned subsidiary, Em-trak Marine Electronics Ireland Limited with the issue of 10,000 ordinary shares of €1 each.

d) The company incorporated a 100% owned subsidiary, SRT Marine Technology Ireland Limited with the issue of 10,000 ordinary shares of €1 each.

The provision for impairment was previously held against intercompany receivables, but has now been reported within investments following the capitalisation of the intercompany receivable balances.

The Company holds more than 20% of the share capital of the following companies:

SUBSIDIARY	COUNTRY OF INCORPORATION	SHARES HELD	
		CLASS	%
SRT Marine Technology Limited (a)	UK	Ordinary	100
Em-trak Marine Electronics Limited (a)	UK	Ordinary	100
SRT Marine System Solutions Limited (a)	UK	Ordinary	100
Em-trak Marine Electronics Ireland Limited (a)	Ireland	Ordinary	100
SRT Marine Technology Ireland Limited (a)	Ireland	Ordinary	100
SRT Marine Systems SAS (b)	France	Ordinary	100
Software Radio Technology Limited (b)	UK	Ordinary	100
SRT Software Development (India) Private Limited(b)	India	Ordinary	100

Notes

a) The principal activity of these subsidiaries is the sales and development of maritime communication products & systems.

b) Non-trading entities.

c) The above entities' addresses are the same as the Registered Office of the parent company, SRT Marine Systems plc, as given on page 4, except for SRT Marine Systems SAS whose address is SNCF Station, 14 Rue de Dunkerque, 75010, Paris, France; and the two Irish subsidiaries whose address is 51 Northumberland Road, Dublin 4, Ireland.

12 RESTRICTED CASH

As at 31 March 2022, the Group had a balance of £906,245 which was held in a restricted bank account by the Group's bankers. This balance is being held as security against any possible liability arising from a performance bond issued by the bank to the Group's customer on one of its systems projects. The Group does not expect any liabilities to arise on this project and thus the cash to be returned on completion in the year ended 31 March 2023.

13 INVENTORIES

GROUP	2022 (£)	2021 (£)
Raw materials and consumables	1,500,706	1,101,382
Finished goods	859,216	1,266,901
	2,359,922	2,368,283

14 TRADE AND OTHER RECEIVABLES

GROUP	2022 (£)	2021 (£)
Trade receivables	528,116	2,167,805
Other receivables	214,949	174,436
Prepayments and accrued income	3,104,670	1,257,946
	3,847,735	3,600,187

As at 31 March 2022 and 31 March 2021 the following movements in the provision account for credit losses were recognised during the year:

GROUP	2022 (£)	2021 (£)
Balance at 1 April	9,802	3,922,029
Amounts written off during the year	-	(3,922,029)
Provision made during the year	-	9,802
	9,802	9,802

As at 31 March 2022 trade receivables and contract asset balances of £35,366 (2021: £1,720,382) were past due but not impaired. The provision for bad and doubtful debts includes estimated potential credit losses. The ageing analysis of these trade receivables is set out below. It includes a balance in the prior year of £1,548,412 from a customer which has now been collected.

COMPANY	2022 (£)	2021 (£)
CURRENT		
Prepayments and accrued income	126,367	105,745
Amounts owed by group undertakings	636,594	-
Other receivables	65,007	37,492
	827,968	143,237
NON-CURRENT		
Amounts owed by group undertakings	-	17,431,831
	-	17,431,831

During the year, the subsidiary companies issued additional shares to the Company and non-current amounts owed by its group undertakings are now shown as investment in subsidiaries. Prepayments and accrued income and other receivables do not contain impaired assets.

15 TRADE AND OTHER PAYABLES

GROUP	2022 (£)	2021 (£)
Trade payables	1,483,842	1,002,306
Other tax and social security payable	155,556	120,832
Other payables	30,237	28,879
Accruals and deferred income	4,790,000	496,966
	6,459,635	1,648,983

COMPANY	2022 (£)	2021 (£)
Trade payables	414,935	210,871
Other tax and social security payable	7,531	8,062
Other payables	1,447	-
Accruals and deferred income	103,028	92,295
	526,941	311,228

16 BORROWINGS

	2022 (£)	2021 (£)
LESS THAN ONE YEAR		
Bank loan	1,250,000	2,500,000
Other loans	5,995,000	6,015,000
	7,245,000	8,515,000
MORE THAN ONE YEAR		
Bank loan	312,500	-
Other loans	-	-
	312,500	-

The bank loan was drawn down in April 2020 as a one year loan provided under the UK government Coronavirus Business Interruption Loan Scheme (CBILS) at an interest rate of 0%. During the year, the renewal of this facility has been agreed with quarterly repayments commencing in July 2021 through to April 2023 at an interest rate of 2.59% above base rate.

Other loans all relate to drawdowns on a £20 million secured note programme which has been arranged by LGB Capital Markets and which is secured by a floating charge over the Group's assets. In total the group has outstanding headroom of £6,345,000 on the available £20 million. The loans have terms of up to 3 years and an interest rate of 8%-10%

The loans have maturity dates as follows:

	£
April 2022	900,000
December 2022	2,025,000
March 2023	1,000,000
June 2024	415,000
March 2025	1,655,000
	5,995,000

The loans are subject to covenants relating to gearing and debt service cover.

During the year ended 31 March 2022 the covenant in relation to debt service cover was breached and a waiver from loan note holders was obtained subsequent to the year end on 4 May 2022. Due to the waiver not being received prior to the year end and the covenants being re-tested at 30 September 2022, IAS 1 requires that the loans are all classified as being repayable in less than one year, despite their maturity dates. The gearing covenant was not breached as at 31 March 2022.

There are no material differences between the fair value of all borrowings and their actual book value.

17 LEASE LIABILITIES

GROUP	2022 (£)	2021 (£)
LEASE LIABILITIES		
Current	201,402	262,011
Non current	703,317	861,409
	904,719	1,123,420

COMPANY	2022 (£)	2021 (£)
LEASE LIABILITIES		
Current	98,272	158,881
Non current	287,063	370,476
	385,335	529,357

The group has long term property leases with a total value of £843,661 and with maturity dates varying between 4 and 8 years. Furthermore, it has leases on office equipment with a value of £61,058 with maturity dates varying between less than 1 year and 2 years.

The company has long term property leases with a total value of £324,277 and with a maturity date of 7 years. Furthermore, it has leases on office equipment with a value of £61,058 with maturity dates varying between less than 1 year and 2 years.

18 CALLED UP SHARE CAPITAL

ALLOTTED: ORDINARY SHARES OF 0.1P EACH	2022	2021
Number of shares allotted	180,676,939	164,251,939

	£	£
Value of shares allotted	180,677	164,252

RECONCILIATION OF MOVEMENTS IN SHARE CAPITAL	NO.
Shares outstanding as at 31 March 2020	154,843,919
Share placing April 2020 (a)	7,208,020
Exercise of share options (b)	2,200,000
Shares outstanding as at 31 March 2021	164,251,939
Share placing March 2022 (c)	16,365,000
Exercise of share options (d)	60,000
Shares outstanding as at 31 March 2022	180,676,939

Notes

a) The placing in April 2020 took place at 25p per share raising gross proceeds of £1,802,005 before costs of £102,851.

b) 2,200,000 share options were exercised at a price of 9p in May 2020.

c) The placing in March 2022 took place at 30p per share raising gross proceeds of £4,909,500 before costs of £266,828.

d) 30,000 share options were exercised at a price of 32p in September 2021 and a further 30,000 at a price of 0.1p in January 2022.

19 SHARE-BASED PAYMENT

The Company operates an Enterprise Management Incentive share option scheme and a Non-Enterprise Management Incentive scheme for directors and employees. The general terms of the schemes are that awards are made once an employee has completed a minimum of six months' service with the Company. The awards made to employees are at the discretion of the Management Team and those to the directors at the discretion of the Remuneration Committee.

The options are expected to vest over a period of up to four years and the maximum exercise period for the options is ten years from the date of grant. Upon vesting the options are equity settled. Details of the share options outstanding during the year and previous year are as follows:

	NO. OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance at 1 April 2020	6,499,000	7.5p
Granted during the year	5,090,000	8.4p
Exercised during the year	(2,200,000)	9.0p
Lapsed during the year	(300,000)	0.1p
Balance at 31 March 2021	9,089,000	7.7p
Granted during the year	40,000	31.5p
Exercised during the year	(60,000)	16.1p
Lapsed during the year	(220,000)	8.3p
Balance at 31 March 2022	8,849,000	7.6p
Balance exercisable at 31 March 2022	2,419,000	10.2p
Balance exercisable at 31 March 2021	2,405,000	10.7p

The value of the options granted during the year has been measured by using the Black Scholes pricing model as adjusted where applicable for market-based performance criteria. The inputs into the Black Scholes model included expected lives of up to 4 years as well as the relevant share price, exercise price, volatility and risk-free rate at the date of grant. The options granted during the year had an exercise price of 31.5p and a share price on the date of issue of 44p.

Expected volatility was determined by referencing volatility data received and using historical data for similar sized companies over the previous five years and amounted to approximately 90% for the grant made during the year.

Risk-free rates were determined using government bonds and amounted to 0.87%. The expected dividend yield was 0%. For share options outstanding at the year end, vesting criteria and dates and expiry dates are as set out below.

VESTING DATE/CRITERIA	NUMBER ISSUED	EXERCISE PRICE	EXPIRY DATE
Vested and exercisable immediately	500,000	20p	Dec 2022
Vested and exercisable immediately	180,000	18p	Dec 2022
Vested and exercisable immediately	60,000	23p	Jan 2023
Vested and exercisable immediately	174,000	25p	Dec 2023
Vested and exercisable immediately	50,000	29p	Feb 2025
Vested and exercisable immediately	160,000	26p	Dec 2025
Vested and exercisable immediately	900,000	0.1p	Aug 2026
Vested and exercisable immediately	195,000	0.1p	Dec 2026
Vested and exercisable immediately	20,000	0.1p	Feb 2027
Vested and exercisable immediately	100,000	0.1p	May 2028
Vested and exercisable immediately	40,000	31.5p	Dec 2029
Vested and exercisable immediately	40,000	31.5p	Dec 2020
Share price criteria not met	1,800,000	0.1p	Aug 2026
Share price criteria not met	3,140,000	0.1p	May 2030
Share price criteria not met	1,300,000	32.5p	May 2030
Not exercisable before:			
Dec 2022	40,000	31.5p	Dec 3031
Dec 2022	75,000	0.1p	Dec 2030
Dec 2024	75,000	0.1p	Dec 2030
Total outstanding options	**8,849,000**		

20 RESERVES

Reserves for the Group and Company are set out in the Statement of Changes in Equity on pages 24 and 25 respectively. Other reserves consist of a capital redemption reserve, warrant reserve and a merger reserve as set out below:

	CAPITAL REDEMPTION RESERVE (£)	WARRANT RESERVE (£)	MERGER RESERVE (£)	TOTAL (£)
At 31 March 2020, 2021, 2022	2,857	62,400	5,425,339	5,490,596

The capital redemption reserve arose on 8 March 2005 when 285,714 deferred 1p shares with an aggregate nominal value of £2,857 were repurchased by Software Radio Technology (UK) Limited for the aggregate consideration of 1p. The merger reserve arose on 19 October 2005 when SRT Marine Systems plc acquired the entire share capital of Software Radio Technology (UK) Limited by means of a share for share exchange.

The warrant reserve arose on Software Radio Technology plc listing on the London Alternative Investment Market in November 2005 when for every one share issued one warrant was also issued. This reserve represents the other reserve within the Company.

Retained earnings represent the profits that the Group and Company has earned to date less dividends paid to shareholders. Share premium represents the difference between the subscription and issue price of shares and their nominal value less any associated costs.

21 RELATED PARTY TRANSACTIONS

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's key management are the directors of SRT Marine Systems plc. The compensation of the directors of SRT Marine Systems plc is disclosed in note 3. In addition, a total share-based payment expenses of £149,239 (2021: £137,656) was recognised during the year in respect of share options granted to directors, together with an aggregate charge relating to directors' employer's national insurance contributions of £35,026 (2021: £34,931).

During the year, there were expenses charged from the Company to its subsidiaries which are related parties for services provided. These transactions amounted to £1,037,153 (2021: £997,150). As at 31 March 2022, the Company had an outstanding receivables balance from SRT Marine Technology Ltd of £504,231 (2021: £4,140,904) and an outstanding receivables balance with SRT Marine System Solutions Ltd of £149,341 (2021: £13,270,927).

22 CASH GENERATED FROM OPERATIONS

GROUP	2022 (£)	2021 (£)
Operating loss	(6,197,356)	(5,357,712)
Depreciation of property, plant and equipment	543,472	496,872
Amortisation of intangible fixed assets	2,233,112	2,273,167
Share based payment charge	254,443	229,332
Decrease / (increase) in inventories	8,361	(439,553)
(Increase) / decrease in trade and other receivables	(247,548)	12,358,347
Increase / (decrease) in trade and other payables	4,810,652	(7,395,471)
	1,405,136	2,164,982

COMPANY	2022 (£)	2021 (£)
Operating loss	(834,661)	(796,993)
Depreciation of property, plant and equipment	237,939	237,532
Share based payment charge	254,443	229,332
Decrease/ (increase) in trade and other receivables	(48,136)	21,552
(Increase) in amounts owed by/to group undertakings	(1,469,577)	(2,590,394)
Increase) / (decrease) in trade and other payables	215,713	(201,044)
	(1,644,279)	(3,100,015)

23 BASIC AND DILUTED LOSS PER SHARE

The basic loss per share has been calculated on the loss after taxation of £5,838,005 (2021: loss £5,133,843) divided by the weighted number of ordinary shares in issue of 165,167,407 (2021: 163,728,344).

During the current and previous years, the Group incurred a loss after taxation and therefore there is no dilution of the impact of the share options granted.

24 FINANCIAL INSTRUMENTS

The Group and Company's financial instruments comprise cash and cash equivalents, borrowings, lease liabilities and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group and Company's operations.

The Group and Company's operations expose it to a variety of financial risks including credit risk, interest rate risk and foreign currency exchange rate risk. Given the size of the Group and Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Company had no trade receivables at 31 March 2022 (2021: £nil). The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by each subsidiary's management team. The carrying amount of financial assets represents the maximum credit exposure.

The maximum credit exposure to credit risk has reduced significantly during the year primarily due to the group's largest customer having repaid its balance during the year. This customer represented 71% of trade receivables in the previous year. At 31 March 2022, the Group has no material credit risk concentration as it maintains a diverse customer base. The overdue receivable and contract asset balances are shown in note 14 and the maximum credit exposure as at the reporting date was:

	2022 (£)	2021 (£)
Trade receivables	528,116	2,167,805
Cash and cash equivalents	6,830,846	5,286,432
	7,358,962	7,454,237

The Company has cash and cash equivalents of £1,282,903 (2021: £1,700,504) and no trade receivables.

Interest rate risk

The Group and Company have interest bearing assets and liabilities which comprise of cash and cash equivalents and short and medium term loans (note 16) and lease liabilities (note 17) which earn or incur interest at a fixed rate.

The Group and Company have not entered into any derivative transactions during the period under review.

The Group and Company's cash and cash equivalents earned interest at a variable rate totalling £421 (2021: £1,682) during the year. Interest payable on the short and medium term loans at a variable rate amounted to £566,891 (2021: £514,726) for the Group and Company together with interest on lease liabilities of £48,757 (2021: £59,522).

Liquidity risk

The Group maintains a mixture of long-term and short-term debt finance that is designed to ensure it has sufficient available funds for operations and future expansion opportunities. The Group monitors its levels of working capital to ensure that is can meet its debt repayments as they fall due. Debt maturity is disclosed in note 16.

Foreign currency exchange rate risk

The Group is exposed to foreign currency exchange rate risk as a result of trade payables and trade receivables which will be settled in US Dollars, Euros and Philippine Peso. The Company had no material exposure to foreign exchange risk. During the year the Group did not enter into any arrangements to hedge this risk, as the directors did not consider the exposure to be significant. The Group will review this policy as appropriate in the future.

The Group's currency exposure comprises monetary assets and liabilities that are denoted in currencies other than sterling, principally those denominated in US Dollars, Euros and Philippine Peso. Such transactions give rise to net currency gains and losses recognised in profit or loss.

At the year end this exposure comprised £1,207,739 (2021: £1,649,632) of assets denominated in US Dollars, £237,658 (2021: £829,334) of assets denominated in Euros and £4,156,669 (2021: £2,544,427) of assets denominated in Philippine Peso. Furthermore, the Group at year end had £82,951 (2021: £580,596) of liabilities denominated in US Dollars, £108,077 (2021: £20,896) of liabilities denominated in Euros and £4,315,949 (2021: £29,918) of liabilities denominated in Philippine Peso.

The table below illustrates the hypothetical sensitivity of the Group's reported profits and equity to a 10% increase and decrease in the US dollar/Sterling, Euro/Sterling and Philippine Peso/Sterling exchange rates at the year-end date assuming all other variables remain unchanged. The sensitivity rate of 10% represents the Directors assessment of a reasonable possible change.

Positive figures represent an increase in profit and equity.

Year-end exchange rates applied in the analysis below are US Dollar 1.31 (2021: 1.37), Euro 1.18 (2021: 1.17) and Philippine Peso 68.23 (2021: 66.75).

STERLING STRENGTHENS BY 10%	2022 (£)	2021 (£)
US Dollar	(102,253)	(97,185)
Euro	(11,780)	(73,494)
Philippine Peso	14,480	(228,575)
STERLING WEAKENS BY 10%	**2022 (£)**	**2021 (£)**
US Dollar	112,479	106,904
Euro	12,958	80,844
Philippine Peso	(15,928)	251,433

25 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders. The Group defines capital as being share capital plus reserves. The Group is not subject to any externally imposed capital requirements, except as disclosed in note 16.

26 FINANCIAL COMMITMENTS

As at 31 March 2022, the Group had financial purchase order commitments amounting to £594,168 (2021: £501,954).

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your ordinary shares in the Company, please forward this document to the purchaser or transferee or to the stockbroker, bank or other person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of SRT Marine Systems plc (the "Company") will be held at the Centurion Hotel, Charlton Lane, Radstock, England BA3 4BD at 11.00 a.m. on 21 September 2022 for the purpose of considering and, if thought fit, passing the following ordinary resolutions (in the case of resolutions 1 to 7 inclusive) and special resolution (in the case of resolution 8):

ORDINARY RESOLUTIONS

1. To receive the audited annual accounts and reports of the Company for the financial year ended 31 March 2022.
2. To reappoint Nexia Smith & Williamson Audit Limited as the auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company.
3. To authorise the directors to determine Nexia Smith & Williamson Audit Limited's remuneration as the auditors of the Company.
4. To appoint Jean-Francois Bonnin as a director of the Company.
5. To reappoint Richard Hurd as a director of the Company.
6. To reappoint Simon Barrell as a director of the Company.
7. THAT the directors be generally and unconditionally authorised to exercise all the powers of the Company to allot shares, and to grant rights to subscribe for or to convert any security into shares up to an aggregate nominal amount of £60,226 provided that this authority shall expire (unless previously varied as to duration, revoked or renewed by the Company in general meeting) on the date falling 15 months after the passing of this resolution, or, if earlier, at the conclusion of the Annual General Meeting in 2023, except that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or such rights to be granted after such expiry and the directors may allot shares or grant such rights in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired, and this authority shall be in substitution of any such previous authorities.

SPECIAL RESOLUTION

8. THAT subject to the passing of resolution 7, the directors be authorised pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of that Act) for cash pursuant to the general authority conferred on them by resolution 7 above and/or to sell equity securities held as treasury shares for cash pursuant to section 727 of the Companies Act 2006, in each case as if section 561 of that Act did not apply to any such allotment or sale, provided that this power shall be limited to:
   a) any such allotment and/or sale of equity securities in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the directors, to holders of ordinary shares (other than the Company) on the register on any record date fixed by the directors in proportion (as nearly as may be) to the respective number of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
   b) any such allotment and/or sale, otherwise than pursuant to sub-paragraph (a) above, of equity securities having, in the case of ordinary shares, an aggregate nominal value or, in the case of other equity securities, giving the right to subscribe for or convert into ordinary shares having an aggregate nominal value, not exceeding the sum of £18,068.

This authority shall expire, unless previously revoked or renewed by the Company in general meeting, at such time as the general authority conferred on the directors by resolution 7 above expires, except that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

The directors believe that the proposed resolutions to be put to the meeting are in the best interests of shareholders as a whole and recommend that shareholders vote in favour of all the resolutions, as they intend to do in respect of their own beneficial shareholdings in the Company.

On behalf of the Board

Richard Hurd
Company Secretary
27 July 2022

Registered Office:
Wireless House, Westfield Industrial Estate,
Midsomer Norton, Bath BA3 4BS
Registered in England and Wales No. 05459678
Notice of Annual General Meeting (continued)

NOTES

1. A shareholder is entitled to appoint another person as that shareholder's proxy to exercise all or any of that shareholder's rights to attend and to speak and vote at the Annual General Meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy does not need to be a shareholder of the Company. If you are appointing more than one proxy you will need to state clearly on each form of proxy the number of shares in relation to which the proxy is appointed, and ensure that, taken together, the numbers of shares stated on the forms of proxy do not exceed your holding.
2. A form of proxy for use in connection with the Annual General Meeting is enclosed with the document of which this notice forms part. Completion and return of a form of proxy will not prevent a shareholder from attending and voting at the Annual General Meeting. Addresses (including electronic addresses) in this document are included strictly for the purposes specified and not for any other purpose.
3. To appoint a valid proxy or proxies shareholders must complete:
   a) a form of proxy, sign it and return it, together with the power of attorney or any other authority under which it is signed, or a notarially certified copy of such authority, to the Company Secretary at the Company's offices, or
   b) a CREST Proxy Instruction (see note 4 below)
   in each case no later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members and those CREST members who have appointed any voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent by the latest time for receipt of proxy appointments set out in paragraph 3 above.

   For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those shareholders included in the register of members of the Company at 6.00 p.m. on 19 September 2022 being the time not less than 48 hours before the time fixed for the meeting or, if the meeting is adjourned, in the register of members at 6.00 p.m. on the day which is two days before the day of any adjourned meeting, will be entitled to attend and to vote at the Annual General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 6.00 p.m. on 19 September 2022 or, if the meeting is adjourned, in the register of members after 6.00 p.m. on the day which is two days before the day of any adjourned meeting, will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

6. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that:

   a) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and

   b) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (a) above.

7. As at 27 July 2022, being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 180,676,939 ordinary shares of 0.1 pence each with each share carrying the right to one vote.

EXPLANATORY NOTES FOR SHAREHOLDERS

The notice of the Annual General Meeting of the Company, to be held at 11.00 a.m. on 21 September 2022, is set out on pages 46–48 of the annual report and accounts. The following notes provide an explanation as to why the resolutions set out in the notice are to be put to shareholders. Resolutions 1 to 7 are ordinary resolutions. These resolutions will be passed if more than 50% of the votes cast for or against are in favour.

RESOLUTION 1
DIRECTORS' REPORT AND AUDITED ACCOUNTS FOR YEAR ENDED 31 MARCH 2022

The directors are required by the Companies Act 2006 to present to the shareholders of the Company at a general meeting the audited accounts and the reports of the directors and auditors for the year ended 31 March 2022. The report of the directors and the audited accounts have been approved by the directors, and the report of the auditors has been approved by the auditors, and both reports are contained in the Company's Annual Report and Accounts.

RESOLUTION 2
REAPPOINTMENT OF AUDITORS

The Companies Act 2006 requires that auditors be appointed at each general meeting at which accounts are laid, to hold office until the next such meeting. This resolution seeks shareholder approval for the reappointment of Nexia Smith & Williamson Audit Limited. The Audit Committee keeps under review the independence and objectivity of the external auditors. After considering relevant information the Audit Committee recommended to the board of directors that Nexia Smith & Williamson Audit Limited be reappointed. This resolution proposes the Reappointment of Nexia Smith & Williamson Audit Limited as auditors of the Company.

RESOLUTION 3
AUDITORS' REMUNERATION

This resolution gives authority to the directors to determine the remuneration of Nexia Smith & Williamson Audit Limited as auditors of the Company.

RESOLUTIONS 4 ,5 & 6
DIRECTORS' REAPPOINTMENT

Richard Hurd and Simon Barrell will retire at this year's Annual General Meeting and offer themselves for re-election.

In accordance with the Company's articles, Jean-Francois Bonnin will stand for appointment, following the announcement of his appointment on 4 February 2022.

RESOLUTION 7
AUTHORITY TO ALLOT SHARES

The Companies Act 2006 provides that the directors may only allot shares or grant rights to subscribe for or to convert any security into shares if authorised by shareholders to do so. Resolution 7 will, if passed, authorise the directors to allot shares up to a maximum nominal amount of £60,226.

It is accordingly proposed that the directors be granted general authority at any time prior to the date falling 15 months after the passing of the resolution, or, if earlier, at the conclusion of the Annual General Meeting in 2023, to allot shares up to an aggregate nominal amount of £60,226, which represents an amount which is approximately equal to one-third of the issued ordinary share capital of the Company as at the date of the notice of Annual General Meeting. Passing this resolution will give the directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. The directors have no current plans to make use of this authority.

Resolution 8 is a special resolution. This resolution will be passed if not less than 75% of the votes cast for and against are in favour.

RESOLUTION 8
DISAPPLICATION OF PRE-EMPTION RIGHTS

The Companies Act 2006 requires that, if the Company issues new shares, or grants rights to subscribe for or to convert any security into shares, for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. If passed, resolution 8 will authorise the directors to issue shares for cash and/or sell shares from treasury (if any are so held) up to an aggregate nominal amount of £18,068 (representing approximately 10% of the Company's issued share capital as at the date of the notice of Annual General Meeting) without offering them to shareholders first, and will also modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights or other pre-emptive offer or issue. If passed, this authority will expire at the same time as the authority to allot shares given pursuant to resolution 7. The Company does not at present hold any shares in treasury.

NOTES

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