SRT

TECHNOLOGY | PRODUCTS | SYSTEMS

MARITIME SURVEILLANCE, MONITORING & MANAGEMENT SOLUTIONS

2018 REPORT

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2018

SRT Marine Systems plc

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SRT

2018 REPORT

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2018

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Neil Peniket
Richard Hurd
Kevin Finn
Simon Rogers

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Richard Hurd

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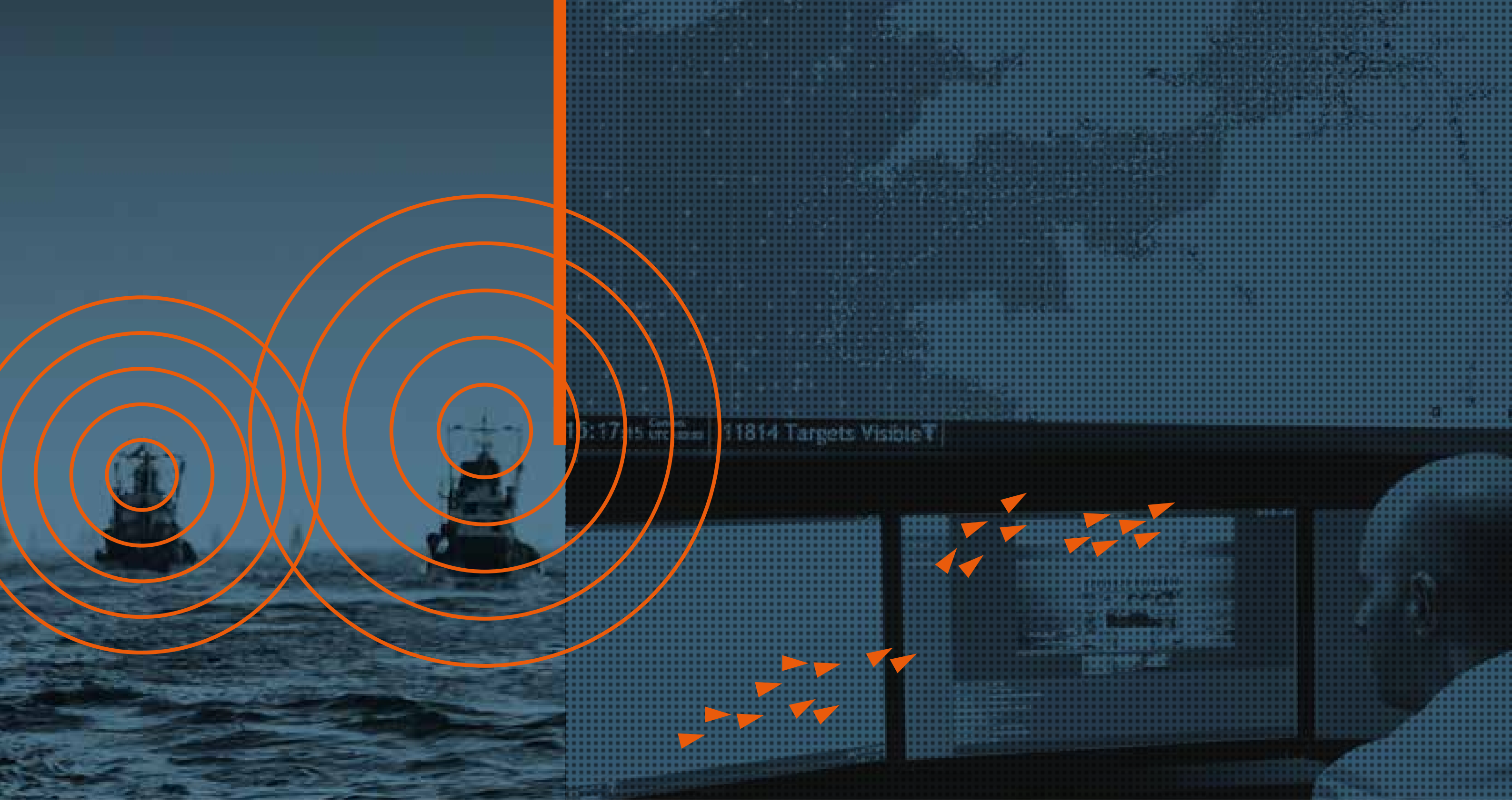

ABOUT SRT MARINE SYSTEMS PLC

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

TRANSCEIVERS: We develop advanced radio transceivers based on the international Automatic Identification System (AIS) which enables the exchange of real time data such as vessel identity, position and weather in the marine domain. Our transceiver business supplies a broad range of AIS product and module solutions which are used across a wide spectrum of applications.

SYSTEMS: We develop advanced maritime data visualisation, analytics and management systems that are used by authorities such as coast guards and fishing authorities to track, identify and manage vessels. Our systems business supplies turn-key maritime surveillance and management systems.

ANNUAL REPORT HIGHLIGHTS

FINANCIAL:

- Increase in systems business sales opportunity pipeline
- Reduction in revenues due to contract timing
- 43% Gross profit margin
- 35% increase in product development investment

OPERATIONAL:

- Expansion of transceiver customer base
- Progress with system sales opportunities
- New functionality implemented in GeoVS system
- Transfer of transceiver production to new facility

CHAIRMAN'S STATEMENT

This year has been financially challenging for SRT, as we pass through the final stage before a number of significant system projects commence in earnest. Despite a disappointing reduction in revenues compared to last year, we end the year in a satisfactory financial position, with a significantly increased pipeline of system sales opportunities.

Group revenue decreased year-on-year from £11.0 million to £5.3 million, resulting in a loss before tax and exceptional items of £4.3 million (2017: profit £ 1.2 million). Our gross profit margin was 43% (2017: 66%) with the year on year movement reflecting the very high weighting of our transceiver business in the current year compared to a much greater weighting of our high margin systems business in the previous year. We are also recording a one-off exceptional impairment charge of £1.5m in relation to a systems contract with a European systems integrator who is prime contractor to a SE Asian coast guard. Although we received written re-assurances from the customer, including a letter from the end customer explaining that the delay had arisen due to a lack of budget availability and would re-commence in the future, since in this instance, SRT was not the prime contractor and thus not engaged directly with the end customer, we decided that given this lack of visibility it was prudent for us to write down the full value of the project. This was announced to the market via an RNS on 31 July 2017.

As at the year-end our gross cash balances were £1.4 million (2017: £1.8 million). In the light of the historical challenges with contracts, we have emphasised the future risks around payment timings from large system customers, specifically our existing contract in the Middle East and a going concern risk in the event that these are further extended and or not closed. Recognising these issues, during the year we entered into a £10 million loan note programme, of which £3.15 million has been drawn-down at the date of this report with repayment over a three year period. And in June 2018 we completed a successful fundraise of £3 million. This has provided the Group with working capital facilities to fill working capital gaps which arise from time to time due to the nature of government contracts.

Administrative costs year on year increased to £6.5 million from £6.0 million. This is largely a result of the adverse foreign exchange impacts on the revaluation of dollar denominated receivables. The underlying overhead position however remains tightly controlled and remains relatively low for a business addressing such a large and global market. As systems projects convert I expect that our overheads will increase driven by an increase in field project management and support resource requirements.

During the year we continued to invest in our core technologies and products, increasing investment to £1.9 million from £1.4 million last year. These programs saw the completion of a new range of Class B transceivers, implementation of new system related functionality on other transceivers, and significant functionality enhancements to our GeoVS maritime tracking and management application. We expect to accelerate our R&D activities in the coming year to support the delivery of systems, through the selective expansion of our internal development team around critical core technology areas such as display, data fusion networking, analytics and transceivers, with other components contracted out.

An important part of our systems business is the provision of vessel monitoring data via satellites when vessels are operating beyond the range of terrestrial sensor systems. As the effective owner of the system contract to the end customer, there is a significant future recurring revenue opportunity for SRT from each system for the supply of such data. We announced our intent to launch our own satellite system, Oceanscan, and have commenced the technical and commercial evaluation of such an investment. This work continues such that we can weigh up the rapidly changing commercial landscape with regards to satellite data sources due to the expected large increase in the number of satellite systems with AIS and other vessel detection capabilities which is causing a decrease in the cost of data coupled with an increase in the data quality. This may mean that it is more profitable for SRT to act as a data aggregator rather than to make the investment ourselves, resulting in our data sales being more profitable with less risk across the business.

CHAIRMAN'S STATEMENT – CONTINUED

Our transceiver business which sells AIS transceivers via a network of marine electronics brands, dealers as well as directly to end users saw revenues decrease year on year by 12%. This was caused primarily due to the introduction of our new range of Class B transceivers which resulted in stock shortages during the second half. I am pleased to report all these products are now in volume production. Going forward we expect to see this business continue its previous growth as the adoption of AIS in the EU and USA leisure and commercial marine markets grows.

Our systems business which provides turn-key maritime surveillance and management system solutions to coast guards, ports and fishing authorities, delivered revenues of only £0.3 million (2017: £5.3 million). The decline relates to the fact that minimal system project deliverables were completed during the year, and the delay to the timing of the expected new system contract. However, I am pleased to report that there has been significant progress with a number of specific large system sales opportunities towards contract signing. In all cases SRT is directly engaged with the end customer and going forward we are confident that several of these will convert into contract with installations and payments completed in the new financial year ahead.

During the year, SRT was awarded a €28.5 million contract to supply its VMS system to a SE Asian government customer. In accordance with the contract and customer operational imperatives, deliveries of equipment commenced during the last quarter of the financial year in preparation for commencement of installation in the following months. However, due to a decision by the customer to change the funding source for the project, it has become necessary for the contract to be cancelled in July and thus the deliverables and related invoices being taken back by SRT. At the time of this report we expect that a revised contract that specifies the new funding source will be in place within a few months.

Looking forward, whilst I understand that these results are disappointing, during the year the Group has made very significant operational progress, in particular with its system sales discussions. These are very significant sales opportunities which our teams have been working on for several years in a consultative fashion to enable the end customer to convert a general vision or intent into a detailed system specification, implementation plan and supporting legislation. The potential value of these contracts to SRT of these over the next few years is in excess of £400 million, plus ongoing satellite data sales which are locked into these contracts. The procurement imperative for the end customers are strong and clear and range from national security to international regulations such as the EU Commission fishing catch certification program. As these customers are governments the accurate forecasting of contract dates and delivery schedules is and will always remain challenging and, to some degree, out of our control. However, we are confident that due to the capabilities of our technologies and systems and our references that these will convert. And given their size this will be transformational for the financial performance of SRT and will reward the patience and support of our shareholders and employees.

Kevin Finn
Chairman

Date: 20 July 2018

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 March 2018.

Business review
The principal activity of the SRT Marine Systems plc Group is the development and supply of Automatic Identification System (AIS) based maritime domain awareness (MDA) technologies, derivative product and system solutions for use in a wide range of maritime applications from safety and security to fishery management and environment protection.

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 development projects against milestone targets, warranty returns and on-time customer delivery. Performance against the financial metrics has been discussed in the Chairman's Statement on pages 5-6.

Principal risks and uncertainties
The early stage of the market within which the Group operates as well as the nature of the Group's systems customers, means that future revenues are often unpredictable and difficult to forecast. Furthermore, the status of an opportunity and or a contract can materially change suddenly and without notice. The Group mitigates this risk to the extent possible by maintaining regular communication with its customers and industry experts.

The directors acknowledge that the Group's ability to attract and retain employees with appropriate expertise and skills cannot be guaranteed and difficulties experienced in this area could affect the trading performance of the Group.

Due to the Group's size and limited resources it may not be able to detect and prevent infringement of its Intellectual Property Rights ("IPR"). The directors believe that although adequate steps have been taken to protect its IPR such measures may be inadequate to prevent the misappropriation of its proprietary information.

The Group's existing and potential customers operate in numerous countries, each of which has its own national characteristics relating to how business is regulated and conducted in terms of economic, political, judicial, administrative, taxation or other regulatory matters. The Group could therefore be affected by any one of these factors, as well as other unforeseen matters, which, particularly given the size of contracts with customers, could have a material adverse effect on its business, operating results or financial condition.

The Group's management regularly assesses these risk areas to ensure that such risk is mitigated so far as reasonably possible.

Investing for the future
We acknowledge that our chosen market places 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 20 July 2018

S Tucker
Director

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 £5,227,568 (2017: profit £1,450,728). The directors have not recommended the payment of a dividend (2017: £nil).

Future developments and strategy
These are considered in the Chairman's Statement on pages 5-6.

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 (appointed 17 August 2017)	Kevin Finn
Non Executive Director	Simon Rogers
Non Executive Director (resigned 17 August 2017)	Andrew Lapping
Executives	
Chief Executive Officer	Simon Tucker
Chief Operating Officer	Neil Peniket
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.

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 20 July 2018

S Tucker
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. 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 that the financial statements comply with IFRSs as adopted by the European Union;
- 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.

CORPORATE GOVERNANCE REPORT

The directors recognise the importance of, and are committed to, high standards of corporate governance. Whilst under the AIM rules full compliance with the UK Corporate Governance Code is not currently required, the directors believe that the Company applies a number of the recommendations insofar as is practicable and appropriate for a public Company of its size.

The Board of Directors

The Board of Directors at the date of this report consists of three Executive and two Non-Executive directors. The Board believes that the composition and breadth of experience of the Board are appropriate for the Company. The Board meets at least 7 times throughout the year and through its Chairman and Executive directors in particular, maintains regular contact with its advisers in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

The Board is responsible for such key matters as the approval or monitoring of strategic plans, the annual trading budget, major capital expenditure, treasury policies and financial performance. It delegates responsibility for the day to day operation of the business to the Executive directors who are charged with consulting the Board on all significant financial and operational matters.

Audit Committee

The Audit Committee comprises Kevin Finn (Chairman) and Simon Rogers – the two Non-Executive directors. It meets at least once per year. The meeting to review feedback from the 2018 audit took place on 18 July 2018.

Remuneration Committee

The Remuneration Committee comprises Simon Rogers (Chairman) and Kevin Finn; it meets at least twice 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 4.

c) **Performance related bonus**

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

CORPORATE GOVERNANCE REPORT - CONTINUED

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 Remuneration Committee in consultation with 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.

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

We have audited the financial statements of SRT Marine Systems plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 March 2018 which comprise Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 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 SME 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.

Material uncertainty related to going concern
We draw attention to note 1 in the financial statements concerning the Group and Company's ability to continue as a going concern. Projections prepared by the directors indicate that the Group and Company will be able to operate without requiring further funding providing certain sales levels from the systems business are achieved and sufficient cash receipts flow on this basis.

As stated in note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter – recoverability of receivables and accrued income
We draw attention to note 14 in the financial statements concerning the recoverability of £1.1m of trade receivables and £2.4m of accrued income, which are more than twelve months old.

As described in note 14, the directors are confident that the trade receivables balance will be paid in full and the accrued income balance recovered in accordance with the contract, which is currently being renegotiated, however the exact timing of the resolution of these matters is uncertain. The financial statements do not reflect any impairment that may be required if the aggregate receivable balance of £3.5m is not recoverable. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SRT MARINE SYSTEMS PLC - CONTINUED

Key audit matters
We have identified the following key audit matters described below. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Going concern – for Group and Company

Key audit matter description
As explained further in note 1 management and the Board have prepared a budget and cash flow forecast indicating that the Group and Company can operate as a going concern for at least 12 months from the date the financial statements are approved. Cash flow projections are inherently judgemental and subject to fluctuation with expenditure requirements. Also, the analysis suggests that additional funding would be required if the systems business does not generate sufficient funds. As a result, there is a material uncertainty that may cast significant doubt on the ability of the Group and Company to operate as a going concern for 12 months from the date of approval of the financial statements. This was the reason why this area was of key audit focus.

Response to key audit matter
We discussed the detailed forecasts and budgets prepared by management. The main procedures performed on the model and areas where we challenged management were as follows:

- Testing the quality of management forecasting by comparing forecasts for prior periods to actual outcomes.
- Testing the appropriateness of the assumptions that had the most material impact, including the timing of cash flows relating to significant systems projects and the uncertainty relating to these projects. In challenging these assumptions actual results, external data and market conditions were taken into account.
- Performing sensitivity calculations to test the adequacy of available headroom.
- Considering the appropriateness of the disclosures made in the financial statements in respect of going concern.

Revenue recognition – for Group only

Key audit matter description
As explained further in note 1 and the Chairman's Statement, due to the nature of revenue recognition of the Group in respect of long-term overseas projects, and the estimates and judgement involved in determining the amount of revenue to recognise each year, we have considered revenue recognition a key area of audit focus. Following the late announcement that the SE Asia project was postponed, management reversed the revenue recognised in respect of this contract, but a significant amount of audit work has already been done in this area. For this reason, even though, following the reversal, the Group's revenue did not include amounts recognised under long-term overseas projects, this area remained of key audit focus.

Response to key audit matter
The main procedures performed on the revenue recognised and subsequently reversed and areas where we challenged management were as follows:

- The project deliverables were carefully reviewed and overall price was assessed against different criteria that the Group used to allocate revenue to each stage of the contract. Most of the allocation was done on a cost plus mark-up basis, so analysis was done for each stage to understand and corroborate the mark-up used. Cost was traced back to supporting documents from suppliers for similar products.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SRT MARINE SYSTEMS PLC - CONTINUED

- The proposed revenue recognised in the year (which was subsequently reversed) was agreed to the schedule discussed above and ensured it was in line with what was actually delivered on the contract, by reviewing the available delivery documents.
- Prior to the reversal of the revenue, management was challenged on the securities in place to ensure funding for the project was appropriate and whether it was probable that funds would flow to the Group in due course.
- For the subsequent reversal of the transaction, review was performed of the adjustment provided by management and this was agreed to the subsidiary's financial statements, the impact of which was traced back to the Group's financial statements thereafter.
- Consideration was also given to the stock balance that was recognised back as an asset in the Group's financial statements by agreeing costs to original purchase invoices and confirming the stock was under the control of the Group's subcontractor.

Intangible assets – for Group only

Key audit matter description
As further explained in note 10, 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 area of key audit focus.

Response to key audit matter
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 the note 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 of 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.
- Assessing the value of the intangible assets against the impairment indicators of IAS 36 and determining whether there is any indication that the assets might be impaired.
- 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.

Materiality
The materiality for the Group financial statements as a whole was set at £107k. This has been determined with reference to the benchmark of the Group's total revenue, which we consider to be an appropriate measure for a trading Group of companies dependent on the level of revenue achieved as being fundamental to the current and future trading of the Group. Materiality represents 2.0% of Group's total revenue as presented on the face of the Consolidated Statement of Profit or Loss and Other Comprehensive income.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SRT MARINE SYSTEMS PLC - CONTINUED

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £5k (0.1% of Group's total revenue), in addition to other identified misstatements that warrant reporting on qualitative grounds.

The materiality for the Company financial statements as a whole was set at £86k. This has been determined with reference to the net assets of the Company, which we consider to be one of the principal considerations for members of the Company in assessing the performance of a holding entity. Materiality represents 1.5% of Company's net assets as presented on the face of the Company Statement of Financial Position.

An overview of the scope of the audit

The Group performs all transaction processing and financial statement preparation centrally in the UK. Of the Group's 6 reporting components, we audited individually 3 of them, with the remaining components being dormant entities.

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

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.

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

We have nothing to report in this regard.

Opinion 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SRT MARINE SYSTEMS PLC - CONTINUED

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 9, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

Jonathan Talbot
Senior Statutory Auditor, for and on behalf of

Nexia Smith & Williamson
Statutory Auditor & Chartered Accountants
Portwall Place
Portwall Lane
Bristol BS1 6NA

Date: 20 July 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2018 £	2017 £
Revenue	2	5,331,559	11,025,730
Cost of sales		(3,026,374)	(3,786,176)
Gross profit		2,305,185	7,239,554
Administrative costs		(6,469,102)	(5,961,393)
Operating (loss) / profit before exceptional items	7	(4,163,917)	1,278,161
Impairment charge	3	(1,490,315)	-
Operating (loss) / profit after exceptional items		(5,654,232)	1,278,161
Finance expenditure	6	(125,426)	(43,980)
Finance income	6	224	220
(Loss) / profit before tax and after exceptional items		(5,779,434)	1,234,401
Income tax credit	8	551,866	216,327
(Loss) / profit for the year after tax		(5,227,568)	1,450,728
Total comprehensive (expense) / income for the year		(5,227,568)	1,450,728
(Loss) / Earnings per share:			
Basic	23	(4.09)p	1.14p
Diluted	23	(4.09)p	1.09p

The notes on pages 24-45 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2018 £	2017 £
Assets			
Non-current assets			
Intangible assets	10	6,222,819	5,810,954
Property, plant and equipment	11	177,479	184,854
Deferred tax	8	272,688	-
Total non-current assets		6,672,986	5,995,808
Current assets			
Inventories	13	3,443,685	3,281,521
Trade and other receivables	14	4,433,000	7,926,686
Cash and cash equivalents		1,364,437	1,760,861
Total current assets		9,241,122	12,969,068
Liabilities			
Current liabilities			
Trade and other payables	15	(2,529,630)	(3,055,819)
Financial liabilities	16	(1,650,000)	(500,000)
Total current liabilities		(4,179,630)	(3,555,819)
Net current assets		5,061,492	9,413,249
Total assets less current liabilities		11,734,478	15,409,057
Long term liabilities			
Financial liabilities	16	(2,000,000)	(500,000)
Deferred tax	8	-	(279,178)
Total long term liabilities		(2,000,000)	(779,178)
Net assets		9,734,478	14,629,879
Shareholders' equity			
Share capital	17	127,743	127,613
Share premium account		4,905,549	4,872,779
Retained (loss) / earnings		(789,410)	4,138,891
Other reserves	19	5,490,596	5,490,596
Total shareholders' equity		9,734,478	14,629,879

The financial statements were approved by the Board of Directors on 20 July 2018 and were signed on its behalf by:

S Tucker
Director

The notes on pages 24-45 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2018 £	2017 £
Assets			
Non-current assets			
Investments in subsidiaries	12	932,593	932,503
Property, plant and equipment	11	27,306	25,479
Total non-current assets		959,899	957,982
Current assets			
Trade and other receivables	14	8,899,240	10,306,157
Cash and cash equivalents		1,036,849	744,752
Total current assets		9,936,089	11,050,909
Liabilities			
Current liabilities			
Trade and other payables	15	(1,522,544)	(544,046)
Financial liabilities	16	(1,650,000)	(500,000)
Total current liabilities		(3,172,544)	(1,044,046)
Net current assets		6,763,545	10,006,863
Total assets less current liabilities		7,723,444	10,964,845
Long term liabilities			
Financial liabilities	16	(2,000,000)	(500,000)
Net assets		5,723,444	10,464,845
Shareholders' equity			
Share capital	17	127,743	127,613
Share premium account		4,905,549	4,872,779
Retained earnings		627,752	5,402,053
Other reserves	19	62,400	62,400
Total shareholders' equity		5,723,444	10,464,845

The loss for the year ended 31 March 2018 was £5,073,568 (2017: loss £727,401).
The financial statements were approved by the Board of Directors on 20 July 2018 and were signed on its behalf by:

S Tucker
Director
Company's registered number: 05459678

The notes on pages 24-45 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 £	2017 £
Cash (used in) / generated from operating activities	22	(993,536)	1,235,380
Corporation tax received		-	202,342
Net cash (used in) / generated from operating activities		(993,536)	1,437,722
Investing activities			
Expenditure on product development		(1,876,920)	(1,389,371)
Purchase of property, plant and equipment		(83,666)	(122,928)
Interest received		224	220
Net cash used in investing activities		(1,960,362)	(1,512,079)
Financing activities			
Net proceeds on issue of shares		32,900	17,150
Repayments on loan		(500,000)	-
New loans issued		3,150,000	-
Interest paid		(125,426)	(43,980)
Net cash generated from / (used in) financing activities		2,557,474	(26,830)
Net decrease in cash and cash equivalents		(396,424)	(101,187)
Net cash and cash equivalents at beginning of year		1,760,861	1,862,048
Net cash and cash equivalents at end of year		1,364,437	1,760,861

Reconciliation of financing activities for the year ended 31 March 2018

	2018 £	Cash flow £	2017 £
Bank loan	500,000	(500,000)	1,000,000
Other loan	3,150,000	3,150,000	-
Financial liabilities	3,650,000	2,650,000	1,000,000

The notes on pages 24-45 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

	Notes	2018 £	2017 £
Cash (used in) / generated from operating activities	22	(2,245,259)	175,744
Investing activities			
Purchase of property, plant and equipment		(20,252)	(17,669)
Investment in subsidiary		(90)	-
Interest received		224	220
Net cash used in investing activities		(20,118)	(17,449)
Financing activities			
Net proceeds on issue of shares		32,900	17,150
Repayments on loan		(500,000)	-
New loans issued		3,150,000	-
Interest paid		(125,426)	(43,980)
Net cash generated from /(used in) financing activities		2,557,474	(26,830)
Net increase in cash and cash equivalents		292,097	131,465
Net cash and cash equivalents at beginning of year		744,752	613,287
Net cash and cash equivalents at end of year		1,036,849	744,752

Reconciliation of financing activities for the year ended 31 March 2018

	2018 £	Cash flow £	2017 £
Bank loan	500,000	(500,000)	1,000,000
Other loan	3,150,000	3,150,000	-
Financial liabilities	3,650,000	2,650,000	1,000,000

The notes on pages 24-45 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £	Share premium £	Retained earnings £	Other reserves £	Total £
At 1 April 2016	127,513	4,855,729	2,446,015	5,490,596	12,919,853
Total comprehensive income for the year	-	-	1,450,728	-	1,450,728
Issue of equity share capital	100	17,050	-	-	17,150
Share based payment charge	-	-	242,148	-	242,148
At 31 March 2017	127,613	4,872,779	4,138,891	5,490,596	14,629,879
Total comprehensive (expense) / income for the year	-	-	(5,227,568)	-	(5,227,568)
Transactions with owners:					
Issue of equity share capital	130	32,770	-	-	32,900
Share based payment charge	-	-	299,267	-	299,267
At 31 March 2018	127,743	4,905,549	(789,410)	5,490,596	9,734,478

The notes on pages 24-45 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £	Share premium £	Retained earnings £	Other reserves £	Total £
At 1 April 2016	127,513	4,855,729	5,887,306	62,400	10,932,948
Total comprehensive expense for the year	-	-	(727,401)	-	(727,401)
Issue of equity share capital	100	17,050	-	-	17,150
Share based payment charge	-	-	242,148	-	242,148
At 31 March 2017	127,613	4,872,779	5,402,053	62,400	10,464,845
Total comprehensive expense for the year	-	-	(5,073,568)	-	(5,073,568)
Transactions with owners:					
Issue of equity share capital	130	32,770	-	-	32,900
Share based payment charge	-	-	299,267	-	299,267
At 31 March 2018	127,743	4,905,549	627,752	62,400	5,723,444

The notes on pages 24-45 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

SRT Marine Systems plc is a public limited Company, limited by shares, incorporated in England and Wales. 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 International Financial Reporting Standards (IFRS) as adopted by the European Union, applied in relation to the Company financial statements in accordance with the provisions of the Companies Act 2006.

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. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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
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 Directors' 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 cash receipts from the Group's systems business. The directors consider there to be a reasonable basis to forecast a level of these types of cash receipts, but the nature of these systems' customers does mean that future income can be unpredictable, difficult to forecast and subject to change. Accordingly, this gives rise to a material uncertainty casting doubt over the Group's and 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.

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.

1. ACCOUNTING POLICIES – CONTINUED

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 £1,876,920 (2017: £1,389,371).

- **Revenue recognition**
  The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the revenue recognition policies affect the amounts reported in the financial statements. If different assumptions were used it is possible that different amounts would be reported in the financial statements. Revenue from the sale of support services, maintenance and training is recognised according to the time period to which they relate. Revenues generated from the sale of maritime system solutions are broken down into their constituent elements. Revenue on licenses is recognised on despatch when there is no significant further obligation on the Group. Revenue from the sale of goods is recognised as set out in the accounting policy below.

Key sources of estimation uncertainty

- **Useful lives of fixed assets**
  Useful lives are based on management's estimates of the period that the assets will generate economic benefits to the Group, which are periodically reviewed for appropriateness. Changes in estimates could result in significant variations in the carrying value. There have been no changes made during the year to the useful lives of fixed assets.

- **Bad debt provision**
  Trade receivables are assessed periodically by management for recoverability. Where a customer balance is not considered recoverable in full, an estimate of projected recovery is calculated and the customer balance is reduced to this value, with any impairment recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. At 31 March 2018, the Group's bad debt provision was £3,091,929 (2017: £95,768).

- **Inventory provision**
  Inventories are assessed periodically by management to ensure they are correctly valued at the lower of cost and net realisable value. Where net realisable value is lower than cost due to slow and obsolete moving inventories, a provision is made to ensure the value at which inventories are held in the statement of financial position is reflective of anticipated future sales patterns. At 31 March 2018, the Group's inventory provision was £51,048 (2017: £95,531).

- **Impairment of fixed assets**
  Management tests intangible assets and 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 fixed assets of £5,766,653 and concluded that no impairment charge is required.

1. ACCOUNTING POLICIES – CONTINUED

- **Impairment of goodwill**
  Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units (CGU) to which goodwill has been allocated (note 10). The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and apply a suitable discount rate in order to calculate the present value. The directors have considered the impact of the current market on the assumptions used in the calculation of the impairment test of the goodwill's carrying value of £633,645 and concluded that no impairment charge is required.

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 3 and 60 months of amortisation remaining.

Revenue recognition
Revenue comprises the value of sales of SRT technology based products and system solutions. Revenue is measured at the fair value of the consideration received or receivable and represents amounts recoverable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue from the sale of goods and associated license software installed on the goods is recognised when goods are delivered and substantially all risks and rewards have transferred unless the sale conforms to the "bill and hold" sale requirements of IAS 18 where the following conditions have to be met for the revenue to be recognised:-

- It is probable that delivery will be made
- The item is on hand, identified and ready for delivery to buyer at the time the sale is recognised
- The buyer specifically acknowledges the deferred delivery instructions
- The usual payment terms apply.

Revenues from the sale of system solutions are broken down into the relevant constituent elements including training and support services and recognised according to the value of the relevant goods and services provide to the end customer.

1. ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment
Property, plant and equipment are valued at net book value, being the cost less accumulated depreciation. 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 plant and equipment.

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 charged to profit or loss as they become payable in accordance with the rules of the scheme.

Leases
Leases other than finance leases are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the lease term.

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 and obsolete moving 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 18.

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.

1. ACCOUNTING POLICIES – CONTINUED

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 dependant 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
Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in profit or loss. Cash and cash equivalents comprise cash held by the Group. Trade and other payables and financial liabilities (notes 15 and 16) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the fair value of the proceeds received, net of direct issue costs.

Changes in accounting policies and disclosures

New and amended Standards and Interpretations adopted by the Group and Company

The Group has adopted "Amendments to IAS7: Statement of Cash Flows Disclosure Initiative" for the first time this period. The amendment requires additional disclosures which have been provided on the face of the Consolidated Statement of Cash Flows.

New and amended Standards and Interpretations Issued but not effective for the financial year beginning 1 April 2017

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not effective:

- IFRS 9 "Financial Instruments" will be effective for the year ending March 2019 onwards, the main impact being the impairment assessment methodology used to value trade receivables, and it is not expected to have a material impact on the Group financial statements.
- IFRS 15 "Revenue from contracts with customers" will be effective for the year ending March 2019 onwards, and it is not expected to have a material impact on the Group financial statements in respect of the comparative information, as during the year the Group has not recognised any revenue on long-term overseas contracts.
- IFRS 16 "Leases" will be effective for the year ending March 2020 onwards and the impact on the financial statements will be significant. IFRS 16 requires lessees to recognise the future liability reflecting the future lease payments and a right-of-use asset for all lease contracts. Therefore, the substantial majority of the Group's operating lease commitments (£695,162 on an undiscounted basis, as shown in Note 20 of the financial statements) would be brought onto the Consolidated Statement of Financial Position and amortised and depreciated separately. There will be no impact on cash outflows, although presentation of the Consolidated Statement of Cash Flows will change significantly.

  The effect of all other new and amended Standards and Interpretations which are in issue but not yet mandatorily effective is not expected to be material.

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.

During the previous year, the internal organisation was restructured into a single business segment, the Marine technology business, which therefore reflects the results presented in the primary statements.

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

Revenue by geographical destination:	**2018** **£**	**2017** **£**
Europe	3,586,406	3,832,356
Middle East	98,214	4,318,690
North America	449,523	921,242
UK	499,156	839,412
Other	698,260	1,114,030
	5,331,559	11,025,730

Included within revenues is 1 customer (2017: 2) with an amount exceeding 10% of the Group's total revenue. In both years, all of these customers were within the Marine business segment. Sales to the Group's largest customer from Belgium amounted to £1,648,246 (2017: largest customer from Middle East £3,900,004, the second largest customer from Belgium amounted to £1,846,827).

3 IMPAIRMENT CHARGE

During the year, the Company was advised by its customer that the contract to supply an MDM system in SE Asia had been postponed due to an internal project review and budget issues in the current year. The Board has therefore considered the project indefinitely suspended from an accounting point of view and has incurred an impairment charge of £1,490,315 during the year as set out below. The trade receivables balance was fully provided against.

Impairment charge	**2018** **£**
Provision against trade receivables	2,998,771
Write off deferred income	(833,222)
Write off prepayment and accrued income	67,935
Write off accruals	(743,169)
	1,490,315

4 DIRECTORS' EMOLUMENTS

The remuneration of the individual Directors was as follows:

Year ended 31 March 2018	Salary	Bonus	Pension	Total 2018
	£	£	£	£
Executive Directors				
S Tucker	184,000	-	-	184,000
N Peniket	115,000	-	5,750	120,750
R Hurd	90,000	-	4,500	94,500
Non Executive Directors				
K Finn	31,250	-	-	31,250
S Rogers	20,000	-	-	20,000
A Lapping	7,667	-	-	7,667
Total	447,917	-	10,250	458,167

Year ended 31 March 2017	Salary	Bonus	Pension	Total 2017
	£	£	£	£
Executive Directors				
S Tucker	184,000	144,400	-	328,400
N Peniket	115,000	90,250	5,758	211,008
R Hurd	90,000	64,000	4,500	158,500
Non Executive Directors				
S Rogers	18,667	-	-	18,667
A Lapping	18,667	-	-	18,667
Total	426,334	298,650	10,258	735,242

The directors' bonuses accrued in last years accounts were not paid due to the impairment charge during the year. They have therefore been written off as part of this charge (note 3).

Share options at 31 March 2018

	Total options	Exercise price	Expiry date
Executive Directors			
S Tucker	1,500,000	0.1p	8 August 2026
S Tucker	2,200,000	9p	18 February 2020
N Peniket	750,000	0.1p	8 August 2026
N Peniket	1,300,000	2.5p	20 July 2019
R Hurd	450,000	0.1p	8 August 2026
R Hurd	500,000	20p	18 December 2022
R Hurd	75,000	2.5p	20 July 2019

4 DIRECTORS' EMOLUMENTS - CONTINUED

Those options granted at an exercise price of 0.1p 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 previous year 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. These criteria have not been met and as such those options have not yet vested and are not exercisable. The criteria for all other executive share options have been met and therefore all are exercisable immediately.

An insurance premium of £3,665 (2017: £3,000) was paid in respect of directors' and officers' liability. Retirement benefits are accruing to two directors (2017: two) under the money purchase pension scheme.

5 EMPLOYEE INFORMATION

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

	2018 No.	**2017 No.**
Technical	35	34
Administration and sales	21	18
	56	52

Staff costs for the above persons were:	**2018 £**	**2017 £**
Wages and salaries	2,066,000	2,357,955
Social security costs	203,085	240,305
Pension costs - defined contributions	67,976	62,921
	2,337,061	2,661,181

Total amounts payable for wages and salaries include costs capitalised as development expenditure within intangible assets, amounting to £1,021,728 (2017: £977,778). Total amounts payable for wages and salaries exclude £299,267 (2017: £242,148) in respect of share-based payment charges.

The Company employed an average of 7 persons within administration and sales (2017: 8) with total wages and salaries of £778,816 (2017: 766,931), including social security costs of £46,763 (2017: £60,357) and pension costs of £7,186 (2017: £7,054). The wages and salaries of the Company also include £299,267 (2017: £242,148) in respect of share-based payment charges.

6 FINANCE INCOME AND EXPENDITURE

Group	**2018** **£**	**2017** **£**
Bank interest payable	33,215	43,980
Other interest payable	92,211	-
Total interest payable	125,426	43,980
Bank interest receivable	(224)	(220)

7 OPERATING (LOSS) / PROFIT

Operating (loss)/profit for the year is stated after charging/(crediting):	**2018** **£**	**2017** **£**
Inventories recognised as an expense	2,787,169	3,689,862
Amortisation of intangible assets	1,465,055	1,654,621
Depreciation	91,041	77,343
Auditors' remuneration:		
Fees payable to the company's auditor for the audit of the parent company's accounts	16,500	13,500
Fees payable to the company's auditor for other services:		
- audit of the company's subsidiaries	28,150	23,500
- audit-related assurance services	4,395	4,100
- tax compliance services	15,000	15,000
- tax advisory services	26,320	2,070
Exchange loss / (gain)	485,093	(344,304)
Operating lease rentals - land & buildings	123,172	97,080
Research costs not capitalised	99,058	86,770

8 TAXATION

Income tax credit	**2018**	**2017**
UK corporation tax at 19% (2017: 20%):	**£**	**£**
Tax credit	-	202,342
Deferred tax credit	551,866	13,985
Total tax credit for the year	551,866	216,327
Factors affecting tax charge for the year		
(Loss) / profit on ordinary activities before tax	(5,779,434)	1,234,401
Loss / (profit) on ordinary activities multiplied by standard rate of corporation tax in the UK 19% (2017: 20%)	1,098,092	(246,880)
Effects of:		
Expenses not deductible for tax purposes	(4,172)	(51,483)
Other differences	(137,912)	5,415
Additional deduction for R&D expenditure	332,943	309,978
Patent Box additional deduction	-	150,296
Adjustment to tax charge in previous periods	-	202,342
Adjustment to tax charge in previous periods - deferred tax	14,179	(162,981)
Temporary differences in relation to share options	(158,581)	107,804
Deferred tax not recognised	(475,471)	(77,292)
Effect of change of tax rates	(117,212)	(20,872)
Tax credit for the year	551,866	216,327
Losses carried forward	10,304,437	2,830,040
Movement in deferred tax (asset) / provision:		
At 1 April, 2017	279,178	293,163
Deferred tax charge	(551,866)	(13,985)
At 31 March, 2018	(272,688)	279,178
Deferred tax (asset) / provision:		
Fixed asset temporary differences	974,407	906,789
Short term temporary differences	(225,086)	(314,469)
Losses and other deductions	(1,022,009)	(313,142)
Deferred tax (asset) / liability (note 14)	(272,688)	279,178
Unprovided deferred tax:		
Fixed asset temporary differences	2,703	1,671
Short term temporary differences	(103)	-
Losses and other deductions	(478,071)	(167,966)
Unprovided deferred tax asset	(475,471)	(166,295)

9 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 2018, dealt with in the financial statements of the Company, was £5,073,568 (2017: loss £727,401). The Company made no gains or losses which would be reported in other comprehensive income in the years ended 31 March 2018 and 2017 and therefore the Company has not published its individual Statement of Comprehensive Income.

10 INTANGIBLE ASSETS

	Patent	Development costs	Goodwill	Total
	£	£	£	£
Cost				
At 1 April 2016	54,160	13,104,795	633,645	13,792,600
Additions	-	1,389,371	-	1,389,371
At 31 March 2017	54,160	14,494,166	633,645	15,181,971
Additions	-	1,876,920	-	1,876,920
At 31 March 2018	54,160	16,371,086	633,645	17,058,891
Amortisation				
At 1 April 2016	-	7,716,396	-	7,716,396
Charge for the year	54,160	1,600,461	-	1,654,621
At 31 March 2017	54,160	9,316,857	-	9,371,017
Charge for the year	-	1,465,055	-	1,465,055
At 31 March 2018	54,160	10,781,912	-	10,836,072
Net book value				
At 31 March 2018	-	5,589,174	633,645	6,222,819
At 31 March 2017	-	5,177,309	633,645	5,810,954
At 1 April 2016	54,160	5,388,399	633,645	6,076,204

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 10%. 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.

The results during the year include a significant amount of revenue and profits which are attributable to the business acquired and the associated goodwill. Management therefore do not consider there to be any 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.

11 PROPERTY, PLANT AND EQUIPMENT

	Company Plant & Equipment £	Group Plant & Equipment £
Cost		
At 1 April 2016	195,965	746,176
Additions	17,669	122,928
At 31 March 2017	213,634	869,104
Additions	20,252	83,666
At 31 March 2018	233,886	952,770
Depreciation		
At 1 April 2016	175,129	606,907
Charge for the year	13,026	77,343
At 31 March 2017	188,155	684,250
Charge for the year	18,425	91,041
At 31 March 2018	206,580	775,291
Net book value		
At 31 March 2018	27,306	177,479
At 31 March 2017	25,479	184,854
At 1 April 2016	20,836	139,269

12 INVESTMENT IN SUBSIDIARIES – COMPANY

Cost - Shares in group undertakings

At 1 April 2017	932,503
Additions	90
At 31 March 2018	932,593

During the year the Company incorporated a new 100% owned French subsidiary, SRT Marine Systems SAS.

Holdings of more than 20%

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	UK	Ordinary	100
Em-trak Marine Electronics Limited*	UK	Ordinary	100
SRT Software Development (India) Private Limited*	India	Ordinary	100
SRT Marine Systems SAS*	France	Ordinary	100
SRT Radio Technology Limited*	UK	Ordinary	100
SRT Marine System Solutions Limited	UK	Ordinary	100

* not consolidated as non-trading

The address of the above entities is the same as the Registered Office of the parent Company, SRT Marine Systems plc as given on page 2 except for SRT Marine Systems SAS whose address is SNCF Station, 14 rue de Dunkerque, 75010 Paris, France. The principal activities of these undertakings for the last relevant financial year were as follows:

Subsidiary	Principal activity
SRT Marine Technology Limited	Sale, development and licensing of maritime communication products
Em-trak Marine Electronics Limited	Non-trading
Software Radio Technology Limited	Non-trading
SRT Marine System Solutions Limited	Development & supply of real time maritime domain tracking systems
SRT Marine Systems SAS	Non-trading
SRT Software Development (India) Private Limited	Non-trading

13 INVENTORIES

Group	2018 £	2017 £
Raw materials and consumables	1,133,051	1,113,335
Finished goods	2,310,634	2,168,186
	3,443,685	3,281,521

14 TRADE AND OTHER RECEIVABLES

Group	2018 £	2017 £
Trade receivables	1,648,114	5,006,985
Other receivables	213,516	4,321
Prepayments and accrued income	2,571,370	2,915,380
	4,433,000	7,926,686

As at 31 March 2018 and 31 March 2017 the following movements in the provision account for credit losses were recognised during the year:-

Group	2018 £	2017 £
Balance at 1 April	95,768	138,216
Impairment during the year (note 3)	2,998,771	-
Other amounts charged during the year	13,788	40,963
Amounts written off during the year	-	(22,971)
Amounts released during the year	(16,398)	(60,440)
	3,091,929	95,768

As at 31 March 2018 trade receivables of £1,133,146 (2017: £2,246,270) were past due but not impaired. The ageing analysis of these trade receivables is as follows:-

Group	2018 £	2017 £
Up to 3 months past due	64,008	65,498
3 to 6 months past due	-	-
Over 6 months past due	1,069,138	2,180,772
	1,133,146	2,246,270

14 TRADE AND OTHER RECEIVABLES - CONTINUED

Included in trade receivables is a debt due from a customer of £1.1m and included in prepayments and accrued income there is a balance related to the same customer of £2.4m. The trade receivables balance has been outstanding for twelve months and remains unpaid, while the accrued income balance has not been recovered for the same period because the contract it relates to has been placed on hold. Due to the length of time that has passed, there is a potential risk to the recoverability of these balances. Based on information provided by SRT's customer, the directors are confident that the trade receivables balance will be paid in full and the accrued income balance recovered in accordance with the contract, which is currently being renegotiated. The exact timing of the resolution of these matters is uncertain. The financial statements do not reflect any additional provision that may be required, if the aggregate receivable balance of £3.5m is not recoverable.

Company	**2018**	**2017**
	£	**£**
Amounts owed by group undertakings	8,725,650	10,215,926
Prepayments and accrued income	70,094	70,870
Other receivables	103,496	19,361
	8,899,240	10,306,157

The inter-company balances are unsecured, interest free and have no fixed dates for repayment. During the year an impairment provision of £4,326,113 (2017: £nil) was made against the Amounts owed by group undertakings. Prepayments and accrued income and other receivables do not contain impaired assets.

15 TRADE AND OTHER PAYABLES

Group	**2018**	**2017**
	£	**£**
Trade payables	1,906,032	929,152
Other tax and social security payable	95,302	84,376
Other payables	16,878	22,101
Accruals and deferred income	511,418	2,020,190
	2,529,630	3,055,819

Company	**2018**	**2017**
	£	**£**
Amounts owed to group undertakings	701,716	-
Trade payables	732,361	141,754
Other tax and social security payable	15,268	14,945
Other payables	-	199
Accruals and deferred income	73,200	387,148
	1,522,545	544,046

The inter-Company balances are unsecured, interest free and have no fixed dates for repayment.
The directors consider that the carrying amount of trade and other payables approximates to fair value.

16 FINANCIAL LIABILITIES

Group & Company	2018	2017
	£	£
Less than one year:		
Other loan	1,150,000	-
Bank loan	500,000	500,000
More than one year:		
Other loan	2,000,000	-
Bank loan	-	500,000

Bank borrowings are secured by a first ranking floating charge over the Group's assets, which is cross guaranteed by all entities within the Group. Interest is charged at a variable rate of 4% above the base rate.

Other loans all relate to drawdowns on a £10 million secured loan note programme which has been arranged by LGB Corporate Finance and which are secured by a second ranking floating charge over the Group's assets. The loan of more than one year has a 3 year term with an interest rate of 8%. The loan of less than one year had an interest rate of 10% at year end but subsequent to the year end was converted into a loan with a 3 year term at an interest rate of 8%. Other loans are subject to covenants relating to gearing as at 31 March 2018 and beyond and debt service cover as at 31 March 2019 and beyond.

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

17 CALLED UP SHARE CAPITAL

Allotted: Ordinary shares of 0.1p each	2018 No.	2017 No.
Number of shares allotted	127,742,419	127,612,419
	£	£
Value of shares allotted	127,743	127,613

Reconciliation of movements in share capital:

Shares outstanding at 31 March 2016	127,512,419
Exercise of share options (a)	100,000
Shares outstanding at 31 March 2017	127,612,419
Exercise of share options (b)	130,000
Shares outstanding at 31 March 2018	127,742,419

17 CALLED UP SHARE CAPITAL - CONTINUED

Notes:

a) 30,000 options were exercised at a price of 18p in April 2016, 20,000 at an exercise price of 29p in July 2016, 30,000 at an exercise price of 2.5p in July 2016 and 20,000 at an exercise price of 26p in November 2016.

b) 30,000 share options were exercised at a price of 25p in May 2017, 40,000 at an exercise price of 23p in June 2017, 20,000 at an exercise price of 29p in June 2017 and 40,000 at an exercise price of 26p in December 2017.

Subsequent to the year end the Company completed a placing of a further 12,000,000 shares at a price of 25p.

18 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 2016	5,548,000	12.4p
Granted during the year	3,445,000	0.1p
Exercised during the year	(100,000)	17.2p
Lapsed during the year	(360,000)	25.3p
Balance at 31 March 2017	8,533,000	6.8p
Exercised during the year	(130,000)	25.3p
Lapsed during the year	(50,000)	10.5p
Balance at 31 March 2018	8,353,000	6.5p
Balance exercisable at 31 March 2018	5,974,667	8.4p
Balance exercisable at 31 March 2017	5,702,500	8.6p

The value of the options granted during the previous year has been measured by using the Black Scholes pricing model as adjusted where applicable for market based performance criteria. For share options granted during the previous year, the inputs into the Black Scholes model included an expected life of 2-4 years as well as the relevant share price, exercise price, volatility and risk free rate at the date of grant. All options granted during the previous year had an exercise price of 0.1p and a share price on the date of issue ranging from 34p to 40p.

18 SHARE BASED PAYMENT - CONTINUED

Expected volatility was determined by referencing volatility data received and using historical data for similar sized companies over the previous five years and ranged from 46% to 104% for the grants made during the previous year. Risk free rates were determined using government bonds and ranged from 1.6% to 2.6%. 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	1,384,000	2.5p	July 2019
Vested and exercisable immediately	2,200,000	9p	Feb 2020
Vested and exercisable immediately	30,000	32p	Oct 2021
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	50,000	23p	Aug 2023
Vested and exercisable immediately	174,000	25p	Dec 2023
Vested and exercisable immediately	50,000	29p	Feb 2025
Vested and exercisable immediately	166,667	26p	Dec 2025
Vested and exercisable immediately	125,000	0.1p	July 2026
Vested and exercisable immediately	900,000	0.1p	Aug 2026
Vested and exercisable immediately	135,000	0.1p	Dec 2026
Vested and exercisable immediately	20,000	0.1p	Feb 2027
Share price criteria not met	30,000	37p	May 2021
Share price criteria not met	30,000	23p	May 2021
Share price criteria not met	1,800,000	0.1p	May 2026
Not exercisable before:			
November 2018	83,333	26p	Dec 2025
September 2018	62,500	0.1p	July 2026
September 2018	62,500	0.1p	July 2026
December 2018	135,000	0.1p	Dec 2026
December 2019	135,000	0.1p	Dec 2026
February 2019	20,000	0.1p	Feb 2027
February 2020	20,000	0.1p	Feb 2027
Total outstanding options	8,353,000		

19 RESERVES

Reserves for the Group and Company are set out in the Statement of Changes in Equity on pages 22 and 23 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 2016, 2017, 2018	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.

20 OPERATING LEASE COMMITMENTS

At 31 March 2018, the Group has lease agreements in respect of properties and equipment for which the payments extend over a number of years.

Group	**2018 £**	**2017 £**
Due:		
Within one year	127,155	126,031
Between two and five years	249,902	326,177
After five years	318,105	368,985
	695,162	821,193

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 £190,920 (2017: £175,010) 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 £52,578 (2017: £84,854).

During the year, there were expenses charged from the Company to its subsidiaries which are related parties for services provided. These transactions amounted to £797,720 (2017: £936,558). As at 31 March 2018, the Company had an outstanding receivables balance from SRT Marine Technology Ltd of £13,049,527, which was impaired during the year to the carrying value of £8,723,415 (2017: £12,223,976) and an outstanding payables balance with SRT Marine System Solutions Ltd of £701,716 (2017: £2,050,183).

During the year goods and services amounting to £1,328,713 (2017: £1,436,868) were transferred between subsidiaries.

22 CASH GENERATED FROM OPERATIONS

Group	**2018**	**2017**
	£	**£**
Operating (loss) / profit before exceptional item	(4,163,917)	1,278,161
Depreciation of property, plant and equipment	91,041	77,343
Amortisation of intangible fixed assets	1,465,055	1,654,621
Share based payment charge	299,267	242,148
(Increase) / decrease in inventories	(162,164)	977,035
Decrease / (increase) in trade and other receivables	426,980	(3,200,164)
Increase in trade and other payables	1,050,202	206,236
	(993,536)	1,235,380

Company	**2018**	**2017**
	£	**£**
Operating loss before exceptional item	(772,020)	(683,642)
Depreciation of property, plant and equipment	18,425	13,026
Amortisation of intangible fixed assets	-	54,160
Share based payment charge	299,267	242,148
(Increase) / decrease in trade and other receivables	(83,359)	7,871
(Increase) / decrease in amounts owed by group undertakings	(1,984,354)	232,570
Increase in trade and other payables	276,782	309,611
	(2,245,259)	175,744

23 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

The basic earnings per share has been calculated on the loss on ordinary activities after taxation of £5,227,568 (2017: profit £1,450,728) divided by the weighted number of ordinary shares in issue of 127,701,597 (2017: 127,583,214).

During the year, the Group incurred a loss on ordinary activities after taxation and therefore there is no dilution of the impact of the share options granted.

During the year ended 31 March 2017 the calculation of diluted earnings per share has been calculated on profit on ordinary activities after taxation of £1,450,728. It assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options. A calculation is performed to determine the number of shares that could have been acquired at fair value, based upon the monetary value of subscription rights to outstanding share options. The number of dilutive shares under options was 5,775,672 and the weighted average number of ordinary shares for the purposes of dilutive earnings per share was 133,358,885.

24 FINANCIAL INSTRUMENTS

The Group and Company's financial instruments comprise cash and cash equivalents, borrowings 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 2018 (2017: £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 at the reporting date was:-

	2018 £	2017 £
Trade receivables	1,648,114	5,006,985
Cash and cash equivalents	1,364,437	1,760,861
	3,012,551	6,767,846

The Company has cash and cash equivalents of £1,036,849 (2017: £744,752).

Interest rate risk
The Group and Company have interest bearing assets and liabilities which comprise of cash and cash equivalents and a short and medium term loans (see note 16) which earn or incur interest at a variable 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 £224 (2017: £220) during the year. Interest payable on the short and medium term loans at a variable rate amounted to £125,426 (2017: £43,980) for the Group and Company.

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 and Euros. 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 given the short term nature of the balances. 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 and Euros. Such transactions give rise to net currency gains and losses recognised in profit or loss.

At the year end this exposure comprised £4,140,643 (2017: £5,322,575) of assets denominated in US Dollars, £222,640 (2017: £3,340,879) of assets denominated in Euros and £452,376 (2017: £398,529) of liabilities denominated in US Dollars and £28,625 (2017: £837,594) of liabilities denominated in Euros.

24 FINANCIAL INSTRUMENTS - CONTINUED

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 and Euro/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 1.40 (2017: 1.25) and Euro 1.14 (2017: 1.17).

	2018	2017
Sterling strengthens by 10%	**£**	**£**
US Dollar	(335,297)	(447,641)
Euro	(17,638)	(227,571)
Sterling weakens by 10%		
US Dollar	368,827	492,405
Euro	19,402	250,328

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 2018, the Group had financial purchase order commitments with its contract manufacturer amounting to £738,502 (2017: £249,996).

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 September 5th, 2018 for the purpose of considering and, if thought fit, passing the following ordinary resolutions (in the case of resolutions 1 to 6) and special resolution (in the case of resolution 7):

ORDINARY RESOLUTIONS

1. To receive the audited annual financial statements and reports of the Company for the financial year ended 31 March 2018.

2. To re-appoint 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 re-appoint Simon Rogers as a director of the Company.

5. To re-appoint Kevin Finn as a director of the Company.

6. 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 £46,580 provided that this authority shall expire (unless previously varied as to duration, revoked or renewed by the Company in general meeting) on December 5th, 2019, or, if earlier, at the conclusion of the Annual General Meeting in 2019, 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

7. THAT subject to the passing of resolution 6, the directors be empowered 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 6 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 £13,974.

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 6 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

Date: July 20, 2018

Registered Office:
Wireless House
Westfield Industrial Estate
Midsomer Norton
Bath BA3 4BS

Registered in England and Wales No. 05459678

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.

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 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, ignoring any part of a day that is not a working day, 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.

NOTES - CONTINUED

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 September 3rd, 2018 being the time not less than 48 hours before the time fixed for the meeting or, if the meeting is adjourned, excluding any part of a day that is not a working day, 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 September 3rd, 2018 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, excluding any part of a day that is not a working day, 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 (i) 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 (ii) 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 (i) above.

EXPLANATORY NOTES FOR SHAREHOLDERS

The notice of the Annual General Meeting of the Company to be held at 11.00 a.m. on September 5th, 2018 is set out on pages 46-49 of the annual report and financial statements. 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 6 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 financial statements for year ended 31 March 2018
The directors are required by the Companies Act 2006 to present to the shareholders of the Company at a general meeting the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2018. The report of the directors and the audited financial statements 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 Financial statements.

Resolution 2 – Re-appointment of auditors
The Companies Act 2006 requires that auditors be appointed at each general meeting at which financial statements 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 re-appointment of Nexia Smith & Williamson Audit Limited as auditors of the Company.

EXPLANATORY NOTES FOR SHAREHOLDERS - CONTINUED

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 – Directors' re-appointment
Simon Rogers and Kevin Finn will retire at this year's Annual General Meeting and offer themselves for re-election.

Resolution 6 – 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 6 will, if passed, authorise the directors to allot shares up to a maximum nominal amount of £46,580.

It is accordingly proposed that the directors be granted general authority at any time prior to December 5th 2019, or, if earlier, at the conclusion of the Annual General Meeting in 2019, to allot shares up to an aggregate nominal amount of £46,580, 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 7 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 7 – 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 7 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 £13,974 (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 6. The Company does not at present hold any shares in treasury.


Current
UTC +00:00
11747 Targets Visible
COAST GUARD
751

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