

SOFTWARE RADIO TECHNOLOGY PLC
(“SRT” or the “Company”)
(AIM: SRT)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

SRT, the AIM-quoted provider of maritime domain awareness technologies, products and solutions, announces its results for the year ended 31 March 2015.

FINANCIAL SUMMARY

- 39% increase in revenue to £8.5 million
- Loss before tax of £0.4 million
- Gross profit margin of 51% - in line with long term stated objective
- Gross cash balances of £2.1 million

OPERATIONAL HIGHLIGHTS

- Mutually exclusive partnership with exactEarth and development and integration of ABSEA satellite detection enhancing technology
- Launch of first GeoVS display and data management products and delivery to two major infrastructure projects
- Expansion of em-trak dealer base
- Development of new AIS Class A and Class B product platform with integrated full function colour chart display and WiFi
- Completion of multiple in-country proof of concepts for SRT’s new MDM system

Commenting on today’s results, Simon Tucker, CEO of SRT said:

“SRT has developed a strategic position in an important global market straddling leisure, commercial and national security applications. With a £200 million validated sales opportunity pipeline and a significantly larger global addressable market opportunity, I am looking forward to the year ahead and updating our shareholders as opportunities develop.”

Contacts:

Software Radio Technology plc
Simon Tucker, Chief Executive Officer

www.softwarerad.com
+44 (0) 1761 409500

WH Ireland Limited
Tim Feather / Liam Gribben

www.wh-ireland.co.uk
+44 (0) 113 394 6600

Yellow Jersey PR Limited
Dominic Barretto
Anna Legge

www.yellowjerseypr.com
+44 (0)7768 537739
+44 (0)7747 788221

The SRT group develops and provides AIS based maritime domain awareness technologies, technologies, products and systems. Our solutions are used around the world in a variety of applications ranging from vessel tracking to port and infrastructure security. For more information visit www.softwarerad.com

About AIS:

AIS (Automatic Identification System) is an international maritime domain awareness technology invented

and globally proliferated by the IMO (International Maritime Organisation). AIS is a complex radio based data communications technology which allows accurate and reliable multi-point real time communication between moving and fixed entities in the marine domain. AIS is a globally adopted technology and is being deployed across a wide range of applications.

CHAIRMAN'S STATEMENT

I am pleased to report that SRT made substantial operational progress during the course of the year with excellent advances in the development of our product offers as well as the realisation of one of our many validated project opportunities which made a significant contribution to the year-on-year revenue growth.

Group revenue increased year-on-year by 39% to £8.5 million with a loss before tax of £0.4 million compared to £6.1 million and £1.5 million respectively in the previous financial year. The gross profit margin was 51% which is in line with our long term target of 50%. Overheads remained tightly controlled, with an expected 12% year-on-year increase to £4.9 million on a cash accounting basis, due to the full year impact of the GeoVS acquisition and the associated increase in product development. Gross cash stood at £2.1 million with stock valued at cost of £5.0 million available to support expected sales opportunities.

Despite having achieved our market sales channel targets, aggregate revenue from our core and mandate driven business was disappointing at £4.3 million for the year. Our core business suffered from the continuing depressed state of the leisure and commercial marine markets where boat owners see maintenance and other costs as a priority at this stage of the economic cycle. Existing fishery and inland-waterway mandates in the EU generated minimal sales during the year, but this is expected to improve during the current year due to some extensions and more rigorous enforcement. The USCG mandate announced on 30 January 2015 gives affected vessel operators until April 2016 to comply and thus, although we have received some initial orders relating to this market opportunity, the majority of business is expected to come in the current financial year due to the legal fit window and thus expected market buying pattern. As always we are aware of other pending mandate opportunities which are included in our validated opportunity pipeline, but until published we believe it is not prudent to forecast exact demand timing.

Following a long period of Aids to Navigation (AtoN) product and sales channel development, this year our focus has been the training of our partners and the build-up of sustained multi-level marketing. This has entailed assisting our customers with developing and implementing their marketing plans and our own marketing targeted at educating the end market (port and waterway authorities) of the diverse functionality and associated benefits delivered by AIS AtoN. This has been a significant investment for SRT, but one which is now starting to yield success with a 200% increase in revenues from £0.1 million last year to £0.4 million and a rapidly growing validated sales opportunity pipeline. Due to the nature of this market where the end user can vary from an operator of a wind farm, a port, a waterway authority or a private marina, the quantity of opportunities is large and diverse with individual sales values ranging between £1,000 and £200,000 and average gross profit margins in excess of 80%. This is a significant market segment in which SRT is now embedded with the best product offer and sales channels and thus we look forward to growing this revenue line.

The acquisition of GeoVS in October 2013 and our subsequent investment to develop a series of professional maritime data-management and viewing products with innovative functionality have enabled SRT to provide customers with the capability to display, manipulate and manage the AIS data transmitted by our transceivers. In turn, this is enhancing existing opportunities and opening new market segments. During the year we completed the delivery of two high profile standalone display systems; one for a major oil company to assist with monitoring critical infrastructure in the Black Sea, and the second for a large commercial port in Malaysia. Whilst not very material to revenue during this year, these projects have provided important and high profile references for our marketing programme targeting ports and critical infrastructure with our GeoVS display system products. We therefore expect to see the GeoVS systems generate strong revenue growth in the years ahead as a standalone product offer, as well as adding significant value to our AtoN and maritime domain management (MDM) vessel tracking products.

A general trend in the global maritime market is for nations to track and monitor their national commercial fleets, most of which are fishing boats, as part of their general maritime domain awareness programmes. AIS is typically the technology of choice. This has placed SRT at the centre of this global market. I am pleased to report that we have over 40 large vessel monitoring project opportunities, of which a subset of 21 worth up to a potential £200 million in revenue are sufficiently mature to be included in our validated sales pipeline. During the year, one such project in the Middle East converted generating revenue to SRT of approximately £3.7 million. With the availability of our GeoVS systems and partnership with satellite AIS operator, exactEarth, SRT has moved from being simply a transceiver provider to being able to provide a complete MDM system solution. This dramatically simplifies and enhances the final proposition to the end customer and has enabled us to play a more important and active role in the development of these opportunities with our partners.

As ever, as these are large national projects involving multiple national stakeholders, legislation and complex implementation and enforcement planning, the exact timing of any given project is difficult to forecast with any degree of accuracy. However, we are confident that the year ahead will see the commencement of the implementation of multiple projects from our validated opportunity pipeline and thus revenues.

Operational Review

A crucial element to our successful positioning within the AIS market has been our ability to develop innovative market leading products, based upon advanced in-house developed core technology. I am pleased to report that this year we have continued to successfully execute our technology and product development road map.

Significant core technology and product investment over the past four years have endowed SRT with a broad range of up to date products able to address most market segments. As such this year our product development activities have been more weighted towards the enhancement of existing products such as the Identifier, AtoN, GeoVS VIEWER and HUB. We have completed the development of ABSEA AIS satellite detection enhancing technology with our partner, exactEarth, as well as developing capability in GeoVS to merge, manage and view satellite and terrestrial AIS data feeds. We have added significant new functionality and accessories to our Identifier product platform aimed at making it easier for mass deployments and offering more functionality configuration options. These enhancements have primarily been aimed at supporting our sales push into monitoring ports and critical infrastructure and the enhancement of our MDM system offer.

The major new core technology and product development in progress during the year was that of a new software configurable AIS transceiver platform (Apollo) with integrated colour display capable of providing full electronic charting and other MDM system related input options and WiFi connectivity. This product platform will ultimately be available in Class A and Class B SOTDMA configurations and is a significant leap in core technology, user functionality, customisation options and decreased manufacturing cost. The product is now in the development process and is expected to be available in selected markets during 2016 and then more widely in due course.

In line with increased sales and marketing activities, a growing customer base and opportunity pipeline, we have continued to focus on enhancing our customer support function. This has entailed investment in demonstration systems, in-country training and increased product testing and validation of the new functionality we are developing. In the future we expect this area of our business to grow, so we can simultaneously support multiple customers implementing large projects.

Our most significant operational challenge is the accurate forecasting of demand and thus production. Our strategy of holding configurable stock, customer customisation kits and components has kept our investment to a minimum given the scale of opportunities for which we may be required to make rapid initial deliveries and then follow through with additional production in due course.

Market Review

Maritime safety and security has developed into a common concern of most countries around the world. As an IMO developed technology with a single global frequency due to the 2002 SOLAS agreement, and with proven performance and a low cost profile, AIS is now the core foundation for the e-navigation and big data market adoption trend. This trend touches all aspects of the maritime domain and thus is creating a large global market opportunity.

Adoption by leisure and commercial boat owners without legislation is starting from a very small base and will take time to reach critical mass and enter sustained regular growth. However, we share the general industry view that AIS penetration will reflect that of radar over a ten year period. With 18 million such boats, this represents a very large future market opportunity.

Ports, waterways and critical marine infrastructure are seeking to deploy AIS to improve efficiency, safety and security. The large western ports have established systems, which they are now seeking to enhance with AtoN and more intelligent display systems, whilst fast growing regions within South America, Asia, Africa and the Middle East which rely on the marine domain for wealth generation are seeking to acquire the best system possible within their respective budget constraints.

The biggest opportunity for SRT is the global trend of countries seeking to track their national fleets. Such programmes are actively encouraged by Non-governmental Organisations (NGOs) for environmental preservation, but are also now seen as important for the protection of national sovereignty and security. This is driving countries to consider how they can effectively implement national scale vessel monitoring systems and AIS based systems offer a highly attractive functionality/cost matrix. With approximately four million commercial fishing boats worldwide and many countries on their way to commencing the implementation of such systems, this presents a very significant addressable market opportunity for SRT.

Employees

SRT now has 44 full time employees, operating out of two offices: one in Cardiff and the head office in Somerset. We benefit from a rare capability of being able to develop our own sophisticated products entirely in-house to a standard which we believe is unmatched in our market. Our reputation for high quality, innovative products backed up by robust technical and sales support, is directly attributable to the skills and commitment of the SRT team. I would like to thank all our employees for another year of dedication and hard work towards delivering SRT's objectives.

Outlook and Strategy

SRT is committed to being the world's leading provider of AIS technologies, products and systems. Our investment in technology and product development ensure that our core product platforms remain market leading and our continuing innovation is designed to increase this lead.

Non-regulated derived revenues will grow as the market recovers and the trend for AIS to be a standard fit is established. We will increasingly focus our support on those customers who recognise this long term trend and thus wish to invest in their core product offerings.

Ports, harbours and waterways offer a significant new opportunity for our AtoN and GeoVS product lines. With the recently launched products, coupled with an established and increasingly knowledgeable customer base, we expect to see good revenue growth from this segment which has the additional benefit of high gross margins.

By far the largest short and medium term opportunity for SRT are the many national vessel tracking and monitoring projects which are at various stages of development. Our MDM system provides a complete, scalable and customisable system which is cost effective and relatively simple to deploy on a national scale. Our strategy is to continue to work with our local partners and national authorities to define and deliver the system the end user wants and assist them in understanding and overcoming the many practical issues associated with implementing national scale systems. Our validated pipeline of sales opportunities stands at approximately £200 million and, following several years of working closely with our local partners and authorities, we are confident that several of these will enter their implementation phase in new financial year thus generating revenues.

We recognise that the challenges of forecasting the timing of projects and thus revenues are frustrating for shareholders. However, the global adoption of AIS for maritime domain applications is firmly established as is SRT's position in this market and this is reflected in our £200 million validated sales opportunity pipeline. This morning, we have announced that another of these projects has entered its implementation phase marked by an initial order with more to follow. I therefore thank you for your patience and support and look forward to an exciting financial year across all our target markets as the AIS market and SRT's fortunes progress.

Simon Rogers, Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

	2015	2014
Note	£	£
Revenue	8,522,134	6,110,359
Cost of sales	(4,168,698)	(3,479,159)
Gross profit	4,353,436	2,631,200
Administrative costs	(4,687,282)	(4,135,815)

Operating loss	(333,846)	(1,504,615)
Finance expenditure	(45,587)	(6,008)
Finance income	319	4,249
Loss before tax	(379,114)	(1,506,374)
Income tax credit	425,469	-
Profit / (loss) for the year after tax	46,355	(1,506,374)
Total comprehensive income / (loss) for the year	46,355	(1,506,374)
Earnings / (loss) per share:	4	
Basic	0.0p	(1.3)p
Diluted	0.0p	(1.3)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	2015 £	2014 £
Assets		
Non-current assets		
Intangible assets	6,055,165	5,685,301
Property, plant and equipment	110,543	185,397
Total non-current assets	6,165,708	5,870,698
Current assets		
Inventories	4,960,959	4,170,726
Trade and other receivables	1,604,422	2,620,825
Cash and cash equivalents	2,151,232	1,290,539
Total current assets	8,716,613	8,082,090
Liabilities		
Current liabilities		
Trade and other payables	(1,425,846)	(2,023,508)
Financial liabilities	(1,000,000)	(1,000,000)
Total current liabilities	(2,425,846)	(3,023,508)
Net current assets	6,290,767	5,058,582
Total assets less current liabilities	12,456,475	10,929,280
Net assets	12,456,475	10,929,280
Shareholders' equity		

Share capital	127,453	119,003
Share premium account	4,844,989	3,400,538
Retained earnings	1,993,437	1,919,143
Other reserves	5,490,596	5,490,596
	<hr/>	<hr/>
Total shareholders' equity	12,456,475	10,929,280
	<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

	2015	2014
	£	£
Cash generated from operating activities	1,033,847	515,021
Corporation tax received	<u>425,469</u>	<u>-</u>
Net cash generated from operating activities	<u>1,459,316</u>	<u>515,021</u>
Investing activities		
Expenditure on product development	(1,932,321)	(1,596,901)
Purchase of patent	(54,160)	-
Cash acquired	-	1,973
Purchase of property, plant and equipment	(19,775)	(163,171)
Interest paid	(45,587)	(6,008)
Interest received	319	4,249
	<hr/>	<hr/>
Net cash used in investing activities	<u>(2,051,524)</u>	<u>(1,759,858)</u>
Cash flow before financing	<u>(592,208)</u>	<u>(1,244,837)</u>
Financing activities		
Short term loan	-	1,000,000
Net proceeds on issue of shares	<u>1,452,901</u>	<u>-</u>
Net cash generated from financing activities	<u>1,452,901</u>	<u>1,000,000</u>
Net increase / (decrease) in cash and cash equivalents	860,693	(244,837)
Net cash and cash equivalents at beginning of year	<u>1,290,539</u>	<u>1,535,376</u>
Net cash and cash equivalents at end of year	<u><u>2,151,232</u></u>	<u><u>1,290,539</u></u>

Notes

1. Status of financial information

SRT is a public limited company incorporated in England and Wales and whose ordinary shares of 0.1p each are traded on the AIM market of the London Stock Exchange. The Company's registered office is Wireless House, Westfield Industrial Estate, Midsomer Norton, Bath BA3 4BS.

The Board of Directors approved this preliminary announcement on 8 June 2015. Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed by the European Union, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of IFRS and does not constitute statutory accounts of the Company for the years ended 31 March 2015 or 31 March 2014.

The financial information has been extracted from the statutory accounts of the Company for the years ended 31 March 2015 and 31 March 2014. The auditors reported on those accounts; their reports were unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

The statutory accounts for the year ended 31 March 2014 have been delivered to the Registrar of Companies, whereas those for the year ended 31 March 2015 will be delivered to the Registrar of Companies following the Company’s Annual General Meeting.

2. Basis of preparation

This financial information has been prepared in accordance with the principles of International Financial Reporting Standards (“IFRS”) as adopted by the European Union and International Financial Reporting Interpretations Committee (“IFRIC”) recommendations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. For the purposes of the preparation of the consolidated financial information, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 April 2014. There have been no changes in accounting policies during the year. The financial information has been prepared under the historical cost convention unless otherwise stated.

3. Dividends

The Board is not recommending the payment of a final dividend.

4. Earnings / (loss) per Ordinary Share

The basic earnings / (loss) per share has been calculated on the profit on ordinary activities after taxation of £46,355 (2014: loss £1,506,374) divided by the weighted number of ordinary shares in issue of 125,253,104 (2014: 117,355,526).

During the year the calculation of diluted earnings per share has also been calculated on profit on ordinary activities after taxation of £46,355. 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 4,964,093 and the weighted average number of ordinary shares for the purposes of dilutive earnings per share was 128,259,031. During the year ended 31 March 2014 the Group incurred a loss on ordinary activities after taxation and therefore there is no dilution of the impact of the share options granted.

5. Annual Report and AGM

The Annual Report will be available from the Company’s website, www.softwarerad.com from 9 June 2015. To locate the report, click “Media Centre” and then scroll down the page. The Annual Report and Notice of AGM will be posted to shareholders on 12 June 2015. The AGM will take place at the Centurion Hotel, Charlton Lane, Midsomer Norton, Radstock BA3 4BD at 11.00 a.m. on 14 July 2015.