SRT MARINE SYSTEMS PLC
(AIM: SRT)
("SRT" or the "Company")

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

SRT, the AIM-quoted provider of maritime domain awareness technologies, products and solutions, announces its results for the year ended 31 March 2018.

FINANCIAL SUMMARY

- 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 HIGHLIGHTS

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

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

"I am very disappointed with the shortfall in our revenues for the year, which was caused by an unexpected contract change. This does not reflect the excellent operational progress the business has made with regards to product development and sales opportunities. I recognise that we are measured on the profits that SRT delivers and to that end expect SRT to measure up to expectations in the near future. "

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About SRT:

SRT develops, manufactures and supplies maritime tracking technology and turn-key system solutions to marine stakeholders across the globe with a particular expertise in AIS. The Company's products and solutions are used by individual vessel owners, port authorities, maritime infrastructure owners, coast guards and national security agencies to enhance their maritime domain awareness. Applications include the tracking of commercial and leisure vessels; sustainable fishery; anti-collision; search and rescue; waterway management, port and coast security; pollution management; and environmental management.

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018	2017
		£	£
Revenue		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		(4,163,917)	1,278,161
Impairment charge	4	(1,490,315)	-
Operating (loss) / profit after exceptional items		(5,654,232)	1,278,161
Finance expenditure		(125,426)	(43,980)
Finance income		224	220
(Loss) / profit before tax and exceptional items		(5,779,434)	1,234,401
Income tax credit		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:	5		
Basic		(4.09)p	1.14p
Diluted		(4.09)p	1.09p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	2018 £	2017 £
Assets		
Non-current assets		
Intangible assets	6,222,819	5,810,954
Property, plant and equipment	177,479	184,854
Deferred tax	272,688	-
Total non-current assets	6,672,986	5,995,808
Current assets		
Inventories	3,443,685	3,281,521
Trade and other receivables	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	(2,529,630)	(3,055,819)
Financial liabilities	(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	(2,000,000)	(500,000)
Deferred tax	-	(279,178)
Total long term liabilities	(2,000,000)	(779,178)
Net assets	9,734,478	14,629,879
Shareholders' equity		
Share capital	127,743	127,613
Share premium account	4,905,549	4,872,779
Retained (loss) / earnings	(789,410)	4,138,891
Other reserves	5,490,596	5,490,596
Total shareholders' equity	9,734,478	14,629,879

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	2018 £	2017 £
Cash (used in) / generated from operating activities	(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

Notes

1. Status of financial information

SRT is a public limited company incorporated in England and Wales 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 20 July 2018. 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 2018 or 31 March 2017.

The financial information has been extracted from the statutory accounts of the Company for the years ended 31 March 2018 and 31 March 2017. 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. The auditors, in forming their opinion on the financial statements, which is not modified have included in their report an emphasis of matter on the recoverability of receivables of £3.5m as disclosed in note 14 of the financial statements. The auditors also considered the adequacy of the disclosure made in note 1 of the financial statements concerning the Group's ability to continue as a going concern. Their opinion is not modified in respect of this matter.

The statutory accounts for the year ended 31 March 2017 have been delivered to the Registrar of Companies, whereas those for the year ended 31 March 2018 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 2017. 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. 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. The trade receivables balance was fully provided against.

5. Earnings per Ordinary 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.

4. Annual Report and AGM

The Annual Report will be available from the Company's website, www.srt-marine.com from 23 July 2018. To locate the report, click "Investors" and then scroll down the page to "Reports and Presentations". The Annual Report and Notice of AGM will be posted to shareholders on 1 August 2018. The AGM will take place at the Centurion Hotel, Charlton Lane, Midsomer Norton, Radstock BA3 4BD at 11.00 a.m. on 5 September 2018.