

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

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

SRT Marine Systems PLC, a provider of maritime surveillance, monitoring and management systems, is pleased to announce its results for the year ended 31 March 2019, a year that reflects the significant progress made by the Company.

FINANCIAL SUMMARY

- Revenue increased by 286% to £20.6m (2018: £5.3m)
- Improvement of Gross profit margin to 45% (2018: 43%)
- Profit before tax of £3.2m (2018: loss before tax of £4.2m)
- £3.9m cash as at year end

OPERATIONAL HIGHLIGHTS

- £32m systems contract with the Philippine Government Fisheries (BFAR)
- Strong pipeline of system business opportunities
- Senior Management team strengthened
- Expansion of GeoVS development and Systems Delivery teams
- Development of new products and functionalities

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

"Maritime security, sovereignty and safety is of increasing importance around the world. This is driving our growth as demonstrated by the 286% increase in revenues we are reporting today. Coupled with a significant and growing pipeline of further contract opportunities, six of which worth over £220m in aggregate are expected in the near term. Our many years of investments to develop a scalable fully integrated maritime surveillance system that fuses multiple surveillance sensor systems and embeds advanced data analytics and digital display technologies with command, control and logistics has placed us at the forefront of this growing global market "

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About SRT:

SRT Marine Systems PLC (“SRT”) is a global leader in maritime domain awareness products and systems. Our solutions integrate multiple technologies, advanced analytics, innovative digital display systems, logistics and command and control to provide enhanced maritime surveillance, security, safety and management for national authorities such as coast guards and fishery authorities. Applications include coastal and territorial water surveillance and security, fisheries monitoring, management and IUU detection, search and rescue, waterway management and aquatic environment monitoring as well as individual leisure and commercial boat owners.

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

I am delighted with the progress made by SRT this year as we have started to capitalise on the strategic decisions and investments we have made in maritime surveillance and management over many years. This has resulted in major contracts being won and excellent progress being made in advancing our pipeline of contract opportunities. With a significant pipeline of near and medium-term opportunities in active negotiation, existing ongoing systems contracts, all of which is underpinned by our steadily growing transceivers business I believe this year's performance sets a clear financial direction for the future.

Group revenues increased significantly year on year from £5.3 million to £20.6 million, generating a gross profit margin of 45% (2018: 43%) and a profit before tax of £3.2 million (2018: loss before tax and exceptional items of £4.2 million). Our transceivers business generated revenues of £6.0 million which is a 19% year on year increase, with the balance of £14.6 million coming from our systems business.

During the year we successfully raised £7.0 million of new equity to invest in the acceleration of system product development and the expansion of our systems delivery team and, as at year end, our gross cash balance was £3.9 million (2018: £1.4 million). During the year we fully repaid our outstanding bank loan, leaving outstanding three-year term loans of £5 million with a further £5 million of optional borrowing head room on our £10 million loan note programme facility. Our receivables balance increased significantly to £18.0 million (2018: £4.4 million) primarily due to major project milestone completions towards the end of the year, and subsequent to the year-end we have received over £4 million of cash payments as per agreed project payment schedules. As our systems business ramps up, due to the very high invoice value of project payment milestones, we expect to see a normalised situation of much greater value movements in our cash balances, debtors and creditors commensurate with the increasing scale of our business.

Our raw cash overheads, exclusive of adjustments such as exchange rate adjustments, depreciation, amortisation and development capitalisation were £6.6 million for the year compared to £6.1 million for the previous year. This reflects our increased activities, particularly across systems development and project delivery support. Following required accounting adjustments, the reported administrative expenses for the year amounted to £5.9 million (2018: £6.5 million), which is a 10% decrease year on year, the reduction being due to a profit in respect of foreign exchange gains rather than a loss reported in the previous year.

Given the scale of SRT's business operations, we have and continue to maintain, a tight control on overheads. This has included us focusing our resources on the most beneficial and surest opportunities and where appropriate deciding to terminate smaller contracts such as a small contract in Ecuador so as to ensure that our limited resources are always focussed where we can obtain the maximum financial return. However, with such growth in prospects, we expect a gradual growth in the year ahead to support and enable expected new business. This will include the expansion of our Product Management Team to accelerate the creation of new and innovative product functionality and linked to this growth in our Product Development Teams to accelerate functionality implementation. Furthermore, we are expanding our Delivery Team so we can simultaneously manage multiple system projects across the globe as well as investing in additional resources in sales and marketing as we seek to deliver against the increasing number of opportunities.

Our transceivers business which sells maritime communication devices based on AIS achieved year on year growth of 19% to £6.0 million. The OEM & Module division contributed £3.7 million after annual growth of 12% and our em-trak division £2.3 million after annual growth of 34%. This growth is a result of a combination of factors including continued voluntary adoption of AIS by leisure and commercial vessel owners, increased sales distribution, and market recognition of the quality and performance of our product range.

In the year ahead, through the continued execution of our long-term strategy, we see a variety of new growth opportunities. These include the general growth in adoption of AIS, expansion of our distribution network, new products, marketing initiatives and special projects with partners such as sales deriving from the supply of blue-force encrypted AIS devices to a large government agency in North America, a contract that was signed earlier in the year, and the supply of larger batch quantities of specialist products such as our fishing buoy tracker device.

Our systems business which provides integrated maritime surveillance and management systems to coastguards, fishery and other maritime agencies was the main driver of growth this year. Each of our systems vary in exact configuration and scale, but are based on our core SRT-MDA system platform which continues to evolve with new functionality being added every few months. Every system supplied comprises of multiple different components operating together as a single system and will comprise SRT hardware and GeoVS software as well as third party sourced components such as radars, surveillance cameras and satellite data.

We believe that in the future, the supply of data derived from satellite systems to our customers will develop into a profitable recurring revenue stream. This data will be purchased by SRT from the increasing number of competing satellite system operators and aggregated into a single satellite data solution tailored for a specific customer's requirements. This will allow them to fuse this data with data obtained from their terrestrial sensor systems and use the analytic functionality in GeoVS to identify situations of interest at longer ranges. In addition to this, we expect each customer to become a source of further contracts in the future as they continue to expand and evolve their systems once the initial baseline is installed.

Following an extended international tender process, in December 2018 we signed a contract worth £32 million (at current exchange rates) with the Philippine government to deliver the SRT-VMS system configured and architected to their specific requirements. The SRT-VMS system is our standard SRT-MDA system configured for fisheries monitoring and management. The contract is over four years with the monitoring system infrastructure expected to be delivered and commissioned within the first twelve to eighteen months, and thereafter the continued provision of satellite surveillance data into the system for use by the integrated analytics. During the year we made good progress with the project, completing a number of delivery milestones and expect the system to gradually come on-line over the next nine months to become the world's largest single fisheries and marine environment monitoring system. The system, which is architected to be scalable in the future, will provide an impressive array of sophisticated functionality such as electronic fish catch reporting and IUU detection analytics that will enable the customer to significantly enhance the control and management of their fisheries and marine environment.

Our validated pipeline of new system sales opportunities has continued to grow and comprises of multiple opportunities varying in size from under £1 million to over £100 million, providing SRT with a clear future direction. Each is at a different phase and status in the sales process with some expected to be some years from contracting and others in their final contract phase. These are typically government projects of significant size and complexity requiring extensive planning and preparation by the end customer. As such they usual take considerable time to reach the point of contracting and forecasting exact dates is impossible. However, this lengthy process is also an important and valuable part in the sales process as it allows a relationship to develop between SRT, the end customer and the necessary network of local installation partners.

Of particular note, within our sales opportunity pipeline are six pending system contracts in the Middle East and SE Asia which we expect to be contracted in the relatively near future. Upon contracting these six have an aggregate value of over £220 million over an expected delivery timeframe of one to three years depending on the specific project scale and customer requirements. These projects are a combination of Coast Guards and Fisheries and include both existing and new customers where we have developed close working relationships over many years.

We therefore see considerable and growing opportunities across the globe for sophisticated largescale fisheries monitoring and management systems (VMS) and integrated coast guard surveillance command and control systems (MDM). We have also identified new opportunities in areas such as environment monitoring and plan to develop a dedicated sales division to address this and will again use our core SRT-MDA system with customised configuration to deliver a robust and innovative solution. Our considerable and sustained investments over many years have endowed SRT with a unique combination of proven technology, know-how and market presence in these markets which we believe are only just starting and offer a long term sustained opportunity.

The biggest challenge for SRT in the coming period is the practical day to day management of this rate of growth. System contracts take a long time to mature yet once contracts are signed, our customers expect prompt action, quick implementation, continued support as well as engagement for follow-on contracts. Your Board recognises this fact and has worked with management to structure the business accordingly and increase resources prudently in key areas such as Systems Delivery and Product Development. As the business progresses, this process will continue to ensure that we remain a reliable and trusted supplier.

Looking to the year ahead and beyond, our target market of maritime domain awareness presents SRT with numerous opportunities and appears to be at the beginning of a new technology adoption cycle that started only a few years ago and we expect to significantly expand in the years to come. Our transceivers business has established a solid pattern of annual growth which we expect to continue. Our systems business has existing contracts to complete and a backlog of opportunities, some of which we expect to contract in the coming months. I therefore believe that our company will continue along the growth path established this year.

Finally, I would like to thank everyone at SRT and our shareholders for their long term and exceptional support for the company, without which we would not be in this exciting position.

Kevin Finn
Chairman

Date: 17 July 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £	2018 £
Revenue		20,559,699	5,331,559
Cost of sales		(11,229,754)	(3,026,374)
Gross profit		9,329,945	2,305,185
Administrative costs		(5,877,445)	(6,469,102)
Operating profit / (loss) before exceptional items		3,425,500	(4,163,917)
Impairment charge		-	(1,490,315)
Operating profit / (loss) after exceptional items		3,425,500	(5,654,232)
Finance expenditure		(275,195)	(125,426)
Finance income		363	224
Profit / (loss) before tax and after exceptional items		3,177,668	(5,779,434)
Income tax credit		230,703	551,866
Profit / (loss) for the year after tax		3,408,371	(5,227,568)
Total comprehensive income / (expense) for the year		3,408,371	(5,227,568)
Earnings / (loss) per share:	4		
Basic		2.43p	(4.09)p
Diluted		2.36p	(4.09)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	2019	2018
	£	£
Assets		
Non-current assets		
Intangible assets	6,625,203	6,222,819
Property, plant and equipment	355,509	177,479
Deferred tax	54,297	272,688
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Total non-current assets	7,035,009	6,672,986
Current assets		
Inventories	2,234,378	3,443,685
Trade and other receivables	18,012,279	4,433,000
Cash and cash equivalents	3,942,167	1,364,437
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Total current assets	24,188,824	9,241,122
Liabilities		
Current liabilities		
Trade and other payables	(6,318,987)	(2,529,630)
Financial liabilities	(18,055)	(1,650,000)
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Total current liabilities	(6,337,042)	(4,179,630)
Net current assets	17,851,782	5,061,492
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Total assets less current liabilities	24,886,791	11,734,478
Long term liabilities		
Financial liabilities	(5,016,981)	(2,000,000)
Deferred tax	-	-
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Total long term liabilities	(5,016,981)	(2,000,000)
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Net assets	19,869,810	9,734,478
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Shareholders' equity		
Share capital	153,223	127,743
Share premium account	11,510,773	4,905,549
Retained earnings / (loss)	2,715,218	(789,410)
Other reserves	5,490,596	5,490,596
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Total shareholders' equity	19,869,810	9,734,478
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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	£	£
Cash used in operating activities	(3,636,473)	(993,536)
Corporation tax received	449,094	-
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Net cash used in operating activities	(3,187,379)	(993,536)
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Investing activities		
Expenditure on product development	(1,690,516)	(1,876,920)
Purchase of property, plant and equipment	(240,247)	(83,666)
Interest received	363	224
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Net cash used in investing activities	(1,930,400)	(1,960,362)
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Financing activities		
Gross proceeds on issue of shares	7,031,530	32,900
Costs of issue of shares	(400,826)	-
Repayments on loan	(500,000)	(500,000)
New loans issued	1,840,000	3,150,000
Interest paid	(275,195)	(125,426)
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Net cash generated from financing activities	7,695,509	2,557,474
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Net increase / (decrease) in cash and cash equivalents	2,577,730	(396,424)
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Net cash and cash equivalents at beginning of year	1,364,437	1,760,861
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Net cash and cash equivalents at end of year	<u>3,942,167</u>	<u>1,364,437</u>

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 2019 or 31 March 2018.

The financial information has been extracted from the statutory accounts of the Company for the years ended 31 March 2019 and 31 March 2018. 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 £3.7 million 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 and Company'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 2018 have been delivered to the Registrar of Companies, whereas those for the year ended 31 March 2019 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 2018. 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 per Ordinary Share

The basic earnings per share has been calculated on the profit on ordinary activities after taxation of £3,408,371 (2018: loss £5,227,568) divided by the weighted number of ordinary shares in issue of 140,059,460 (2018: 127,701,597).

During the year the calculation of diluted earnings per share has been calculated on profit on ordinary activities after taxation of £3,408,371. 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 option was 4,237,894 and the weighted average number of ordinary shares for the purposes of dilutive earnings per share was 144,297,354.

During the previous 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.

5. Annual Report and AGM

The Annual Report will be available from the Company's website, www.srt-marine.com once it is published. 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 2019. The AGM will take place at the Centurion Hotel, Charlton Lane, Midsomer Norton, Radstock BA3 4BD at 11.00 a.m. on 4 September 2019.