

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

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

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 2020, a year that reflects the significant operational progress made by the Company.

FINANCIAL SUMMARY

- 8% reduction in group revenue due to Covid-19 delayed system projects
- 24% increase in revenues from transceiver business
- £550m systems division validated sales opportunity pipeline
- £0.9m cash as at year end. Covid 19 resilience refinancing completed April 2020 raising £5.3m
- Loss before tax and exceptional item of £3.0m (excluding one-off impairment charge on Middle Eastern project of £3.9m)

OPERATIONAL HIGHLIGHTS

- GeoVS systems application functionality significantly enhanced
- Strengthening of systems delivery team to support expected new projects
- Commencement of major new transceiver development
- Good progress with IMEMS Fisheries Systems project
- Three new systems contracts remain in latter stages of negotiation

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

"Having made so much progress with both product and sales development it is very disappointing to have this year and the first half of our new year disrupted due to Covid-19. Although short-term, the financial impact has been significant due to the delays and changes caused to our systems business. However, due to a combination of cash raising and significant payments from existing system customers, coupled with refinements to our business that enable continued operations, we are in a good position to move forward. The transceivers business has maintained its trading level, and during the first half of the new year we have seen a resumption in our negotiations with new system contracts. I therefore expect a much better year ahead."

Contacts:

SRT Marine Systems plc

www.srt-marine.com

+ 44 (0) 1761 409500

Simon Tucker (CEO)

simon.tucker@srt-marine.com

Louise Coates (Marketing Manager)

louise.coates@srt-marine.com

finnCap Ltd
Jonny Franklin-Adams / Teddy Whiley (Corporate Finance)
Tim Redfern / Tim Harper (Corporate Broking)

+44 (0) 20 7220 0500

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

This year did not end as we had expected due to the global Covid-19 pandemic which has caused significant disruption to global business. This has had a significant short-term financial impact on our business, primarily the delay of expected new system contracts and associated revenues. I expect it likely that this will continue to have a material effect on SRT until the second half of the new financial year. Following which I expect a strong recovery led by our systems business along with continued solid performance by our transceivers business.

We took early action to implement a Covid-19 resilience plan designed to ensure continued operations in the new environment and for SRT to have sufficient cash to weather sustained disruption. This plan has included a smooth transition to home working for most of our staff, continued production and shipping of transceivers, and the development of a refined delivery model for our systems business whereby system components are pre-built and configured prior to shipping to local installation partners who are provided with installation and commissioning training by our delivery team remotely. On the cash side, we raised £5.3m of new cash in a combination of loan and equity, which was further added to by the receipt of £8.5m of systems payments during the first half of the new year as well as regular contribution from our transceivers business. The result is that whilst the financial accounting impact of Covid-19 has been significant, we are in a robust position with our recovery already well underway as of publication of this report in September 2020.

It is important to emphasise that demand for our products is based upon long term fundamental market demand drivers for a new generation of maritime domain awareness that has become possible due to new technology innovations, such as AIS and the application of advanced data analytics and digital display technology such as Dynamic-3D. Through sustained market and technology investments, SRT has positioned itself at the forefront of this significant global marine market trend and therefore whilst the delays we have encountered this year are very frustrating, the combination of our differentiated and proven product offers, fundamental market demand and market position mean that I am very positive about our short and long term future.

Therefore, as a direct result of delayed new and existing system contracts due to Covid-19 lockdowns combined with the inherent timing uncertainties in our systems business, group revenue decreased year on year from £20.6m to £18.9m, resulting in a loss before tax and exceptional item tax of £3.0m (2019: profit of £3.2m). This excludes a one-off non-cash exceptional impairment charge of an existing contract in the Middle East of £3.9m, which we anticipate will be replaced with a new larger contract of approximately £11m. Whilst the blended gross margin from our transceivers division remained at expected levels, our overall margin was significantly reduced due to the specific of the milestones delivered by our systems business during the period which were lower margin equipment only deliverables as opposed to higher margin software related milestones.

The exceptional impairment charge of £3.9m relates to an existing contract worth a total of £5.6m which commenced in 2017 to supply a national vessel tracking system for a Middle East Coast Guard. Following a prolonged process to enter a second contract for a large number of vessel transponders which had reached pre-contract signing stage during the last quarter, we have recently been advised that our customer may prefer for the existing contract to be terminated and be replaced with a single contract that includes both the monitoring system and transceivers. Given this risk we feel it prudent to make this impairment charge to enable accommodation of both contracting routes as determined by the customer.

As at year end, we had cash of £0.9m (2019: £3.9m) and our total debt remained at £5.0m. Cash was generated from our operating activities of £1.1m as project cash payments were received whilst we invested £3.0m in development of our products and systems. Subsequent to year end our cash position has significantly improved due to the completion of Covid-19 resilience financing of £5.3m in April 2020 in a mixture of loans and equity, increasing our total debt from £5.0m to £8.5m, and the receipt of system cash payments amounting to £8.5m, along with the regular gross profit contribution from our transceivers business, thus placing us in a comfortable cash position.

During the year, our administrative costs and expenditure on development increased due to our continued

expansion of our systems business resources. This has been focused on three areas; development, product management and delivery. The GeoVS platform which sits at the heart of our systems offer is now a highly sophisticated maritime data & network management, surveillance and management system and the scale and capabilities of our development and product management teams reflect this fact and in turn have enabled us to develop such a system and continue to add new and innovative functionalities and capabilities. In our delivery team, we have added a small number of heads to enable us to simultaneously deliver multiple system projects in different parts of the world. Recognising that our technology is a major differentiator, going forward, subject to progress with new system contracts, we will continue to enhance our core technology development teams in both our systems and transceivers divisions.

However, following the outbreak of Covid-19 at the end of the financial year, as part of our Covid-19 resilience plan we implemented an immediate cost minimisation plan. This involved an immediate pause to our team growth plans, stopping any non-critical capital expenditure, as well as natural reductions caused by minimal delivery and sales travel. The plan ensured that we were able to continuously operate, supplying customers with transceivers and making progress, albeit much slower than planned, with existing system contracts and new prospects. Due to recent IT investments and the inherent technology development weighting of our business model, we were able to seamlessly move to a largely homebased operating model, with physical production continuing with our contract manufacturer in Ireland alongside shipping to customers and partners around the world from our logistics centre in Somerset. In fact, this exercise has enabled us to improve development productivity and therefore we will most likely continue in this fashion in the future, realising benefits for SRT and our staff.

Our transceivers business which sells maritime communication devices based on AIS, performed strongly, achieving year on year growth of 24% to £8.1m with a gross profit margin of 42%. During the year our em-trak division launched a new full transactional web site, dealer marketing initiatives and a new range of AIS transceivers which are focused on providing the best quality AIS information and connectivity so customers can seamlessly use that information on all and any of their chosen display and navigation devices; including all mobile phones, tablets and PCs which are increasingly the navigation device of choice for mariners.

SRT is fortunate to have an experienced and talented specialist radio communications development team and we are leveraging this capability with some significant and market disruptive new product developments now in progress that will have mass market appeal across both commercial and leisure segments which we expect to launch during 2021 and 2022. Looking forward, the fundamental interest and growing demand for AIS across the marine segment remains undiminished with adoption and applications increasing. Beyond generally growing demand, we see a number of new significant sales opportunities ahead that include the renewal of approximately 15,000 Class A transceivers on EU Inland waterway vessels originally mandated to carry AIS in 2010, as well as other mandate and tender opportunities in Southern Europe and USA including the use of our products by professional organisations such as coastguards and Navies. Therefore, given our leadership position in this segment, coupled with the recently launched and scheduled new products in the future we expect to see continued growth.

Our systems business has pioneered the development of fully integrated maritime surveillance and monitoring systems. The SRT-MDA system is built around our GeoVS platform and provides entities such as Coast Guards, Border Agencies and Fishery Authorities with a complete turn-key solution that significantly enhances maritime security, safety and management. Covid-19 has caused significant disruption to this business. Existing projects have been delayed due to slower implementation, and new opportunities delayed as customers attention have been focused on immediate Covid related activities rather than new projects, however during first half of the new year we have seen customers re-engaging, some with renewed vigour and clarity of requirement.

We are currently implementing our SRT-MDA system contract for The Philippines Fisheries Department (BFAR) as the first phase of a national fisheries monitoring and management system. During the year we have made excellent progress against our project KPI's with all equipment now in country and the system building and installation phase well underway. This has included the installation and commissioning of monitoring centres, coast stations, vessel transceivers and the commencement of satellite data feeds. Progress was temporarily halted during the first half of the new financial year but has restarted from September 2020. Once fully commissioned during 2021, this will be the world's largest and most sophisticated national fisheries monitoring and management system and provide the Philippines with a

single robust monitoring platform on which they can further expand to efficiently and cost effectively manage the activities of every fishing boat from the largest commercial to the smallest artisanal fishing boat.

Over the course of the year there has been a notable increase in interest and engagement with prospective customers for our SRT-MDA system solution. This is partially reflected in the increase in the validated sales opportunity pipeline (VSP) for our systems business which includes 17 new system opportunities with an aggregate value of approximately £550 million as of 3rd September 2020. Each is at a different phase and status in the sales process. These include opportunities with entirely new customers as well as new contracts with existing customers. To qualify for inclusion in our VSP, opportunities must meet a range of criteria which include active engagement with our sales team around a defined proposal, confirmation that the customer has taken a formal decision to implement such a project and budget is available, that necessary supporting local laws and regulations such as requirement to fit transceivers is either in place or underway and finally that discussions are making regular progress within some form of timescale which expects commencement within a 3 year time horizon. However, the nature of large projects and government procurement processes means that it is impossible to accurately forecast exact timescales. In this context our VSP is reviewed and updated on a quarterly basis using the criteria mentioned earlier and is therefore a good reflection of the fundamental market demand trend for our products and where we are focusing our resources.

Due to the nature of the customers and scale of the projects, the sales process for our systems business is typically long and complex, involving extensive consultation with the customer to enable them to realise their ideas into a detailed system specification and implementation plan, followed by a usually highly regulated procurement and contracting process. Our VSP has opportunities which are spread across this process with some at the beginning and some at the end.

Of particular note are three new contracts with customers in The Middle East which have an aggregate value of £62m realisable over an expected two year implementation period. These were proceeding to contract during the last quarter, however due to Covid-19 lockdown, activity was suspended. In the last few months the customers have re-engaged and these are now progressing towards contract.

One of the three is for the additional transceivers that the customer wanted to contract alongside our existing monitoring system contract. As described earlier this will now take the form of a new contract that will include both the monitoring system and transceivers and is expected to be concluded in the new financial year. The second is for an expansion of a previously supplied vessel tracking system to our new generation of GeoVS which enables the fusion of multiple sensor systems such as radar, surveillance cameras, and command and control. And the third is a new contract with a new customer for a large national vessel tracking system. In all cases the Covid-19 shutdown has caused a delay of approximately 6 months and has necessitated us and our customer to repeat some of the procurement processes as per their local regulations.

Of course, the ongoing Covid-19 situation creates uncertainty and challenges for both SRT and our customer with regards to pre and post contract engagement. The extent of this challenge varies between customers depending on how developed the opportunity. In general, the more developed the opportunity the less the challenge to move forward as relationships and project form are well established and remote discussions suffice to progress. In regards to installation, our business model whereby we work with local partners who undertake all installation and commissioning, enables us to continue to progress projects and we have redoubled our efforts to improve our ability to remotely train local partners and deliver system components pre-built and configured for easier installation and commissioning by the local partner thus enabling our delivery support to be provided remotely.

There is no question that this year has been financially very disappointing. However, I believe we have taken the right decisions and actions across the board to adapt quickly and as such the business has made excellent progress with its products and customer engagement across both transceivers and systems divisions. Our transceivers business continues to perform well and system customers have resurfaced and activities on existing and new system contracts are ramping up. As new contracts are signed and we have multiple system contracts underway, it is our intention to recommence forward market guidance. However, this will be done on an extremely conservative basis, and therefore based solely on signed

contracts with no inclusion of prospective new business until this is realised, whereupon market forecasts will be revised. I expect this to start during the second half of the new year.

I would like to thank everyone at SRT who have continued to work throughout Covid-19, some even using brief travel windows to fly around the world to visit customers, and to our shareholders for their long term and exceptional support for the company.

Kevin Finn
Chairman

Date: 4 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £	2019 £
Revenue		18,908,062	20,559,699
Cost of sales		(14,537,092)	(11,229,754)
Gross profit		4,370,970	9,329,945
Administrative costs		(6,883,261)	(5,877,445)
Operating (loss) / profit before exceptional item		(2,512,291)	3,425,500
Impairment charge	4	(3,922,029)	-
Operating (loss) / profit after exceptional item		(6,434,320)	3,425,500
Finance expenditure		(464,539)	(275,195)
Finance income		1,430	363
(Loss) / profit before tax		(6,897,429)	3,177,668
Income tax credit		818,407	230,703
(Loss) / profit for the year after tax		(6,079,022)	3,408,371
Total comprehensive (expense) / income for the year		(6,079,022)	3,408,371
(Loss) / earnings per share:	5		
Basic		(3.93)p	2.43p
Diluted		(3.93)p	2.36p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Assets			
Non-current assets			
Intangible assets		7,776,882	6,625,203
Property, plant and equipment		1,782,048	355,509
Deferred tax		670,778	54,297
		<hr/>	<hr/>
Total non-current assets		10,229,708	7,035,009
Current assets			
Inventories		1,928,730	2,234,378
Trade and other receivables		15,958,534	18,012,279
Cash and cash equivalents		918,808	3,942,167
		<hr/>	<hr/>
Total current assets		18,806,072	24,188,824
Liabilities			
Current liabilities			
Trade and other payables		(9,044,454)	(6,318,987)
Financial liabilities	6	(4,990,000)	-
Lease liabilities	7	(202,445)	(18,055)
		<hr/>	<hr/>
Total current liabilities		(14,236,899)	(6,337,042)
Net current assets		4,569,173	17,851,782
		<hr/>	<hr/>
Total assets less current liabilities		14,798,881	24,886,791
Long term liabilities			
Financial liabilities	6	-	(4,990,000)
Lease liabilities	7	(1,067,741)	(26,981)
		<hr/>	<hr/>
Total long term liabilities		(1,067,741)	(5,016,981)
		<hr/>	<hr/>
Net assets		13,731,140	19,869,810
		<hr/>	<hr/>
Shareholders' equity			
Share capital		154,844	153,223
Share premium account		11,543,989	11,510,773
Retained earnings / (loss)		(3,458,289)	2,715,218
Other reserves		5,490,596	5,490,596
		<hr/>	<hr/>
Total shareholders' equity		13,731,140	19,869,810
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	£	£
Cash generated from / (used in) operating activities	857,765	(3,636,473)
Corporation tax received	201,926	449,094
	<hr/>	<hr/>
Net cash generated from / (used) in operating activities	1,059,691	(3,187,379)
	<hr/>	<hr/>
Investing activities		
Expenditure on product development	(2,970,033)	(1,690,516)
Purchase of property, plant and equipment	(523,530)	(240,247)
Interest received	1,430	363
	<hr/>	<hr/>
Net cash used in investing activities	(3,492,133)	(1,930,400)
	<hr/>	<hr/>
Financing activities		
Gross proceeds on issue of shares	34,837	7,031,530
Costs of issue of shares	-	(400,826)
Repayments on loan	-	(500,000)
New loans issued	-	1,840,000
Lease repayments	(225,149)	-
Loan interest paid	(400,605)	(275,195)
	<hr/>	<hr/>
Net cash (used in) / generated from financing activities	(590,917)	7,695,509
	<hr/>	<hr/>
Net (decrease) / increase in cash and cash equivalents	(3,023,359)	2,577,730
	<hr/>	<hr/>
Net cash and cash equivalents at beginning of year	3,942,167	1,364,437
	<hr/>	<hr/>
Net cash and cash equivalents at end of year	918,808	3,942,167
	<hr/> <hr/>	<hr/> <hr/>

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 4 September 2020. 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 2020 or 31 March 2019.

The financial information has been extracted from the statutory accounts of the Company for the years ended 31 March 2020 and 31 March 2019. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did include a reference to which the auditor drew attention by way of emphasis without qualifying their report in respect of going concern and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 March 2019 have been delivered to the Registrar of Companies, whereas those for the year ended 31 March 2020 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 2019. 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 Group has incurred an exceptional impairment charge of £3,922,029 in respect of a contract signed in 2017 to supply a national vessel tracking system for a Middle East Coast Guard.

The impairment charge relates to the receivables balance which has now been fully provided against.

5. Earnings per Ordinary Share

The basic (loss) / earnings per share has been calculated on the loss on ordinary activities after taxation of £6,079,022 (2019: profit £3,408,371) divided by the weighted number of ordinary shares in issue of 154,742,293 (2019: 140,059,460).

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 previous 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.

6. Financial liabilities

During the year ended 31 March 2020 the covenant in relation to debt service cover was breached and a waiver from loan note holders was obtained subsequent to the year end on April 3, 2020. Due to the waiver not being received prior to the year end, IAS 1 requires that the loans are all classified as being repayable in less than one year, despite £2,990,000 of loans having maturity dates in excess of one year.

The gearing covenant was not breached as at 31 March 2020.

7. Lease liabilities

During the year, the Group has adopted IFRS 16 which eliminates the classification of leases as operating leases or finance leases and treats all leases in a similar way to finance leases. The transition to this accounting standard resulted in the recognition of lease liabilities amounting to £1,209,028 as at 1 April 2019.

8. 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 17 September 2020.

The AGM will take place at Wireless House, Westfield Industrial Estate, Midsomer Norton, Bath BA3 4BS on 15 October 2020. In light of the current UK Government measures around COVID-19 and the Company's desire to protect the health and safety of our directors and officers, shareholders and employees, our shareholders will not be permitted to attend the AGM in person. The results of the AGM will be broadcast live via an on line viewing portal and following this there will be an interactive on-line presentation by Simon Tucker, CEO.

An investor open day will be arranged at a later date.