

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

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

SRT Marine Systems PLC, a provider of maritime surveillance, monitoring and management systems, announces its results for the financial year ending 31 March 2022.

FINANCIAL SUMMARY

- Revenues of £8.2m, mostly generated by transceivers division.
- £5.9m gross cash at year end following successful £4.9m equity placing.
- £600m systems division validated sales pipeline.
- £3.2m transceivers division forward order book.

OPERATIONAL HIGHLIGHTS

- Good progress with development of new dual application VHF/AIS transceiver product (NEXUS) scheduled to commence shipping in 2023.
- Continued development of Digital AtoN System (DAS) product offer for navigation safety and environment monitoring.
- Significant new functionalities implemented in the SRT-MDA System.
- Systems delivery model evolved to enable more efficient multi-project implementation.

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

"Whilst these results are in line with market expectations, this has been a challenging post-covid recovery year for SRT. I am happy that we have been able to maintain our investments in product and customer development and have started to see strong demand return for our products, both transceivers and systems, which I expect to be reflected in next years financial results."

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About SRT:

SRT Marine Systems PLC is a global company which develops and provides integrated maritime surveillance,

monitoring, management and safety systems used by coast guards, fishery authorities, infrastructure and vessel owners for the purposes of managing and controlling their maritime domain. Applications include security, safety, search & rescue, law enforcement, fisheries management, illegal fishing detection and environment monitoring.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

CHAIRMAN'S STATEMENT

This year's poor financial performance belies the material progress across both our business divisions towards sustained profitability as the global economy and SRT recover from Covid. Government agencies such as Coast Guards, have returned to their long-term plans to build up sovereign maritime surveillance capabilities and restarted their processes. Whilst our transceivers business is experiencing strong demand as the macro digital-marine trend continues in both commercial and leisure sectors. Both are reflective of the strong fundamentals of our target markets coupled with our long-term strategy and significant cumulative investments over many years in the development of market leading products which we expect to be reflected in future financial performance.

As reported in our post year end trading update (April 2022), year on year group revenues were flat at £8.2m (2021: £8.3m) resulting in a loss after tax of £5.8m (2021: £5.1m) with gross cash as at the year-end of £5.9m (2021: £5.3m) following a successful £4.9m equity placing in March. The systems business did not complete any revenue milestones and thus only generated £0.6m of revenues during the period from the ongoing sale of data services to system customers. Cash payments amounting to £6.1m were received during the year from existing system customers. The transceivers business thus accounted for £7.6m of our revenues (2021: £8.2m).

Our systems business continued to execute on our project with BFAR-Philippines, with a number of operational milestones achieved, including the full commissioning of the core fisheries monitoring and management centre which is now in full daily operation. We expect this project to complete within the next 12 months, and for further follow-on data sustainability and system expansion contracts to follow. A contract for the first phase of a new £40m three-phase project for an SRT-MDA System with a new national coast guard agency customer was signed in January 2022. I am pleased to report that following customer inspection and factory acceptance at SRT in March, first equipment shipments were completed in April, and as of publication of this report installation is well underway. This project is currently scheduled to be implemented over 2 years, although the customer has now requested a faster implementation timescale. We consider this new customer to be of considerable long-term value to SRT and likely to generate further contracts as they build up their maritime surveillance capabilities.

The SRT-MDA System is a complex combination of systems networking and integrated functionality built around our core GeoVS technology. GeoVS has been developed entirely inhouse over many years to realise our starting vision of a being able to provide a national scale integrated system solution that delivers a full range of sophisticated maritime surveillance, command, control and management functionality. The development of the SRT-MDA System has continued during the year, with new functionalities and capabilities implemented. Notably we have innovated in the areas of marine activity analytics, enabling much greater insight and detection of suspicious and illegal events and vessels, and further enhanced our ability to integrate multiple sensor systems located on different platform types such as coastal installations, drones, patrol vessels and satellites. These are substantial uplifts in system capability which we believe further extend the unique offer of the SRT-MDA System and meet the maritime surveillance aspirations of our customers. SRT has built up a formidable development systems capability of which we are very proud and is in itself a very valuable asset and will enable us to continue this process and thus ensure the SRT-MDA System remains a market leader.

Our transceivers business has performed solidly, with demand exceeding our current ability to supply, resulting in a growing order book backlog of £3.2m as at year end. This reflects the ongoing issues in global electronics component supply which has constrained our production. This continues to be problematic with component order lead times being highly variable at best and our product costs increasing substantially as we seek to fill supply chain gaps through grey-market premium component buying to maximise production. Over the years we have built a global reputation as the leading supplier of marine transceivers with customers expecting both the best products and reliable consistent supply. We have therefore actively engaged with our customers to explain the issues and why supply is constrained and thus why we have had to increase prices to cover these additional costs. I am pleased to report that this approach has been well understood and we have not experienced a drop in demand following the necessary price increases. Unfortunately, market indicators suggest that this issue will remain until the end of 2023, but we are increasingly confident of our capability to gradually increase production capacity through strategic component purchasing.

Our new NEXUS transceiver product development has made substantial progress during the year. NEXUS is a VHF voice and AIS data radio combined transceiver with a range of very innovative functionalities that deliver

a new level of convenience for the mariner – commercial and leisure. This product will significantly expand our target market from data only into marine voice communications. We have developed NEXUS from scratch, enabling us to deploy the full capabilities of our experienced transceiver team who are working alongside selected external contractors to deliver this exceptional product. This has enabled the development of an all-new optimal core technology platform unconstrained from historical architectures. As of this report, we have undertaken a soft teaser market awareness campaign, and the product is at early prototype and type approval testing stage. As is typical for an SRT product, NEXUS will undergo very extensive testing to ensure exceptional performance of both the core radio transceiver and user functionality before shipping commences. We have commenced the component purchasing process and expect that the first units will start shipping towards the middle of 2023.

Our standard vessel transceivers continue to be recognised as the leading quality product in the market, with customers seeking SRT based products from our OEM partners and our own em-trak brand. We are working on further enhancements to these products as part of continuous improvement. Our Digital Aids to Navigation System (DAS) offer is being further developed to enable us to offer ready to install kits directly to ports and waterway authorities who, following a Covid induced lull, have re-engaged with their plans to digitise navigation. The first DAS products have been launched with further to come.

Looking to the new financial year, we expect to see a material recovery in our financial results driven by existing and new contracts in our systems division and moderate, production constrained, growth, in our transceivers business.

In the first half we expect to show the first signs of that growth from the completion of revenue milestones from existing contracts, and during the second half from some substantial new system contracts that have been pending for some time and form part of the £600m worth of new contract opportunities on which our sales team are focused. We recognise and share the frustration at the time these are taking to convert into signed contracts, however in the last year, as reported we have seen vigorous re-engagement from these customers who have in many cases had to restart their approval processes due to internal time-out rules. We have close engagement with these customers, and several are now in the late-sales stage administrative process that leads to contract awards. Whilst these late-stage processes are defined by the customer's respective legal procurement processes and thus entirely out of our control, we do have good visibility of their status and this underpins our confidence of new system contracts. An example of this is our January £40m project award where we had a high degree of certainty of the contract award well before the actual contract was signed and announced. I therefore expect a succession of substantial new contracts during the second half of the new financial year which will drive revenues in the new year and subsequent years. And thereafter further contracts driven by the long-term trend of countries wanting to build up sovereign maritime surveillance capability.

Our transceivers business will continue to benefit from increasing demand for AIS in both commercial and leisure markets, underpinned by existing and new legislation and general trend of digitising marine navigation. We also expect to see good results from our ongoing DAS strategy, that targets environment monitoring and navigation safety, where we have a market leading portfolio of products. Whilst we expect the component supply issue to remain until the end of 2023, we are confident that we can expand production to meet demand at the higher pricing and will continue to work closely with our valued customer base to that end. NEXUS will start to make a contribution in the next financial year (2023/24) and based upon initial market feedback we expect this growth to be substantial.

SRT's fundamental business model remains the same in that we focus on developing advanced core technologies and that deliver products with innovative functionalities for the marine market. These are delivered to customers through a global network of over 1,000 established partners, that range from marine electronic dealers, OEM marine electronic brands and system integrators. This enables us to focus our investment and resources primarily on product development and maintain low overheads whilst targeting a significant global market and multiple substantial projects. This means that we are structured to deliver substantial growth without commensurate growth in our cost base. However, it also means that we must have and maintain the very best core technology and product development capability as we have done in the past financial year, something that our management team has carefully built over many years and continues to evolve. Our transformation to a flexible hybrid work location model is enabling us to harness global talent and this process has accelerated during the past year and will continue going forward, enabling SRT to extend its product lead. In that regard I want to thank our team for their hard and intelligent work that enables us to have the products that are the foundation of our business and future.

In final summary, the year was one of operational and market recovery and we expect this to be reflected in our financial performance in the new financial year and years ahead – as such we as a board look forward to the future with confidence. I would like to thank both our staff and shareholders for their continued support that has enabled SRT maintain its business through this difficult period.

Kevin Finn, Chairman, Date: 27 July 2022

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 MARCH 2022**

	Note	2022	2021
		£	£
Revenue		8,172,900	8,275,022
Cost of sales		(5,500,942)	(5,097,419)
Gross profit		2,671,958	3,177,603
Administrative costs		(8,721,560)	(8,048,640)
Foreign exchange losses		(147,754)	(486,675)
Total administrative costs and foreign exchange losses		(8,869,314)	(8,535,315)
Operating loss		(6,197,356)	(5,357,712)
Finance expenditure		(615,648)	(574,248)
Finance income		421	1,057
Loss before tax		(6,812,583)	(5,930,903)
Income tax credit		974,578	797,060
Loss for the year after tax		(5,838,005)	(5,133,843)
Total comprehensive expense for the year		(5,838,005)	(5,133,843)
Loss per share:	4		
Basic		(3.53)p	(3.13)p
Diluted		(3.53)p	(3.13)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Note	2022 £	2021 £
Assets			
Non-current assets			
Intangible assets		9,368,069	8,274,170
Property, plant and equipment		1,328,842	1,688,512
Tax asset		-	793,602
		<hr/>	<hr/>
Total non-current assets		10,696,911	10,756,284
Current assets			
Inventories		2,359,922	2,368,283
Trade and other receivables		3,847,735	3,600,187
Current tax recoverable		978,963	-
Cash		5,924,601	5,286,432
Restricted cash		906,245	-
		<hr/>	<hr/>
Total current assets		14,017,466	11,254,902
Liabilities			
Current liabilities			
Trade and other payables		(6,459,635)	(1,648,983)
Borrowings	5	(7,245,000)	(8,515,000)
Lease liabilities		(201,402)	(262,011)
		<hr/>	<hr/>
Total current liabilities		(13,906,037)	(10,425,994)
Net current assets		111,429	828,908
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Total assets less current liabilities		10,808,340	11,585,192
Non-current liabilities			
Borrowings		(312,500)	-
Lease liabilities		(703,317)	(861,409)
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Total non-current liabilities		(1,015,817)	(861,409)
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Net assets		9,792,523	10,723,783
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Shareholders' equity			
Share capital		180,677	164,252
Share premium account		18,067,612	13,431,735
Retained loss		(13,946,362)	(8,362,800)
Other reserves		5,490,596	5,490,596
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Total shareholders' equity		9,792,523	10,723,783
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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	£	£
Cash generated from operating activities	1,405,136	2,164,982
Corporation tax received	789,217	674,236
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Net cash generated from operating activities	2,194,353	2,839,218
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Investing activities		
Expenditure on product development	(3,327,011)	(2,770,455)
Purchase of property, plant and equipment	(183,802)	(341,875)
Interest received	421	1,057
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Net cash used in investing activities	(3,510,392)	(3,111,273)
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Financing activities		
Gross proceeds on issue of shares	4,919,130	2,000,005
Costs of issue of shares	(266,828)	(102,851)
New loans issued	1,000,000	3,525,000
Loan repayments	(1,957,500)	-
Lease repayments	(267,458)	(267,749)
Loan interest paid	(566,891)	(514,726)
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Net cash generated from financing activities	2,860,453	4,639,679
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Net increase in cash and cash equivalents	1,544,414	4,367,624
Net cash and cash equivalents at beginning of year	5,286,432	918,808
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Net cash and cash equivalents at end of year	6,830,846	5,286,432
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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 27 July 2022. 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 2022 or 31 March 2021.

The financial information has been extracted from the statutory accounts of the Company for the years ended 31 March 2022 and 31 March 2021. The report of the auditors on those statutory accounts was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The audit reports for the years ended 31 March 2021 and 2022 drew attention by way of emphasis to a material uncertainty relating to going concern and recoverability of certain assets.

The statutory accounts for the year ended 31 March 2021 have been delivered to the Registrar of Companies, whereas those for the year ended 31 March 2022 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

2. Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards. 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 2021. 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. Loss per ordinary Share

The basic loss per share has been calculated on the loss after taxation of £5,838,005 (2021: loss £5,133,843) divided by the weighted number of ordinary shares in issue of 165,167,407 (2021: 163,728,344).

During the current and previous years, the Group incurred a loss after taxation and therefore there is no dilution of the impact of the share options granted.

5. Borrowings

Bank loan

The bank loan (amount owed at 31 March 2022: £1,562,500) was drawn down in April 2020 as a £2,500,000 one year loan provided under the UK government Coronavirus Business Interruption Loan Scheme (CBILS) at an interest rate of 0%. During the year, the renewal of this facility has been agreed with quarterly repayments commencing in July 2021 through to April 2023 at an interest rate of 2.59% above base rate.

Other loans

As of 31 March 2022, the total of other loans outstanding is £5,995,000. These all relate to drawdowns on a £20 million secured note programme which has been arranged by LGB Capital Markets and which is secured by a floating charge over the Group's assets. In total, the group has outstanding headroom of £6,345,000 on the available £20 million. The loans have terms of up to 3 years and an interest rate of 8%-10%.

During the year ended 31 March 2022 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 May 4th 2022. Due to the waiver not being received prior to the year end and the covenants being re-tested at 30 September 2022, IAS 1 requires that the loans are all classified as being repayable in less than one year, despite their maturity dates of up to 3 years. The gearing covenant was not breached as at 31 March 2022.

6. 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 19 August 2022.

The AGM will be held at the Centurion Hotel, Charlton Lane, Radstock BA3 4BD at 11.00am on September 21, 2022. Prior to the commencement of the formal AGM there will be an Open Morning at SRT's offices, commencing at 9.00am.