

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

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

SRT Marine Systems PLC, a provider of maritime surveillance, monitoring and management systems, announces its results for the financial year ending 31 March 2021.

FINANCIAL SUMMARY

- Revenues of £8.3m, mostly generated by transceivers division. No material revenue contribution from systems business due to Covid delays.
- Improved gross profit margin of 38%.
- £550m systems division validated system sales opportunity pipeline, of which £71m are very near term.
- £5.3m gross cash as at year end.

OPERATIONAL HIGHLIGHTS

- Significant progress of development of new dual application AIS transceiver product (NEXUS) scheduled to commence shipping early 2023.
- Specialist marine data analytics lab established within systems division.
- Systems delivery model evolved to enable efficient project delivery even when international travel of SRT support engineers is restricted.
- Substantial new functionality implementation in SRT-MDA System GeoVS software platform.

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

"These are obviously very disappointing results and I personally apologise to our shareholders who had expected this year to be our take-off year. I hope and expect us to return to our expected growth path, starting this year. We have made best use of the forced delay by materially improving our products, in-country relationships and market position. The demand for maritime domain awareness solutions from both boat owners and government agencies is strong and growing and underpins our business. And because of our investments and activities over many years, SRT is today a global leader at the centre of this emerging market opportunity, which I expect to be soon confirmed as a number of customers complete their contracting formalities and our transceivers business moves forward."

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About SRT:

SRT Marine Systems plc (SRT) is an established marine-tech business that specialises in providing solutions that deliver enhanced maritime safety, security and management to vessel owners/operators and national maritime authorities around the world such as coast guards, fishery authorities and infrastructure owners. We generate revenues and profits from the sale of individual hardware products, software licenses and ongoing long term data and system service contracts.

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

Despite many positive developments and much progress across our business during the year that have significantly strengthened our business, including significant engagement with new and existing system customers and improved products, Covid has caused significant delays to expected new system contracts. Therefore, as we reported in our post year end trading update issued in April 2021, these delays have caused a contraction of revenues and a loss for the financial year ending March 2021.

However, during the first quarter of the new financial year, we have seen unexpectedly strong trading in our transceivers division and slow but steadily accelerating progress with new system contract opportunities. Of particular note are four system contracts worth an aggregate of £71m which had been expected to commence last year, where the customers are now actively pushing to complete their internal procurement processes as quickly as possible, boding well for the new financial year.

As reported in our post year end trading update (April 2021), year on year group revenues decreased from £18.9m to £8.3m, resulting in a loss after tax of £5.9m (2020: loss of £3.0m) with gross cash as at the year-end of £5.3m. During the year, the vast majority of the revenues (£8.2m) were generated by our transceivers division which grew 1%. Our systems business did not complete any revenue milestones, however £13.0m of cash payments from existing customers were received in accordance with contracted payment schedules and subsequent to year end a further £2.3m has been received, with further amounts due in the coming months.

Given the circumstances, our transceivers business performed better than expected during the year, delivering 1% growth. We saw steady demand across both leisure and commercial vessel transceiver segments, as well as continuing increased demand for our Digital AIS Aids to Navigation (what we now call 'DAS' – Digital AtoN System'). All driven by a fundamental long-term macro trend of digitising the monitoring and management of the marine domain. Our product development focus has been the improvement in the mobile device connectivity of existing products that will make it more convenient for users to wirelessly connect to their navigation app enabled smart phones and tablets. And the creation and launch of more integrated DAS products to meet growing demand from ports and waterway authorities wanting to enhance navigation safety and marine environment monitoring. A new and very significant transceiver product (NEXUS) is also under development that integrates AIS with other technologies and I am pleased to report excellent progress with our plan to complete and start shipping this product from early 2023.

Looking forward, during the first quarter of the new year our transceivers business has exceeded our expected 10% annual growth target, with stronger demand for both DAS and vessel transceivers, which as of the date of this report seems likely to continue into the future, along with stable profit margins with good cash generation. We believe this is because of the combined effects of the well-known quality of our products, established and growing sales channels that value good product and reliable supply, along with continued growing demand for AIS. Our forthcoming NEXUS product will add a very significant new complementary product segment to our transceivers business which we hope will result in a material increase in revenues from 2023.

Our systems business is ultimately underpinned by a long-term macro-trend of countries wanting to have the autonomous ability to monitor, control and manage their marine territories. Having identified this strategic long-term opportunity early, we have been able to develop a sophisticated turn-key system solution, the SRT-MDA System, which is built around our GeoVS maritime enterprise application which delivers a fully integrated and feature rich maritime surveillance and management system that is attractive to coast guards, fishery authorities and owners of critical infrastructure. The SRT-MDA System is now in use around the world, for example in Malaysia, Philippines, Bahrain and Panama, providing important proven references for new customers.

During the year we continued to invest in the development of our system to both enhance existing functionality and performance, as well as implement new functionality. Of particular note is the growing sophistication of our system's backbone data networking and fusion capabilities, and intelligent analytics which is able to automatically identify illegal and suspicious activities from hundreds of thousands of vessels and alert system operators who can then instigate appropriate response actions. This is work that is accelerating and will continue into the future, adding significant value to our core systems product.

These temporary delays, whilst extremely frustrating, have given us the time to make very significant operational progress that I believe will make a material difference to the business both in the near term and years ahead. These have included remodelling our systems delivery method such that our systems are more modular and easier for our local partners to install, commission and support efficiently with much less in-country support

from our delivery support engineers. New and innovative system functionalities, such as dynamic analytics, multi-source data fusion and alert response action management within the fully integrated operating environment of the SRT-MDA System that set us apart from potential future competition and will deliver a material difference and added value to our customers

During the year, in conjunction with our local partners, we have continued to make good progress with the implementation of the SRT-MDA System in The Philippines for BFAR. In December 2018, we entered a four year PHP2.1 billion (£30m) value contract to build the first phase of the world's largest and most sophisticated national scale fisheries monitoring system. Much of the infrastructure has now been completed and the multiple monitoring centres are systematically being commissioned, BFAR staff in training, with commercial fishing vessels equipped with our VMS-100 now being tracked once every 15 minutes and electronically reporting fishing catches. Following completion of the project we expect a long-term system sustainability contract which will include a subscription to our S-MDA satellite data product, along with further system expansion contracts.

As we reported, new system contract discussions have been significantly affected by Covid restrictions which have caused customer project planning and procurement processing departments to regularly close or suffer a significant capacity reduction, resulting in extended contract finalisation processing timelines. Whilst these issues persist in many jurisdictions and the nature of government business means forecasting of precise sales cycles is challenging, in recent months we have experienced renewed engagement from customers to progress discussions coupled with a steady increase in meaningful activity from a subset of customers who appear eager to complete their contracting processes as quickly as possible.

In our April 2021 post year end update we reported that the value of our pipeline of validated system opportunities now stands at £550m, with contract opportunities that range from a few hundred thousand dollars to tens of millions, spread across the world at different stages in the sales and contracting cycle. Of these, seven worth an aggregate of £125m, located in countries in SE Asia and Middle East, we consider to be in their final stage prior to contracting. Due to the complexities of government contracting processes and differences between the processes of each customer, it is impossible for us to forecast with absolute surety the date upon which these will be signed. However, based upon received information and activities we expect that four of these contracts worth approximately £71m over an average two year delivery period, should be under contract and delivering meaningful revenues within the new financial year. The other three, worth £54m, likely some months later, thus being contracted during the latter half of the new financial year or early next year, and therefore depending on exact timing may not contribute meaningful revenues until the next financial year. I am also pleased to report that some other significant opportunities in our pipeline which are at an earlier stage in the sales development cycle, have recently materially progressed with the customers indicating a likely contracting timescale towards the end of 2022, although these timescales are likely to change.

Our quick action at the beginning of Covid to develop and execute a Covid resilience plan, coupled with ongoing careful financial and operational management of the business has enabled us to successfully weather this temporary storm and be in our current positive position with an array of significant opportunities ahead of us. In our new financial year, we expect to see our transceiver business revert back to its long-term growth trajectory, thus generating increasing revenues and profits, and our systems business to enter multiple new contracts, and thus drive a substantial and sustained financial turnaround.

I would like to thank everyone at SRT, all of whom have continued to work fulltime throughout, even travelling and enduring weeks of solitary isolation in hotel rooms around the world to deliver essential tasks when possible, and our patient shareholders for their long term and exceptional support for the company.

Kevin Finn
Chairman

Date: 28 July 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 MARCH 2021**

	Note	2021 £	2020 £
Revenue		8,275,022	18,908,062
Cost of sales		(5,097,419)	(14,537,092)
Gross profit		<u>3,177,603</u>	<u>4,370,970</u>
Administrative costs		(8,048,640)	(7,717,677)
Foreign exchange (losses) / gains		(486,675)	834,416
Total administrative costs and foreign exchange (losses) / gains		<u>(8,535,315)</u>	<u>(6,883,261)</u>
Operating loss before exceptional item		(5,357,712)	(2,512,291)
Impairment charge		-	(3,922,029)
Operating loss after exceptional item		<u>(5,357,712)</u>	<u>(6,434,320)</u>
Finance expenditure		(574,248)	(464,539)
Finance income		1,057	1,430
Loss before tax		<u>(5,930,903)</u>	<u>(6,897,429)</u>
Income tax credit		797,060	818,407
Loss for the year after tax		<u>(5,133,843)</u>	<u>(6,079,022)</u>
Total comprehensive expense for the year		<u><u>(5,133,843)</u></u>	<u><u>(6,079,022)</u></u>
Loss per share:	4		
Basic		(3.13)p	(3.93)p
Diluted		(3.13)p	(3.93)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note	2021 £	2020 £
Assets			
Non-current assets			
Intangible assets		8,274,170	7,776,882
Property, plant and equipment		1,688,512	1,782,048
Deferred tax		793,602	670,778
		<hr/>	<hr/>
Total non-current assets		10,756,284	10,229,708
Current assets			
Inventories		2,368,283	1,928,730
Trade and other receivables		3,600,187	15,958,534
Cash and cash equivalents		5,286,432	918,808
		<hr/>	<hr/>
Total current assets		11,254,902	18,806,072
Liabilities			
Current liabilities			
Trade and other payables		(1,648,983)	(9,044,454)
Financial liabilities	5	(8,515,000)	(4,990,000)
Lease liabilities		(262,011)	(202,445)
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Total current liabilities		(10,425,994)	(14,236,899)
Net current assets		828,908	4,569,173
		<hr/>	<hr/>
Total assets less current liabilities		11,585,192	14,798,881
Non-current liabilities			
Lease liabilities		(861,409)	(1,067,741)
		<hr/>	<hr/>
Net assets		10,723,783	13,731,140
		<hr/> <hr/>	<hr/> <hr/>
Shareholders' equity			
Share capital		164,252	154,844
Share premium account		13,431,735	11,543,989
Retained loss		(8,362,800)	(3,458,289)
Other reserves		5,490,596	5,490,596
		<hr/>	<hr/>
Total shareholders' equity		10,723,783	13,731,140
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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	£	£
Cash generated from operating activities	2,164,982	857,765
Corporation tax received	674,236	201,926
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Net cash generated from operating activities	2,839,218	1,059,691
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Investing activities		
Expenditure on product development	(2,770,455)	(2,970,033)
Purchase of property, plant and equipment	(341,875)	(523,530)
Interest received	1,057	1,430
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Net cash used in investing activities	(3,111,273)	(3,492,133)
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Financing activities		
Gross proceeds on issue of shares	2,000,005	34,837
Costs of issue of shares	(102,851)	-
New loans issued	3,525,000	-
Lease repayments	(267,749)	(225,149)
Loan interest paid	(514,726)	(400,605)
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Net cash generated from / (used in) financing activities	4,639,679	(590,917)
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Net increase / (decrease) in cash and cash equivalents	4,367,624	(3,023,359)
Net cash and cash equivalents at beginning of year	918,808	3,942,167
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Net cash and cash equivalents at end of year	5,286,432	918,808
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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 28 July 2021. 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 2021 or 31 March 2020.

The financial information has been extracted from the statutory accounts of the Company for the years ended 31 March 2021 and 31 March 2020. 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 report 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 2020 have been delivered to the Registrar of Companies, whereas those for the year ended 31 March 2021 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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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 2020. 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 on ordinary activities after taxation of £5,133,843 (2020: loss £6,079,022) divided by the weighted number of ordinary shares in issue of 163,728,344 (2020: 154,742,293).

During the current and previous years, 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. Financial liabilities

Bank loan

The bank loan (amount owed at 31 March 2021: £2,500,000) was drawn down in April 2020 as a one year loan provided under the UK government Coronavirus Business Interruption Loan Scheme (CBILS) at an interest rate of 0%. Subsequent to the year end, 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. As the loan renewal documentation, whilst agreed prior to the year end, was signed subsequent to the year end, IAS1 requires that the loan be classified in full as repayable in less than one year despite the loan renewal and the revised maturity date.

Other loans

As of 31 March 2021, the total of other loans outstanding is £6,015,000. These all relate to a £10 million secured loan 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 drawn down £9,215,000 of the available £10 million, and repaid £3,200,000, leaving the current outstanding balance of £6,015,000 which is due for repayment on various dates over the next 3 years. (A note may only be issued once, and then once repaid is cancelled). As the group has existing head room of £785,000 on the existing program, for further draw downs the process has commenced to increase the head room by a further £10 million.

During the year ended 31 March 2021 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 28 April 2021. 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 £2,025,000 of loans having maturity dates in excess of one year.

The gearing covenant was not breached as at 31 March 2021.

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 23 August, 2021.

The AGM will be held at the Centurion Hotel, Charlton Lane, Radstock BA3 4BD at 11.00am on September 22, 2021. Prior to the commencement of the formal AGM there will be an Open Morning at SRT's offices, commencing at 9.00am.

In light of the current relaxation of COVID-19 restrictions and social distancing rules, our current intention is for all shareholders who wish to attend the AGM to be able to do so in person. However, changes in public health guidance and legislation issued by the UK Government may mean that shareholders will not be able to attend the meeting. It is recommended that our shareholders continue to monitor the Company's website as well as the Company's stock exchange announcements for any updates to the arrangements.