

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

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

SRT Marine Systems PLC, a provider of maritime surveillance, monitoring and management systems, announces its results for the financial year ending 31 March 2023.

FINANCIAL SUMMARY

- Increased revenues to £30.5m.
- Profit after tax £0.1m.
- £2.2m gross cash at year end. Post year end £5.4m equity raise and £20m loan note programme headroom increase.
- £160m systems forward contract order book and £1.4bn new prospects pipeline.

OPERATIONAL HIGHLIGHTS

- Significant transceiver distributor network expansion.
- Continued progress with new NEXUS VHF/AIS radio system and DAS transceiver products, both of which entered testing phases.
- Expansion of analytics within the SRT-MDA System to improve dark vessel detection and tracking capabilities.
- Expansion of SRT delivery team to accommodate multiple simultaneous projects.

NOTICE OF AGM

- The AGM will be held at the Centurion Hotel, Charlton Lane, Radstock BA3 4BD at 11.00am on September 19, 2023. Prior to the commencement of the formal AGM there will be an Open Morning at SRT's offices, commencing at 9.00am.

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

"Our many years of technology, product and market investments are now starting to show in our financial results. Our transceivers division grew by 60% and our systems division is back on track following a pause in government business during Covid. We go into the new year with an expanded product range and distribution network, a forward contract order book of £160m and a new prospects pipeline of system contracts worth approximately £1.4bn. This position reflects the early strategic decisions made to position SRT at the centre of these substantial global markets."

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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

Whilst not as high as we had hoped, I am pleased to report that we were profitable on a 273% year on year increase in revenues to £30.5m as our target markets recovered and recommenced their expansion enabling us to benefit from our accumulated investments in technologies, products and customers over many years and enter the new financial year with a £160m forward order book and substantial new prospects pipeline.

As reported in our year-end trading update in March 2023, year on year group revenues grew to £30.5m (2022: £8.2m) of which transceivers generated £12.1m and systems £18.4m. Gross profit margin increased to 36% (2022: 33%), resulting in a profit after tax of £0.1m (2022: loss £5.8m). As at year-end, gross cash was £2.2m (2022: £5.9m), and after the year-end we completed an equity raise of £5.4m and increased our loan note programme capacity by an additional £20m.

During the period our systems business executed on three projects, two with coast guards and one with a national fisheries ministry, increased our forward contract order book to £160m and grew our new prospects pipeline to be worth an estimated £1.4bn. This growth is driven by the increasing desire of national agencies to have effective maritime surveillance and intelligence in line with what has become the norm in air traffic control.

The Philippine BFAR IMEMS system is now fully operational and in daily use, enabling BFAR to track, monitor and manage all their fisheries within a single optimised system. This project was originally scheduled to complete in December 2022, but is now expected to complete during 2023. This delay is a consequence of COVID where all installation work was suspended for well over a year due to mandatory travel and work suspensions. We also won and delivered a small but strategically important project to a national coast guard to enable the sharing of maritime information between multiple government agencies and completed the first phase of a £40m SRT-MDA System Vessel Tracking & Identification systems contract with a major Middle East Coast Guard, the formal sign-off of which was concluded shortly after our financial year end, along with preparations for the next and final two phases which are scheduled to be implemented by the end of 2024.

The SRT-MDA System is a flexible and scalable integrated surveillance system solution that can be configured for either coast guard or fisheries use. After many years of continuous development, it offers an extensive range of innovative functionalities and capabilities that deliver enhanced maritime domain awareness. I am pleased to report that our development and product team have continued to enhance existing functionalities and introduce new capabilities. Of particular note is our focus on multi-sensor and multi-platform network integration, data fusion and management and intelligent analytics in the area of automated vessel detection and identification, along with specialist fisheries functionalities such as aquatic modelling and electronic catch reporting and auditing. This continuous development of the SRT-MDA System falls to our expanding development team which we have carefully built over many years and today combines a rare blend of scale, talent and experience.

The transceivers division grew year on year by 60% to a turnover of £12.1m, generating a blended gross profit of 45%, with some product and application areas generating margins as high as 80% and some 20%. We believe that growth has come from the compound effect of our reputation for having the best products, being a reliable supplier, expanding our distribution channels and the slow but steady rolling adoption and proliferation of AIS across commercial and leisure vessels. We remain in the early stages of AIS adoption with an estimated 500,000 vessels out of 26 million now having an AIS device, and most navigation aids at an even earlier stage. We therefore see very significant opportunity for steady long-term growth from our transceivers business driven by the same fundamentals of recent years.

The primary focus of our transceiver development team has been the development of our NEXUS VHF/AIS product. This product moves SRT into the voice communications segment of the leisure and commercial marine electronics market which has much greater volumes than data only AIS due to its greater maturity. NEXUS is a significant investment for SRT and the project is now in its third year, with the expectation that it will start commercial shipments in early 2024. In 2023 we decided to delay the commencement of shipping by approximately up to 9 months to allow for further testing. This decision was made in the context of our global reputation for excellence and wishing to enter this new segment with a truly

innovative product that matches our history of reliable and trustworthy products. NEXUS will therefore not contribute material revenues during the coming financial year, but we do expect it to make an impact thereafter.

In the meantime, we have seen a significant growth in our distribution network and have added additional sales and marketing resource, particularly with our first in-territory presence in the USA, the effects of which we expect to see in the coming financial year. During the year we soft launched our DAS product offer and have received a good response with visibility of some substantial new projects. DAS targets the aids to navigation market which is integral to the digitisation of the marine domain and the realisation of safer and more efficient navigation. In the coming year we will invest more in this segment, including the hiring of a dedicated salesperson.

Shortly after the year end, we signed a new systems contract worth £140m to deliver an integrated maritime surveillance and intelligence system to a National Coast Guard increasing our forward systems order book to £160m. This opportunity was previously in our new systems prospects pipeline, which continues to grow and now contains prospects at various stages of the sales cycle with an aggregate value of £1.4bn, and I expect to see some of these convert into contracts in the coming months. In the first half of the new financial year, we expect to commence the implementation of the next and final phases of our Middle East project, whilst the newly signed £140m National Coast Guard contract, with associated revenue milestone completion will commence first implementation milestones in the second half of the financial year. As usual, our transceivers business will be more balanced but with the traditional second half weighting.

In summary, the year has seen both our businesses grow strongly as a result of our long-term technology, product and market investments that have placed SRT at the centre of the global digitisation of maritime domain awareness and navigation. With over 3,000 transceiver distribution partners, established products, £160m of forward contracts and a pipeline of new prospects that has grown to £1.4bn, we feel very confident, although not complacent, about the future. This year really has been operationally tough, with a lot of product development and sales and contracts work to keep up with market demands, so I would like to take this opportunity to thank our staff, partners and shareholders for their hard and diligent work throughout the year.

Kevin Finn, Chairman
26 July 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £	2022 £
Revenue		30,506,152	8,172,900
Cost of sales		(19,467,188)	(5,500,942)
Gross profit		<u>11,038,964</u>	<u>2,671,958</u>
Administrative costs		(10,723,838)	(8,721,560)
Foreign exchange losses		(180,102)	(147,754)
Total administrative costs and foreign exchange losses		<u>(10,903,940)</u>	<u>(8,869,314)</u>
Operating profit / (loss)		135,024	(6,197,356)
Finance expenditure		(781,547)	(615,648)
Finance income		351	421
Loss before tax		<u>(646,172)</u>	<u>(6,812,583)</u>
Income tax credit		715,692	974,578
Profit / (loss) for the year after tax		<u>69,520</u>	<u>(5,838,005)</u>
Total comprehensive income / (expense) for the year		<u><u>69,520</u></u>	<u><u>(5,838,005)</u></u>
Earnings / (loss) per share:	4		
Basic		0.04p	(3.53)p
Diluted		0.04p	(3.53)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Note	2023 £	2022 £
Assets			
Non-current assets			
Intangible assets		11,756,717	9,368,069
Property, plant and equipment		1,256,223	1,328,842
		<hr/>	<hr/>
Total non-current assets		13,012,940	10,696,911
Current assets			
Inventories		3,465,626	2,359,922
Trade and other receivables		5,828,652	3,847,735
Current tax recoverable		968,607	978,963
Cash		2,181,548	5,924,601
Restricted cash		949,115	906,245
		<hr/>	<hr/>
Total current assets		13,393,548	14,017,466
Liabilities			
Current liabilities			
Trade and other payables		(7,009,926)	(6,459,635)
Borrowings	5	(8,002,500)	(7,245,000)
Current tax liabilities		(199,126)	-
Lease liabilities		(237,371)	(201,402)
		<hr/>	<hr/>
Total current liabilities		(15,448,923)	(13,906,037)
Net current (liabilities) / assets		(2,055,375)	111,429
		<hr/>	<hr/>
Total assets less current liabilities		10,957,565	10,808,340
Non-current liabilities			
Borrowings	5	-	(312,500)
Lease liabilities		(649,946)	(703,317)
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Total non-current liabilities		(649,946)	(1,015,817)
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Net assets		10,307,619	9,792,523
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Shareholders' equity			
Share capital		181,517	180,677
Share premium account		18,213,072	18,067,612
Retained loss		(13,577,566)	(13,946,362)
Other reserves		5,490,596	5,490,596
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Total shareholders' equity		10,307,619	9,792,523
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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022
	£	£
Cash generated from operating activities	778,840	1,405,136
Corporation tax received	925,174	789,217
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Net cash generated from operating activities	1,704,014	2,194,353
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Investing activities		
Expenditure on product development	(4,795,292)	(3,327,011)
Purchase of property, plant and equipment	(199,061)	(183,802)
Interest received	351	421
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Net cash used in investing activities	(4,994,002)	(3,510,392)
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Financing activities		
Gross proceeds on issue of shares	146,300	4,919,130
Costs of issue of shares	-	(266,828)
New loans issued	1,695,000	1,000,000
Loan repayments	(1,250,000)	(1,957,500)
Lease repayments	(258,835)	(267,458)
Loan interest paid	(742,660)	(566,891)
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Net cash (used in) / generated from financing activities	(410,195)	2,860,453
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Net (decrease) / increase in cash and cash equivalents	(3,700,183)	1,544,414
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Net cash and cash equivalents at beginning of year	6,830,846	5,286,432
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Net cash and cash equivalents at end of year	3,130,663	6,830,846
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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 26 July 2023. 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 2023 or 31 March 2022.

The financial information has been extracted from the statutory accounts of the Company for the years ended 31 March 2023 and 31 March 2022. 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 2023 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 2022 have been delivered to the Registrar of Companies, whereas those for the year ended 31 March 2023 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 2022. 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 / (loss) per ordinary Share

The basic earnings per share has been calculated on the profit after taxation of £69,520 (2022: loss £5,838,005) divided by the weighted number of ordinary shares in issue of 180,961,021 (2022: 165,167,407).

During the year the calculation of diluted earnings per share has been calculated on profit on ordinary activities after taxation of £69,520. 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 1,958,724 and the weighted average number of ordinary shares for the purposes of dilutive earnings per share was 182,919,745.

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. Borrowings

Bank loan

The bank loan (amount owed at 31 March 2023: £312,500) 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 previous 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.

Loan notes

As of 31 March 2023, the outstanding balance of loan notes amounted to £7,690,000. These all relate to drawdowns on a secured note programme which has been arranged by LGB Capital Markets and which is secured by a floating charge over the Group's assets. The loan notes have terms of up to 3 years and an interest rate of 8%-12%. Subsequent to the year end, the capacity on the secured note programme has been increased from £20 million to £40 million.

During the year ended 31 March 2023 the covenants in relation to debt service cover and gearing were breached and a waiver from loan note holders was obtained subsequent to the year end on May 2 2023. Due to the waiver not being received prior to the year end and the covenants being re-tested on 30 September 2023, IAS 1 requires that the loans are all classified as being repayable in less than one year, despite their maturity dates.

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 18 August 2023.

The AGM will be held at the Centurion Hotel, Charlton Lane, Radstock BA3 4BD at 11.00am on September 19, 2023. Prior to the commencement of the formal AGM there will be an Open Morning at SRT's offices, commencing at 9.00am.