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SRT MARINE SYSTEMS PLC ("SRT" or the "Group")

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

SRT, the AIM-quoted developer and supplier of maritime surveillance, analytics and management systems and products announces its unaudited interim results for the six months ended 30 September 2022 (the "Period").

Financial Highlights

- **300%** - year on year H1 period revenue increase to £18.8m (H1 2021 £4.7m).
- **38%** - gross profit margin (H1 2021 36%).
- **£2.1m** – profit after tax (H1 2021 Loss of £3.1m).

Operational Summary

- New NEXUS VHF/AIS radio development enters pre-launch testing.
- Delivery of existing projects accelerating.
- Preparations and planning for major new system projects.

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

"As we forecast, both our business divisions have performed well, and we expect this trend to continue going forward driven by fundamental long-term demand drivers for maritime domain awareness. Our systems business is now busy delivering on existing projects, preparing for new projects that we expect to come under contract in H2, as well as progressing a growing list of future prospects. Despite ongoing component supply issues, our transceivers business has grown 24%, and our new NEXUS and DAS products are expected to accelerate this growth from the next year."

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)

+44 (0) 20 7220 0500

Tim Redfern / Charlotte Sutcliffe (Corporate Broking)

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.

Chairman's Statement

This has been an excellent start to the current financial year and sets a clear financial and operational direction for our business that we expect to continue into the future. The digitisation of the marine domain, from integrated coastal surveillance systems to environment monitoring and autonomous navigation has only just begun and our accumulated investments over many years have placed SRT in a leading position in this global market.

Year on year revenues for the same period grew 300% from £4.7m to £18.8m, generating a profit after tax of £2.1m, compared to a loss of £3.1m for the same period last year. Our transceivers business grew 24% year on year generating £5.2m revenues, with our systems business contributing revenues of £13.6m compared to £0.5m for the same period last year. It should be noted that the comparative period (H1-2021) was depressed due to Covid.

Cash balances were £2.4m as at 30th September 2022, of which £0.9m was restricted to support system contract guarantees. As at the period end, we had substantial receivables of approximately £13.4m, most of which is related to our systems business. Included in the receivables balance is a significant amount which was received and banked by way of a government issued cheque from a systems customer just subsequent to the period end. It is not unusual (although not always the case) for our government customers to pay us by cheque, with full cash clearance after banking typically taking between 10 and 90 days depending on the specific customer and country. It is our experience over many years that our system customers are reliable payers.

Our systems business which provides integrated maritime surveillance and monitoring systems for coast guards and fisheries was focused on the delivery of two projects, one in the Philippines with the National Fisheries Ministry (BFAR) and one in the Middle East with a National Coast Guard which we signed in January 2022. We are pleased to report that both are progressing well, with our BFAR project starting to catch up with Covid related implementation delays, and our Middle East project likely to be completed by the end of 2023 as a result of the customer wanting to proceed with Phases 2 and 3 of the project in parallel during 2023, which is a year ahead of expectations.

The opportunities for our systems business continue to grow, and the value of our validated pipeline of new system opportunities now stands at over £600m. These are prospective contracts for our SRT-MDA System that we have validated and on which we focus our business development effort. This excludes many other new opportunities, with both existing and new customers, with whom we are in discussion, but deem not yet sufficiently mature to include.

Within our validated pipeline there are five sizeable projects with a total worth of approximately £230m which have been in their final pre-contract stages for some time whilst their respective final approval and contracting processes complete. I am pleased to report there has been steady and consistent engagement with the counterparties and we are optimistic that these will fall under contract in the coming months. Whilst we are confident, at this stage we are a passenger on their respective statutory procurement processes and there is no guarantee that SRT will be contracted within the indicated timeframe.

Our systems business is built on our internally developed SRT-MDA System product which is a sophisticated fusion of hardware and software that enables a fully integrated high performance surveillance system. At the heart of the system is our GeoVS suite of software, that provides users with a multitude of sophisticated maritime surveillance and monitoring functionality. The capabilities of the SRT-MDA System continue to evolve as our development team pushes forward with our roadmap, with particular focus on areas of customer relevant differentiation such as data fusion, intelligent analytics and certain command and control functionalities. This is a process that will continue and aims to ensure our product offer remains the market leader.

Despite the continuing component supply issues which constrain production, our transceivers business grew 24% year on year. The reputation of our products for quality and performance mean that we have been able to increase prices to offset increased production prices and thus maintain margins, whilst ensuring we remain a reliable and competitive source supplier to our customers. We continue to see growing demand from the

commercial vessel segment where existing regulations and are settling into long term renewal cycles which is augmented by a general trend of adoption of AIS in the commercial vessel world. We believe that in the coming years most commercial vessels will fit and operate AIS as standard. In the leisure segment we see a trend for boaters to travel further afield and thus a desire to acquire AIS as an important safety item; again, we believe this trend will continue.

Our recently formed Digital Aids-to-Navigation System (DAS) unit within the transceivers business is focused on aids to navigation (buoys), infrastructure (bridges, locks, wind turbines etc) and environmental monitoring. Here specialist complex AIS transceivers, called AIS-AtoN, are used to transmit live information to vessels and authorities. SRT pioneered the use of AIS for this purpose, developing the world's first AIS AtoN transceiver many years ago and today is the world's leading supplier. Today we have a growing network of distribution partners, and through our DAS initiative increasing direct engagement with port and waterway authorities. We believe AIS AtoN is central to the digitisation of marine navigation, and that this, coupled with improved DAS product packages that are easier for end users to deploy themselves, offer a very substantial opportunity that we are now targeting. We have taken the first few steps to do this and seen very good results thus far, with an expectation of good future growth.

The current primary focus of our transceiver's development team is our NEXUS combined VHF-DSC/AIS radio. NEXUS is a very innovative product that will bring a new level of user convenience for maritime voice and data communications and take SRT into a new and larger commercial and leisure marine electronics segment. NEXUS is now in its test and approval phase, which due to our extremely rigorous focus on product quality we expect to take at least a further 6 to 9 months to complete. Therefore we forecast that we will start delivering NEXUS products to customers in the summer of 2023.

These results are now starting to show the benefits of the significant technology, product and market investments we have made over many years. The marine domain remains one where there is a significant gap in knowledge and these new technologies enable that gap to be filled, resulting in long-term growing demand for our products across the globe. There will undoubtedly be challenges along the way as is the nature with large system contracts with governments and complex electronics and systems. However, over the years we have built a great team and accumulated significant sector knowledge such that we are able to maximise the opportunities that the digitising of the marine domain presents. Most importantly, I would like to thank our staff, partners, customers and shareholders for the continued hard work and support as we continue to build SRT into a world class company.

Kevin Finn
Chairman

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

	Notes	Six months ended 30 Sep 2022 Unaudited £	Six months ended 30 Sep 2021 Unaudited £	Year ended 31 Mar 2022 Audited £
Revenue		18,836,044	4,703,107	8,172,900
Cost of sales		(11,633,644)	(2,995,675)	(5,500,942)
Gross profit		7,202,400	1,707,432	2,671,958
Administrative costs		(4,742,197)	(4,544,238)	(8,869,314)
Operating profit / (loss)		2,460,203	(2,836,806)	(6,197,356)
Finance expenditure		(337,628)	(291,599)	(615,648)
Finance income		137	381	421
Profit / (loss) before income tax		2,122,712	(3,128,024)	(6,812,583)
Income tax credit		-	-	974,578
Profit / (loss) for the period		2,122,712	(3,128,024)	(5,838,005)
Total comprehensive profit / (loss) for the period		2,122,712	(3,128,024)	(5,838,005)
Earnings / (loss) per share:				
Basic	2	1.17	(1.91)p	(3.53)p
Diluted	2	1.16	(1.91)p	(3.53)p

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022**

	Notes	As at 30 Sep 2022 Unaudited £	As at 30 Sep 2021 Unaudited £	As at 31 Mar 2022 Audited £
Assets				
Non-current assets				
Intangible assets		10,705,675	8,542,558	9,368,069
Property, plant and equipment		1,287,004	1,553,099	1,328,842
Tax asset		-	793,602	-
Total non-current assets		11,992,679	10,889,259	10,696,911
Current assets				
Inventories		2,672,582	2,352,351	2,359,922
Trade and other receivables		13,434,163	2,840,470	3,847,735
Current tax recoverable		978,963	-	978,963
Cash		1,522,079	1,998,747	5,924,601
Restricted cash		906,245	-	906,245
Total current assets		19,514,032	7,191,568	14,017,466
Liabilities				
Current liabilities				
Trade and other payables		(11,592,880)	(1,862,600)	(6,459,635)
Borrowings	3	(3,962,500)	(6,530,000)	(7,245,000)
Lease liabilities		(223,137)	(239,067)	(201,402)
Total current liabilities		(15,778,517)	(8,631,667)	(13,906,037)
Net current assets / (liabilities)		3,735,515	(1,440,099)	111,429
Total assets less current liabilities		15,728,194	9,449,160	10,808,340
Long term liabilities				
Borrowings	3	(2,985,000)	(937,500)	(312,500)
Lease liabilities		(704,026)	(770,383)	(703,317)
Total long term liabilities		(3,689,026)	(1,707,883)	(1,015,817)
Net assets		12,039,168	7,741,277	9,792,523
Shareholders' equity				
Share capital	4	180,677	164,282	180,677
Share premium account		18,067,612	13,441,305	18,067,612
Other reserves		5,490,596	5,490,596	5,490,596
Retained loss		(11,699,717)	(11,354,906)	(13,946,362)
Total shareholders' equity		12,039,168	7,741,277	9,792,523

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

		Six months ended 30 Sep 2022 Unaudited	Six months ended 30 Sep 2021 Unaudited	Year ended 31 Mar 2022 Audited
	Notes	£	£	£
Cash (used in) / generated from operating activities	5	(794,348)	(202,248)	1,405,136
Corporation tax received		-	-	789,217
Net cash (used in) / generated from operating activities		(794,348)	(202,248)	2,194,353
Investing activities				
Expenditure on product development		(2,483,961)	(1,499,267)	(3,327,011)
Purchase of property, plant and equipment		(57,955)	(143,081)	(183,802)
Interest received		137	381	421
Net cash used in investing activities		(2,541,779)	(1,641,967)	(3,510,392)
Financing activities				
Gross proceeds on issue of shares		-	9,600	4,919,130
Costs of issue of shares		-	-	(266,828)
New loans issued		15,000	-	1,000,000
Loan repayments		(625,000)	(1,047,500)	(1,957,500)
Lease repayments		(139,323)	(139,691)	(267,458)
Loan interest paid		(317,072)	(265,879)	(566,891)
Net cash (used in) / generated from financing activities		(1,066,395)	(1,443,470)	2,860,453
Net (decrease) / increase in cash and cash equivalents		(4,402,522)	(3,287,685)	1,544,414
Net cash and cash equivalents at beginning of period		6,830,846	5,286,432	5,286,432
Net cash and cash equivalents at end of period		2,428,324	1,998,747	6,830,846

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

	Share Capital	Share Premium	Retained Earnings	Other Reserves	Total
	£	£	£	£	£
At 31 March 2021	164,252	13,431,735	(8,362,800)	5,490,596	10,723,783
Total comprehensive loss for the period	-	-	(3,128,024)	-	(3,128,024)
Share based payment charge	-	-	135,918	-	135,918
Issue of equity share capital	30	9,570	-	-	9,600
At 30 September 2021	164,282	13,441,305	(11,354,906)	5,490,596	7,741,277
Total comprehensive loss for the period	-	-	(2,709,981)	-	(2,709,981)
Share based payment charge	-	-	118,525	-	118,525
Issue of equity share capital	16,395	4,893,135	-	-	4,909,530
Cost of issue of equity share capital	-	(266,828)	-	-	(266,828)
At 31 March 2022	180,677	18,067,612	(13,946,362)	5,490,596	9,792,523
Total comprehensive profit for the period	-	-	2,122,712	-	2,122,712
Share based payment charge	-	-	123,933	-	123,933
At 30 September 2022	180,677	18,067,612	(11,699,717)	5,490,596	12,039,168

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Accounting Policies

Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the UK Endorsement Board. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the UK Endorsement Board and applicable as at 31 March 2023.

Non-statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). The statutory accounts for the year ended 31 March 2022 have been filed with the Registrar of Companies. 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.

The financial information for the six months ended 30 September 2022 and 30 September 2021 is unaudited. The interim financial statements will be available to download on the Company's website www.srt-marine.com from 14 November 2022.

Accounting policies

The accounting policies as applied by the Group are the same as those applied by the Group in the consolidated financial statements for the year ended 31 March 2022.

2. Earnings / (loss) per share

The basic earnings / (loss) per share has been calculated using the profit for the period of £2,122,712 (six months ended 30 September 2021 - loss of £3,128,024, year ended 31 March 2022 – loss of £5,838,005) divided by the weighted average number of ordinary shares in issue of 180,676,939 (six months ended 30 September 2021 – 164,252,431 and year ended 31 March 2022 – 165,167,407).

During the period the calculation of diluted earnings per share has been calculated on profit for the period of £2,122,712. 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 to be issued for no consideration. The number of dilutive shares under option was 1,787,866 and the weighted average number of ordinary shares for the purposes of dilutive earnings per share was 182,464,805.

During the period ended 30 September 2021 and the year ended 31 March 2022, the Group has incurred losses for the periods and therefore there is no impact of the share options granted on diluted earnings per share.

3. Financial liabilities

	30 Sep 2022 Unaudited £	30 Sep 2021 Unaudited £	31 Mar 2022 Audited £
Less than one year:			
Bank loan	937,500	1,250,000	1,250,000
Other loan	3,025,000	5,280,000	5,995,000
Total	3,962,500	6,530,000	7,245,000
More than one year:			
Bank loan	-	937,500	312,500
Other loan	2,985,000	-	-
Total	2,985,000	937,500	312,500

The bank loan 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%. During the year ended 31 March 2022, the renewal of this facility was agreed with quarterly repayments commencing in July 2021 through to April 2023 at an interest rate of 2.59% above base rate

Other loans all relate to drawdowns on a £20 million secured loan 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 £5,900,000 on the available £20 million. The loans have terms of up to 3 years and interest rates of 8-10%.

During the previous period and year, a covenant in relation to debt service cover was breached and a waiver from loan note holders was obtained shortly after the period/year end. Due to the waiver not being received prior to the period/year end, IAS 1 requires that the loans are classified as being repayable in less than one year.

4. Share capital

	30 Sep 2022 Unaudited £	30 Sep 2021 Unaudited £	31 Mar 2022 Audited £
Allotted:			
Ordinary shares of 0.1p each	180,677	164,282	180,677

Reconciliation of movement in share capital

	Number of shares
Shares outstanding at 31 March 2021	164,251,939
Exercise of share options (a)	30,000
Shares outstanding at 30 September 2021	164,281,939
Share placing March 2022 (b)	16,365,000
Exercise of share options (c)	30,000
Shares outstanding at 31 March 2022 and 30 September 2022	180,676,939

Notes:

- 30,000 share options were exercised at a price of 32p in September 2021
- The placing in March 2022 took place at 30p per share raising gross proceeds of £4,909,500 before costs of £266,828
- 30,000 share options were exercised at a price of 0.1p in January 2022

5. Cash (used in) / generated from operating activities

	Six months ended 30 Sep 2022 Unaudited £	Six months ended 30 Sep 2021 Unaudited £	Year ended 31 Mar 2022 Audited £
Operating profit / (loss)	2,460,203	(2,836,806)	(6,197,356)
Depreciation of property, plant and equipment	241,005	278,494	543,472
Amortisation of intangible fixed assets	1,146,354	1,230,879	2,233,112
Share-based payment charge	123,933	135,918	254,443
(Increase) / decrease in inventories	(312,660)	15,933	8,361
(Increase) / decrease in trade and other receivables	(9,586,428)	759,717	(247,548)
Increase / (decrease) in trade and other liabilities	5,133,245	213,617	4,810,652
Net cash (used in) / generated from operating activities	(794,348)	(202,248)	1,405,136