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

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

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 2023 (the "Period").

Financial Highlights

- Continued year on year growth of transceivers business.
- £2.5m new product and technology investment.
- £160m systems contract order book for System deliveries to commence in H2.
- Gross cash balance at end of H1 £3.9m (H1 2022: £1.5m).

Operational Summary

- NEXUS transceiver product commences testing and launch planning.
- Final completion phase of Philippines – BFAR fisheries contract.
- £40m Middle East Border Agency maritime surveillance project – Phase 1 completed, and planning and preparation for final Phase 2.
- Planning and procurement for commencement of £145m SE Asia coast guard project signed in May.

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

"The hard work and progress made across the business during the first half has prepared us for a busy second half, with the scheduled delivery of a number of system project milestones and continued growth of our transceivers business. In line with this, we are on track to complete our financial year end as expected."

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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

The first half of the financial year has been very busy with much progress made across both our systems and transceivers businesses. With systems contracts worth £160m to deliver, our project teams have been working closely with the relevant customers and third-party suppliers on the substantial preparatory and planning work required for their delivery, with multiple milestones scheduled for H2, several of which are substantial revenue generating milestones. Alongside this our transceivers business has made good progress growing its sales and distribution as well as launching new products which we expect to sell well during H2.

As already reported in our October 2023 trading statement, during the H1 period ending 30th September 2023, our systems business did not generate any revenues having not completed any revenue milestones and as such the £5.5m of Group revenues we are reporting derives entirely from our transceivers business. Gross profit was 37%, resulting in a loss for the period of £4.6m, and a period end cash position of £3.9m.

Systems

Our systems business, which provides maritime surveillance and monitoring systems for government agencies such as coast guards and fisheries, has made good progress on existing, new and prospective contracts. Our existing contract with BFAR in the Philippines is in its final completion stage and is expected to be completed during the second half. Having completed the first phase of our £40m Middle East Border Agency project, we have been working closely with the customer to aggregate and plan the next two phases into a single phased implementation which we expect to commence during Q4 of this financial year. This work has included significant project planning as well as preparation and staging of equipment ready to make the first invoice and payment generating deliveries upon instruction to proceed from the customer.

Much planning work has also been completed in respect of our \$180m (£145m) contract with a SE Asia National Coast Guard (as announced on 18 May 2023), which is expected to commence in the next few months upon completion of a government-to-government loan agreement, which is in its final formal stages. This work has included the completion of the substantial procurement planning which includes supplier selection, price and terms negotiation and detailed project planning with the customer and our local civil works contractors. This has included multiple in-country meetings as well as a recent multi-agency final project planning and review meeting in the UK with the end customer and the UK government present. We expect to commence first deliveries during Q4, which will also include the first substantial revenue milestones.

We have also been working closely with an existing long-standing Middle East Coast Guard who wishes to move on to the next stage of their maritime surveillance system strategy and expand and enhance their existing system. Following the usual period of consultations which has defined the scope of this follow-on phase we have received official notification that they are now ready to proceed and are awaiting issue of the contract, expected shortly, whereupon we shall immediately commence implementation with some deliverables potentially falling into H2 depending on the exact timing of contract and equipment procurement lead times.

In tandem with this focused work on existing customers, our sales and support teams have substantially progressed negotiations and project specification discussions with several of our validated new contract opportunities and as such we expect to see further new contracts in the near future. In general, we continue to see growing interest and engagement from nation-state agencies who desire to acquire independent maritime surveillance capabilities to transform their understanding and monitoring of their marine domains and adopt a digital intelligence lead approach to active management and law enforcement.

The SRT-MDA System has continued its development journey and has grown to be a sophisticated national scale integrated surveillance and monitoring system which can be configured for either coast guard and or fisheries users. Our development teams continue to enhance its capabilities with particular focus around its data fusion, analytics and command & control capabilities. This is a long-term continuous improvement development roadmap which is the foundation of our success and will support the long-term relationships we form with customers.

Transceivers

Our transceivers business, which develops and sells maritime navigation safety and communication transceivers, continues to grow, with revenues 5% ahead of the comparative period last year. This growth reflects the established long-term market trend of marine navigation digitisation and SRT's position as the dominant provider of AIS and related transceiver systems. We see a blend of growing regulation and market-ripple adoption driving demand, for example the Port of Antwerp has recently extended existing regulation affecting certain classes of commercial vessels to make it mandatory that all vessels operating there are required to have an AIS.

We have continued to grow our global distribution network which now consists of over 5,000 entities, from dealers and distributors for our own em-trak brand to leading original equipment manufacturers ("OEM's") located across the world from Australia, Japan to Europe and USA. Of note is our high margin Digital ATON Systems ("DAS") sub-division which is focused on providing specialist navigation devices for buoys and infrastructure. We see a substantial global opportunity and have launched new kitted products which make it easy for ports, waterways, and marine infrastructure owners to implement these systems with full interoperability with their existing systems. This is revealing new and unexpected opportunities, an example being a new opportunity whereby many thousands of fish farms in the EU will require tracking and monitoring using AtoN's from next year. We now have a dedicated salesperson focused on this growing market, and this has started to bear fruit with more sales and a growing pipeline of opportunities.

Our new NEXUS marine communication VHF/DSC radio system is now in its later stages of development and commenced its testing phase along with a soft launch to our dealers in the November METS exhibition. We have had a stronger market reaction than was expected and received forward orders for over 100 units within the first three days of the soft launch. We expect to complete all final testing and pre-production by the summer of 2024 and start shipping product in Autumn 2024. This is approximately 12 months later than we had originally planned due to a conscious decision to be cautious and undertake a much more extensive product testing and refinement period due to the complexity of the product and to ensure our first voice communications product is of a standard commensurate with what the market expects from an SRT device.

Outlook

I acknowledge and appreciate shareholders concerns regarding the financial performance imbalance between the two halves of this financial year; however, this is the nature of the timing of revenue related deliverables on our current systems projects and was expected. With the revenue milestones scheduled for the second half, we are confident of our full year performance.

Going forward, with multiple system contracts running in parallel, we expect a smoother distribution of revenues across financial periods. However, I must highlight that the exact timing of deliverables on a project are influenced by multiple factors, some of which beyond our control and thus they can easily slip either side of an accounting line. This does not detract from the fundamentals of our business which are now built on robust, proven products that deliver multiple revenue streams with defensible profit margins, being delivered by an experienced team into a global market whose growth is driven by strong fundamentals of security, safety and environment protection.

Kevin Finn
Chairman

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

	Notes	Six months ended 30 Sep 2023 Unaudited £	Six months ended 30 Sep 2022 Unaudited £	Year ended 31 Mar 2023 Audited £
Revenue		5,502,316	18,836,044	30,506,152
Cost of sales		(3,441,404)	(11,633,644)	(19,467,188)
Gross profit		2,060,912	7,202,400	11,038,964
Administrative costs		(6,268,250)	(4,742,197)	(10,903,940)
Operating (loss) / profit		(4,207,338)	2,460,203	135,024
Finance expenditure		(411,355)	(337,628)	(781,547)
Finance income		13	137	351
(Loss) / profit before income tax		(4,618,680)	2,122,712	(647,172)
Income tax credit		-	-	715,692
(Loss) / profit for the period		(4,618,680)	2,122,712	69,520
Total comprehensive (loss) / profit for the period		(4,618,680)	2,122,712	69,520
(Loss) / earnings per share:				
Basic	2	(2.47)p	1.17	0.04p
Diluted	2	(2.47)p	1.16	0.04p

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023**

	Notes	As at 30 Sep 2023 Unaudited £	As at 30 Sep 2022 Unaudited £	As at 31 Mar 2023 Audited £
Assets				
Non-current assets				
Intangible assets		12,989,804	10,705,675	11,756,717
Property, plant and equipment		1,246,425	1,287,004	1,256,223
Total non-current assets		14,236,229	11,992,679	13,012,940
Current assets				
Inventories		4,304,490	2,672,582	3,465,626
Trade and other receivables		4,268,348	13,434,163	5,828,652
Current tax recoverable		973,188	978,963	968,607
Cash		3,930,126	1,522,079	2,181,548
Restricted cash		949,115	906,245	949,115
Total current assets		14,425,267	19,514,032	13,393,548
Liabilities				
Current liabilities				
Trade and other payables		(7,189,712)	(11,592,880)	(7,009,926)
Borrowings	3	(9,690,000)	(3,962,500)	(8,002,500)
Current tax liabilities		-	-	(199,126)
Lease liabilities		(250,840)	(223,137)	(237,371)
Total current liabilities		(17,130,552)	(15,778,517)	(15,448,923)
Net current (liabilities) / assets		(2,705,285)	3,735,515	(2,055,375)
Total assets less current liabilities		11,530,944	15,728,194	10,957,565
Long term liabilities				
Borrowings	3	-	(2,985,000)	-
Lease liabilities		(638,159)	(704,026)	(649,946)
Total long term liabilities		(638,159)	(3,689,026)	(649,946)
Net assets		10,892,785	12,039,168	10,307,619
Shareholders' equity				
Share capital	4	192,428	180,677	181,517
Share premium account		23,245,908	18,067,612	18,213,072
Other reserves		5,490,596	5,490,596	5,490,596
Retained loss		(18,036,147)	(11,699,717)	(13,577,566)
Total shareholders' equity		10,892,785	12,039,168	10,307,619

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

		Six months ended 30 Sep 2023 Unaudited	Six months ended 30 Sep 2022 Unaudited	Year ended 31 Mar 2023 Audited
	Notes	£	£	£
Cash (used in) / generated from operating activities	5	(1,683,914)	(794,348)	778,840
Corporation tax (paid)/ received		(203,707)	-	925,174
Net cash (used in) / generated from operating activities		(1,887,621)	(794,348)	1,704,014
Investing activities				
Expenditure on product development		(2,494,889)	(2,483,961)	(4,795,292)
Purchase of property, plant and equipment		(83,042)	(57,955)	(199,061)
Interest received		13	137	351
Net cash used in investing activities		(2,577,918)	(2,541,779)	(4,994,002)
Financing activities				
Gross proceeds on issue of shares		5,408,231	-	146,300
Costs of issue of shares		(364,484)	-	-
New loans issued		2,000,000	15,000	1,695,000
Loan repayments		(312,500)	(625,000)	(1,250,000)
Lease repayments		(124,357)	(139,323)	(258,835)
Loan interest paid		(392,773)	(317,072)	(742,660)
Net cash generated from / (used in) financing activities		6,214,117	(1,066,395)	(410,195)
Net increase / (decrease) in cash and cash equivalents		1,748,578	(4,402,522)	(3,700,183)
Net cash and cash equivalents at beginning of period		3,130,663	6,830,846	6,830,846
Net cash and cash equivalents at end of period		4,879,241	2,428,324	3,130,663

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

	Share Capital	Share Premium	Retained Earnings	Other Reserves	Total
	£	£	£	£	£
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
Total comprehensive loss for the period	-	-	(2,053,192)	-	(2,053,192)
Share based payment charge	-	-	175,343	-	175,343
Issue of equity share capital	840	145,460	-	-	146,300
At 31 March 2023	181,517	18,213,072	(13,577,566)	5,490,596	10,307,619
Total comprehensive loss for the period	-	-	(4,618,680)	-	(4,618,680)
Share based payment charge	-	-	160,099	-	160,099
Issue of equity share capital	10,911	5,397,320	-	-	5,408,231
Cost of issue of shares	-	(364,484)	-	-	(364,484)
At 30 September 2023	192,428	23,245,908	(18,036,147)	5,490,596	10,892,785

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 2024.

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 2023 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 and included an emphasis of matter paragraph in relation to the uncertainties associated with the forecasting of future revenues and profits.

The financial information for the six months ended 30 September 2023 and 30 September 2022 is unaudited. The interim financial statements will be available to download on the Company's website www.srt-marine.com from 20 November 2023.

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 2023.

2. (Loss) / earnings per share

The basic (loss) / earnings per share has been calculated using the loss for the period of £4,618,680 (six months ended 30 September 2022 - profit of £2,122,712, year ended 31 March 2023 – profit of £69,520) divided by the weighted average number of ordinary shares in issue of 187,174,103 (six months ended 30 September 2022 – 180,676,939 and year ended 31 March 2023 – 180,961,021).

During the period ended 30 September 2023, the Group has incurred a loss for the period and therefore there is no impact of the share options granted on diluted earnings per share.

For the previous period ended 30 September 2022, the calculation of diluted earnings per share has been calculated on profit for the period of £2,122,712 (year ended March 31 2023 profit 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 to be issued for no consideration. The number of dilutive shares under option at 30 September 2022 was 1,787,866 (At March 31 2023 1,958,724) and the weighted average number of ordinary shares for the purposes of dilutive earnings per share was 182,464,805 (year to 31 March 2023 182,919,745).

3. Borrowings

	30 Sep 2023 Unaudited	30 Sep 2022 Unaudited	31 Mar 2023 Audited
	£	£	£
Less than one year:			
Bank loan	2,000,000	937,500	312,500
Other loan	7,690,000	3,025,000	7,690,000
Total	9,690,000	3,962,500	8,002,500
More than one year:			
Bank loan	-	-	-
Other loan	-	2,985,000	-
Total	-	2,985,000	-

The bank loan was drawn down in September 2023 as a short-term loan provided under the UK Government Recovery Loan Scheme (RLS) at an interest rate of 3.5% above base rate.

Other loans relate to drawdowns on a secured note programme which has been arranged by LGB Capital Markets. The loan note liabilities are secured by a floating charge over the Group's assets. The loans have terms of up to 3 years and interest rates of 8-12%.

During the current period and previous 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 2023 Unaudited £	30 Sep 2022 Unaudited £	31 Mar 2023 Audited £
Allotted:			
Ordinary shares of 0.1p each	192,428	180,677	181,517

Reconciliation of movement in share capital

Number of shares

Shares issued at 31 March 2022 and September 2022

180,676,939

Exercise of share options (a)	210,000
Exercise of share options (b)	530,000
Exercise of share options (c)	100,000

Shares issued at 31 March 2023

181,516,939

Exercise of share options (d)	8,000
Placing of shares (e)	10,720,000
Exercise of share options (f)	15,000
Exercise of share options (g)	48,000
Exercise of share options (h)	120,000

Shares issued at 30 September 2023

192,427,939

Notes:

- a) 150,000 share options were exercised at a price of 18p in November 2022 and a further 60,000 at a price of 23p in the same month.
- b) 500,000 share options were exercised at a price of 20p in December 2022 and a further 30,000 at a price of 18p in the same month.
- c) 100,000 share options were exercised at a price of 0.1p in February 2023.
- d) 8,000 share options were exercised at a price of 0.1p in April 2023.
- e) The placing in June 2023 took place at 50p per share raising gross proceeds of £5,360,000 before costs of £364,484.
- f) 15,000 share options were exercised at a price of 0.1p in July 2023.
- g) 40,000 share options were exercised at a price of 26p in August 2023 and a further 8,000 at an exercise price of 0.1p in the same month.
- h) 120,000 share options were exercised at a price of 31.5p in September 2023.

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

	Six months ended 30 Sep 2023 Unaudited £	Six months ended 30 Sep 2022 Unaudited £	Year ended 31 Mar 2023 Audited £
Operating (loss) / profit	(4,207,338)	2,460,203	135,024
Depreciation of property, plant and equipment	200,296	241,005	474,226
Amortisation of intangible fixed assets	1,261,803	1,146,354	2,406,644
Share-based payment charge	160,099	123,933	299,276
Increase in inventories	(838,864)	(312,660)	(1,105,704)
Increase in trade and other payables	179,786	5,133,245	550,291
Decrease / (increase) in trade and other receivables	1,560,304	(9,586,428)	(1,980,917)
Net cash (used in) / generated from operating activities	(1,683,914)	(794,348)	778,840