

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

FINAL RESULTS FOR THE 15 MONTH PERIOD ENDED 30 JUNE 2024

SRT Marine Systems PLC, a provider of maritime surveillance, monitoring and management systems, announces its results for the 15-month financial period ending 30 June 2024.

FINANCIAL SUMMARY

- Revenues of £14.8m and a loss for the period.
- £5.7m new product and technology investment.
- £320m of system contracts.
- New system contract prospects pipeline of £1.2bn.

OPERATIONAL HIGHLIGHTS

- NEXUS entered pre-production and final certification phase prior to commencement of shipping in the new financial year.
- New version of SRT-MDA System deployed across existing SRT system customers with enhanced functionality and performance.
- Build-up of SRT system delivery team to support implementation of multiple contracts in multiple countries.

NOTICE OF AGM

- The AGM will be held at the Centurion Hotel, Charlton Lane, Radstock BA3 4BD commencing at 11.00am on 23 January 2025. 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:

"I had hoped for, and expected, a much better financial result for the financial period ending June 2024. We under-estimated the time it would take for the final administrative processes to complete for contracts worth approximately £320m, resulting in significantly lower revenues and profit contribution during the period. However, this time, and the investment received during the period, has given a critical advantage in that we have been able to prepare and build up our capacity to execute on multiple system contracts simultaneously. SRT now enters the new financial year with a runway of £320m of system projects that we expect to implement over the next two years, a further pipeline worth up to £1.2bn of prospects and the launch of our new NEXUS marine communications transceiver through our global network of 5,000 distribution partners. I am grateful for the significant investment support that has enabled SRT to reach this pivotal point and I, and the whole SRT team, are focused on delivering on these contracts and others in the coming years."

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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

The financial period has been one of significant investment in our technologies, products and capacity in preparation to simultaneously support multiple substantial system projects and launch our NEXUS marine VHF/AIS radio system. These investments place SRT in a transformational situation for the new financial year and the years ahead.

Previously expected substantial revenues from new system contracts and our new NEXUS transceiver will now commence in the new financial year which has resulted in our revenues for the extended 15 month financial period, ending 30 June 2024, being much lower than expected at £14.8m (2023: £30.5m) of which transceivers generated £13.3m and systems £1.5m. Gross profit margin was 28% (2023: 36%) with the reduction due to an increase in system project costs associated with project finalisation and warranty and support activities. Combined with the additional necessary preparation investments for multiple new system projects, this has resulted in a loss after tax of £13.7m (2023: profit £0.1m). As at period ended 30 June 2024, cash was £2.8m (March 2023: £2.2m). As at period ended 30 June 2024, cash was £2.8m (March 2023: £2.2m). Following the period end, we are in the process of finalising a significant financing transaction which includes an equity fund raise of £8.5m that will go for shareholder approval in early December.

Our transceivers business is the global leader in digital maritime navigation safety transceivers. These are used by boats, both commercial and leisure, and on marine infrastructure such as buoys, to enable automated communication and enhance navigation safety day and night and in all weathers. Revenues for the 15-month period were £13.3m, generating a gross profit margin of 49%. We are pleased to report that following the Covid supply chain issues which caused our cost and consequently sales prices to spike, normality has returned resulting in both average cost and selling prices reducing, along with normalised margins and manufacturing lead times.

We distribute our transceiver products via a growing global network of approximately 5,000 value added resellers (VAR's) as well as direct to end users, both under our own brands and as an OEM supplier under their brands. This is a hugely valuable network which provides us with global market penetration and therefore during the period we have continued to take care of this network through improving product training and knowledge and preparing them for the coming launch of NEXUS.

In our vessel transceivers business, we primarily sell AIS navigation devices. The long-term underpinning demand drivers for these are well established with a steady buildup of regulations around the world, coupled with a standardisation of AIS as an important navigation system when vessels are first bought. During the period we saw sales in our OEM business fall, due to the reduction in brand-new boat purchases which is the primary source of new business for 'packaged' branded marine electronics systems. We expect to see a further fall and then stabilisation in the new year reflecting the reduced market demand for new boats. However, in the retro-fit market, we saw volumes increase with revenues about the same as the previous year due to the per unit price normalisation following the Covid spike. We expect to see the trend of increasing volumes and therefore revenues continue in future years as more and more boat owners fit and use AIS.

Our DAS transceivers division provides specialist digital Aids to Navigation transceivers which are used on buoys and other marine infrastructure to digitally mark them and enable enhanced navigation safety and autonomy. With most of the world's navigation infrastructure still being analogue we see a substantial and long-term market opportunity in which we have invested heavily to develop the necessary technology, products and market distribution. Our focus has been to work with our distribution network and relevant waterway authorities to develop DAS deployment strategies and sales opportunities. We are starting to see the fruits of this strategy with revenues for the 15-month financial period amounting to £2.4m (year to 31 March 2023: £1.2m), whilst maintaining a healthy 81% gross profit margin. Looking to the future, for the first time we now have an identified sales order pipeline which we are targeting and believe we will continue to see this segment grow from its current low base.

Development wise, our focus has been the completion of NEXUS which is a new combined voice and data (VHF/DSC/AIS) marine communications transceiver system, with innovative mobile device integration and functionality. This takes us into a new and significant marine electronics market segment. I am pleased to report that NEXUS has entered pre-production and is in its final phases of user testing and refinement. Following a soft launch in 2023 to some of our dealer network, for the first time we have a forward order book for a new product. In November 2024, NEXUS was officially launched under the em-trak brand as the X100. Our global VAR network enables us to achieve global market presence instantly with shipping to commence during early 2025. As a new product we will cautiously limit initial sales in order to garner early user feedback and implement market derived ideas before ramping production. Therefore, whilst market indications suggest strong demand, during the initial 6 to 12 months, we will control sales.

Our systems business delivers sophisticated maritime surveillance, intelligence and management systems to national agencies such as Coast Guards, Border Agencies and Fishing Authorities worldwide. Under our Sovereign Partnership program we have built relationships with four countries in Asia and the Middle East and completed projects worth £50m, and have a further £320m of contracts signed which are now starting. Looking to next year and beyond we have a growing pipeline of prospective new contract opportunities with both existing and new customers which today is valued at approximately £1.2bn. We believe this global market is at the start of its growth and development on the basis that in the future most countries with a coastline and sovereign marine areas will want to have independent next generation maritime surveillance capabilities.

We had expected some of the £320m of new contracts to commence during the current financial period, and therefore took action to prepare. This has entailed the forward purchase of certain equipment ready to ship against early contractual milestone, and the build-up of additional implementation capacity. However, due to unexpected extended customer contract administrative processes the commencement of these contracts was delayed into the new financial year. As of the publication of this report, we have commenced work on our recently announced \$213m contract with the Kuwait Ministry of Interior and are pleased to advise that the final administrative processes on the other contracts are nearly complete and thus expect work to commence at the beginning of the second half of the new financial year. Whilst the combination of increased overheads and delayed revenues has resulted in a significant loss for the period, these extensive preparations have placed us in a good position to successfully implement these multiple system projects within the expected two year time frame.

During the period we also continued to progress discussions with many new opportunities in our Validated Sales Pipeline (VSP) which stands at an estimated £1.2bn. We expect several of these to convert into contract during 2025 and further conversions, and new additions thereafter.

It is clear to us that we are now entering a new phase of significant growth driven by these existing contracts, follow on contracts and new ones we expect to convert. This is the result of many years of investments in our core technologies, products and capacity to successfully deliver. During the period, we completed several equity raises - in June 2023 we completed a raise of £5.4m followed by a further £10.5m in December 2023, with Ocean Infinity strategically acquiring a stake in SRT and we are starting to leverage our respective complementary products and technologies. In November 2024, we successfully raised a further £8.5m, with Ocean Infinity increasing their stake in SRT and a representative will join our board once the necessary shareholder approvals are obtained for this transaction. This last transaction is expected to complete in early December 2024. These transactions have provided us with the working capital to sustain our product and market investments and be in the strong position we are in today with £320m of contracts and the capacity and capability to deliver to the standards and timescales expected by our customers.

Outlook

Our strategy has been all about investing in technologies and products based upon our expectation that the global marine market for a new generation of digital navigation and surveillance will be very significant. This has entailed a long and continuous period of heavy investment in order for us to have the products and develop the market. We now have the products, the global distribution and signed contracts of over £320m, along with a significant pipeline of future opportunities. This places us in an excellent position to start to realise favourable financial performance in the new year and consistently in the following years. In the immediate two years we will be executing on our existing contracts and pushing forward with growing our transceiver business through our 5,000 VAR's. Furthermore, we expect this to be augmented by conversions from our £1.2bn pipeline of new contract opportunities. We therefore believe the coming years will be transformational.

Kevin Finn**Chairman****1 December 2024**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 15 MONTH PERIOD ENDED 30 JUNE 2024

	Note	15 months ended 30 June 2024 £	Year ended 31 March 2023 £
Revenue		14,814,532	30,506,152
Cost of sales		(10,612,259)	(19,467,188)
Gross profit		4,202,273	11,038,964
Administrative costs		(17,178,858)	(10,723,838)
Foreign exchange losses		(215,024)	(180,102)
Total administrative costs and foreign exchange losses		(17,393,882)	(10,903,940)
Operating (loss) / profit		(13,191,609)	135,024
Finance expenditure		(1,253,090)	(781,547)
Finance income		44,073	351
Loss before tax		(14,400,626)	(646,172)
Income tax credit		746,807	715,692
(Loss) / profit for the period after tax		(13,653,819)	69,520
Total comprehensive (expense) / income for the period		(13,653,819)	69,520
(Loss) / earnings per share:	4		
Basic		(6.76)p	0.04p
Diluted		(6.76)p	0.04p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note	30 June 2024 £	31 March 2023 £
Assets			
Non-current assets			
Intangible assets		14,170,410	11,756,717
Property, plant and equipment		1,131,528	1,256,223
		<hr/>	<hr/>
Total non-current assets		15,301,938	13,012,940
Current assets			
Inventories		8,050,899	3,465,626
Trade and other receivables		2,355,402	5,828,652
Current tax recoverable		831,085	968,607
Cash		2,777,083	2,181,548
Restricted cash		949,115	949,115
		<hr/>	<hr/>
Total current assets		14,963,584	13,393,548
Liabilities			
Current liabilities			
Trade and other payables		(3,807,712)	(7,009,926)
Borrowings	5	(10,711,673)	(8,002,500)
Current tax liabilities		-	(199,126)
Lease liabilities		(241,098)	(237,371)
		<hr/>	<hr/>
Total current liabilities		(14,760,483)	(15,448,923)
Net current assets / (liabilities)		203,101	(2,055,375)
		<hr/>	<hr/>
Total assets less current liabilities		15,505,039	10,957,565
Non-current liabilities			
Borrowings	5	(2,955,864)	-
Lease liabilities		(496,003)	(649,946)
		<hr/>	<hr/>
Total non-current liabilities		(3,451,867)	(649,946)
		<hr/>	<hr/>
Net assets		12,053,172	10,307,619
Shareholders' equity			
Share capital		222,634	181,517
Share premium account		33,179,666	18,213,072
Retained loss		(26,839,724)	(13,577,566)
Other reserves		5,490,596	5,490,596
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Total shareholders' equity		12,053,172	10,307,619
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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 15 MONTH PERIOD ENDED 30 JUNE 2024

	15 months ended 30 June 2024 £	Year ended 31 March 2023 £
Cash (used in) / generated from operating activities	(13,277,621)	778,840
Corporation tax received	685,205	925,174
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Net cash (used in) /generated from operating activities	(12,592,416)	1,704,014
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Investing activities		
Expenditure on product development	(5,732,755)	(4,795,292)
Purchase of property, plant and equipment	(267,865)	(199,061)
Interest received	44,073	351
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Net cash used in investing activities	(5,956,547)	(4,994,002)
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Financing activities		
Gross proceeds on issue of shares	15,947,332	146,300
Costs of issue of shares	(939,621)	-
New loans issued	7,190,020	1,695,000
Loan repayments	(1,524,983)	(1,250,000)
Lease repayments	(319,848)	(258,835)
Loan interest paid	(1,208,402)	(742,660)
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Net cash generated from / (used in) financing activities	19,144,498	(410,195)
	<hr/>	<hr/>
Net increase / (decrease) in cash and cash equivalents	595,535	(3,700,183)
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Net cash and cash equivalents at beginning of period	3,130,663	6,830,846
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Net cash and cash equivalents at end of period	3,726,198	3,130,663
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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 29 November 2024. 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 15-month period ended 30 June 2024 or the year ended 31 March 2023.

The financial information has been extracted from the statutory accounts of the Company for the 15-month period ended 30 June 2024 and the year ended 31 March 2023. 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 period ended 30 June 2024 and the year ended 31 March 2023 drew attention by way of emphasis of matter to the recoverability of certain assets, and the audit report for the year ended 31 March 2023 also drew attention by emphasis of matter to a material uncertainty relating to going concern.

The statutory accounts for the year ended 31 March 2023 have been delivered to the Registrar of Companies, whereas those for the 15-month period ended 30 June 2024 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 2023. 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 loss after taxation of £13,653,819 (2023: profit £69,520) divided by the weighted number of ordinary shares in issue of 202,114,658 (2023: 180,961,021).

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

During the previous year the calculation of diluted earnings per share has been calculated on profit 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.

5. Borrowings

Bank loan

The bank loan (amount owed at 30 June 2024: £1,500,000) was drawn down in September 2023 as a loan under the UK government Recovery Loan Scheme (RLS) at an interest rate of 3.5% above base, with repayments in instalments to September 30 2024. Subsequent to the period end, the date of the final repayment of £500,000 was extended to December 2024.

Loan notes

As of 30 June 2024, the outstanding balance of loan notes amounted to £8,320,000. 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%.

Equipment loan

During the period, an equipment loan of £4,145,020 was drawn in respect of purchases for a systems project. The loan is repayable in quarterly instalments over a 3-year period with an interest rate of 4%.

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 December 2024.

The AGM will be held at the Centurion Hotel, Charlton Lane, Radstock BA3 4BD at 11.00am on January 23, 2025. Prior to the commencement of the formal AGM there will be an Open Morning at SRT's offices, commencing at 9.00am.