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SRT MARINE SYSTEMS PLC (“SRT” or the “Group”)

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

SRT, the AIM-quoted developer and supplier of maritime identification and tracking technologies, announces its unaudited interim results for the six months ended 30 September 2018 (the “Period”).

Financial Highlights

- Revenue increased by 10%
- Gross profit margin of 41%
- Gross cash of £1.4 million as at the period end
- Equity raise of £3 million and Loan Note Refinancing

Operational Summary

- Completion of transceiver production transfer
- Expansion in transceiver distributor network
- Significant increase of GeoVS system functionality
- Progress with system contract negotiations

Chairman’s Statement

The first half of the year has seen steady financial progress broadly in line with our expectations and significant operational and system related activities.

Revenue for the first half was primarily derived from our transceiver business and grew by 10% to £3.2 million (2017: £2.9 million), generating a 41% gross profit margin (2017: 46%). During the period no material system project delivery milestones were completed.

Administrative expenses were reduced to £2.5 million (2017: £3.1 million) largely due to some favourable foreign exchange movements on US dollar-based receivables. This resulted in a loss before tax £1.3 million (2017: loss before tax and exceptional item of £1.8 million).

We are pleased with the progress of our transceivers business which develops and manufactures AIS transceivers used in the marine industry for a variety of safety, security and monitoring purposes. Our investments of the past two years have resulted in a broader range of products with improved performance and functionality and are now in volume production. We will continue to work with existing distribution partners as well as selectively grow our network to maximise market penetration. In parallel we have commenced development activities to leverage the additional embedded capabilities within these new products to provide new added value user functionality on the transceivers to widen their appeal and utility within the leisure and commercial markets as well as innovative functionality that integrates with our various system offers. We expect to see demand for AIS across all application and geographic segments to continue to grow steadily in the future and believe that our investments will ensure that our position as the leading global supplier is further consolidated.

Our systems business is based around our GeoVS maritime domain awareness system application. GeoVS has evolved to be a sophisticated maritime surveillance, intelligence and analytics system that delivers customers such as coast guards, fisheries and port & waterway authorities enhanced control and understanding of their marine domain. We see that the global market has entered a phase of significant maritime surveillance and monitoring system upgrades due to the availability of a new generation of sensor technologies and analytics systems. We have completed a number of systems around the world and are

actively and aggressively addressing the global maritime surveillance, security and monitoring market place. I am pleased to report that our pipeline of visible systems contract opportunities now stands at an aggregate value in excess of £400 million, with several of them in their final stages prior to contract and commencement of execution.

Our systems business involves the delivery of complete turn-key system solutions for the customer. These include the provision of various hardware, such as AIS devices that we produce, as well as third party items such as radar, communications, surveillance CCTV. In addition, we supply and integrate various forms of monitoring data from satellites for extended range monitoring which will provide a growing source of long-term recurring revenues in addition to ongoing system upgrades. All of this is integrated into a single operating platform by our GeoVS application. In 2017 we announced our intention to invest in our own satellite constellation. Following a period of intensive research and evaluation we have decided not to proceed with this investment. The satellite market is rapidly evolving with numerous competing systems being launched, thus providing SRT with a wide choice and a highly competitive market within which we can source the data our customers need.

In May the Company announced an equity fundraising of £3 million in order to provide the Company with growth capital and working capital to fund new and ongoing systems projects as well as to accelerate product development. In addition, the Company refinanced £1.15 million of short term loan notes by issuing new three year loan notes to the same value. The Company now has £3.15 million of Loan Notes drawn down of a £10 million available facility.

In summary, our transceivers business is well positioned to continue its long term growth path through the combination of better products and distribution, coupled with increasing adoption in the huge EU and USA commercial and leisure markets. SRT has established itself as a major player in the global maritime surveillance and security market, with proven projects completed, and a pipeline of major opportunities some of which are in their final stages of closure. I therefore expect the second half to see significant systems deliverables from multiple contracts and associated revenues as well as a solid contribution from our transceivers business.

Kevin Finn
Chairman

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

		Six months ended 30 Sep 2018 Unaudited £	Six months ended 30 Sep 2017 Unaudited £	Year ended 31 Mar 2018 Audited £
Revenue		3,223,804	2,928,576	5,331,559
Cost of sales		(1,915,550)	(1,591,591)	(3,026,374)
Gross profit		1,308,254	1,336,985	2,305,185
Administrative expenses		(2,472,004)	(3,082,711)	(6,469,102)
Operating loss before exceptional item		(1,163,750)	(1,745,726)	(4,163,917)
Exceptional item	3	-	(1,490,318)	(1,490,315)
Operating loss after exceptional item		(1,163,750)	(3,236,044)	(5,654,232)
Finance expenditure		(143,609)	(24,132)	(125,426)
Finance income		224	88	224
Loss before income tax		(1,307,135)	(3,260,088)	(5,779,434)
Income tax credit	4	113,829	158,714	551,866
Loss for the period		(1,193,306)	(3,101,374)	(5,227,568)
Total comprehensive loss for the period		(1,193,306)	(3,101,374)	(5,227,568)
Loss per share:				
Basic	2	(0.88)p	(2.43)p	(4.09)p
Diluted	2	(0.88)p	(2.43)p	(4.09)p

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

	Notes	As at 30 Sep 2018 Unaudited £	As at 30 Sep 2017 Unaudited £	As at 31 Mar 2018 Audited £
Assets				
Non-current assets				
Intangible assets		6,275,385	6,053,887	6,222,819
Property, plant and equipment		175,431	190,593	177,479
Deferred Tax		386,517	-	272,688
Total non-current assets		6,837,333	6,244,480	6,672,986
Current assets				
Inventories		3,353,330	3,320,074	3,443,685
Trade and other receivables		4,660,048	4,129,170	4,433,000
Cash and cash equivalents		1,426,402	2,137,547	1,364,437
Total current assets		9,439,780	9,586,791	9,241,122
Liabilities				
Current liabilities				
Trade and other payables		(1,431,387)	(1,249,781)	(2,529,630)
Financial liabilities		(250,000)	(2,500,000)	(1,650,000)
Total current liabilities		(1,681,387)	(3,749,781)	(4,179,630)
Net current assets		7,758,393	5,837,010	5,061,492
Long term liabilities				
Financial liabilities		(3,150,000)	(250,000)	(2,000,000)
Deferred tax		-	(120,464)	-
Total long term liabilities		(3,150,000)	(370,464)	(2,000,000)
Net assets		11,445,726	11,711,026	9,734,478
Shareholders' equity				
Ordinary shares	5	139,743	127,703	127,743
Share premium		7,738,311	4,895,189	4,905,549
Other reserves	7	5,490,596	5,490,596	5,490,596
Retained earnings		(1,922,924)	1,197,538	(789,410)
Total shareholders' equity		11,445,726	11,711,026	9,734,478

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

	Notes	Six months ended 30 Sep 2018 Unaudited £	Six months ended 30 Sep 2017 Unaudited £	Year ended 31 Mar 2018 Audited £
Cash used in operating activities	6	(1,635,351)	(353,825)	(993,536)
Corporation tax received		-	-	-
Net cash used in operating activities		(1,635,351)	(353,825)	(993,536)
Investing activities				
Expenditure on product development		(711,324)	(969,434)	(1,876,920)
Purchase of property, plant and equipment		(42,737)	(48,511)	(83,666)
Interest received		224	88	224
Net cash used in investing activities		(753,837)	(1,017,857)	(1,960,362)
Cash outflow before financing		(2,389,188)	(1,371,682)	(2,953,898)
Financing activities				
Net proceeds from issue of ordinary share capital		2,844,762	22,500	32,900
Net proceeds from debt financing		-	1,750,000	3,150,000
Repayments on loan		(250,000)	-	(500,000)
Interest paid		(143,609)	(24,132)	(125,426)
Net cash inflow from financing activities		2,451,153	1,748,368	2,557,474
Net increase / (decrease) in cash and cash equivalents		61,965	376,686	(396,424)
Cash and cash equivalents at beginning of period		1,364,437	1,760,861	1,760,861
Cash and cash equivalents at end of period		1,426,402	2,137,547	1,364,437

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

	Share Capital	Share Premium	Retained Earnings	Other Reserves	Total
	£	£	£	£	£
Balance at 31 March 2017	127,613	4,872,779	4,138,891	5,490,596	14,629,879
Comprehensive loss for the period	-	-	(3,101,374)	-	(3,101,374)
Share based payment expense	-	-	160,021	-	160,021
Issue of equity share capital	90	22,410	-	-	22,500
Balance at 30 September 2017	127,703	4,895,189	1,197,538	5,490,596	11,711,026
Comprehensive loss for the period	-	-	(2,126,194)	-	(2,126,194)
Share based payment expense	-	-	139,246	-	139,246
Issue of equity share capital	40	10,360	-	-	10,400
Balance at 31 March 2018	127,743	4,905,549	(789,410)	5,490,596	9,734,478
Comprehensive loss for the period	-	-	(1,193,306)	-	(1,193,306)
Share based payment expense	-	-	59,792	-	59,792
Issue of equity share capital	12,000	2,988,000	-	-	3,000,000
Share issue costs	-	(155,238)	-	-	(155,238)
Balance at 30 September 2018	139,743	7,738,311	(1,922,924)	5,490,596	11,445,726

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 European Union. 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 European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 March 2019.

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 2018 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 the disclosure in the financial statements surrounding the recoverability of debtors greater than 12 months old which had not been provided as well as a material uncertainty relating to going concern.

The financial information for the six months ended 30 September 2018 and 30 September 2017 is unaudited. The interim financial statements will be available to download on the Company's website www.srt-marine.com from 20 November 2018.

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 2018, except for the adoption during the period of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers". The policies applied during the period are the same policies expected to apply for the year ended 31 March 2019. There has been no impact on the interim statements as a result of these changes.

2. Earnings per share

The basic loss per share have been calculated using the loss for the period of £1,193,306 (six months ended 30 September 2017 - loss of £3,101,374; year ended 31 March 2018 - loss of £5,227,568) divided by the weighted average number of ordinary shares in issue of 135,807,993 (six months ended 30 September 2017 - 127,673,840 and year ended 31 March 2018 - 127,701,597).

During the six months ended 30 September 2018 and 2017, as well as the year ended 31 March 2018, 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. Exceptional item

During the previous period, the Group incurred an exceptional impairment charge of £1,490,318 in respect of its contract to supply an MDM system in South East Asia which has been postponed. This impairment was presented net following the provision of the associated debtor and the write back of associated project costs and Directors' bonuses that were accrued but not paid.

4. Income tax credit

During the period, the Group credited £113,839 of income tax to the profit and loss account in respect of an increase in its deferred tax asset. During the period ended 30 September 2017, £158,714 was credited in respect of a reduction in the Group's deferred tax liability and during the year ended 31 March 2018 £551,866 was also credited due to movements in deferred tax.

5. Called up share capital

	30 Sep 2018 Unaudited £	30 Sep 2017 Unaudited £	31 Mar 2018 Audited £
Allotted: (Ordinary shares of 0.1p each):	139,743	127,703	127,743

Share capital reconciliation:	Number of shares
Shares outstanding at 31 March 2017	127,612,419
a) <u>Exercise of employee share options</u>	90,000
Shares outstanding at 30 September 2017	127,702,419
b) <u>Exercise of employee share options</u>	40,000
Shares outstanding at 31 March 2018	127,742,419
c) <u>Placing of shares – May 2018</u>	12,000,000
<u>Shares outstanding at 30 September 2018</u>	<u>139,742,419</u>

- a) The exercise of share options took place in May 2017 at an exercise price of 25p and June 2017 at exercise prices of 23p and 29p
- b) The exercise of share options took place in December 2017 at an exercise price of 26p
- c) The placing in May 2018 took place at 25p per share raising gross proceeds of £3,000,000 before costs of £155,238

6. Cash from operations

	Six months ended 30 Sep 2018 Unaudited £	Six months ended 30 Sep 2017 Unaudited £	Year ended 31 Mar 2018 Audited £
Operating loss before exceptional item	(1,163,750)	(1,745,726)	(4,163,917)
Depreciation of property, plant and equipment	44,785	42,772	91,041
Amortisation of intangible fixed assets	658,758	726,502	1,465,055
Share-based payment charge	59,792	160,021	299,267
Decrease / (increase) in inventories	90,355	(38,553)	(162,164)
(Increase) / decrease in trade and other receivables	(227,048)	730,807	426,980
(Decrease) / increase in trade and other liabilities	(1,098,243)	(229,648)	1,050,202
Net cash used in operations	(1,635,351)	(353,825)	(993,536)

7. Other reserves

Other reserves consist of a capital redemption reserve of £2,857 (six months ended 30 September 2017 - £2,857 and year ended 31 March 2018 - £2,857), a warrant reserve of £62,400 (six months ended 30 September 2017 - £62,400 and year ended 31 March 2018 - £62,400) and a merger reserve of £5,425,339 (six months ended 30 September 2017 - £5,425,339 and year ended 31 March 2018 - £5,425,339). There were no movements in these reserves during the period.