

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

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

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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 2019 (the “Period”).

Financial Highlights

- Year on year period revenue increased by 9.8% to £3.5m (H118: £3.2m)
- Gross profit margin of 38% (H118: 41%)
- Gross cash of £1.7 million as at the period end (H118: £1.4m)
- Active new systems contracts pipeline increased to approximately £580m

Operational Summary

- Completion of first iteration of new fisheries monitoring transceiver (VMS-100)
- Completion of first phase of new AIS transceiver development program
- Significant functionality upgrade to GeoVS maritime domain awareness application
- Growth of delivery, product management and development teams

Chairman’s Statement

I am pleased to report that during the first half of our financial year the Group performed operationally in line with our plans and expectations and I look forward to reporting a busy and productive second half and next financial year.

Revenues grew year on year by 9.8% to £3.5m generating a gross profit margin of 38% and a loss before tax of £1.5m after administration costs of £2.7m and net finance costs of £0.2m. Cash balances as at 30 September 2019 were £1.7m, with trade and other debtors of £14.3m.

The vast majority of revenues during the first half were generated by our transceivers business with only a minimal contribution from our MDA systems business as no performance milestones were completed during this period. A significant cash payment was received from a systems customer as scheduled, counterbalanced by further significant purchases of equipment to complete milestones scheduled for the second half. Subsequent to the period end I can report that we have received a further £4.9m as scheduled from a systems customer, which related to revenue recognised on performance milestones completed during the previous financial year.

Our raw overhead cash expenditure which excludes adjustments such as exchange rate adjustments, depreciation, amortisation and development capitalisation amounted to £4.2m compared to £2.8m for the same period last year. This increase reflects a doubling of product development investment from £0.7m to £1.4m and relates to new transceivers and significant acceleration and expansion of GeoVS software development as well as our investments in our systems delivery and product management teams.

Our transceivers business enjoyed growing demand in both our OEM and em-trak sub-divisions, driven primarily by the continuing long-term adoption trend of AIS transceivers as standard equipment on boats, both commercial and leisure, coupled with steady expansion of our various OEM and em-trak sales channels. Underpinned by our strategy of focusing on developing core technology that delivers the best performance and so maximum AIS data, and derivative products that are robust and reliable with functionality that is practical and useful to the end user. All at price points which are affordable to the majority of boat owners. We

have also started to generate new revenue streams from customised versions of standard products such as specialist ruggedized and encrypted AIS transceivers for coast guards and emergency services applications.

During the period the first of a new range of products, the B900 series, were completed which will be exclusive to em-trak and will launch in November 2019 and commence shipping from January 2020. These new products deliver maximised AIS data and simultaneous multi-device connectivity to meet the market demand for maximum navigation functionality flexibility through an increasing use of feature rich tablets, PCs, phones and wearables for navigation on commercial and leisure boats. This development program, which commenced in 2018, will yield further innovative AIS related products during 2020 and 2021 for both our OEM and em-trak sub-divisions all of which will leverage our internal core radio communications technology development capabilities to produce robust, high performance integrated products that are affordable and desirable to the mass leisure and commercial marine markets. We therefore see many exciting growth opportunities for our transceivers business for the second half and beyond.

During the first half we have made significant progress with our systems business, both in respect of existing contracts and pending contract opportunities. This business delivers a turn-key integrated maritime surveillance, monitoring and management system (SRT-MDA System) which is configurable in scale and functionality depending on the customer. The system is used by coast guards or fishery authorities to enable them to detect and manage suspicious and illegal activities such as drug smuggling, piracy and illegal fishing.

Our systems delivery team has continued to make good progress with our fisheries contract with the Philippine Government. Extensive work has been completed by our Delivery team that includes surveying and preparing over 100 sites, as well as assembling large volumes of complex equipment shipped from our warehouse in the UK ready for installation and commissioning at these sites. We expect the monitoring system to start to come online from January 2020 whereupon the customer will commence day to day use of the system for fisheries management. This project benefits from our new ruggedized VMS-100 fisheries monitoring transceiver with electronic fish catch reporting interface which will start being installed on 5,000 vessels from early 2020. In validation trials, I am pleased to report that our system has proven its ability to receive status reports from fishing boats of any size once every 15 minutes. An exceptional performance level not seen until now in fisheries monitoring made possible by core technology innovation by the SRT transceiver development team.

On the development side, at the heart of the SRT-MDA system is our GeoVS platform. This is a sophisticated professional integrated software application which enables the fusion and processing of large amounts of surveillance data from multiple terrestrial and satellite sensor sources. It applies configurable real time and historical analytics to identify and detect threats and illegal activities along with advanced visualisation and integrated command and control to enable customer operatives to have enhanced situational awareness and manage appropriate action. During the first half we have continued to expand and accelerate our GeoVS development program and have made significant progress with the development and implementation of additional functionality. Areas of long-term focus include data fusion, data analytics, alert management, fish catch reporting and auditing and command and control. I am pleased to report that our considerable investments in GeoVS over many years have resulted in it becoming a significant asset for SRT and provides our systems offer with a differentiated level of integrated functionality and ultimately delivering enhanced maritime domain awareness for our customers.

As one of the pioneers of integrated maritime domain awareness systems, SRT has built a global reputation as a reliable and trusted supplier of such systems and as such given the continuing growing strategic importance to countries of their marine domain, we receive many inquiries and are engaged in many discussions with multiple authorities around the world. Each opportunity has different characteristics such as scale, budget, system composition, implementation concept, timescales and processes as dictated by the specific authority; however all have the same fundamental operational requirements which we deliver with the SRT-MDA system.

Most of our system discussions are confidential in nature and usually have a long gestation period due to the nature of a government turning a general idea into a real system with all the necessary regulations, budgets and approvals. Over the last few years, we have followed a very steep learning curve in respect of understanding the realities of the intricacies and complexities of the processes that each of these large

contracts must complete prior to SRT being contracted. Whilst predicting timescales remains imperfect, this knowledge now enables us to more accurately characterise system opportunities with regards to their status within a customer's process and better understand the real time window within which we would expect to be contracted and start implementing an SRT-MDA system. We hope this will reflect in an improving ability to provide market updates on the status of future system contract opportunities.

In a world where maritime surveillance has become of strategic importance to most countries, our daily challenge is to ensure that we focus the majority of our sales resources on those opportunities where we have verified that they have clarity on the system they want, have taken the decision to implement a system and most importantly have the budget, and therefore the route to a contract is a matter of process and time. We call this our validated sales pipeline (VSP) which is robustly reviewed and discussed by the Board and senior company management on a regular basis. During the first half the value of potential contracts in our VSP has increased to approximately £580m. This is largely due to the increase in value and scope of our opportunities in SE Asia. Each opportunity within our VSP requires considerable engagement from SRT across the business, including sales, product Management and delivery in order to support the customer in their process to bring the project to formal contract. This support will include activities such as advising on the writing of supporting laws and regulations, undertaking in country site surveys to determine the exact equipment specifications required and any practical challenges such as suitability of site power and connectivity and if not, identifying the solution.

I am pleased to report we have made very good progress with all our VSP opportunities, however, the precise status of each varies in respect of how far they are from contracting. Of the overall VSP, there are six specific projects in SE Asia and Middle East with an aggregate value of approximately £300m which we are confident are nearing the point of contract. These are of particular focus for our teams and work on them has been intense during the first half to support the customers final processes. Typically, the final contracting process is an entirely internal one to the customer and we are called upon as is necessary to resolve any administrative issues or understandings amongst their internal departments.

Each of our system contracts vary greatly in size and scope, from £1m to £150m and initial system implementation periods of anywhere between 6 months and 4 years. Each offers long term recurring revenue opportunities through the provision of regular customised satellite data feeds and/or system updates and expansion after the initial phase. Our SRT-MDA system combines real time coastal surveillance with long range satellite surveillance data to provide an optimised gapless picture of their maritime domain. Given the nature of large marine domains, we believe that the provision of satellite data such as relaying transmissions from our vessel transceivers, optical and Infrared imagery directly into the monitoring systems we have delivered, offer a significant long-term recurring revenue opportunity and as such we continue to investigate ways in which we can maximise the opportunity that our system contracts provide in this respect.

Looking to the second half I expect to see our transceivers business benefitting from the increased sales channels and new product launches during the seasonal buying period. I also expect to see our systems business completing several major performance milestones on our existing contracts and, subject to customer processes and timings, the conversion and commencement of new system contracts. As such, the Board remains comfortable with achieving market expectations.

Kevin Finn
Chairman

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

	Notes	Six months ended 30 Sep 2019 Unaudited £	Six months ended 30 Sep 2018 Unaudited £	Year ended 31 Mar 2019 Audited £
Revenue		3,541,039	3,223,804	20,559,699
Cost of sales		(2,181,374)	(1,915,550)	(11,229,754)
Gross profit		1,359,665	1,308,254	9,329,945
Administrative costs		(2,673,611)	(2,472,004)	(5,877,445)
Operating (loss) / profit		(1,313,946)	(1,163,750)	3,452,500
Finance expenditure	1	(231,833)	(143,609)	(275,195)
Finance income		803	224	363
(Loss) / profit before income tax		(1,544,976)	(1,307,135)	3,177,668
Income tax credit	3	160,434	113,829	230,703
(Loss) / profit for the period		(1,384,542)	(1,193,306)	3,408,371
Total comprehensive (loss) / profit for the period		(1,384,542)	(1,193,306)	3,408,371
(Loss) / earnings per share:				
Basic	2	(0.90)p	(0.88)p	2.43p
Diluted	2	(0.90)p	(0.88)p	2.36p

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

	Notes	As at 30 Sep 2019 Unaudited £	As at 30 Sep 2018 Unaudited £	As at 31 Mar 2019 Audited £
Assets				
Non-current assets				
Intangible assets		7,314,999	6,275,385	6,625,203
Property, plant and equipment	1	1,681,063	175,431	355,509
Deferred Tax		214,731	386,517	54,297
Total non-current assets		9,210,793	6,837,333	7,035,009
Current assets				
Inventories		4,304,690	3,353,330	2,234,378
Trade and other receivables		14,329,314	4,660,048	18,012,279
Cash and cash equivalents		1,747,439	1,426,402	3,942,167
Total current assets		20,381,443	9,439,780	24,188,824
Liabilities				
Current liabilities				
Trade and other payables		(4,855,621)	(1,431,387)	(6,318,987)
Financial liabilities	1	(214,473)	(250,000)	(18,055)
Total current liabilities		(5,070,094)	(1,681,387)	(6,377,042)
Net current assets		15,311,349	7,758,393	17,851,782
Total assets less current liabilities		24,522,142	14,595,726	24,886,791
Long term liabilities				
Financial liabilities	1	(6,009,050)	(3,150,000)	(5,016,981)
Total long term liabilities		(6,009,050)	(3,150,000)	(5,016,981)
Net assets		18,513,092	11,445,726	19,869,810
Shareholders' equity				
Share capital	4	154,794	139,743	153,223
Share premium account		11,543,989	7,738,311	11,510,773
Other reserves	6	5,490,596	5,490,596	5,490,596
Retained earnings / (loss)		1,323,713	(1,922,924)	2,715,218
Total shareholders' equity		18,513,092	11,445,726	19,869,810

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

		Six months ended 30 Sep 2019 Unaudited	Six months ended 30 Sep 2018 Unaudited	Year ended 31 Mar 2019 Audited
	Notes	£	£	£
Cash used in operating activities	5	(335,916)	(1,635,351)	(3,636,473)
Corporation tax received		-	-	449,094
Net cash used in operating activities		(335,916)	(1,635,351)	(3,187,379)
Investing activities				
Expenditure on product development		(1,359,127)	(711,324)	(1,690,516)
Purchase of property, plant and equipment		(238,873)	(42,737)	(240,247)
Interest received		803	224	363
Net cash used in investing activities		(1,597,197)	(753,837)	(1,930,400)
Financing activities				
Gross proceeds on issue of shares		34,787	3,000,000	7,031,530
Costs of issue of shares		-	(155,238)	(400,826)
Repayments on loan		-	(250,000)	(500,000)
New loans issued		-	-	1,840,000
Finance lease repayment		(64,569)	-	-
Interest paid		(231,833)	(143,609)	(275,195)
Net cash (used in) / generated from financing activities		(261,615)	2,451,153	7,695,509
Net (decrease) / increase in cash and cash equivalents		(2,194,728)	61,965	2,577,730
Net cash and cash equivalents at beginning of period		3,942,167	1,364,437	1,364,437
Net cash and cash equivalents at end of period		1,747,439	1,426,402	3,942,167

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

	Share Capital	Share Premium	Retained Earnings	Other Reserves	Total
	£	£	£	£	£
At 31 March 2018	127,743	4,905,549	(789,410)	5,490,596	9,734,478
Total comprehensive loss for the period	-	-	(1,193,306)	-	(1,193,306)
Share based payment charge	-	-	59,792	-	59,792
Issue of equity share capital	12,000	2,988,000	-	-	3,000,000
Costs of issue of equity share capital	-	(155,238)	-	-	(155,238)
At 30 September 2018	139,743	7,738,311	(1,922,924)	5,490,596	11,445,726
Total comprehensive income for the period	-	-	4,601,677	-	4,601,677
Share based payment charge	-	-	36,465	-	36,465
Issue of equity share capital	13,480	4,018,050	-	-	4,031,530
Costs of issue of equity share capital	-	(245,588)	-	-	(245,588)
At 31 March 2019	153,223	11,510,773	2,715,218	5,490,596	19,869,810
Total comprehensive loss for the period	-	-	(1,384,542)	-	(1,384,542)
Share based payment credit	-	-	(6,963)	-	(6,963)
Issue of equity share capital	1,571	33,216	-	-	34,787
At 30 September 2019	154,794	11,543,989	1,323,713	5,490,596	18,513,092

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 2020.

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 2019 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 twenty-four 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 2019 and 30 September 2018 is unaudited. The interim financial statements will be available to download on the Company's website www.srt-marine.com from 19 November 2019.

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 2019, except for the adoption during the period of IFRS 16 "Leases".

IFRS 16 has been adopted using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

The impact on the financial statements for the period ended 30 September 2019 has been to recognise a right of use asset within property, plant and equipment of £1,216,897 and a finance lease liability of £1,233,523, of which £214,473 is presented within current financial liabilities and the remaining is presented within long term financial liabilities. These leases were previously reported as operating leases within administrative costs. Interest charged on the finance leases for the period ended 30 September 2019 amounted to £31,531 and is included within finance expenditure. Depreciation charged on the right of use assets amounted to £84,302 for the period. Another significant change due to the impact of this standard has been to the presentation of cash flows, whereby finance lease repayments are now presented for the capital element of the lease and interest now being charged is presented within the same cash flow section. Depreciation has also increased in the presentation of cash used in operating activities. The impact on opening reserves was not material to these interim financial statements and therefore a decision has been made to present this in the statutory financial statements.

2. (Loss) / earnings per share

The basic loss per share have been calculated using the loss for the period of £1,384,542 (six months ended 30 September 2018 - loss of £1,193,306; year ended 31 March 2019 – profit of £3,408,371) divided by the weighted average number of ordinary shares in issue of 154,660,183 (six months ended 30 September 2018 - 135,807,993 and year ended 31 March 2019 – 140,059,460).

During the six months ended 30 September 2019 and 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. During the year ended 31 March 2019 the number of dilutive shares under option was 4,237,894 and the weighted average number of shares for the purposes of dilutive earnings per share was 144,297,354.

3. Income tax credit

During the period, the Group credited £160,434 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 2018, £113,829 was credited in respect of an increase in the Group's deferred tax asset and during the year ended 31 March 2019 £230,703 was also credited due the receipt of an income tax credit in respect of the Group's research and development activities offset by a deferred tax charge.

4. Share capital

	30 Sep 2019 Unaudited £	30 Sep 2018 Unaudited £	31 Mar 2019 Audited £
Allotted:			
Ordinary shares of 0.1p each	154,794	139,743	152,223
Reconciliation of movement in share capital	Number of shares		
Shares outstanding at 31 March 2018	127,742,419		
Placing of shares – May 2018 (a)	12,000,000		
Shares outstanding at 30 September 2018	139,742,419		
Placing of shares – January 2019 (b)	13,400,000		
Exercise of share options (c)	80,000		
Shares outstanding at 31 March 2019	153,222,419		
Exercise of share options (d)	1,571,500		
<u>Shares outstanding at 30 September 2019</u>	<u>154,793,919</u>		

Notes:

- a) The placing in May 2018 took place at 25p per share raising gross proceeds of £3,000,000 before costs of £155,238;
- b) The placing in January 2019 took place at 30p raising gross proceeds of £4,020,000 before costs of £245,587;

- c) 50,000 share options were exercised at a price of 23p in December 2018 and 30,000 at a price of 0.1p in March 2019;
- d) 35,000 share options were exercised at a price of 0.1p in April 2019, followed by 1,375,000 at a price of 2.5p in April 2019, 152,500 at a price of 0.1p in June 2019 and 9,000 at a price of 2.5p in July 2019.

5. Cash used in operating activities

	Six months ended 30 Sep 2019 Unaudited £	Six months ended 30 Sep 2018 Unaudited £	Year ended 31 Mar 2019 Audited £
Operating (loss) / profit	(1,313,946)	(1,163,750)	3,452,500
Depreciation of property, plant and equipment	166,376	44,785	107,253
Amortisation of intangible fixed assets	669,330	658,758	1,288,132
Share-based payment (credit) / charge	(6,963)	59,792	96,257
(Increase) / decrease in inventories	(2,070,312)	90,355	1,209,307
Decrease / (increase) in trade and other receivables	3,682,965	(227,048)	(13,579,279)
(Decrease) / increase in trade and other liabilities	(1,463,366)	(1,098,243)	3,789,357
Net cash used in operating activities	(335,916)	(1,635,351)	(3,636,473)

6. Other reserves

Other reserves consist of a capital redemption reserve of £2,857 (six months ended 30 September 2018 - £2,857 and year ended 31 March 2019 - £2,857), a warrant reserve of £62,400 (six months ended 30 September 2018 - £62,400 and year ended 31 March 2019 - £62,400) and a merger reserve of £5,425,339 (six months ended 30 September 2018 - £5,425,339 and year ended 31 March 2019 - £5,425,339). There were no movements in these reserves during the period.