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 2020

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 2020 (the "Period").

Financial Highlights

- **7%** - year on year H1 period revenue increase to £3.8m (H119: £3.5m)
- **39%** - gross profit margin (H119: 38%)
- **£5.0m** - gross cash balances as at end of H1 (H119: £1.7m)
- **£550m** –systems division validated sales opportunity pipeline

Operational Summary

- Covid business as usual operating model established and running smoothly
- Good progress with new transceiver product development
- Major new functionalities added to GeoVS maritime surveillance platform
- Significant new system contract sales and implementation planning engagement

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

"I am extremely pleased with the performance of our transceivers business – a performance that we had not predicted at the start of the Period due to Covid-19. As expected, the progress of existing and pending new system contracts have slowed significantly during the period. However I am pleased to report that none have disappeared and in recent months most have re-engaged on top of us receiving new inquiries and so have a significant active pipeline of validated and as yet unvalidated opportunities each at a different stage in the sales cycle. This reflects the fundamental long term demand drivers that underpin our business and our decision 5 years ago to develop an integrated maritime surveillance and management system. A number of the new contract opportunities in our validated pipeline have taken significant strides during the last couple of months and so, whilst exact timing is tricky to fix, I hope that we will be able to announce some significant progress with regards to new system contracts in the near future."

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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.

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Chairman’s Statement

Our financial and operational performance during the first half of the financial year was better than we expected given the current macro-economic conditions, setting the stage for a strong recovery and growth in the second half and the years ahead.

Despite global lockdowns, throughout the period revenues were 7% higher than the same period last year at £3.8m, with an increased gross profit margin of 39%. This generated a loss before tax of £2.7m after administration costs of £3.9m and net finance costs of £0.3m. Cash balances as at 30 September 2020 were £5.0m, with trade and other debtors of £7.4m.

All revenues during the period were generated entirely by our transceivers business as no system contract invoicing milestones were delivered. However, during the period cash payments amounting to approximately £8.5m were received from systems customers for previously completed milestones. Furthermore, our cash balances benefited from the completion of a Covid-19 resilience refinancing during the period which raised £5.3m from a combination of loans and equity.

Our administrative expenses during the first half of this financial year were higher than the same period last year, largely as a result of the prior period expenses including the offset of some significant exchange rate gains, together with the planned expansion of our systems development and delivery teams during the second half of last year to support expected new contracts. However, during the first half of this year, as part of our Covid resilience plan, our team growth plans were suspended, but have recently been reactivated due to the re-engaged status of a number of new system contracts which are expected to commence during the second half. Subject to the exact timing of new system contract signings, we expect our team expansion plan to be completed by the middle of next year and result in an overall increase in our overheads of £1.5m per annum.

At the start of Covid-19 lockdowns in March this year, we expected to see a significant reduction in our transceivers business revenues as people were instructed to stay at home. However as previously reported, this has not been the case and in fact the business has continued to grow. We believe this demonstrates the long term resilience of leisure and commercial boating where AIS is now well established combined with our established product portfolio and diverse global reseller network. AIS is now an established navigation technology in both commercial and leisure markets, due to a combination of regulation and useful functionality. We expect the long-term demand profile to ultimately fuse with radar as the two technologies are directly complementary, creating a very substantial market with regular demand. Due to recent investments over the past few years we have a full range of AIS transceivers covering all applications and vessel types, all of which are certified around the world and well established in the market. This year we have embarked on a major new development project to create a new and innovative transceiver product which we believe will open a significant new market segment for our transceivers business. This product fuses AIS with other technologies and will deliver a range of maritime voice and data communication functionalities out of a single device whilst also linking to other devices on the boat. We expect this product to launch at the end of 2021 and start shipping during 2022.

Our systems business delivers turn-key coastal and oceanic maritime surveillance and command and control systems for use by Coast Guards and Fishery authorities. The demand for these systems is driven by a growing need to improve safety, security and management across territorial and EEZ sovereign marine territories. Our system offering is built around our GeoVS application which fuses multiple sensor sources into a single data set and uses analytics to automatically detect, track and manage vessels on a mass scale, coupled with integrated command and control functionality. GeoVS is a suite of sophisticated software applications which integrate together into a single system offering to deliver a system solution that can scale from a single port to a national system supporting hundreds of sensor towers and operators. Our development effort in GeoVS is substantial and continues unabated with new functionality and improvements being added continuously. This effort will continue into the future to deliver our road map of system functionalities and continuous performance improvements that reflect the growing market opportunities, both for new and existing follow on contracts. GeoVS is a valuable and growing asset for SRT.

Our existing £32m contract with the Philippines Fisheries Department (BFAR) to deliver the SRT-MDA System configured for Fisheries, has continued to make solid progress despite the inevitable installation challenges caused by Covid-19 lockdown restrictions. Monitoring and data centres have been installed and commissioned, installation of the 132 coastal surveillance sensor stations is well underway, vessels are actively being equipped with the VMS-100 fisheries tracking and reporting transceiver and the supply of a range of long range satellite surveillance data that includes AIS, SAR has commenced. This continued progress has been possible due to the scalable modular architecture of the SRT-MDA System, combined with our implementation model whereby we contract all installation to local in country partners with our Delivery Team providing oversight, training and technical expertise either remotely or if appropriate actively in country. We expect that in due course there will be follow on contract opportunities as the system expands from the existing target of 5,000 vessels to the full Philippine fishing fleet which numbers over 200,000 vessels.

The fundamental demand drivers for MDA systems remains undiminished and is growing as a long term macro-trend as countries around the world recognise the need to secure and manage their maritime regions. The availability of new surveillance sensors, both satellite and terrestrial provide the opportunity for highly effective maritime monitoring. I am pleased to report that this is reflected by the steady flow of new inquiries we regularly receive, and the £550m value of 17 new system contract opportunities that are sufficiently validated to be in our validated sales pipeline (VSP).

During the first half following a period of significantly slowed activity due to the initial effects of Covid-19 lockdowns, all our VSP opportunities have re-engaged. As of the date of this report of particular note are several new contract opportunities with an aggregate value of up to US$100m where the final procurement and contracting process appears to be nearing completion. I therefore expect we will see the signing and commencement of new system contracts during the second half, the continued development towards contracting of others in the VSP and the addition of new opportunities to the VSP.

In summary, the first half was better than we expected with our transceiver business growing 7% despite the Covid-19 challenges. During the second half we remain cautiously optimistic to replicate the long term annual growth of this business. Our systems business did not complete any milestones during the period but is forecast to do so during the second half, and I expect that we will have entered and commenced new contracts along with gaining increased clarity on other new system contracts in our VSP.

Kevin Finn
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Notes	Six months ended 30 Sep 2020 Unaudited £	Six months ended 30 Sep 2019 Unaudited £	Year ended 31 Mar 2020 Audited £
Revenue		3,790,852	3,541,039	18,908,062
Cost of sales		(2,308,881)	(2,181,374)	(14,537,092)
Gross profit		**1,481,971**	**1,359,665**	**4,370,970**
Administrative costs		(3,919,662)	(2,673,611)	(6,883,261)
Operating loss before exceptional item		**(2,437,691)**	**(1,313,946)**	**(2,512,291)**
Impairment charge	3	-	-	(3,922,029)
Operating loss after exceptional item		**(2,437,691)**	**(1,313,946)**	**(6,434,320)**
Finance expenditure		(282,925)	(231,833)	(464,539)
Finance income		654	803	1,430
Loss before income tax		**(2,719,962)**	**(1,544,976)**	**(6,897,429)**
Income tax credit		-	160,434	818,407
Loss for the period		**(2,719,962)**	**(1,384,542)**	**(6,079,022)**
Total comprehensive loss for the period		**(2,719,962)**	**(1,384,542)**	**(6,079,022)**
Loss per share:				
Basic	2	(1.66)p	(0.90)p	(3.93)p
Diluted	2	(1.66)p	(0.90)p	(3.93)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Notes	As at 30 Sep 2020 Unaudited £	As at 30 Sep 2019 Unaudited £	As at 31 Mar 2020 Audited £
Assets				
Non-current assets				
Intangible assets		8,252,007	7,314,999	7,776,882
Property, plant and equipment		1,643,557	1,681,063	1,782,048
Deferred Tax		670,778	214,731	670,778
Total non-current assets		**10,566,342**	**9,210,793**	**10,229,708**
Current assets				
Inventories		2,878,417	4,304,690	1,928,730
Trade and other receivables		7,441,661	14,329,314	15,958,534
Cash and cash equivalents		4,996,949	1,747,439	918,808
Total current assets		**15,317,027**	**20,381,443**	**18,806,072**
Liabilities				
Current liabilities				
Trade and other payables		(3,208,505)	(4,855,621)	(9,044,454)
Financial liabilities	4	(8,490,000)	-	(4,990,000)
Lease liabilities		(205,223)	(214,473)	(202,445)
Total current liabilities		**(11,903,728)**	**(5,070,094)**	**(14,236,899)**
Net current assets		**3,413,299**	**15,311,349**	**4,569,173**
Total assets less current liabilities		**13,979,641**	**24,522,142**	**14,798,881**
Long term liabilities				
Financial liabilities	4	-	(4,990,000)	-
Lease liabilities		(978,422)	(1,019,050)	(1,067,741)
Total long term liabilities		**(978,422)**	**(6,009,050)**	**(1,067,741)**
Net assets		**13,001,219**	**18,513,092**	**13,731,140**
Shareholders' equity				
Share capital	5	164,252	154,794	154,844
Share premium account		13,431,735	11,543,989	11,543,989
Other reserves	7	5,490,596	5,490,596	5,490,596
Retained (loss) / earnings		(6,085,364)	1,323,713	(3,458,289)
Total shareholders' equity		**13,001,219**	**18,513,092**	**13,731,140**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Notes	Six months ended 30 Sep 2020 Unaudited £	Six months ended 30 Sep 2019 Unaudited £	Year ended 31 Mar 2020 Audited £
Cash generated from / (used in) operating activities	6	653,548	(335,916)	857,765
Corporation tax received		-	-	201,926
Net cash generated from / (used in) operating activities		**653,548**	**(335,916)**	**1,059,691**
Investing activities				
Expenditure on product development		(1,506,194)	(1,359,127)	(2,970,033)
Purchase of property, plant and equipment		(83,303)	(238,873)	(523,530)
Interest received		534	803	1,430
Net cash used in investing activities		**(1,588,963)**	**(1,597,197)**	**(3,492,133)**
Financing activities				
Gross proceeds on issue of shares		2,000,005	34,787	34,837
Costs of issue of shares		(102,851)	-	-
New loans issued		3,500,000	-	-
Lease repayments		(131,848)	(64,569)	(225,149)
Loan interest paid		(251,750)	(231,833)	(400,605)
Net cash generated from / (used in) financing activities		**5,013,556**	**(261,615)**	**(590,917)**
Net increase / (decrease) in cash and cash equivalents		**4,078,141**	**(2,194,728)**	**(3,023,359)**
Net cash and cash equivalents at beginning of period		918,808	3,942,167	3,942,167
Net cash and cash equivalents at end of period		**4,996,949**	**1,747,439**	**918,808**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Share Capital	Share Premium	Retained Earnings	Other Reserves	Total
	£	£	£	£	£
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**
Adjustment on initial application of IFRS 16	-	-	(93,360)	-	(93,360)
Total comprehensive loss for the period	-	-	(4,694,480)	-	(4,694,480)
Share based payment charge	-	-	5,838	-	5,838
Issue of equity share capital	50	-	-	-	50
At 31 March 2020	**154,844**	**11,543,989**	**(3,458,289)**	**5,490,596**	**13,731,140**
Total comprehensive loss for the period	-	-	(2,719,962)	-	(2,719,962)
Share based payment charge	-	-	92,887	-	92,887
Issue of equity share capital	9,408	1,990,597	-	-	2,000,005
Costs of issue of equity share capital	-	(102,851)	-	-	(102,851)
At 30 September 2020	**164,252**	**13,431,735**	**(6,085,364)**	**5,490,596**	**13,001,219**

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 2021.

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 2020 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 2020 and 30 September 2019 is unaudited. The interim financial statements will be available to download on the Company's website **www.srt-marine.com** from 19 November 2020.

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 2020.

2. Loss per share

The basic loss per share has been calculated using the loss for the period of £2,719,962 (six months ended 30 September 2019 - loss of £1,384,542; year ended 31 March 2019 – loss of £6,079,022) divided by the weighted average number of ordinary shares in issue of 163,435,470 (six months ended 30 September 2019 - 154,660,183 and year ended 31 March 2020 – 154,742,293).

During the six months ended 30 September 2020 and 2019 and the year ended 31 March 2020, 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. Impairment charge

During the year ended 31 March 2020, the Group incurred an exceptional impairment charge of £3,922,029 in respect of a contract signed in 2017 to supply a national vessel tracking system for a Middle East Coast Guard.

4. Financial liabilities

	30 Sep 2020 Unaudited £	30 Sep 2019 Unaudited £	31 Mar 2020 Audited £
Less than one year:			
Bank loan	2,500,000	-	-
Other loan	5,990,000	-	4,990,000
Total	**8,490,000**	**-**	**4,990,000**
More than one year:			
Bank loan	-	-	-
Other loan	-	4,990,000	-
Total	**-**	**4,990,000**	**-**

The bank loan of £2,500,000 was provided under the UK government Coronavirus Business Interruption Loan Scheme (CBILS) as part of the Group's COVID-19 resilience financing and is repayable within one year.

Other loans all relate to drawdowns on a £10 million secured loan note programme which has been arranged by LGB Corporate Finance and which is secured by a floating charge over the Group's assets. The loans have terms of up to 3 years and interest rates of 8-10%. During the period a further £1,000,000 was drawn-down as part of a COVID-19 resilience financing.

During the period, a covenant in relation to debt service cover was breached and a waiver from loan note holders was obtained subsequent to the period end on 7 October, 2020. Due to the waiver not being received prior to the period end, IAS 1 requires that the loans are classified as being repayable in less than one year, despite their maturity dates as set out below:

	£
Maturity date:	
December 2020	2,000,000
June 2021	1,150,000
October 2021	1,000,000
March 2022	1,840,000
Total	**5,990,000**

5. Share capital

	30 Sep 2020 Unaudited £	30 Sep 2019 Unaudited £	31 Mar 2020 Audited £
Allotted:			
Ordinary shares of 0.1p each	**164,252**	154,794	154,844

Reconciliation of movement in share capital	Number of shares
Shares outstanding at 31 March 2019	**153,222,419**
Exercise of share options (a)	1,571,500
Shares outstanding at 30 September 2019	**154,793,919**
Exercise of share options (b)	50,000
Shares outstanding at 31 March 2020	**154,843,919**
Share placing April 2020 (c)	7,208,020
Exercise of share options (d)	2,200,000
Shares outstanding at 30 September 2020	**164,251,939**

Notes:

a) 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.

b) 30,000 share options were exercised at a price of 0.1p in October 2019 and a further 20,000 at the same price in December 2019.

c) The placing in April 2020 took place at 25p per share raising gross proceeds of £1,802,005 before costs of £102,851.

d) 2,200,000 share options were exercised at a price of 9p in May 2020.

6. Cash used in operating activities

	Six months ended 30 Sep 2020 Unaudited	Six months ended 30 Sep 2019 Unaudited	Year ended 31 Mar 2020 Audited
	£	£	£
Operating loss before exceptional item	**(2,437,691)**	**(1,313,946)**	**(2,512,291)**
Depreciation of property, plant and equipment	236,046	166,376	389,997
Amortisation of intangible fixed assets	1,031,069	669,330	1,818,352
Share-based payment charge / (credit)	92,887	(6,963)	(1,125)
(Increase) / decrease in inventories	(949,687)	(2,070,312)	305,648
Decrease / (increase) in trade and other receivables	8,516,873	3,682,965	(1,868,283)
(Decrease) / increase in trade and other liabilities	(5,835,949)	(1,463,366)	2,725,467
Net cash generated from / (used in) operating activities	**653,548**	**(335,916)**	**857,765**

7. Other reserves

Other reserves consist of a capital redemption reserve of £2,857 (six months ended 30 September 2019 - £2,857 and year ended 31 March 2020 - £2,857), a warrant reserve of £62,400 (six month ended 30 September 2019 - £62,400 and year ended 31 March 2020 - £62,400) and a merger reserve of £5,425,339 (six months ended 30 September 2019 - £5,425,339 and year ended 31 March 2020 - £5,425,339). There were no movements in these reserves during the period.