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

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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 2016 (the "Period").

Financial Highlights

- Revenue of £2.7 million (2015: £3.6 million)
- 45% gross profit margin (2015: 51%)
- Overheads £2.4 million (2015: £2.6 million)
- Loss before tax of £1.2 million (2015: loss before tax of £0.7 million)
- Cash of £1.8 million at the Period end (2015: £2.4 million)
- Inventories of £4.4 million at the Period end (2015: £5.2 million)

Operational Summary

- Continued evolution of GeoVS maritime display and management system
- Launch of new Apollo AIS Class A and Class B transceivers
- Em-trak dealer acquisition and merchandising programme
- Significant progress with multiple project opportunities

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.

Chairman's Statement

Revenues for the first half were £2.7 million (2015: £3.6 million), resulting in a loss before tax of £1.2 million (2015: £0.7 million) and a cash balance of £1.8 million (2015: £2.4 million) as at 30 September 2016. First half revenues were lower this year due to there not being any significant project deliverables completed during the period. Gross profit margin for the Period was 45% (2015: 51%), which is below our long term average target of 50% reflecting the revenue weighting of our lower margin OEM business. Overheads were slightly lower than the same period last year, consistent with our tight controls and strategy of out sourcing non-core and low value add activities such as manufacturing and in-country project installation work. Saleable stock, valued at cost, stood at £4.4 million and comprised a mixture of standard AIS transceivers which are configured at the point of dispatch for the relevant customer and project.

During the first half, sales of our individual AIS transceiver products into the EU and US commercial and leisure markets via our OEM and em-trak sales channels were consistent with those of the previous year and accounted for the majority of revenues. Sales via these channels are determined either by voluntary purchases by leisure and commercial vessel owners driven by their own perception and understanding of the benefits of AIS, or demand driven by a regulation/mandate each of which has their own demand pattern determined by the terms and conditions of each specific regulation and underpinning enforcement.

There are now several AIS regulations/mandates active around the world: EU Fisheries, EU Commercial Inland Waterways, Russia, China, Singapore, Mauritius and USA. Rigorous enforcement of such regulations on affected vessels is key to the creation of demand for our transceivers through our OEM and em-trak dealer networks. In our experience enforcement is usually variable and patchy, and in some instances such as USA and EU Fisheries results in demand spread over several years in a random pattern.

The USCG AIS regulation, which requires a significant number of large commercial vessels in the USA to fit an AIS transceiver, came into effect in March 2015. However due to a lack of strict enforcement action by the relevant authorities, demand from this market has been minimal to date and is now considered likely to take a number of years to come through as enforcement is undertaken.

We continue to work closely with our OEM partners to ensure they have a compelling AIS product offering in their marine electronics portfolio and aggressively grow our own em-trak dealer network and per-dealer sales throughput by the introduction of enhanced point of sale merchandising which highlights the features and benefits of AIS to non-regulated leisure and commercial vessel owners.

Our systems business provides turn-key maritime monitoring solutions for national maritime security, safety, fisheries monitoring, ports and waterways. We have developed three core offers which target specific maritime domain awareness market segments. Our MDM system offer provides national scale integrated functionality for coast guards, our VMS system provides a comprehensive national fisheries monitoring solution and our VTS system provides functionality that is optimised for port and infrastructure applications. This business is driven by a general global trend to significantly increase the monitoring of maritime activity and the prevalence of AIS as a critical path technology in maritime monitoring. Typically these are complex, large government projects and thus involve extensive pre-implementation and regulatory evaluation and planning work prior to contract signing. Once contracts are signed and work commences, the completion and therefore invoicing of project milestone deliverables can take many months due to component lead times, shipping and customs, and finally installation and commissioning.

During the first half we received high profile orders for our VTS systems from the Panama Canal, Trinity House and a second large port in Malaysia. These are important references for the market and are now proving to be valuable for SRT in building up our relatively new ports and infrastructure business. In addition, I am pleased to report that during the period we saw significant progress in a number of large VMS and MDM projects that we expect will result in the completion of significant deliverables during the second half as well as other projects moving towards contract phase from our validated sales opportunity pipeline. The nature of these projects is that they are very lumpy with extended periods between deliverables and often change unexpectedly in terms of timing and scale. However, we expect that SRT will soon have multiple projects underway which we hope will provide a natural hedge in regards to revenue timings across our reporting periods. Most of our projects are considered to be of national strategic importance and thus SRT is subject to strict confidentiality which places significant restrictions on the details we can provide shareholders on the status of these projects.

Operationally, we continued to invest in new core technologies, derivative products and the development of new functionality for existing products. Approximately half our R&D effort is focused on AIS transceiver equipment and half on the evolution of our GeoVS network management, display and analytics software which forms an important component in our MDM, VTS and VMS system offers. Notable milestones during the period include the launch of the world's first SOTDMA 5W Class B which targets small commercial and larger off-shore leisure vessels, our new Class A which is being marketed as a premium product to Navies and Coast Guards and new releases with added functionality of our GeoVS data network management, display and analytics system for our respective MDM, VMS and VTS system offers.

In August we successfully negotiated a revised agreement with exactEarth such that it was non-exclusive to enable us the freedom to maximise future recurring revenue satellite data opportunities in relation to our projects. Our transceivers and systems can now be configured and optimised to different satellite constellations and data feeds according to customer requirements, providing both SRT and our customers with great flexibility and opportunities.

Looking to the future, SRT's strategy has placed it as the global leader in AIS technology, products and systems and our ongoing R&D investments are realising real and notable innovations. Our recent successful completion of a national maritime monitoring system in Bahrain in under nine months and the supply of VTS systems to the Panama Canal and leading ports in Malaysia has further helped establish SRT and its partners as the go-to company in this field for authorities. The development of projects in our sales opportunity pipeline and the emergence of new opportunities are driven by AIS having become established as a critical path technology in virtually every maritime domain awareness initiative. As such we continue to look to the future with great optimism and will update the market with further announcements and guidance as project deliverables are completed and new projects commence.

Simon Rogers
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Note	Six months ended 30 Sep 2016 Unaudited	Six months ended 30 Sep 2015 Unaudited	Year ended 31 Mar 2016 Audited
		£	£	£
Revenue		2,658,748	3,635,090	10,683,639
Cost of sales		(1,454,393)	(1,792,936)	(5,515,775)
Gross profit		**1,204,355**	**1,842,154**	**5,167,864**
Administrative expenses		(2,382,172)	(2,562,323)	(4,847,591)
Operating (loss) / profit		(1,177,817)	(720,169)	320,273
Finance expenditure		(23,298)	(24,590)	(45,549)
Finance income		153	285	645
(Loss) / profit before income tax		**(1,200,962)**	**(744,474)**	**275,369**
Income tax credit	3	244,931	228,874	158,305
(Loss) / profit for the period		**(956,031)**	**(515,600)**	**433,674**
Total comprehensive (loss) / income for the period		**(956,031)**	**(515,600)**	**433,674**
(Loss) / earnings per share:				
Basic	2	(0.75)p	(0.40)p	0.34p
Diluted	2	(0.75)p	(0.40)p	0.33p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	Notes	As at 30 Sep 2016 Unaudited £	As at 30 Sep 2015 Unaudited £	As at 31 Mar 2016 Audited £
Assets				
Non-current assets				
Intangible assets		6,057,548	5,975,813	6,076,204
Property, plant and equipment		134,228	115,265	139,269
Total non-current assets		**6,191,776**	**6,091,078**	**6,215,473**
Current assets				
Inventories		4,372,392	5,182,750	4,258,556
Trade and other receivables		4,109,957	1,140,981	4,726,522
Cash and cash equivalents		1,817,786	2,367,002	1,862,048
Total current assets		**10,300,135**	**8,690,733**	**10,847,126**
Liabilities				
Current liabilities				
Trade and other payables		(3,160,835)	(1,583,923)	(2,849,583)
Financial liabilities		(250,000)	(1,000,000)	-
Total current liabilities		**(3,410,835)**	**(2,583,923)**	**(2,849,583)**
Net current assets		**6,889,300**	**6,106,810**	**7,997,543**
Long term liabilities				
Financial liabilities		(750,000)	-	(1,000,000)
Deferred tax		(250,573)	(222,593)	(293,163)
Total long term liabilities		**(1,000,573)**	**(222,593)**	**(1,293,163)**
Net assets		**12,080,503**	**11,975,295**	**12,919,853**
Shareholders' equity				
Ordinary shares	4	127,593	127,513	127,513
Share premium		4,867,599	4,855,729	4,855,729
Other reserves	6	5,490,596	5,490,596	5,490,596
Retained earnings		1,594,715	1,501,457	2,446,015
Total shareholders' equity		**12,080,503**	**11,975,295**	**12,919,853**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	Six months ended 30 Sep 2016 Unaudited £	Six months ended 30 Sep 2015 Unaudited £	Year ended 31 Mar 2016 Audited £
Cash generated from operating activities	5	434,278	451,917	853,394
Corporation tax received		202,342	461,794	451,468
Net cash generated from operating activities		**636,620**	**913,711**	**1,304,862**
Investing activities				
Expenditure on product development		(636,389)	(639,601)	(1,453,370)
Purchase of property, plant and equipment		(33,298)	(44,835)	(106,572)
Interest received		153	285	645
Net cash used in investing activities		**(669,534)**	**(684,151)**	**(1,559,297)**
Cash (outflow) / inflow before financing		**(32,914)**	**229,560**	**(254,435)**
Financing activities				
Net proceeds from issue of ordinary share capital		11,950	10,800	10,800
Interest paid		(23,298)	(24,590)	(45,549)
Net cash outflow from financing activities		**(11,348)**	**(13,790)**	**(34,749)**
Net (decrease) / increase in cash and cash equivalents		**(44,262)**	**215,770**	**(289,184)**
Cash and cash equivalents at beginning of period		1,862,048	2,151,232	2,151,232
Cash and cash equivalents at end of period		**1,817,786**	**2,367,002**	**1,862,048**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Share Capital	Share Premium	Retained Earnings	Other Reserves	Total
	£	£	£	£	£
Balance at 31 March 2015	**127,453**	**4,844,989**	**1,993,437**	**5,490,596**	**12,456,475**
Comprehensive loss for the period	-	-	(515,600)	-	(515,600)
Share based payment expense	-	-	23,620	-	23,620
Issue of equity share capital	60	10,740	-	-	10,800
Balance at 30 September 2015	**127,513**	**4,855,729**	**1,501,457**	**5,490,596**	**11,975,295**
Comprehensive profit for the period	-	-	949,274	-	949,274
Share based payment expense	-	-	(4,716)	-	(4,716)
Balance at 31 March 2016	**127,513**	**4,855,729**	**2,446,015**	**5,490,596**	**12,919,853**
Comprehensive loss for the period	-	-	(956,031)	-	(956,031)
Share based payment expense	-	-	104,731	-	104,731
Issue of equity share capital	80	11,870	-	-	11,950
Balance at 30 September 2016	**127,593**	**4,867,599**	**1,594,715**	**5,490,596**	**12,080,503**

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 2017.

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 2016 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

The financial information for the six months ended 30 September 2016 and 30 September 2015 is unaudited. The interim financial statements will be available to download on the Company's website www.softwarerad.com from 15 November 2016.

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 2016, which are the same policies expected to apply for the year ended 31 March 2017.

2. Earnings per share

The basic (loss) / earnings per share have been calculated using the loss for the period of £956,031 (six months ended 30 September 2015 - loss of £515,600; year ended 31 March 2015 - profit of £433,674) divided by the weighted average number of ordinary shares in issue of 127,560,179 (six months ended 30 September 2015, 127,459,304 and year ended 31 March, 2016 127,485,789).

During the six months ended 30 September 2016 and 2015 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 2016, the diluted earnings per share have been calculated using weighted diluted shares of 130,424,235.

3. Income tax credit

During the period, the Group received income tax credits of £202,342 (six months ended 30 September 2015 £461,794 and year ended 31 March 2015 £451,465) in respect of its Research and Development activities. A further credit in relation to a decrease of £42,589 in the deferred tax liability has resulted in a total tax credit for the period of £244,931.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings.

4. Called up share capital

	30 Sep 2016 Unaudited £	30 Sep 2015 Unaudited £	31 Mar 2016 Audited £
Allotted: (Ordinary shares of 0.1p each):	**127,593**	127,513	127,513

Share capital reconciliation:	Number of shares
Shares outstanding at 31 March 2015	**127,452,419**
a) Exercise of employee share options	60,000
Shares outstanding at 30 September 2015 and 31 March 2016	**127,512,419**
b) Exercise of employee share options	80,000
Shares outstanding at 30 September 2016	**127,592,419**

a) The exercise of employee share options took place in September 2015 at an exercise price of 18p.

b) The exercises of share options took place in April 2016 at an exercise price of 18p and July 2016 at exercise prices of 2.5p and 29p.

5. Cash from operations

	Six months ended 30 Sep 2016 Unaudited £	Six months ended 30 Sep 2015 Unaudited £	Year ended 31 Mar 2015 Audited £
Operating (loss) / profit	**(1,177,817)**	**(720,169)**	**320,273**
Depreciation of property, plant and equipment	38,338	40,113	77,846
Amortisation of intangible fixed assets	655,045	718,953	1,432,331
Share-based payment charge	104,731	23,620	18,904
(Increase)/ decrease in inventories	(113,836)	(221,791)	702,403
Decrease / (increase) in trade and other receivables	616,565	463,441	(3,122,100)
Increase in trade and other liabilities	311,252	147,750	1,423,737
Net cash generated from operations	**434,278**	**451,917**	**853,394**

6. Statement of movement in shareholders' equity

Other reserves consist of: Capital Redemption Reserve £2,857 (31 March 2016: £2,857), Warrants Reserve £62,400 (31 March 2016: £62,400) and Merger Reserve £5,425,339 (31 March 2016: £5,425,339). There were no movements during the period.