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 2017

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 2017 (the "Period").

Financial Highlights

- Revenue up 10% to £2.9 million (2016: £2.7 million)
- Gross profit margin of 46% (2016: 45%)
- Operating loss before exceptional items of £1.7million (2016: £1.2 million)
- Gross cash of £2.1 million at the Period end (2016: £1.8 million)

Operational Summary

- New long-term OEM & Module customer agreements formed
- Growth of em-trak dealer network
- Significant project opportunities progressed towards contract
- OCEAN-SCAN satellite program commenced

Chairman's Statement

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

Revenue for the first half grew by 10% to £2.9 million (2016: £2.7 million), generating a 46% gross profit margin (2016: 45%) and with overheads of £3.1 million (2016: £2.4 million) this has produced a loss before tax and exceptionals of £1.8 million (2016: loss of £1.2 million). Period end gross cash balances were £2.1 million (2016: £1.8 million) with saleable stock with a cost value of £3.3 million (2016: £4.4 million).

Cash overheads for the period increased year on year to £2.9 million from £2.5 million in the previous period. This is largely as a result of increased investment in our product development activities which increased to £1.0m compared to £0.6m in the previous period.

Our statement today records a one-off exceptional cost item of £1.5 million, as announced on 31 July 2017, which arose due to a delay in a project. During the period, we were officially informed by the government entity in question, that a maritime surveillance project for a SE Asia national Coast Guard signed in March 2016, had been delayed significantly due to budget planning constraints. Although the letter we received from the Coast Guard contained explicit re-assurances of the continuity of the project and contract, given the significantly extended timelines and in line with appropriate accounting practices, we considered it prudent and appropriate to write down the full value of the project to date. The status of the project has not changed since the announcement released on 31 July 2017 and thus, as advised, we expect the project to recommence sometime prior to March 2019.

In September, we announced that we had agreed terms on a loan program which will give us access to up to £10 million of funds and of which £2 million has been drawn-down as at the period end. This was done to provide the Group with a flexible ad-hoc working capital facility to enable us to take on the expected projects and fill any short term working capital gaps caused by extended payment terms that are typical of some government contracts, whilst continuing with our product development programs. I believe this is an excellent program for SRT and ensures SRT has a clear cash flow runway going forward.

Our new range of high powered AIS Class B transceivers have been well received by the market, particularly by the off-shore sailing and small and medium sized commercial work-boat segments. During the period, we continued with our core new product developments. These currently include two new innovative transceiver products which will come to market during 2018/19 and the ongoing development of our GeoVS maritime tracking, management and data analytics product which is key to our systems business. The development of GeoVS is a continuing activity that now accounts for approximately 40% of our R&D budget with new functionality being introduced approximately every four months.

Recently we announced our new OCEAN-SCAN satellite system which is a strategic addition to our systems business which will deliver valuable long range vessel detection, tracking and identification data to our project customers and a new recurring revenue stream for SRT. The initial constellation configuration will comprise of six satellites with coverage optimised on the areas of our project opportunities. The system will combine AIS and detection technology on each satellite for the first time and thus provide uniquely valuable long range vessel tracking data. The architecture of the system will also enable direct delivery of data to customers. We expect the system to go live during 2019 which we are planning to be in line with the requirement of the expected vessel transceiver deployments being projected by many of our project customers.

Revenues from our em-trak business, which sells standard AIS transceivers for leisure and commercial vessels through a global network of dealers, grew 60% period on period to £0.9 million. It now has a network of over 400 active dealers and an established dealer merchandising support program which is increasing per dealer sales. We will continue to grow this revenue segment through increasing the number of active dealers, refining and improving our dealer support program. New product launches, particularly Buoy-Tracker which enables small buoys such as fishing buoys to be electronically marked, have been received by the market with considerable interest; one opportunity alone in the UK could be worth over £1 million in revenue.

The OEM & Module business, which provides customised AIS product and integrated core technology solutions to a range of customer types including major marine electronic brands, achieved revenue growth of 12% period on period to £1.8 million. AIS is now a product segment of its own in most major marine electronics companies as the amount of information available within AIS increases – such as live weather, sea state, tide, depth – and its general adoption in leisure and commercial markets increases. During the period, we have renewed agreements with some existing customers and significantly progressed negotiations with some new customers which we expect to turn into contracts during the second half. The established quality and performance of our products, coupled with the breadth of our product offer and reliability as a supplier are the key factors in us retaining and winning new customers. Our OEM customers report that most new boats purchased over 40ft in length are now specified by their owners to have AIS as standard. Only a few years ago, AIS would not have been included in their navigation and safety electronics selection. It is expected that this threshold size will gradually lower and thus quantities increase.

The revenue growth for both our em-trak and OEM & Module businesses are directly coupled to the adoption of AIS by vessel owners. The primary sales driver for our OEM customers are new boat purchases and for em-trak retro-fits by existing owners. We estimate that AIS transceivers are currently fitted to approximately 1.5% of leisure and commercial vessels, compared to radar which we estimate to be at around 25%. Over the next ten years we expect this to equalise as AIS and radar are complimentary to each other.

Our systems business provides turn-key maritime domain awareness solutions to ports (VTS), coast guards (MDM) and fishery (VMS) authorities. For example, the delivery of a multi-million dollar project in Bahrain in 2016 and the contract for a second country in the Middle East as announced in March 2017.

Each system is a combination of hardware and software and delivered to customers over time in the form of a project comprising multiple milestones. No project milestones were completed during the first half resulting in no revenue being recognised. As previously reported re-commencement of our large SE Asia project has been delayed until sometime next year and so we do not expect any revenues to be derived from this until the end of our next financial year at the earliest. We expect to complete the existing Middle East contract announced earlier this year during the second half.

I am pleased to report that we have seen significant activity across all our validated sales pipeline opportunities which have an aggregate total value of over £200m. Each is a large and complex project, where

SRT is engaged directly with the end customer in conjunction with our local partners. Each have their own local planning challenges and therefore have required very involved and protracted discussions which has involved a considerable investment of sales and support resources by SRT over several years. Many are now at an advanced stage with four, two in the Middle East and two in Asia, with an aggregate value of £60 million, appearing to be in the final stages prior to contracting. Once contracted, the planned implementation period varies between 1 and 3 years, depending on which contract.

In general, I can report that we have seen a significant increase in sales activity driven by end customer demand; particularly for our VMS and MDM systems. The demand driver for our systems is the desire of authorities to monitoring their maritime exclusive economic zone (EEZ). Most countries currently have limited capability in this respect based upon systems installed in the 1980s and 1990s. The relatively recent availability of new technologies, such as AIS, new radar and display and management systems such as GeoVS coupled with a new appreciation of the economic value of their maritime domain and potential security threats such as terrorism and smuggling are driving government programs in this area. Over time through our strategic investment in AIS and derivative products SRT has established itself as a leading player in this market able to deliver turn-key system solutions with completed projects providing new customers with important references.

AIS is now an established global MDA technology with applications across all market segments. Through careful investments in core technologies and products over many years, SRT has established itself as the market leader. The market for AIS in general is still in its early stages with growth starting from a very low base. We are seeing sustained and increasing growth in our day to day em-trak and OEM & Module businesses which I expect to continue into the second half and beyond. Our projects business, where we have very significant opportunities has developed well and I expect this to contribute in the second half and more regularly thereafter as projects and their individual irregular milestones overlap. With the growth of our em-trak and OEM/Module businesses coupled with the expected contributions from our systems business I look forward optimistically to the second half.

Kevin Finn
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Six months ended 30 Sep 2017 Unaudited	Six months ended 30 Sep 2016 Unaudited	Year ended 31 Mar 2017 Audited
		£	£	£
Revenue		2,928,576	2,658,748	11,025,730
Cost of sales		(1,591,591)	(1,454,393)	(3,786,176)
Gross profit		**1,336,985**	**1,204,355**	**7,239,554**
Administrative expenses		(3,082,711)	(2,382,172)	(5,961,393)
Operating (loss) / profit before exceptional item		(1,745,726)	(1,177,817)	1,278,161
Exceptional item	3	(1,490,318)	-	-
Operating (loss) / profit after exceptional item		**(3,236,044)**	**(1,177,817)**	**1,278,161**
Finance expenditure		(24,132)	(23,298)	(43,980)
Finance income		88	153	220
(Loss)/profit before income tax		**(3,260,088)**	**(1,200,962)**	**1,234,401**
Income tax credit	4	158,714	244,931	216,327
(Loss) / profit for the period		**(3,101,374)**	**(956,031)**	**1,450,728**
Total comprehensive (loss) / income for the period		**(3,101,374)**	**(956,031)**	**1,450,728**
(Loss) / earnings per share:				
Basic	2	(2.43)p	(0.75)p	1.14p
Diluted	2	(2.43)p	(0.75)p	1.09p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	Notes	As at 30 Sep 2017 Unaudited £	As at 30 Sep 2016 Unaudited £	As at 31 Mar 2017 Audited £
Assets				
Non-current assets				
Intangible assets		6,053,887	6,057,548	5,810,954
Property, plant and equipment		190,593	134,228	184,854
Total non-current assets		**6,244,480**	**6,191,776**	**5,995,808**
Current assets				
Inventories		3,320,074	4,372,392	3,281,521
Trade and other receivables		4,129,170	4,109,957	7,926,686
Cash and cash equivalents		2,137,547	1,817,786	1,760,861
Total current assets		**9,586,791**	**10,300,135**	**12,969,068**
Liabilities				
Current liabilities				
Trade and other payables		(1,249,781)	(3,160,835)	(3,055,819)
Financial liabilities		(2,500,000)	(250,000)	(500,000)
Total current liabilities		**(3,749,781)**	**(3,410,835)**	**(3,555,819)**
Net current assets		**5,837,010**	**6,889,300**	**9,413,249**
Long term liabilities				
Financial liabilities		(250,000)	(750,000)	(500,000)
Deferred tax		(120,464)	(250,573)	(279,178)
Total long term liabilities		**(370,464)**	**(1,000,573)**	**(779,178)**
Net assets		**11,711,026**	**12,080,503**	**14,629,879**
Shareholders' equity				
Ordinary shares	5	127,703	127,593	127,613
Share premium		4,895,189	4,867,599	4,872,779
Other reserves	7	5,490,596	5,490,596	5,490,596
Retained earnings		1,197,538	1,594,715	4,138,891
Total shareholders' equity		**11,711,026**	**12,080,503**	**14,629,879**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Notes	Six months ended 30 Sep 2017 Unaudited £	Six months ended 30 Sep 2016 Unaudited £	Year ended 31 Mar 2017 Audited £
Cash (used in) / generated from operating activities	6	(353,825)	434,278	1,235,380
Corporation tax received		-	202,342	202,342
Net cash (used in) / generated from operating activities		**(353,825)**	**636,620**	**1,437,722**
Investing activities				
Expenditure on product development		(969,434)	(636,389)	(1,389,371)
Purchase of property, plant and equipment		(48,511)	(33,298)	(122,928)
Interest received		88	153	220
Net cash used in investing activities		**(1,017,857)**	**(669,534)**	**(1,512,079)**
Cash outflow before financing		**(1,371,682)**	**(32,914)**	**(74,357)**
Financing activities				
Net proceeds from issue of ordinary share capital		22,500	11,950	17,150
Net proceeds from debt financing		1,750,000	-	-
Interest paid		(24,132)	(23,298)	(43,980)
Net cash inflow / (outflow) from financing activities		**1,748,368**	**(11,348)**	**(26,830)**
Net increase / (decrease) in cash and cash equivalents		**376,686**	**(44,262)**	**(101,187)**
Cash and cash equivalents at beginning of period		1,760,861	1,862,048	1,862,048
Cash and cash equivalents at end of period		**2,137,547**	**1,817,786**	**1,760,861**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Share Capital	Share Premium	Retained Earnings	Other Reserves	Total
	£	£	£	£	£
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**
Comprehensive profit for the period	-	-	2,406,759	-	2,406,759
Share based payment expense	-	-	137,417	-	137,417
Issue of equity share capital	20	5,180	-	-	5,200
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**

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 2018.

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 2017 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. These debts have subsequently been provided following postponement of the contract to which the revenue relates. This is detailed further in note 3.

The financial information for the six months ended 30 September 2017 and 30 September 2016 is unaudited. The interim financial statements will be available to download on the Company's website **www.srt-marine.com** from 14 November 2017.

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 2017, which are the same policies expected to apply for the year ended 31 March 2018.

2. Earnings per share

The basic (loss) / earnings per share have been calculated using the loss for the period of £3,101,374 (six months ended 30 September 2016 - loss of £956,031; year ended 31 March 2017 - profit of £1,450,728) divided by the weighted average number of ordinary shares in issue of 127,673,840 (six months ended 30 September 2016, 127,560,179 and year ended 31 March, 2017 127,583,214).

During the six months ended 30 September 2017 and 2016 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 2017, the diluted earnings per share have been calculated using weighted diluted shares of 133,358,885.

3. Exceptional item

During the 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 is 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 £158,714 of income tax to the profit and loss account in respect of a reduction in its deferred tax liability (six months ended September 30 2016: reduction of £42,590, year ended 31 March 2017: reduction of £13,985). During the six months ended 30 September 2017 the Group did not receive an income tax credit in respect of its Research and Development activities (six months ended 30 September 2016 £202,341 and year ended 31 March 2017 £202,341).

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

5. Called up share capital

	30 Sep 2017 Unaudited £	30 Sep 2016 Unaudited £	31 Mar 2017 Audited £
Allotted: (Ordinary shares of 0.1p each):	**127,703**	127,593	127,613

Share capital reconciliation:	Number of shares
Shares outstanding at 31 March 2016	**127,512,419**
a) Exercise of employee share options	80,000
Shares outstanding at 30 September 2016	**127,592,419**
b) Exercise of employee share options	20,000
Shares outstanding at 31 March 2017	**127,612,419**
c) Exercise of employee share options	90,000
Shares outstanding at 30 September 2017	**127,702,419**

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

b) The exercise of share options took place in November 2016 at an exercise price of 26p

c) 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

6. Cash from operations

	Six months ended 30 Sep 2017 Unaudited	Six months ended 30 Sep 2016 Unaudited	Year ended 31 Mar 2017 Audited
	£	£	£
Operating (loss) / profit before exceptional item	**(1,745,726)**	**(1,177,817)**	**1,278,161**
Depreciation of property, plant and equipment	42,772	38,338	77,343
Amortisation of intangible fixed assets	726,502	655,045	1,654,621
Share-based payment charge	160,021	104,731	242,148
(Increase)/ decrease in inventories	(38,553)	(113,836)	977,035
Decrease / (increase) in trade and other receivables	730,807	616,565	(3,200,164)
(Decrease) / increase in trade and other liabilities	(229,648)	311,252	206,236
Net cash (used in) / generated from operations	**(353,825)**	**434,278**	**1,235,380**

7. Statement of movement in shareholders' equity

Other reserves consist of: Capital Redemption Reserve £2,857 (31 March 2017: £2,857), Warrants Reserve £62,400 (31 March 2017: £62,400) and Merger Reserve £5,425,339 (31 March 2017: £5,425,339). There were no movements during the period.