

SOFTWARE RADIO TECHNOLOGY PLC (“SRT” or the “Group”)

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

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 2013.

Results

For the six months ended 30 September 2013, revenue and loss before tax were £3.2 million and £0.4 million respectively. As at 30 September 2013, the Group had cash of £2.2 million, no borrowings and subsequent to the period end received an offer of a banking facility of £1.0 million, which will be taken up if appropriate.

The gross profit margin for the period was 47%, reflecting the greater weighting of core business during the first half to the higher margin mandate and project driven business. We continue to expect our average gross profit margin to average at 50% over a 12 month period. Group cash overheads, inclusive of administration and research and development but excluding amortisation and depreciation, were approximately the same as the corresponding period last year at £2.0 million, of which £0.7 million was invested in new technology and product development and capitalised.

As we reported in the trading update on 14 October 2013, the primary driver of revenue for the first half was our core business, which saw year-on-year growth of approximately 40%. This is a long term trend which we expect to continue steadily in the future as more leisure and commercial vessel owners freely decide to install an AIS transceiver, coupled with our strategy of enabling established marine electronics brands to have their own range of competitive AIS devices. Unlike the first half in the prior year, there was no significant contribution to revenue from our project and mandate business.

During the second half we expect to see a healthy contribution from our core business, plus a significant contribution from various project and mandate driven business. SRT’s partners are addressing a wide range of market opportunities which are in progress or pending. Our expectation is that those which are in progress, such as the EU Fisheries, will generate additional demand for our Class A products during the second half, whilst pending mandates such as the US Coast Guard rule extension could make a significant contribution as and when it is brought into law. Additionally there are several of the many project opportunities which appear likely to convert into material orders during the second half following an extended period of evaluations and trials.

The recent acquisition of GeoVS Limited, which was completed subsequent to the period end, is an important strategic move for the SRT group. GeoVS provides the core technology and development capability for SRT to generate a new source of recurring revenue through both the licensing of the software and the bundling of software, products and data as a complete system sale.

In a little over ten years, since its first mandate by the International Maritime Organisation on large vessels for anti-collision purposes, AIS has evolved to become the leading technology for next generation maritime domain awareness, encompassing a wide range of applications from vessel tracking and fisheries management to pollution control and marine security. Our investment over that period has enabled SRT to create a complete range of customisable AIS products which are now the established market leaders and a global network of over 140 customers targeting the various geographic and application maritime market segments.

The challenge for SRT and our customers remains one of anticipating precise market timing and the achievement of full year market forecasts remains dependent on the timing of the implementation of a number of substantial projects and mandates, for which the stock has been ordered, crystallising before the year end. Despite these difficulties of short term forecasting, we look forward with confidence to continuing our long term growth trajectory as the global vessel tracking market gathers pace.

Simon Rogers, Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

		Six months ended 30 Sep 2013 Unaudited	Six months ended 30 Sep 2012 Unaudited	Year ended 31 Mar 2013 Audited
			£	£
Revenue		3,164,711	3,476,488	10,011,185
Cost of sales		(1,666,429)	(2,002,431)	(5,454,532)
Gross profit		1,498,282	1,474,057	4,556,653
Administrative expenses		(1,935,916)	(1,651,594)	(3,378,669)
Operating (loss) / profit		(437,634)	(177,537)	1,177,984
Investment revenues		3,194	6,351	9,087
(Loss) / profit before income tax		(434,440)	(171,186)	1,187,071
Income tax credit		-	316,686	316,686
(Loss) / profit for the period		(434,440)	145,500	1,503,757
Total comprehensive (loss) / income for the period		(434,440)	145,500	1,503,757
Earnings per share:				
Basic	2	(0.37)p	0.13p	1.3p
Diluted	2	(0.37)p	0.12p	1.3p

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013**

	Notes	As at 30 Sep 2013 Unaudited £	As at 30 Sep 2012 Unaudited £	As at 31 Mar 2013 Audited £
Assets				
Non-current assets				
Intangible assets		4,523,541	4,024,381	4,381,504
Property, plant and equipment		146,618	155,593	130,630
Total non-current assets		4,670,159	4,179,974	4,512,134
Current assets				
Inventories		3,275,295	3,585,617	3,419,521
Trade and other receivables		1,745,594	2,312,641	3,449,786
Cash and cash equivalents		2,184,997	1,554,209	1,535,376
Total current assets		7,205,886	7,452,467	8,404,683
Liabilities				
Current liabilities				
Trade and other payables		(814,487)	(1,535,293)	(1,437,969)
Net current assets		6,391,399	5,917,174	6,966,714
Net assets		11,061,558	10,097,148	11,478,848
Shareholders' equity				
Ordinary shares	3	115,920	115,750	115,920
Share premium		2,471,121	2,467,041	2,471,121
Other reserves	5	5,490,596	5,490,596	5,490,596
Retained earnings		2,983,921	2,023,761	3,401,211
Total shareholders' equity		11,061,558	10,097,148	11,478,848

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013**

	Notes	Six months ended 30 Sep 2013 Unaudited £	Six months ended 30 Sep 2012 Unaudited £	Year ended 31 Mar 2013 Audited £
Net cash generated from / (used in) operating activities	4	1,426,010	(1,001,135)	(157,447)
Corporation tax received		-	316,686	316,686
Net cash generated from / (used in) operating activities		1,426,010	(684,449)	159,239
Investing activities				
Expenditure on product development		(705,661)	(830,966)	(1,680,532)
Purchase of property, plant and equipment		(73,922)	(51,045)	(70,987)
Interest received		3,194	6,351	9,087
Net cash used in investing activities		(776,389)	(875,660)	(1,742,432)
Cash inflow / (outflow) before financing		649,621	(1,560,109)	(1,583,193)
Financing activities				
Net proceeds from issue of ordinary share capital		-	2,468,116	2,472,367
Net increase in cash and cash equivalents		649,621	908,007	889,174
Cash and cash equivalents at beginning of period		1,535,376	646,202	646,202
Cash and cash equivalents at end of period		2,184,997	1,554,209	1,535,376

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013**

	Share Capital	Share Premium	Retained Earnings	Other Reserves	Total
	£	£	£	£	£
Balance at 31 March 2012	106,190	8,484	1,851,068	5,490,596	7,456,338
Comprehensive income for the period	-	-	145,500	-	145,500
Issue of equity share capital	9,500	2,555,500	-	-	2,565,000
Cost of issue of equity share capital	-	(100,615)	-	-	(100,615)
Shares cancelled during the period	(93)	-	-	-	(93)
Share options exercised	153	3,672	-	-	3,825
Share based payment expense	-	-	27,193	-	27,193
Balance at 30 September 2012	115,750	2,467,041	2,023,761	5,490,596	10,097,148
Comprehensive income for the period	-	-	1,358,257	-	1,358,257
Share options exercised	170	4,080	-	-	4,250
Share based payment expense	-	-	19,193	-	19,193
Balance at 31 March 2013	115,920	2,471,121	3,401,211	5,490,596	11,478,848
Comprehensive loss for the period	-	-	(434,440)	-	(434,440)
Share based payment expense	-	-	17,150	-	17,150
Balance at 30 September 2013	115,920	2,471,121	2,983,921	5,490,596	11,061,558

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 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 2014.

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 2013 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 6 months ended 30 September 2013 and 30 September 2012 is unaudited.

The interim financial statements will be available to download on the Company's website www.softwarerad.com.

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 2013 except that IFRS 13 'Fair Value Measurement' has been adopted from 1 January 2013 and IAS 1 (revised) 'Presentation of items of other comprehensive income' has been adopted from 1 July 2012. The adoption of these standards has had no material effect on the results of the Group.

2. Earnings per share

The basic earnings per share have been calculated using the loss for the period of £434,440 (six months ended 30 September, 2012 – profit of £145,500; year ended 31 March, 2013 profit of £1,503,757) divided by the weighted average number of ordinary shares in issue of 115,919,774 (six months ended 30 September, 2012, 115,041,340 and year ended 31 March, 2013 – 115,447,244). The group has incurred losses for the current period and therefore there is no impact of the share options granted on diluted earnings per share. During the six months ended September 2012 the diluted earnings per share for the period have been calculated using weighted diluted shares of 117,826,342.

NOTES TO THE INTERIM FINANCIAL STATEMENTS – continued

3. Called up share capital

	30 Sep 2013 Unaudited £	30 Sep 2012 Unaudited £	31 Mar 2013 Audited £
Allotted: (Ordinary shares of 0.1p each):	115,920	115,750	115,920
Share capital reconciliation:	Number of shares		
Shares outstanding at 31 March 2012	106,190,107		
Placing April 2012	9,500,000		
Exercise of options	153,000		
Cancellation of shares	(93,333)		
Shares outstanding at 30 September 2012	115,749,774		
Exercise of options	170,000		
Shares outstanding at 31 March 2013 and 30 September 2013	115,919,774		

- a) The placing in April 2012 took place at 27p per share raising gross proceeds of £2,565,000 before costs of £100,615.
- b) The exercise of options was by employees of the Group at various dates. The exercise price was 2.5p.
- c) The Company cancelled 93,333 shares that it had previously issued pursuant to an employee share option plan.

4. Cash from operations

	Six months ended 30 Sep 2013 Unaudited £	Six months ended 30 Sep 2012 Unaudited £	Year ended 31 Mar 2013 Audited £
Operating (loss) / profit	(437,634)	(177,537)	1,177,984
Depreciation of property, plant and equipment	57,934	49,442	94,346
Amortisation of intangible fixed assets	563,624	375,544	867,987
Share-based payment charge	17,150	27,193	46,386
Decrease / (increase) in inventories	144,226	(89,967)	76,129
Decrease / (increase) in trade and other receivables	1,704,192	(775,940)	(1,913,085)
Decrease in trade and other liabilities	(623,482)	(409,870)	(507,194)
Net cash generated from / (used in) operations	1,426,010	(1,001,135)	(157,447)

NOTES TO THE INTERIM FINANCIAL STATEMENTS – continued

5. Statement of movement in shareholders' equity

Other reserves consist of: Capital Redemption Reserve £2,857 (2012: £2,857), Warrants Reserve £62,400 (2012: £62,400) and Merger Reserve £5,425,339 (2012: £5,425,339). There were no movements during the period.

6. Subsequent event

On October 11 2013, Software Radio Technology plc completed the acquisition of GeoVS Ltd. This entity then changed its name to SRT Marine System Solutions Ltd.

The consideration for this acquisition was the issue of 3,082,645 new ordinary shares in the company at an aggregate value of £932,500. The net assets acquired amounted to £3,948.