

SOFTWARE RADIO TECHNOLOGY PLC

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011

Software Radio Technology plc, the AIM-quoted developer and provider of maritime identification and tracking technologies and products, announces its results for the year ended 31 March 2011.

HIGHLIGHTS

- 157% increase in revenue to £9.15 million
- Profit after tax, ahead of market expectation, at £2.17 million (2010: loss of £0.2 million)
- Gross margin of 48%
- Cash balance of £3 million and debt free
- \$3.2 million forward order book as at 1 June 2011
- Acceleration of new product and application development
- Significant growing global markets

Simon Tucker, CEO of SRT, commented, "I am delighted to report that the year under review saw a transformation in the financial results of SRT. In particular, we saw strong demand for our Class A product as a result of the EU Inland Waterway mandate. During the year we significantly accelerated our product development programmes to position ourselves and our customers to take advantage of new market segment opportunities which we have previously identified.

"We entered the new financial year with a significant and growing addressable market, an active and established global network of customers and a wide and increasing portfolio of market leading products. We therefore look forward to continuing strong growth in the years ahead with the potential for some exceptional project wins which would significantly increase the scale of our operations."

Enquiries:

Software Radio Technology plc
Simon Tucker
Chief Executive Officer

+44 (0)1761 409500
simon.tucker@softwarerad.com

Westhouse Securities Limited
Tim Feather
Matthew Johnson

+44 (0)20 7601 6100

Cenkos Securities Plc
Andy Roberts

+44 (0)20 7397 8900

Leander PR
Christian Taylor-Wilkinson

+44 (0)7795 168 157

About SRT:

Software Radio Technology plc develops advanced radio communications technologies which are used to create enabling modules and OEM products. SRT Marine Technology Limited focuses on VHF and AIS technologies for use in navigation and homeland security identification and tracking applications. SRT Marine Technology provides its solutions in a variety of module and OEM product formats.

CHAIRMAN'S STATEMENT

Last year I reported that 2009/10 had been a transformational year for SRT from a market evolution perspective and that we had started to see the expected demand reflected in our financial performance. For the year just ended, 2010/11, I am delighted to report it has been a year of financial transformation.

The past financial year saw us significantly increase our rate of growth, with a 157% year on year increase in revenue to £9.15 million (2010: £3.56 million); increase our gross margin to 48% from 39% last year; report a maiden post-tax profit of £2.17 million (2010 loss of £0.22 million) and end the year with cash of £3 million and no debt.

The acceleration in growth this year has been generated by several factors including a broadening of SRT's product portfolio, aggressive implementation of a number of specific mandates and a general global increase in demand for AIS.

We believe that market demand for AIS based products will continue to expand considerably over the next few years. We have therefore significantly accelerated our product development programmes to position ourselves and our customers to take advantage of these market opportunities. This investment in our core technology will continue during 2011/12 and a range of new and innovative products will be launched over the next eighteen months which we expect to start making significant revenue contributions from 2012.

Operational Review

SRT's core focus remains to be the global leader in AIS and a reliable supplier of innovative products and technology solutions to our customers. Commensurate with the growth and broadening of AIS opportunities, we are now evolving our strategy to include applications and services. Whilst this is not expected to realise immediate new revenue streams, we see significant long term opportunities for SRT and our customers to generate recurring revenues.

During the year we completed a substantial investment in the development of a new core technology platform architecture which will form the basis of the next generation of significantly smaller, more powerful and lower cost products. Having completed this core technology development we have now commenced the development of the specific modules and derivative OEM products based on this architecture, the first of which, our new Class B, will start shipping in July 2011.

In the second half of the financial year we completed a re-organisation of the business to provide the internal structure and systems to support a substantial increase in product development, manufacturing and customer support. This resulted in a head count increase from 26 to 33 today which, together with an increase in marketing expenditure, has led to a core overhead increase of approximately £500,000 per annum. This investment, along with that in our core technology, is enabling us to support the rapid increase in product launches over the next 18 months which we expect to open new markets and drive future revenue streams.

Part of our operational investment has been in customer support and sales. Our global customer network has continued to evolve and today we have over forty active customers with SRT based products being sold and used on every continent. We believe that our customer support, in terms of both sales and product support, needs to match the high quality of our products in order to maximise sales for the benefit of SRT and our customers.

The market for all of our products has been strong through the year primarily driven by a few of the mandates now in progress, such as the EU Inland Waterway mandate for AIS Class A. In our markets, demand is unpredictable which often translates into lumpy order patterns from our customers with either unexpected demand accelerations or delays often occurring. This makes the forecasting of sales and associated production exceptionally challenging beyond a six month time horizon. We expect this to remain the case for the next couple of years as the global AIS market establishes a more normalised pattern and more mandates gain momentum. We have reacted to this by developing a supply chain strategy which will involve us carrying a mixture of long lead time components, modules and final OEM products of a value of between £1m and £2.5m to ensure that we have the ability to react to demand spikes and delays. As of 31 March 2011 our total inventories had increased from £0.8m in the prior year to £1.9m in line with this strategy.

Employees

SRT's defining advantage in the competitive world of complex radio communications stems from its people, without whom we would be unable to develop the technology our customers rely upon and now expect from SRT. As a business seeking to dominate a fast moving global market, we place large demands and expectations on our staff. We are fortunate in having an expert and dedicated team at SRT who, at all levels in the organisation, take their responsibilities seriously and have continued to deliver against challenging specifications and deadlines. We recognise the importance of attracting, motivating and retaining key staff and accordingly, during the year, granted share options to key employees. I would like to thank them personally on behalf of the Board and shareholders for their continuing hard work and support.

Strategy and the Future

SRT is following a strategy to maximise shareholder value over the long term. We see exceptional opportunities in the global maritime security and safety market and believe that we have established firm foundations through AIS which can be leveraged.

Over the next two years, SRT will significantly broaden its product range to cover all elements of the AIS system. This will include SART (Search and Rescue Transponders), Identifier (small vessel tracker), AtoN (Aids to Navigation device for buoys), MOB (Man over board system) as well as a range of complementary services and applications. Some of these products will also integrate new satellite based technologies with AIS to expand their utility. These products will be fed to the market through our established global network of customers and in turn their extensive distributor and dealer networks.

As well as investing in new technologies and products, we will continue to invest in our internal systems to ensure we have the ability to deliver and support an increasing product portfolio to larger and more diverse markets and deepen our customer relationships.

Last year we reported that active mandates required 500,000 vessels to fit an AIS transceiver by the end of 2015. Over the year this figure has increased by a further 500,000 to 1 million vessels, of which we estimate that approximately 15% to 20% have fitted a device, leaving a remaining addressable mandated market of up to 800,000 vessels in the coming years. With further mandates known to be in discussion and expected, the addressable AIS market continues to grow.

Increasingly we are also being approached by customers with specific project opportunities which could lead to substantial orders. The value of these opportunities ranges from tens of thousands to tens of millions of dollars. The challenge for SRT and our customers is forecasting the exact timing of project rollouts as it is not unusual for there to be a one to two year window. In addition, we expect new market segments and revenue streams to be opened through the introduction of new products such as our MOB, Identifier and dual mode satellite/AIS devices and a range of maritime applications and services.

The non-mandated leisure market segment remains quiet due to the general state of the economy and we do not expect this to start to recover until 2012. However, SRT has customers with strong brands and sales channels into this segment and is working with them to update and broaden their product range such that when this segment does start to grow we are well positioned to enjoy the benefits.

Our fundamental development and production challenge over the next two years is to anticipate the timing of demand from the market. Most mandates have poorly defined timescales and rollout programmes are not linear creating a challenge for SRT and our customers to forecast sales and manufacturing requirements. We will continue to work closely with our customers and the authorities in control of mandates to try to better understand the evolving characteristics of specific markets and opportunities. Over time we expect this timing challenge to diminish as more mandates come into effect and SRT has a broader range of products.

We enter the new financial year with a significant and growing addressable market, an active and established global network of customers and a wide and increasing portfolio of market leading products. We therefore look forward to continuing strong growth in the years ahead with the potential for some exceptional project wins which could again be transformational for SRT.

Simon Rogers
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 MARCH 2011

	2011 £	2010 £
Revenue	9,154,708	3,558,124
Cost of sales	(4,724,980)	(2,180,119)
Gross profit	4,429,728	1,378,005
Administrative costs	(2,397,082)	(1,876,383)
Other operating income	-	132,129
Operating profit / (loss) before share based payments	2,032,646	(366,249)
Share based payments charge	(102,521)	(22,004)
Operating profit / (loss) after share based payments	1,930,125	(388,253)
Investment revenues	7,626	2,067
Profit / (loss) before tax	1,937,751	(386,186)
Income tax credit	232,029	165,662
Profit / (loss) for the year after tax	2,169,780	(220,524)
Total comprehensive profit / (loss) for the year	2,169,780	(220,524)
Earnings / (loss) per share:		
Basic	2.2p	(0.2)p
Diluted	2.1p	(0.2)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2011

	2011	2010
	£	£
Assets		
Non-current assets		
Intangible assets	1,899,472	1,570,429
Property, plant and equipment	159,617	123,759
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Total non-current assets	2,059,089	1,694,188
Current assets		
Inventories	1,910,818	894,392
Trade and other receivables	1,738,826	318,762
Cash and cash equivalents	3,025,448	952,485
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Total current assets	6,675,092	2,165,639
Liabilities		
Current liabilities		
Trade and other payables	(1,542,984)	(1,381,665)
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Net current assets	5,132,108	783,974
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Total assets less current liabilities	7,191,197	2,478,162
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Net assets	7,191,197	2,478,162
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Shareholders' equity		
Share capital	105,864	97,818
Share premium account	17,819,772	15,387,084
Retained earnings	(16,225,035)	(18,497,336)
Other reserves	5,490,596	5,490,596
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Total shareholders' equity	7,191,197	2,478,162
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CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2011

	2011 £	2010 £
Cash generated from operating activities	405,982	1,391,790
Corporation tax received	232,029	165,662
Net cash generated from operating activities	<u>638,011</u>	<u>1,557,452</u>
Investing activities		
Expenditure on product development	(906,745)	(1,073,269)
Purchase of property, plant and equipment	(105,163)	(101,087)
Proceeds from the sale of property, plant and equipment	-	31,630
Interest received	7,626	2,067
Net cash used in investing activities	<u>(1,004,282)</u>	<u>(1,140,659)</u>
Cash inflow / (outflow) before financing	(366,271)	416,793
Financing activities		
Net proceeds on issue of shares	2,439,234	-
Net increase in cash and cash equivalents	2,072,963	416,793
Net cash and cash equivalents at beginning of year	<u>952,485</u>	<u>535,692</u>
Net cash and cash equivalents at end of year	<u><u>3,025,448</u></u>	<u><u>952,485</u></u>

Notes

1. Status of financial information

Software Radio Technology plc ("the company") is a public limited company incorporated in England and Wales and whose ordinary shares of 0.1p each are traded on the Alternative Investment Market of the London Stock Exchange. The Company's registered office is Wireless House, Westfield Industrial Estate, Midsomer Norton, Bath, BA3 4BS, England.

The Board of Directors approved this preliminary announcement on 20 June 2011. Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union, this announcement does not itself contain sufficient information to comply with all the disclosure

requirements of IFRS and does not constitute statutory accounts of the Group for the years ended 31 March 2011 or 31 March 2010.

The financial information has been extracted from the statutory accounts of the Company for the years ended 31 March 2011 and 31 March 2010. The auditors reported on those accounts; their reports were unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

The statutory accounts for the year ended 31 March 2010 have been delivered to the Registrar of Companies, whereas those for the year ended 31 March 2011 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

2. Basis of preparation

This financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Financial Reporting Interpretations Committee ("IFRIC") recommendations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. For the purposes of the preparation of the consolidated financial information, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 April 2010. There have been no changes in accounting policies during the year. The financial statements have been prepared under the historical cost convention unless otherwise stated.

3. Dividends

The Board is not recommending the payment of a final dividend.

4. Earnings / (loss) per Ordinary Share

The basic earnings / (loss) per share has been calculated on the profit on ordinary activities after taxation of £2,169,780 (2010: loss £220,524) divided by the weighted number of ordinary shares in issue of 100,863,487 (2010: 97,817,107). The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options.

A calculation is performed to determine the number of shares that could have been acquired at fair value, based upon the monetary value of subscription rights to outstanding share options. The number of dilutive shares under options was 5,559,926 and the weighted average number of ordinary shares for the purposes of dilutive earnings per share was 105,433,091. In 2010 the share options were anti-dilutive.

5. Income Tax Credit

The income tax credit received was in respect of research and development tax credit which is accounted for on a cash basis.

6. Annual Report

The Annual Report will be available from the Company's website, www.softwarerad.com from 21 June 2011.