Software
Radio Technology

Software Radio Technology plc

Annual Report and Accounts for the year ended

31 March 2007

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Directors and Advisers

Directors

Shamus Kelly (resigned 6/12/06)
Simon Tucker
Matthew Rogers
Neil Peniket (appointed 20/6/07)
Simon Rogers
Andrew Lapping
Richard Moon
Nick Jolliffe (appointed 1/11/06)

Secretary

Matthew Rogers

Registered Office

Wireless House
Westfield Industrial Estate
Midsomer Norton
Bath
BA3 4BS

Bankers

Royal Bank of Scotland
10 Gordon Street
Glasgow
G1 3PL

Auditors

Nexia Smith & Williamson
Chartered Accountants
25 Moorgate
London EC2R 6AY

Tax Advisers

Smith & Williamson
Chartered Accountants
25 Moorgate
London
EC2R 6AY

Solicitors

CMS Cameron McKenna
Mitre House
160 Aldersgate Street
London
EC1A 4DD

Nominated Adviser & Broker

Hanson Westhouse
One Angel Court
London
EC2R 7HJ

Registrars

Computershare Investor Services plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

Company's registered number 5459678

www.softwarerad.com

Summary

Highlights

- Completion of the core TETRA technology product and commencement of live network field testing and volume production planning
- Development capabilities across Marine and TETRA businesses expanded and additional technology assets developed
- SRT's low cost Marine Automatic Identification System (AIS) Class B device has now entered production and is being shipped to end users
- EU and US Coast Guard approval obtained for AIS Class B
- Winner of the AIM Best Technology Award 2006
- Board strengthened with the appointment of Simon Tucker as Group Managing Director and Nick Jolliffe as an independent Non-Executive Director
- A further placing of £4.00m (before expenses) completed in April 2007 specifically to provide funding to take advantage of opportunities in SRT's chosen market places.

Chairman's Statement

Financial Review

Turnover for the year was £1.82 million (2006: £3.13 million), which resulted in a loss for the year of £2.59 million (2006: £0.83 million) before an exceptional item, in line with revised market expectations. The primary reason for the reduction in turnover was a delay to the expected date of the commencement of production by the Group's TETRA customers, which was announced on 7 December 2006.

Costs were higher than the prior year due to an increased level of development expenditure. However, since December 2006, action has been taken to reduce the ongoing cost base significantly.

Operations

SRT PMR Technology

TETRA

In December 2006, we announced that there would be a delay in the ability of the Group's customers to enter volume production of TETRA handsets due to certain software-related issues, which had arisen during extreme field testing by customers. A plan to resolve the issues and to test and verify the resolution was implemented and I am pleased to report that this has been successfully completed.

Our first customers are now actively planning the production of handsets and we expect our other customers to commit to production progressively during the coming year. The current focus of our engineering teams therefore is the provision of support to the customers to enable them to commence production and deploy handsets into the field.

Our development teams have continued to improve our core TETRA technology in terms of features and functions. We have also commenced the development of our own range of TETRA products, which will include our own TETRA handset. We expect that these will be sold to OEMs within the EU, where encryption issues hinder non-EU handset manufacturers from entering the market.

Demand in the TETRA market continues to grow as networks in over 80 countries expand capacity, providing a growing market for the anticipated launch of TETRA products from our customers. Within the next 12 months, we expect that SRT will be providing the core technology for eight TETRA handset manufacturers worldwide.

Other Digital PMR standards

The migration from analogue to digital PMR systems has involved the development of a number of other standards in addition to TETRA. We are working on the evolution of our existing TETRA platform into a generic platform, which can be software-configured for other digital PMR standards, particularly those that address the less stringent requirements of non-mission critical user groups. Feasibility work has commenced on this next generation development.

SRT Marine Technology – AIS

During the year, we made strong progress developing our marine business. We have continued to build our international customer base of leading marine electronics companies and now have agreements in place with over 20 companies.

In addition to the existing Class A AIS transceiver, we have successfully launched our low cost Class B AIS transceiver, which is targeted at smaller vessels and an AIS Aids to Navigation (“AtoN”) product for use primarily on buoys.

Chairman's Statement
continued

Our Class B transceiver received approval from the US Coast Guard. Having received approval from the US Federal Communications Commission ("FCC") in error, we have made an application under the FCC's waiver approval process. Whilst we await final FCC approval, we understand this is proceeding.

In anticipation of the conclusion of this process, we are expanding our sales and marketing support functions in order to take full advantage of the sales opportunities generated by our customers.

As awareness and availability of competitively priced AIS products grows, we have noted that the increasing levels of interest from Homeland Security agencies, such as the US Coast Guard, which views AIS as a high priority.

Placing

On 29 March 2007, SRT announced a fundraising of £4 million (before expenses) through a placing of 9,523,810 Ordinary shares at 42p per share.

Board

In November 2006, the Board was pleased to welcome Nick Jolliffe as a Non-Executive Director. This appointment increases the number of independent directors and strengthens the corporate governance of the Company. We also appointed Neil Peniket, the Managing Director of SRT Marine Technology Limited, to the Board in June 2007.

In December 2006, Shamus Kelly, Managing Director, left the Company. Simon Tucker was appointed interim Managing Director at that time. I am pleased to report that this appointment has now been made permanent.

Outlook

Our first customers are actively planning production of TETRA PMR handsets utilising SRT's technology. We expect our other customers to commit to production progressively during the year.

As investment in homeland security continues around the world, we expect to see substantial revenue growth during the coming years as our technology solutions gain traction in our chosen markets.

Having raised additional funds in April 2007, the Group is now well financed to complete the development of existing products and to consider investment in new products. We therefore look forward to the future with confidence.

Richard Moon

Chairman

Directors' Report

for the year ended 31 March 2007

The directors present their report and the audited financial statements for the year ended 31 March 2007.

Activities

The principal activity of the Group is the development and licensing of wireless communication technologies in the form of complete reference design product solutions targeting specific niches within the global homeland security market.

Operational Review

During the last year, the Software Radio Technology Group (SRT) has made the critical and difficult step of transforming itself from a pure technology research & development company into a business with a worldwide customer base manufacturing and selling products containing SRT's Marine and the TETRA technologies into the growing homeland security market.

Certain software related issues were identified in our TETRA technology in December 2006, which resulted in a delay to the commencement of production and a delay in the expected royalty revenues.

However, we are pleased to report that these issues have been resolved and the first TETRA customers are actively planning production.

In December 2006, Shamus Kelly left SRT plc as Managing Director (MD) and was replaced by Simon Tucker as Group MD.

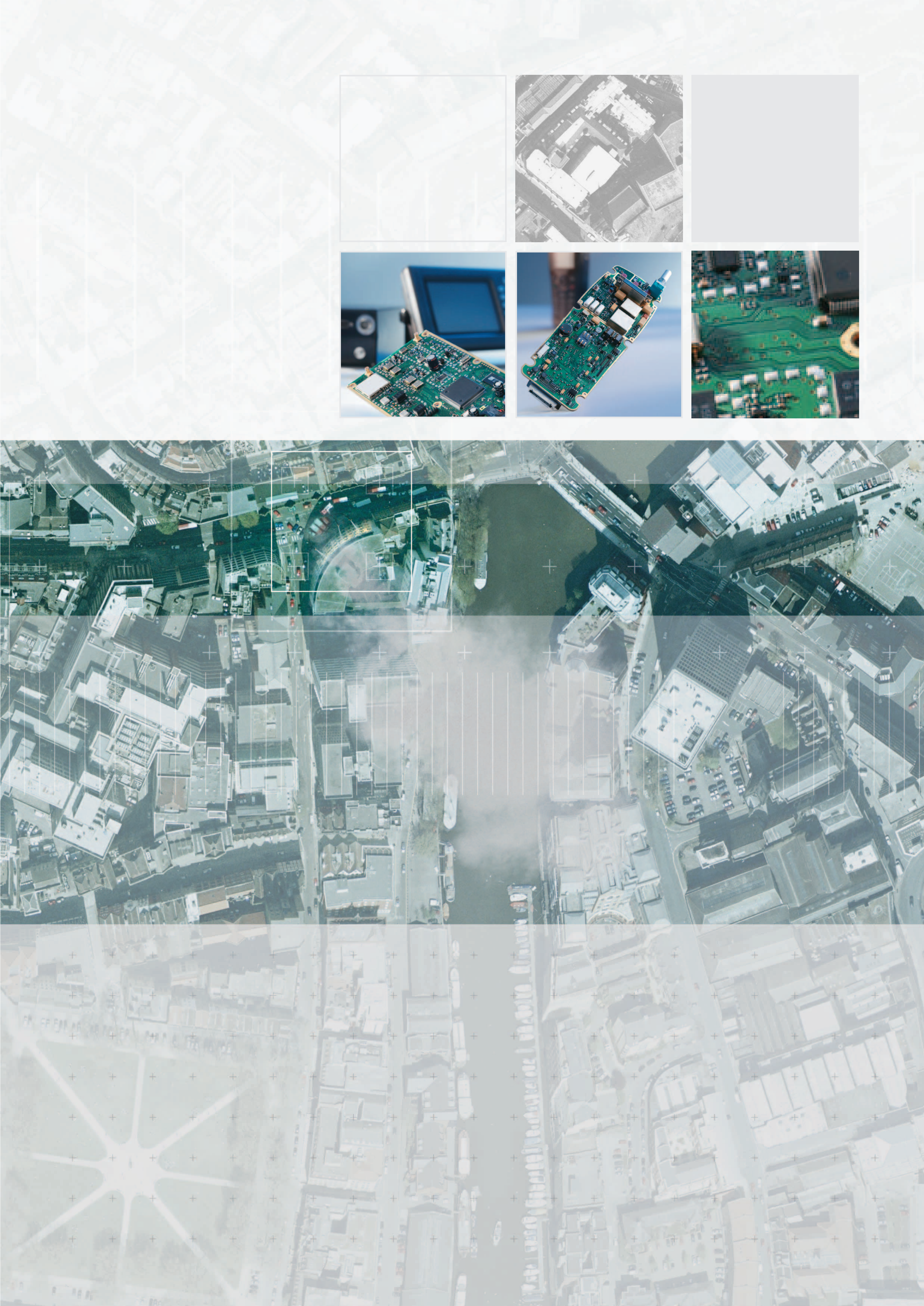
Both TETRA and Marine are now distinct, self contained businesses within the SRT Group. In line with the commencement of production and deployment of product into the field, we have also begun to expand our customer support resources to ensure a high level of customer service is maintained in the face of high volumes. These actions have created highly focused and efficient business units capable of delivering against their operational, market and financial objectives.

Marine – AIS:

SRT Marine has now entered the production phase with its three technology solutions. SRT's Class A, Class B and AtoN AIS technologies are now being shipped within customer products to end users. During this process the technologies have obtained various approvals including US Coast Guard and EU Approvals. This has enabled our growing customer base of over 20 marine electronics companies to commence the sale of AIS products through their extensive sales and distribution channels. However, as yet the vast US market of over 12 million vessels is not addressable by our customers due to the absence of FCC approval. The granting of FCC approval is expected later this year and will mark the opening of this significant market for our customers.

National network rollouts continue as a prelude to support the expected future mandates for the use of such technology by marine traffic. As expected the market for AIS continues to develop as authorities and vessel owners respond positively to the diverse range of AIS products arriving onto the market from our customers.

The exact timing and ramp-up of the market remains a relative unknown, but we expect this to become clearer as the year progresses. We are also investigating the use of AIS technology for land based applications.



Directors' Report continued
for the year ended 31 March 2007

With more contracts under negotiation, successful production and delivery underway coupled with a significant and increasingly active target market, we are very optimistic for the future.

Professional Mobile Radio – TETRA:

In December 2006, extensive pre-production field testing of our TETRA solutions uncovered certain unexpected software related issues. The issues were quantified and a plan put in place to resolve and retest the issue. However, the resolution, test and verification of the issue caused a delay to our customers being able to enter production.

The issues identified in December 2006 have now been resolved and customers are actively planning production.

Despite these issues, and as part of the refocusing and restructuring during the last quarter of the year under review, we continued to deploy our TETRA development team on adding value to our technology. This has included the development of additional features, cost reduction and a unique user customisable handset menu interface.

This has been a difficult period for our TETRA business, but we are rapidly arriving at the exciting point of royalty generation and production ramp-up.

The market for TETRA products continues to grow strongly as networks are rolled out in over 80 countries and latent demand for locally produced handsets continues to build. As with our Marine business the exact ramp-up will become apparent as products are deployed by our customers during the course of this year.

Despite having five Asian and three European TETRA customers, we are continuing to look for new customers and are now in active discussions with potential new licence customers and a range of distributors for our forthcoming SRT OEM handset.

Summary

This year has seen a dramatic change to SRT in terms of its internal operations and the state of its technology products. The commencement of production by customers using its technologies, firstly in Marine and shortly in TETRA mark the start of royalty earnings, which we expect to steadily increase in the future as customer sales channels are fully exploited and the target markets continue to grow. The challenge now for SRT is to continue to make the right decisions for the continued development of its IPR portfolio into the next generation of technology products and the continued support of its customers with the current range of products. We believe SRT is well structured and positioned to do this.

Results for the Year and Dividends

The loss for the year after taxation and an exceptional item was £2,962,646 (2006: £1,114,870). The directors do not recommend the payment of a dividend.

An exceptional non-cash accounting charge of £376,030 (2006: £489,171) in respect of share options has been charged to the profit & loss account as detailed in note 3.

Given the change in SRT's operations from a pure technology research & development company into a company selling products, the Company's directors do not

believe that analysis using KPI's is necessary for an understanding of the nature of development, performance or position of the business.

Risk Management

Details of the Group's financial instruments and its policies with regard to financial risk management are given in note 27 to the financial statements.

The directors acknowledge that the Group's ability to attract and retain employees with appropriate expertise and skills cannot be guaranteed and difficulties experienced in this area could affect the trading performance of the Group.

Due to the Group's size and limited resources it may not be able to detect and prevent infringement of its IPR. The directors believe that although adequate steps have been taken to protect its IPR such measures may be inadequate to prevent the misappropriation of its proprietary information or other intellectual property rights.

Post Balance Sheet Events

During April 2007, the Company completed a placing of 9,523,810 shares at 42p raising £4,000,000 before costs.

In May 2007, the name of Software Radio Technology Trading Limited was changed to SRT PMR Technology Limited and the name of Software Radio Technology (Marine Technology) Limited was changed to SRT Marine Technology Limited.

In June 2007 Neil Peniket was appointed to the SRT plc Board.

Directors and their Interests

The directors who served during the year and their interests in the share capital of the Company as at 31 March 2007 and at 31 March 2006 were:

	2007	2006
	Ordinary 0.1p shares	Ordinary 0.1p shares
Non Executives		
Simon Rogers	14,241,400	14,241,400
Andrew Lapping	1,081,080	1,081,080
Richard Moon	–	–
Nick Jolliffe	–	–
Executives		
Shamus Kelly	–	–
Simon Tucker	–	–
Matthew Rogers	–	–

Dates of appointment are as shown on the inside front cover.

All directors benefit from the provision of directors' personal indemnity insurance policies.

Directors' Report continued
for the year ended 31 March 2007

Share options have been granted to one non-executive director and all of the executive directors. All are detailed in note 4 to the accounts.

No directors have any interest in warrants issued by the Company on flotation.

Payments of Creditors

The Group's policy for all suppliers is to abide by the supplier's terms of payment when entering into a business transaction. At 31 March 2007, the number of day's trade creditors was 99 (2006: 50 days). This has increased significantly upon last year due to some significant stock purchases (£450k) during March 2007, which remained unpaid at the year end.

Disclosure of Information to the Auditors

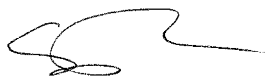
Each director of the Company has confirmed that in fulfilling their duties as a director they have:

- taken all the necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information
- so far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Nexia Smith & Williamson be reappointed as auditors of the Company will be put to the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



S Tucker

Director

Statement of Directors’ Responsibilities in Respect of the Accounts

Company law requires the directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the accounts
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance Report
for the year ended 31 March 2007

The directors recognise the importance of, and are committed to, high standards of corporate governance. Whilst under the AIM rules full compliance with the Combined Code is not required, the directors believe that the Company applies the recommendations insofar as is practicable and appropriate for a public company of its size.

The Board of Directors

The Board of Directors at the date of this report consists of three executive and four non-executive directors who qualify as independent non-executive directors as defined in the Combined Code.

The Board believes that the composition and breadth of experience of the Board are appropriate for the Company. The Board meets at least ten times throughout the year and through its chairman and executive directors in particular, maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

The Board is responsible for such key matters as the approval or monitoring of strategic plans, the annual trading budget, major capital expenditure, treasury policies and financial performance. It delegates responsibility for the day to day operation of the business to the executive directors who are charged with consulting the Board on all significant financial and operational matters.

Audit Committee

The Audit Committee comprises Nick Jolliffe (Chairman) and Andrew Lapping two of the independent non-executive directors. Its terms of reference indicate at least two regular meetings per year and the meeting, to review and consider the scope of the 2007 audit, took place on 7 March 2007. This meeting was attended by the Chairman of the Audit Committee, the Managing Director and the Finance Director as well as two representatives from Nexia Smith & Williamson. The meeting to review feedback from the 2007 audit, took place on 21 June 2007. This meeting was attended by the Chairman of the Audit Committee, the Finance Director as well as two representatives from Nexia Smith & Williamson. The Finance Director and a representative of the external auditors are normally invited to attend meetings. Other directors or staff may be invited to attend, as considered beneficial by the committee.

The Audit Committee's primary responsibilities are to review the effectiveness of the Company's systems of internal control, to review with the external auditors the nature and scope of their audit and the results of that audit, and to evaluate and select external auditors.

Remuneration Committee

The Remuneration Committee plans to meet at least twice per year. It has met three times during the year under review. Its members are Nick Jolliffe (Chairman), Simon Rogers and Richard Moon.

The Remuneration Committee's principal objective is to attract and retain executives and provide them with appropriate incentives to encourage enhanced performance and ensure that, in a fair and responsible manner, they are rewarded for their individual contributions to the success of the Company. Non-executive fees are considered and agreed by the Board as a whole.

Nomination Committee

Richard Moon (Chairman), Simon Rogers, Andrew Lapping and Nick Jolliffe are the members of the Nomination Committee. The Committee has yet to meet and until the Company becomes substantially larger, the directors are of the opinion that the Nomination Committee would only need to be convened in unusual circumstances.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Independent Auditors' Report to the Shareholders of Software Radio Technology plc

We have audited the Company and Group accounts of Software Radio Technology Plc for the year ended 31 March 2007, which comprise the Profit and Loss Account, the Company and Group Balance Sheets, the Cash Flow Statement, and the related notes 1 to 29. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We state in our report whether in our opinion the information given in the Directors' Report is consistent with the accounts. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's and Group's affairs as at 31 March 2007 and of the Group's loss for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

25 Moorgate
London
EC2R 6AY

4 July 2007

Consolidated Profit and Loss Account
for the year ended 31 March 2007

	Notes	Stated before exceptional items 2007 £	Exceptional 2007 £	Total 2007 £	2006 £ As restated
Turnover	2	**1,817,588**	–	**1,817,588**	3,125,270
Cost of sales		**(1,628,531)**	–	**(1,628,531)**	(1,569,125)
Gross profit		**189,057**	–	**189,057**	1,556,145
Administrative expenses	3	**(2,861,464)**	**(376,030)**	**(3,237,494)**	(2,879,077)
Operating Loss		**(2,672,407)**	**(376,030)**	**(3,048,437)**	(1,322,932)
Interest receivable		**85,791**	–	**85,791**	35,243
Interest payable	6	–	–	–	(18,616)
Loss on ordinary activities before taxation	7	**(2,586,616)**	**(376,030)**	**(2,962,646)**	(1,306,305)
Tax on loss on ordinary activities	8	–	–	–	191,435
Loss for the financial year	18	**(2,586,616)**	**(376,030)**	**(2,962,646)**	(1,114,870)
Loss per share (basic and diluted)	25			**(3.83)p**	(1.93)p

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There were no gains or losses in either year other than those included in the above profit and loss account.

Consolidated Balance Sheet
as at 31 March 2007

	Notes	2007 £	2006 £
Fixed assets			
Intangible assets	10	**4,883,768**	2,860,875
Tangible assets	11	**522,485**	324,199
		5,406,253	3,185,074
Current assets			
Stocks	13	**161,938**	290,091
Debtors	14	**2,971,612**	1,903,977
Cash at bank and in hand		**317,005**	1,233,431
		3,450,555	3,427,499
Creditors: amounts falling due within one year	15	**(1,589,170)**	(890,347)
Net current assets		**1,861,385**	2,537,152
Total assets less current liabilities		**7,267,638**	5,722,226
Net assets		**7,267,638**	5,722,226
Shareholders' funds			
Called up share capital	16	**78,288**	69,045
Share premium account	18	**7,787,787**	3,659,873
Profit and loss account	18	**(6,317,820)**	(3,731,204)
Other reserves	18	**5,719,383**	5,724,512
		7,267,638	5,722,226

The accounts were approved by the Board of Directors on 4 July 2007 and were signed on its behalf by:

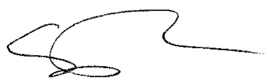
S Tucker

Director

Company Balance Sheet
as at 31 March 2007

	Notes	2007 £	2006 £
Fixed assets			
Investments	12	**11,306,180**	11,306,180
		11,306,180	11,306,180
Current assets			
Debtors	14	**7,412,448**	3,482,583
		7,412,448	3,482,583
Creditors: amounts falling due within one year	15	**(10,909,549)**	(10,880,041)
Net current liabilities		**(3,497,101)**	(7,397,458)
Total assets less current liabilities		**7,809,079**	3,908,722
Net assets		**7,809,079**	3,908,722
Shareholders' funds			
Called up share capital	16	**78,288**	69,045
Share premium account	18	**7,787,787**	3,659,873
Profit and loss account	18	**(348,183)**	(116,512)
Other reserves	18	**291,187**	296,316
		7,809,079	3,908,722

The accounts were approved by the Board of Directors on 4 July 2007 and were signed on its behalf by:



S Tucker

Director

Cash Flow Statement
for the year ended 31 March 2007

	Notes	2007 £	2006 £
Net cash outflow from operating activities	22	**(2,503,430)**	(1,878,024)
Returns on investments and servicing of finance			
Interest received		**85,791**	35,243
Interest paid		**–**	(18,616)
Net cash outflow from returns on investments and servicing of finance		**85,791**	16,627
		(2,417,639)	(1,861,397)
Taxation			
Corporation tax received		**–**	191,435
		(2,417,639)	(1,669,962)
Capital expenditure			
Payments to acquire intangible fixed assets		**(2,218,164)**	(1,455,418)
Payments to acquire tangible fixed assets		**(412,651)**	(293,850)
		(2,630,815)	(1,749,268)
Net cash outflow for capital expenditure and financial investment		**(5,048,454)**	(3,419,230)
Cash outflow before financing		**(5,048,454)**	(3,419,230)
Financing			
Issue of ordinary share capital		**4,330,000**	4,093,497
Issue cost of ordinary shares issued		**(197,972)**	(518,486)
New long-term loans		**–**	10,000
Net cash inflow from financing		**4,132,028**	3,585,011
(Decrease)/Increase in cash in the year	23	**(916,426)**	165,781

Notes to the Accounts
for the year ended 31 March 2007

1. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice. A summary of the more important accounting policies adopted are described below.

Basis of accounting

The accounts have been prepared under the historical cost convention.

Basis of consolidation

On 19 October 2005, the Company acquired the entire issued share capital of Software Radio Technology (UK) Limited by means of a share for share exchange. On the same date, Software Radio Technology (UK) Limited transferred its investment in Software Radio Technology Trading Limited (formerly Software Radio Technology Limited) to the Company. Both transactions have been accounted for as group reconstructions under FRS 6 "Acquisitions and mergers" using merger accounting. The transfer of Software Radio Technology Trading Limited to the Company does not meet all the criteria for a group reorganisation in FRS 6 because the fair value of any non-equity consideration exceeded 10% of the nominal value of the shares issued. However, the directors consider that the alternative approach of acquisition accounting, with restatement of separable assets and liabilities to fair values, the creation of goodwill and inclusion of post-reorganisation results only, would not give a true and fair view of the Group's results and financial position. The substance of the transaction was not the acquisition of a business but a Group reconstruction under which an existing subsidiary has been transferred between two Group companies.

The adoption of merger accounting presents Software Radio Technology plc as if it had always been the parent undertaking of the Group.

The results included in the profit and loss account for the period ended 31 March 2006 consolidate the results of the parent undertaking from the date of incorporation to the 31 March 2006 and the results of its subsidiary undertakings for the full year to 31 March 2006.

From 1 April 2006, the consolidated profit and loss account and balance sheet include the accounts of the Company and its subsidiary undertakings made up to 31 March 2007. The results of the subsidiaries acquired or sold are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful life of five years.

Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Company is expected to benefit, currently considered to be five years.

Development expenditure capitalised represents time spent by company employees and sub-contractor costs, valued at cost.

1. Accounting policies (continued)

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Fixed assets

Depreciation is provided on cost or revalued amounts in equal annual instalments over the estimated useful lives of the assets concerned. The following annual rates are used.

Plant and machinery – 2 – 10 years

Deferred taxation

Deferred tax is provided for on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Any assets and liabilities recognised have not been discounted.

Pension costs

Contributions to defined contribution schemes are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Leases

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Share based payments

In determining the fair value of equity settled share based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgment must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model, which is dependant on further estimates, including the Group's future dividend policy, employee turnover, the timing with which options will be exercised and the future volatility in the price of the Group's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Group could materially affect the reported value of share based payments.

1. Accounting policies (continued)

Taxation

Corporation tax recoverable in respect of research and development expenditure is accounted for on a cash basis.

Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Profit is recognised on long term contracts if the final outcome can be assessed with reasonable certainty by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which hours to date bear to total expected hours for that contract.

2. Turnover

	2007	2006
	£	£
Segmental analysis by geographical destination:		
UK	**208,158**	50,224
Europe	**719,292**	637,453
Asia	**728,600**	2,437,593
Other	**161,538**	–
	1,817,588	3,125,270

Segmental analysis by class of business	**PMR**	**Marine**
	£	£
Turnover	**1,015,151**	802,437
(Loss)/profit	**(2,350,401)**	64,877
Net (liabilities)/assets	**(4,959,174)**	64,878

All turnover is derived from external customers and originated in the UK.

3. Exceptional item

Included in the profit and loss account is an exceptional charge of £376,030 (2006: £489,171), calculated in accordance with FRS 20, arising on the grant of share options to executive and non executive directors primarily on admission to AIM.

FRS 20 has been applied for the first time in 2007, the charge arising in respect of share options having previously been accounted for in accordance with UITF 17. In accordance with the transitional provisions of FRS 20, the comparatives have been restated to reflect the charge of £489,171 that would have been recorded in the accounts for the period ended 31 March 2006 had FRS 20 been adopted early. The UITF 17 charge of £675,820 previously recognised has been reversed.

4. Directors' emoluments

	2007	2006
	£	£
Executive		
S Kelly	**77,333**	94,332
S Tucker	**140,300**	131,500
M Rogers	**72,000**	60,687
Non-Executive		
R Moon	**40,000**	16,667
S Rogers	**15,000**	6,250
A Lapping	**15,000**	6,250
N Jolliffe	**6,250**	–
Total emoluments	**365,883**	315,686

Included in total directors' emoluments above are amounts paid to consultancy companies controlled by directors as disclosed in note 21.

Pension contributions to money purchase schemes

	2007	2006
S Kelly	**47,012**	4,417
M Rogers	**3,600**	1,971
	50,612	6,388

The contract of S Kelly was terminated during the year and under the terms of his agreement a payment of £43,429 was made to his pension fund.

Share Options

Executive	*Total under option*	*Exercise price*	*Exercise date*	*Expiry date*
S Kelly	740,000	0.1p	2 November 2006	2 November 2015
	493,333	35p	2 November 2007	2 November 2015
	493,333	35p	2 November 2008	2 November 2015
	493,334	35p	2 November 2009	2 November 2015

Under the terms of an agreement dated 10 January 2007, options granted to S Kelly that had not vested have lapsed. 740,000 options of 0.1p and 493,333 options of 35p that had vested at this date are exercisable anytime until 31 December 2007

S Tucker	940,000	0.1p	2 November 2006	2 November 2015
	733,333	35p	2 November 2007	2 November 2015
	733,333	35p	2 November 2008	2 November 2015
	733,334	35p	2 November 2009	2 November 2015
M Rogers	100,000	0.1p	2 November 2006	2 November 2015
	106,666	35p	2 November 2007	2 November 2015
	106,666	35p	2 November 2008	2 November 2015
	106,667	35p	2 November 2009	2 November 2015

Non-Executive	*Total under option*	*Exercise price*	*Exercise date*	*Expiry date*
R Moon	1,040,000	24.5p	2 November 2006	2 November 2015

An insurance premium of £2,779 (2006: £2,779) was paid in respect of directors' and officers' liability.

Retirement benefits are accruing to one (2006: two) directors under the money purchase pension scheme.

5. Employee information

The average number of persons, including directors employed by the Company during the year was:

	2007 Number	2006 Number
Technical	**49**	31
Administration and sales	**13**	12
	62	43

	£	£ As restated
Staff costs for the above persons were:		
Wages and salaries	**1,468,589**	1,862,420
Social security costs	**273,179**	110,538
Pension costs – defined contribution schemes	**68,495**	30,219
	1,810,263	2,003,177

Total wages and salaries, as stated above, exclude costs capitalised and included within deferred development expenditure amounting to £1,587,637 (2006: £938,940).

Wages and salaries also include £376,030 (2006: £489,171) in respect of share options as detailed in note 3.

6. Interest payable and similar charges

	2007 £	2006 £
Bank loans and overdrafts	–	3,304
Debentures and other loans	–	15,312
	–	18,616

7. **Loss on ordinary activities before taxation** is stated after charging/(crediting):

	2007	2006
	£	£
Amortisation		
– intangible assets	**195,271**	146,286
Depreciation	**214,365**	132,154
Auditors' remuneration		
– audit (including £11,000 (2006: £11,000) in respect of the parent company)	**27,522**	26,000
– taxation	**7,560**	10,265
Exchange loss/(profit)	**42,527**	2,876
Operating lease rentals – land & buildings	**113,105**	53,477
Operating lease rentals – other	**3,200**	3,200

In addition to the fees paid by the Group to the auditor in respect of other services, £nil (2006: £76,000) in relation to admission to AIM has been charged to the share premium account.

8. Tax on profit on ordinary activities

	2007	2006
	£	£
(a) UK corporation tax at 30% (2006: 30%)		
Current	–	–
Over-provision in respect of prior years	–	(191,435)
	–	(191,435)

(b) Factors affecting tax charge for year

	£	£
		As restated
Loss on ordinary activities before tax	**(2,962,646)**	(1,306,305)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2006: 30%)	**(888,794)**	(391,892)
Effects of:		
Expenses not deductible for tax purposes	**8,256**	10,222
Exceptional item (note 3)	–	146,752
Depreciation in excess of capital allowances	**43,503**	24,573
Losses carried forward	**837,035**	210,345
Adjustments to previous periods – R&D tax credit	–	(191,435)
Current tax credit for year	–	(191,435)

8. Tax on profit on ordinary activities (continued)

The Group has estimated losses of £15,720,994 (2006: £12,389,237) available for carry forward against future trading profits.

No provision has been made in the accounts for a potential net deferred tax asset of £4,716,298 (2006: £3,716,771) resulting from the excess of depreciation over accelerated capital allowances and carry forward trading losses. A deferred tax asset would only be recognised where there is reasonable certainty that suitable taxable profits will be generated in the future and that the Group will be able to claim capital allowances in excess of depreciation in the future or where a balancing allowance would arise on disposal of the asset.

9. Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the holding Company's profit and loss account has not been included in these financial statements. The loss for the year is £607,701 (2006: £605,683).

10. Intangible fixed assets – Group

	Goodwill	Development Costs	Total
	£	£	£
Cost or valuation			
At 1 April 2006	336,478	2,847,455	3,183,933
Additions	–	2,218,164	2,218,164
At 31 March 2007	**336,478**	**5,065,619**	**5,402,097**
Depreciation			
At 1 April 2006	224,320	98,738	323,058
Charge for the year	67,296	127,975	195,271
At 31 March 2007	**291,616**	**226,713**	**518,329**
Net book value			
At 31 March 2007	**44,862**	**4,838,906**	**4,883,768**
At 31 March 2006	112,158	2,748,717	2,860,875

11. Tangible fixed assets – Group

	Plant and machinery £
Cost	
At 1 April 2006	2,050,596
Additions	412,651
At 31 March 2007	**2,463,247**
Depreciation	
At 1 April 2006	1,726,397
Charge for the year	214,365
At 31 March 2007	**1,940,762**
Net book value	
At 31 March 2007	**522,485**
At 31 March 2006	324,199

12. Fixed asset investments – Company

	Shares in group undertakings £
Cost as at 1 April 2006	11,306,180
Cost as at 31 March 2007	**11,306,180**

Holdings of more than 20%

The Company holds more than 20% of the share capital of the following companies:

Company	**Country of incorporation**	**Shares held**	
Subsidiary undertakings		**Class**	**%**
Software Radio Technology (UK) Limited	England	Ordinary	100
SRT PMR Technology Limited (formerly Software Radio Technology Trading Limited)	England	Ordinary	100
SRT Marine Technology Limited (formerly Software Radio Technology (Marine Technology) Limited)	England	Ordinary	100

12. Fixed asset investments – Company (continued)

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Software Radio Technology (UK) Limited	Non-trading
SRT PMR Technology Limited (formerly Software Radio Technology Trading Limited)	Electronic hardware and software engineering and licensing of technology reference designs
SRT Marine Technology Limited (formerly Software Radio Technology (Marine Technology) Limited)	Electronic hardware and software engineering and licensing of technology reference designs

13. Stocks – Group

	2007 £	2006 £
Raw materials and consumables	**58,502**	84,307
Finished goods	**103,436**	205,784
	161,938	290,091

14. Debtors – Group

	2007 £	2006 £
Trade debtors	**1,390,541**	703,001
Amounts recoverable on contracts	**1,107,206**	984,547
Other debtors	**363,553**	136,124
Prepayments and accrued income	**110,312**	80,305
	2,971,612	1,903,977

Amounts falling due after more than one year and included within trade debtors above amount to £nil (2006: £107,143).

Debtors – Company

	2007 £	2006 £
Amounts owed by group company	**7,400,448**	3,472,473
Other debtors	**12,000**	10,110
	7,412,448	3,482,583

The inter-company balances are unsecured, interest free and have no fixed dates for repayment and are not expected to be repaid within 12 months.

15. Creditors: amounts falling due within one year – Group

	2007 £	2006 £
Payments received on account	–	7,102
Trade creditors	**1,178,763**	427,503
Other taxation and social security	**92,345**	60,161
Other creditors	**2,711**	19,224
Accruals and deferred income	**315,351**	376,357
	1,589,170	890,347

£12,726 (2006:£16,974) has been included in creditors and charged to the profit & loss account for pension contributions to defined contribution pension schemes to be paid by the Company.

Creditors: amounts falling due within one year – Company

	£	£
Amounts owed to group undertakings	**10,815,957**	10,815,957
Accruals and deferred income	**93,592**	64,084
	10,909,549	10,880,041

16. Called up share capital

	2007 £	2006 £
Authorised		
120,000,000 Ordinary shares of 0.1p each (2006: 120,000,000 Ordinary shares of 0.1p each)	**120,000**	120,000
	120,000	120,000
Allotted, called up and fully paid		
78,287,082 Ordinary shares of 0.1p each (2006: 69,044,530 Ordinary shares of 0.1p each)	**78,288**	69,045
	78,288	69,045

Share Capital

On 19 May 2006, the Company undertook a placing of 9,042,552 0.1p Ordinary shares with an aggregate nominal value of £9,043 for total cash consideration of £4,250,000.

On 10 January 2007, the Company issued and allotted 31,165 new Ordinary shares of 0.1p with an aggregate nominal value of £31 for total cash consideration of £12,466. This transaction represented conversion of some of the warrants issued upon the Company's listing to AIM.

16. Called up share capital (continued)

On 21 February 2007, the Company issued and allotted 168,835 new Ordinary shares of 0.1p with an aggregate nominal value of £169 for total cash consideration of £67,534. This transaction represented conversion of some of the warrants issued upon the Company's listing to AIM.

Following the transactions on the 10 January and 21 February 2007 there remained 11,352,850 additional Ordinary shares to be issued assuming all existing warrants were exercised and a total number of 78,087,082 Ordinary shares in issue.

17. Share Based Payment

The Company operates an Enterprise Management Incentive share option scheme for directors and employees. An award has also been made to the Company's Chairman, Mr R Moon.

The general terms of the scheme are that awards are made once an employee has completed a minimum of six months' service with the Company. The awards made to employees are at the discretion of the Management Team and those to the directors at the discretion of the Remuneration Committee.

The options generally vest over a three year period and the maximum exercise period for the options is ten years.

Details of the share options outstanding during the year are as follows:

	Number of share options	Weighted average exercise price
Outstanding at beginning of year	8,270,445	26.2p
Granted during the year	1,485,000	52.3p
Forfeited during the year	2,190,000	36.5p
Exercised during the year	0	
Expired during the year	0	
Outstanding at the end of the year	7,565,445	28.3p
Exercisable at the end of the year	2,300,000	5.6p

The value of the options has been measured by using the monte carlo pricing model for the grant to the Chairman and the binomial pricing model for all other grants.

For options granted during the year, the inputs into the binomial model were as follows:

Share price at grant	50p
Exercise price	52p
Volatility	40%
Expected life	5 years
Risk free rate	4.71%
Expected dividend yield	0%

Expected volatility was determined by referencing historical data for similar sized companies over the previous five years.

17. Share Based Payment (continued)

For share options outstanding at the year end, vesting and expiry dates are as set out below.

Vesting date	Number issued	Exercise price	Expiry date
2 November 2005	1,780,000	0.1p	2nd November 2015
2 November 2006*	1,040,000	24.5p	2nd November 2015
2 November 2006	906,666	35p	2nd November 2015
2 November 2007	906,667	35p	2nd November 2015
2 November 2008	906,667	35p	2nd November 2015
2 November 2006	230,148	35p	2nd November 2010
2 November 2007	230,148	35p	2nd November 2010
2 November 2008	230,149	35p	2nd November 2010
31 March 2007	170,000	57p	1st April 2016
31 March 2008	170,000	57p	1st April 2016
31 March 2009	170,000	57p	1st April 2016
30 June 2007	16,666	51.5p	1st July 2016
30 June 2008	16,667	51.5p	1st July 2016
30 June 2009	16,667	51.5p	1st July 2016
31 July 2007	33,333	51.5p	1st August 2016
31 July 2008	33,333	51.5p	1st August 2016
31 July 2009	33,334	51.5p	1st August 2016
28 February 2008	225,000	48p	1st March 2017
28 February 2009	225,000	48p	1st March 2017
28 February 2010	225,000	48p	1st March 2017

* Subject to market related performance criteria.

18. Reserves – Group

	Other reserves £	Profit and loss account £	Share premium account £	Total £
Other reserves				
At 1 April 2006	5,724,512	(3,731,204)	3,659,873	5,653,181
Loss for the financial year	–	(2,962,646)	–	(2,962,646)
Premium on shares issued in year (net)	–	–	4,122,785	4,122,785
Exercise of warrants (net)	(5,129)	–	5,129	–
Share options to be exercised	–	376,030	–	376,030
At 31 March 2007	**5,719,383**	**(6,317,820)**	**7,787,787**	**7,189,350**

	Capital redemption reserve £	Warrants £	Merger £	Total £
Other reserves				
At 1 April 2006	2,857	296,316	5,425,339	5,724,512
Exercise of warrants (net)	–	(5,129)	–	(5,129)
At 31 March 2007	**2,857**	**291,187**	**5,425,339**	**5,719,383**

Reserves – Company

	Other reserves £	Profit and loss account £	Share premium account £
At 1 April 2006	296,316	(116,512)	3,659,873
Loss for the financial year	–	(607,701)	–
Premium on shares issued in year (net)	–-		4,122,785
Exercise of warrants in the year (net)	(5,129)	–	5,129
Share options to be issued	–	376,030	–
At 31 March 2007	**291,187**	**(348,183)**	**7,787,787**

19. Reconciliation of movements in Shareholders' funds – Group

	2007 £	2006 As restated £
Loss for the financial year	**(2,962,646)**	(1,114,870)
Proceeds from issue of shares	**4,250,000**	4,288,452
Costs of share issue	**(197,972)**	(560,016)
Proceeds from exercise of warrants	**80,000**	340,039
Costs of warrants issued	**–**	(43,723)
Share options to be exercised	**376,030**	489,171
	1,545,412	3,399,053
Opening shareholders' funds	**5,722,226**	2,323,173
Closing shareholders' funds	**7,267,638**	5,722,226

Reconciliation of movements in Shareholders' funds – Company

	2007 £	2006 As restated £
Loss for the financial year	**(607,701)**	(605,683)
Proceeds from issue of shares	**4,250,000**	4,288,934
Cost of share issue	**(197,972)**	(560,016)
Proceeds from exercise of warrants	**80,000**	340,039
Cost of warrants issued	**–**	(43,723)
Share options to be exercised	**376,030**	489,171
	3,900,357	3,908,722
Opening shareholders' funds	**3,908,722**	–
Closing shareholders' funds	**7,809,079**	3,908,722

20. Operating lease commitments

At 31 March 2007 the Group had annual commitments under operating leases as follows:

	2007		2006	
	Land and buildings £	**Other £**	Land and buildings £	Other £
For leases expiring:				
Within one year	**9,585**	**–**	–	
Between two and five years	**–**	**3,200**	–	3,200
After five years	**74,786**	**–**	51,630	–
	84,371	**3,200**	51,630	3,200

21. Transactions with directors

During the year the Company purchased office furniture to the value of £3,000 from NetInfo Ltd a company of which Shamus Kelly was a director.

Each of the Non-Executive Directors invoices the Company for their services through their respective consultancy businesses. During the year an amount of £15,000 (2006: £6,250) was payable to Andrew Lapping, an amount of £15,000 (2006: £6,250) was payable to Newton Court Partnership for services provided by Simon Rogers, an amount of £40,000 (2006: £23,333) was payable to Synergie Business Limited for services provided by Richard Moon and an amount of £6,250 (2006: £nil) was payable to Skaana Ltd for services provided by Nick Jolliffe. As at the year end £nil (2006: £2,500) was owed to Andrew Lapping, £9,999 (2006: £6,666) was owed to Synergie Business Limited and £2,500 (2006: £nil) was owed to Skaana Ltd. There were no amounts due to Newton Court Partnership in either year.

22. Reconciliation of operating loss to net cash outflow from operating activities

	2007 £	2006 £ As restated
Operating loss	**(3,048,437)**	(1,322,932)
Depreciation	**214,365**	132,154
Amortisation	**195,271**	146,286
Exceptional item – share option charge	**376,030**	489,171
Decrease/(Increase) in stocks	**128,153**	(155,354)
Increase in debtors	**(1,067,635)**	(1,268,113)
Increase in creditors	**698,823**	100,764
Net cash outflow from operating activities	**(2,503,430)**	(1,878,024)

23. Reconciliation of net cash flow to movement in net debt

	2007 £	2006 £
(Decrease)/Increase in cash in the year	**(916,426)**	165,781
Change in net funds resulting from cash flows	**(916,426)**	165,781
Movement in net funds in the year	**(916,426)**	165,781
Net funds at 1 April 2006	**1,233,431**	1,067,650
Net funds at 31 March 2007	**317,005**	**1,233,431**

24. Analysis of net funds

	At 1 April 2006 £	Cash flow £	At 31 March 2007 £
Cash in hand, at bank	1,233,431	(916,426)	**317,005**
Total	1,233,431	(916,426)	**317,005**

25. Earnings per share

The basic earnings per share has been calculated on the loss on Ordinary activities after taxation of £2,962,646 (2006: £1,114,870) divided by the weighted number of Ordinary shares in issue of 77,355,397 (2006: 57,786,194). The weighted average number of shares in issue has been adjusted to reflect the placing in May 2006 and the conversion of warrants in January 2007 & February 2007.

In accordance with Financial Reporting Standard Number 22, the warrants in issue and share options issued during the year are not considered dilutive as their inclusion would increase the loss per share. For this reason the diluted earnings per share calculation is not required.

26. Post balance sheet events

In April 2007 the Company completed a placing of 9,523,810 shares at 42p raising £4,000,000 before costs.

In May 2007 the name of Software Radio Technology Trading Limited was changed to SRT PMR Technology Limited and the name of Software Radio Technology (Marine Technology) Limited was changed to SRT Marine Technology Limited.

In June 2007, Neil Peniket was appointed to the SRT plc Board.

27. Financial instruments

At the balance sheet date, the activities of the Company are funded out of working capital and do not include the use of derivatives or financial instruments other than cash. The Company has financial instruments in the form of long and short term debtors and short term creditors which arise in the normal course of business and are not discounted or offered as security in any way.

The main risks arising from the Company's financial instruments are credit risk, interest risk and foreign currency risk. Operations during the year were financed through cash resources derived from shareholder subscriptions, debtors and creditors.

The Company's currency exposure comprises monetary assets and liabilities that are denoted in currencies other than sterling, principally those denominated in US Dollars. Such transactions give rise to net currency gains and losses recognised in the profit and loss account. At the year end this exposure comprised £1,220,715 (2006: £648,224) of assets denominated in US Dollars, £155,873 (2006: £50,665) of assets denominated in Euros and £148,609 (2006: £145,831) of liabilities denominated in Euros and £43,837 (2006: £24,368) of liabilities denominated in US Dollars.

	2007	2006
	£	£
Cash at bank	**317,005**	1,233,431

The Company earns interest on such balances payable quarterly in arrears with reference to the sterling LIBOR.

28. Guarantee

Under a guarantee dated 9 November 2005, Software Radio Technology plc has granted security against bank borrowings in the name of Software Radio Technology Trading Limited up to a maximum amount of £500,000. At 31 March 2007, the outstanding balance due to the bank was £nil.

Any such borrowings are secured by an all monies debenture granted by Software Radio Technology Trading Limited dated 6 January 2006.

29. Financial commitments

On 7 February 2007 Software Radio Technology Trading Limited (SRT) entered into an agreement with Tianjin Communication & Broadcasting Corporation (TCB) of China for the manufacture test & assembly of 7,500 units of SRT's Automatic Identification System Class B transponder. The total value of this commitment is $1,132,600 (£572k) and as at the balance sheet date SRT had paid TCB a deposit of $339,780 (£170k) and this amount is included as part of debtors.

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of the Company will be held at the offices of the Company, Wireless House, Westfield Industrial Estate, Midsomer Norton, Bath, England, BA3 4BS at 11.00am on 31 July 2007 for the purpose of considering and, if thought fit, passing the following ordinary resolutions (in the case of resolutions 1 to 10) and special resolution (in the case of resolution 11):

ORDINARY RESOLUTIONS

1 To receive the audited financial statements of the Company for the financial year ended 31 March 2007 and the directors' report and the auditors' report on those financial statements.

2 To re-appoint Nexia Smith & Williamson as the auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which audited accounts are laid and to authorise the directors to fix their remuneration.

3 To re-appoint Richard James Moon as a director of the Company.

4 To re-appoint Simon Francis Rogers as a director of the Company.

5 To re-appoint Simon Richard Tucker as a director of the Company.

6 To re-appoint Matthew David Rogers as a director of the Company.

7 To re-appoint Andrew Christopher Lapping as a director of the Company.

8 To re-appoint Nick William Jolliffe as a director of the Company.

9 THAT the Company be authorised to send or supply documents or information to its shareholders by making them available on a website.

10 THAT the directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985) up to an aggregate nominal amount of £29,270 provided that this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) on the fifth anniversary of the day on which this resolution is passed, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired, and this authority shall be in addition to the authority conferred by the ordinary resolution of the Company passed on 23 April 2007.

SPECIAL RESOLUTION

11 To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

THAT the directors be empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in section 94(2) of that Act) for cash pursuant to the general authority conferred on them by resolution 10 above and/or to sell equity securities held as treasury shares for cash pursuant to section 162D of that Act, in each case as if section 89(1) of that Act did not apply to any such allotment or sale, provided that this power shall be limited to:

(a) any such allotment and/or sale of equity securities in connection with an issue or offer by way of rights or other pre-emptive issue or offer, open for acceptance for a period fixed by the directors, to holders of ordinary shares (other than the Company) on the register on any record date fixed by the directors in proportion (as nearly as may be) to the respective number of Ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and

(b) any such allotment and/or sale, otherwise than pursuant to sub-paragraph (a) above, of equity securities having, in the case of relevant shares (as defined in section 94(5) of the Act), an aggregate nominal value or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having an aggregate nominal value, not exceeding the sum of £4,391.

This authority shall expire, unless previously revoked or renewed by the Company in general meeting, at such time as the general authority conferred on the directors by resolution 10 above expires, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

The directors believe that the proposed resolutions to be put to the meeting are in the best interests of shareholders as a whole and recommend that shareholders vote in favour of all the resolutions, as they intend to do in respect of their own beneficial shareholdings in the Company.

By order of the Board

Matthew Rogers
Company Secretary
6 July 2007

Registered Office:
Wireless House
Westfield Industrial Estate
Midsomer Norton
Bath BA3 4BS

Notes:

1 A member of the Company entitled to attend and vote at the above meeting may appoint a proxy to attend and (on a poll) vote instead of him. A proxy need not be a member of the Company.

2 Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he so wish.

3 A form of proxy is enclosed and to be valid must be completed and returned so as to reach the Company's registrars, Computershare Investor Services PLC, PO Box 1075, Bristol BS99 3ZZ (together with a letter or power of attorney or other written authority, if any, under which it is signed or a notarially certified or office copy of such power or written authority) not later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

4 In accordance with regulation 41(1) of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the Company's register of members at close of business on 29 July 2007 (or in the case of adjournment 48 hours before the time of the adjourned meeting) will be entitled to attend or vote at the meeting.

5 To appoint one or more proxies or to give instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Explanatory Notes for Shareholders

Resolution 1 – Directors' report and audited financial statements for year ended 31 March 2007

The directors are required to present to the Annual General Meeting the accounts and the reports of the directors and auditors for the year ended 31 March 2007. They are contained in the Company's Annual Report and Financial Statements.

Resolution 2 – Re-appointment of auditors and auditors' remuneration

This resolution proposes the re-appointment of Nexia Smith & Williamson as auditors of the Company and gives authority to the directors to determine their remuneration.

Resolutions 3 to 8 – Directors re-appointment

Each member of the board, namely Richard James Moon, Simon Francis Rogers, Simon Richard Tucker, Matthew David Rogers, Andrew Christopher Lapping and Nick William Jolliffe, will retire at this year's Annual General Meeting and offer themselves for re-election.

Resolution 9 – Approval of use of electronic communications

The Companies Act 2006 ("2006 Act") has introduced provisions designed to make it easier for companies to use the internet to communicate with shareholders, and so reduce printing and distribution costs.

Although it has been possible for some years for companies to use electronic means to deliver certain documents to shareholders, the 2006 Act has extended the range of information that can be communicated electronically and relaxed certain requirements for communication by website. As before, a company cannot send a shareholder material by e-mail unless the shareholder has agreed to this, and has supplied an electronic address for that purpose. Where, however, a company that complies with the requirements of the 2006 Act wishes to communicate information to shareholders by making it available on a website, each shareholder who has been invited to accept this form of delivery and has not objected within 28 days is deemed to have agreed to it.

If resolution 9 is passed, the Company will be able to send shareholders a written request (which must set out the consequences of a failure to respond) to agree to website delivery, and may deem the shareholder to have agreed unless the shareholder objects within 28 days. If a shareholder declines website delivery, that shareholder will continue to receive documents by post in the usual way and the Company will not be permitted to seek that shareholder's deemed agreement to website delivery for at least 12 months.

Those shareholders who do not object to website delivery will no longer receive documents by post. They will, however, receive notification as and when key information is made available on the Company's website, with details of how to access it. This notification will be given by post (or, if the shareholder has agreed, by e-mail). In addition, shareholders will still have the right, once they have received information electronically, to require the Company to send a hard copy of that information, free of charge, within 21 days, and they may also opt for all information to be sent in hard copy form.

Resolution 10 – Authority to allot shares

The Companies Act 1985 provides that the directors may not allot shares unless empowered to do so by the shareholders. Such a power cannot be given for longer than five years at any one time and the total nominal value of shares which can be allotted must be specified. In respect of unissued shares in the Company it is accordingly proposed that the directors be granted general authority at any time prior to the fifth anniversary of the day on which the resolution is passed to allot shares up to an aggregate nominal amount of £29,270. Passing this resolution will give the directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. The directors have no current plans to make use of this authority.

Resolution 11 – Disapplication of pre-emption rights

The Companies Act 1985 requires that, if the Company issues new shares for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. If passed, resolution 11 will authorise the directors to issue shares for cash and/or sell shares from treasury (if any are so held) up to an aggregate nominal amount of £4,391 (representing approximately 5% of the Company's issued share capital as at the date of the notice of Annual General Meeting) without offering them to shareholders first, and will also modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights or other pre-emptive offer or issue. This power will provide the directors with the flexibility to take advantage of business opportunities as they arise. If given, this authority will last until the fifth anniversary of the day on which the resolution is passed. The Company does not at present hold any shares in treasury.

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