Software
Radio Technology

Software Radio Technology plc

Annual Report and Accounts for the year ended

31 March 2008

Contents

Directors and Advisers

Directors
Simon Tucker
Matthew Rogers
Neil Peniket (appointed 20/06/07)
George Kyprios (appointed 17/12/07)
Simon Rogers
Andrew Lapping
Richard Moon
Nick Jolliffe

Secretary
Matthew Rogers

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Wireless House
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BA3 4BS

Bankers
Royal Bank of Scotland
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G1 3PL

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BS1 6NA

Tax Advisers
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Chartered Accountants
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Bristol
BS1 6NA

Solicitors
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Nominated Adviser & Broker
Numis Securities
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Registrars
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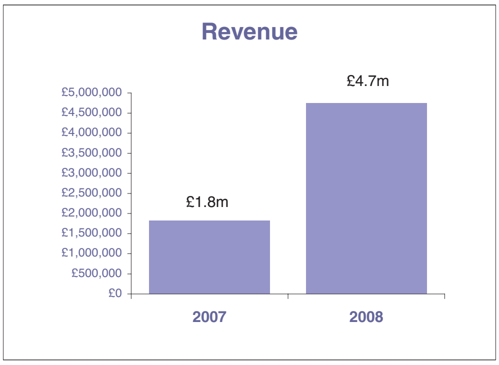
Company's registered number 5459678

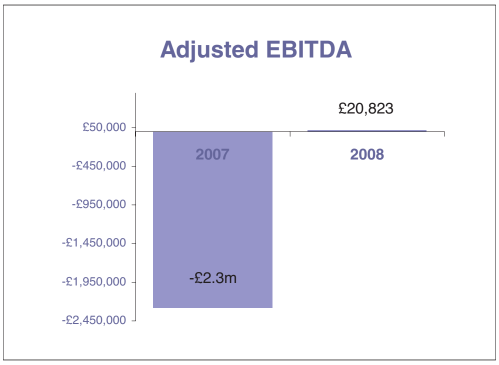
www.softwarerad.com

Summary

Highlights

- 160% increase in revenues - profitable at adjusted EBITDA
- First national mandate of AIS Class B in Turkey
- 17,900 AIS Class B units shipped
- Royalty revenue generated on a total of 91,650 TETRA ASICs
- Appointment of Numis Securities as Nomad and Broker.





SRT TC-100 GPS
TETRA Handset

AIS Class B

Chairman's Statement

Software Radio Technology plc ("SRT" or "the Group") has made significant progress during the past year in revenue generation and profit creation as well as continuing to build its market position in the Professional Mobile Radio and Marine Technology sectors.

Our PMR division supported its first Asian licence customers into production during 2007 and generated royalty revenue on 91,650 units. We also developed and launched our own OEM TETRA handset and received an excellent initial response from the market.

Our Marine division is now delivering its low cost AIS solution to customers around the world. Our target market is growing rapidly and we have seen the announcement of the first national mandate in Turkey with more expected.

Finance Review

Turnover for the year increased by 160% to £4.7 million (2007: £1.8 million), split 46% SRT Marine Technology Limited and 54% SRT PMR Technology Limited. This yielded a positive adjusted EBITDA of £20,823 compared to last year's loss of (£2,279,850). The average gross margin increased from 39% to 60% primarily due to some exceptional one-off licence fees.

Despite significant investment in technology and product development, the year ended debt free with £3.5 million of cash in the balance sheet.

Board Composition and Governance

In December 2007, Dr George Kyprios joined the Board of SRT plc as Managing Director of SRT PMR Technology Limited. The directors now believe that the Board, as currently constituted, is appropriate for a company of SRT's size and incorporates a suitable balance of skills. However, this matter is kept under continuous review. SRT continues to strive for standards of corporate governance, which are high for a company of its size.

Employees

SRT operates in challenging markets and technologies, which in turn, places large demands on our staff. We are fortunate in having an expert and dedicated workforce who have enabled us to progress. I would like to thank them personally and on behalf of the Board for their continued hard work and support.

Strategy and the Future

Our focus for the year ahead is to support our customers to maximise all available opportunities, whilst also focusing our talented and experienced development teams to evolve our current platforms into the next generation of core technologies.

The technologies which SRT has developed are complex and our target markets and opportunities significant. The Board believe that SRT is in a good position to leverage these opportunities, but recognises that the coming year will also present a number of challenges to convert opportunity into continued sustainable growth. We expect revenues, once again, to be weighted to the second half of the year.

Each business is now well established within its relative market, and as such, the Board would consider a selective acquisition to accelerate organic growth if the right business opportunity presented itself and it enhanced future shareholder value.

We therefore view 2008/2009 as being critical to the delivery of sustained growth for both business groups through the provision of world class technology and innovative product solutions.

Richard Moon

Chairman

Directors' Report
for the year ended 31 March 2008

The directors present their report and the audited accounts for the year ended 31 March 2008.

BUSINESS REVIEW

Activities:

The principal activity of the SRT plc Group is the development of advanced wireless communication technology engines and the provision thereof in a variety of flexible formats, including final form OEM white label products, to enable companies worldwide to have their own unique products. Our engines target specific global security and safety markets.

Operational Review:

This year has been a milestone in SRT's development as a core technology and product solution provider. Both our PMR and Marine businesses are generating revenues derived from products being sold by our customers, which contain our technologies and this is reflected by the 160% year on year revenue increase.

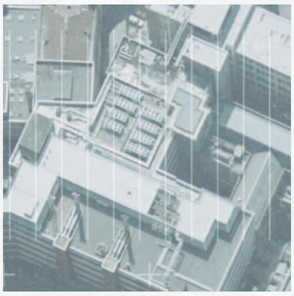
During the year, our primary focus has been to support our valued customers around the world to manufacture, sell and deploy their products in whatever format their specific markets require. In parallel with this, our development teams have continued to move our core technologies forward to ensure our programme of new technology and product launches next year are achieved.

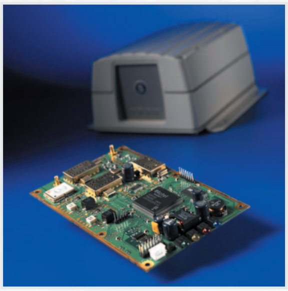
SRT PMR Technology Ltd – TETRA

The first of our licence customers received their first orders for TETRA handsets and commenced production and deliveries; this year we have generated royalty revenue on a total of 91,650 units. This is an important milestone and commences the start of the royalty ramp-up. However, whilst we are delighted with this start and the global market continues to grow, visibility of the ramp-up remains limited and could be subject to substantial and unforeseen delays in the future as the market continues to develop.

During the first calendar quarter of 2008, we concluded a joint venture agreement with Groupco Technology Inc in Taiwan. Groupco was an existing TETRA licensee. However, as a natural evolution of our licence business model, a closer relationship was defined whereby Groupco and SRT would have a more co-operative relationship. This has resulted in SRT PMR Technology now owning 19% of Groupco. Groupco plans to become a leading provider of TETRA products and solutions in Taiwan and other local Asian markets and ultimately seek a listing on the local stock market within three years. We believe this is an excellent investment for SRT PMR Technology and we look forward to working with our new partners. It is our intention to continue this trend and form closer relationships with selected partners in the future.

Having completed our core TETRA handset solution, last year we announced that we would be adding an OEM TETRA handset product to our range of TETRA licence solutions. By offering a complete handset in a white label OEM format, we will be able to open new markets in regions such as the EU through a wider network of master distributors operating in markets which are not a focus of our existing licence customers. We have made good progress with this project, and to date, have invested a total of £531,000 cash in this project with a further £250,000 forecast prior to production. Various formal approvals have already been obtained and others are underway. Volume production is expected to commence during Q3 of this financial year. We are pleased to announce that the SRT TC-100 GPS TETRA handset was formally launched at the annual TETRA World Congress in Hong Kong in May 2008 and received an excellent response.




TETRA networks are now established in 100 countries and continue to grow in size and capacity. This in turn is driving the increase in demand for TETRA handsets globally. We believe that our innovative business model and low overheads relative to other suppliers of TETRA handsets provide SRT PMR Technology with a long term competitive advantage, and therefore, an ability to win a substantial share of this growing market in the years to come.

In general, we see the demand for professional mobile radio communication solutions growing and see a number of complementary opportunities, some of which may prove to be attractive to SRT PMR Technology.

SRT Marine Technology Ltd – AIS

SRT Marine Technology has established itself as the global leader in the provision of AIS technology and product solutions.

We have continued to supply AIS technology, modules and OEM products to a growing and diverse customer base. Products containing SRT's technology are in operation in many countries from China and Russia to Sweden, Canada and Brazil.

Within 12 months of the launch of our low cost AIS Class B solution, the first national mandate in Turkey was announced, which is expected to lead to up to 35,000 units being required. There are indications of further mandates, however timing remains unclear.

SRT Marine Technology has invested in supporting some of its customers in awareness campaigns to increase non-mandated purchases of AIS Class B amongst leisure and commercial users. This has included advertising and the creation of a Point of Sale display and video system. Whilst this has resulted in some additional costs this year, we believe this to be a solid long term investment and we are already starting to see a positive effect with increased sales through the retail dealers of our customers.

As of writing this report, FCC approval for the AIS Class B standard had yet to be granted, preventing the sale and use of AIS Class B in the USA. With over 60% of the global boat park located in the US, approval for sale in this market could be significant for SRT Marine Technology. Whilst we are confident that approval will be granted, the timing of approval remains unclear.

We recognise that our partners rely upon us for the best AIS technology and product solutions available. Therefore, we have continued to invest in the development of new complementary products, such as an innovative VHF antenna splitter and range booster modules, and our next generation of AIS platforms.

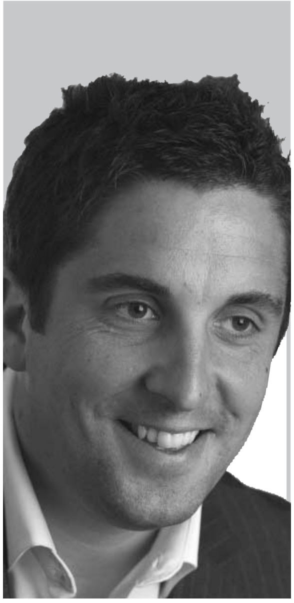
SRT Marine Technology has the technology and team in place to remain at the forefront of AIS technology development, and therefore, as the leader of this rapidly evolving market.

Results for the Year and Dividends

The loss for the year after taxation and a share based payment charge of £344,242 (2007: £376,030) was £199,343 (2007: £2,912,429). The directors do not recommend the payment of a dividend.

A non-cash accounting share based payment charge of £344,242 (2007: £376,030) has been charged to the income statement as detailed in note 3.

The Key Performance Indicators (KPIs) used by the Board to monitor progress are revenue growth, gross margin and profit from operations. These are used because they best indicate

performance against the Group's strategic objective of delivering profitable growth, which in turn, will drive shareholder value. Performance against these metrics has been discussed in the Chairman's Statement and Directors' Report.

Principal Risks and Uncertainties

Details of the Group's financial instruments and its policies with regard to financial risk management are given in note 29 to the accounts.

The Group does appreciate that it faces other risks and uncertainties and these are set out below.

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.

The Group's existing and potential customers operate in numerous countries, each of which has its own national characteristics in terms of how business is regulated and conducted in terms of economic, political, judicial, administrative, taxation or other regulatory matters. The Group could, therefore, be affected by any one of these factors, as well as other unforeseen matters, which, particularly given the size of contracts with customers, could have a material adverse effect on its business, operating results or financial condition.

The Group's management regularly assesses its risk areas to ensure that such risk is mitigated so far as reasonably possible.

Investing for the Future

We acknowledge that our chosen market places are still in their very early stages and as a result we need to continue to invest in our organisation in order to meet the challenges that a growing market will bring. This will involve adding to our existing product portfolio as well as evolving our current technology offerings.

Post Balance Sheet Events

During April 2008, the Company changed its Nomad and Broker to Numis Securities Limited from Hanson Westhouse.

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 2008 and at 31 March 2007 were:

	2008 Ordinary 0.1p shares	2007 Ordinary 0.1p shares
Non Executives		
Simon Rogers	13,483,900	14,241,400
Andrew Lapping	1,081,080	1,081,080
Richard Moon	–	–
Nick Jolliffe	–	–
Executives		
Simon Tucker	940,000	–
Matthew Rogers	100,000	–
Neil Peniket	–	–
George Kyprios	–	–

Directors' Report continued
for the year ended 31 March 2008

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

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

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

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 2008, the number of days trade creditors was 143 (2007: 99 days). This has increased significantly upon last year due to a change in the businesses operations from a pure Research & Development company to one supplying product and involving significant commitments to stock.

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 income statement 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 2008

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 four executive and four non-executive directors.

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 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 2008 audit, took place on 1 May 2008. This meeting was attended by the Chairman of the Audit Committee and the Finance Director, as well as four representatives from Nexia Smith & Williamson. The meeting to review feedback from the 2008 audit took place on 24 June 2008. This meeting was attended by the Chairman of the Audit Committee, the Finance Director, the Group Managing Director and Chairman of the Board, as well as three 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 twice 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 accounts.

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 2008 which comprise the Income Statement, the Company and Group Balance Sheets, the Company and Group Statement of Changes in Equity, the Company and Group Cash Flow Statements, and the related notes 1 to 32. 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 International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 Chairman's Statement, 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 except that the scope of our work was limited as explained below. 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 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. However, the evidence available to us was limited in respect of forming an opinion on the recoverability of £1.7m of amounts recoverable on contracts and associated trade debtors included on the balance sheet and disclosed in note 16, due primarily from customers in China. The nature of the conduct of business between suppliers and customers in that country has meant we have been unable to obtain sufficient appropriate audit evidence on this matter.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Qualified Opinion arising from limitation in audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence regarding recoverability of amounts recoverable on contracts and associated trade debtors located primarily in China, in our opinion:

- the accounts give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Company's and Group's affairs as at 31 March 2008 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 Article 4 of the IAS regulation; and
- the information given in the Directors' Report is consistent with the accounts.

In respect alone of the limitation on our work relating to amounts recoverable on contracts and associated trade debtors as detailed above:

- We have not obtained all the information and explanations that we considered necessary for the purposes of our audit.

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

Portwall Place
Bristol
BS1 6NA

18 July 2008

Consolidated Income Statement
for the year ended 31 March 2008

	Notes	2008 £	2007 £
Continuing operations			
Revenue	2	**4,739,113**	1,817,588
Cost of sales		**(2,502,121)**	(1,645,610)
Gross profit		**2,236,992**	171,978
Administrative expenses		**(2,788,206)**	(2,794,168)
Operating loss before share based payments		**(551,214)**	(2,622,190)
Share based payments	3	**(344,242)**	(376,030)
Operating loss after share based payments		**(895,456)**	(2,998,220)
Investment revenues	6	**125,662**	85,791
Loss before income tax	7	**(769,794)**	(2,912,429)
Income tax credit	8	**570,451**	–
Loss for the year	20	**(199,343)**	(2,912,429)
Loss per share (basic and diluted)	27	**(0.22)p**	(3.76)p

Consolidated Balance Sheet
as at 31 March 2008

	Notes	2008 £	2007 £
Assets			
Non-current assets			
Intangible assets	10	**6,961,529**	4,953,395
Investments	11	**351,586**	–
Property, plant and equipment	12	**435,898**	520,154
Total non-current assets		**7,749,013**	5,473,549
Current assets			
Inventories	14	**413,019**	161,938
Trade and other receivables	16	**5,683,915**	2,971,612
Cash and cash equivalents		**3,505,484**	317,005
Total current assets		**9,602,418**	3,450,555
Liabilities			
Current liabilities			
Trade and other payables	17	**(2,538,954)**	(1,646,566)
Net current assets		**7,063,464**	1,803,989
Total assets less current liabilities		**14,812,477**	7,277,538
Net assets		**14,812,477**	7,277,538
Shareholders' equity			
Share capital	18	**97,818**	78,288
Share premium account	20	**15,387,084**	7,787,787
Retained earnings	20	**(6,163,021)**	(6,307,920)
Other reserves	20	**5,490,596**	5,719,383
		14,812,477	7,277,538

The accounts were approved by the Board of Directors on 10 July 2008 and were signed on its behalf by:

S Tucker

Director

Company Balance Sheet
as at 31 March 2008

	Notes	2008 £	2007 £
Assets			
Non-current assets			
Investments in subsidiaries	13	**11,306,180**	11,306,180
Total non-current assets		**11,306,180**	11,306,180
Current assets			
Trade and other receivables	16	**11,454,780**	7,412,448
Cash and cash equivalents		**3,297,214**	–
Total current assets		**14,751,994**	7,412,448
Liabilities			
Current liabilities			
Trade and other payables	17	**(10,982,403)**	(10,909,549)
Net current assets/(liabilities)		**3,769,591**	(3,497,101)
Total assets less current liabilities		**15,075,771**	7,809,079
Net assets		**15,075,771**	7,809,079
Shareholders' equity			
Share capital	18	**97,818**	78,288
Share premium account	20	**15,387,084**	7,787,787
Retained earnings	20	**(471,531)**	(348,183)
Other reserves	20	**62,400**	291,187
		15,075,771	7,809,079

The accounts were approved by the Board of Directors on 10 July 2008 and were signed on its behalf by:

S Tucker

Director

Consolidated Cash Flow Statement

for the year ended 31 March 2008

	Notes	2008 £	2007 £
Cash used in operating activities	24	**(2,369,092)**	(2,503,430)
Operating activities			
Interest received		**125,662**	85,791
Corporation tax received		**570,451**	–
Net cash used in operating activities		**(1,672,979)**	(2,417,639)
Investing activities			
Purchase of intangible fixed assets		**(2,303,927)**	(2,220,495)
Purchase of property, plant and equipment		**(191,988)**	(410,320)
Net cash used in investing activities		**(2,495,915)**	(2,630,815)
Cash outflow before financing		**(4,168,894)**	(5,048,454)
Financing activities			
Net proceeds from the issue of ordinary share capital		**7,357,373**	4,132,028
Net cash from financing		**7,357,373**	4,132,028
Net Increase/(decrease) in cash and cash equivalents in the year	25	**3,188,479**	(916,426)
Cash and cash equivalents at the start of year		**317,005**	1,233,431
Cash and cash equivalents at the end of year		**3,505,484**	317,005

Company Cash Flow Statement
for the year ended 31 March 2008

	Notes	2008 £	2007 £
Net cash used in operating activities	24	**(4,060,159)**	(4,132,028)
Cash outflow before financing		**(4,060,159)**	(4,132,028)
Financing activities			
Net proceeds from the issue of ordinary share capital		**7,357,373**	4,132,028
Net cash from financing		**7,357,373**	4,132,028
Net increase in cash and cash equivalents in the year		**3,297,214**	–
Cash and cash equivalents at the start of year		**–**	–
Cash and cash equivalents at the end of year		**3,297,214**	–

Consolidated Statement of Changes in Equity

for the year ended 31 March 2008

	Share capital £	Share premium £	Retained earnings £	Other reserves £	Total £
At 1 April 2006	**69,045**	**3,659,873**	**(3,771,521)**	**5,724,512**	**5,681,909**
Loss for the year	–	–	(2,912,429)	–	(2,912,429)
Total recognised income and expense	–	–	**(2,912,429)**	–	**(2,912,429)**
Employee share option scheme – value of employee services	–	–	376,030	–	376,030
Issue of shares	9,243	–	–	–	9,243
Premium on Issue of shares	–	4,122,785	–	–	4,122,785
Exercise of warrants	–	5,129	–	(5,129)	–
At 31 March 2007	**78,288**	**7,787,787**	**(6,307,920)**	**5,719,383**	**7,277,538**
Loss for the year	–	–	(199,343)	–	(199,343)
Total recognised income and expense	–	–	**(199,343)**	–	**(199,343)**
Employee share option scheme – value of employee services	–	–	344,242	–	344,242
Premium on Issue of shares	–	7,337,936	–	–	7,337,936
Issue of shares	19,530	–	–	–	19,530
Exercise of warrants	–	228,787	–	(228,787)	–
Exercise of options	–	32,574	–	–	32,574
At 31 March 2008	**97,818**	**15,387,084**	**(6,163,021)**	**5,490,596**	**14,812,477**

Company Statement of Changes in Equity

for the year ended 31 March 2008

	Share capital £	Share premium £	Retained earnings £	Other reserves £	Total £
At 1 April 2006	**69,045**	**3,659,873**	**(116,512)**	**296,316**	**3,908,722**
Loss for the year	–	–	(607,701)	–	(607,701)
Employee share option scheme – value of employee services	–	–	376,030	–	376,030
Issue of shares	9,243	–	–	–	9,243
Premium on issue of shares	–	4,122,785	–	–	4,122,785
Exercise of warrants	–	5,129	–	(5,129)	–
At 31 March 2007	**78,288**	**7,787,787**	**(348,183)**	**291,187**	**7,809,079**
Loss for the year	–	–	(467,590)	–	(467,590)
Employee share option scheme – value of employee services	–	–	344,242	–	344,242
Issue of shares	19,530	–	–	–	19,530
Premium on issue of shares	–	7,337,936	–	–	7,337,936
Exercise of warrants	–	228,787	–	(228,787)	–
Exercise of options	–	32,574	–	–	32,574
At 31 March 2008	**97,818**	**15,387,084**	**(471,531)**	**62,400**	**15,075,771**

Notes to the Accounts
for the year ended 31 March 2008

1. Accounting policies

Software Radio Technology plc is a Company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered is Wireless House, Westfield Industrial Estate, Midsomer Norton, Bath BA3 4BS. The nature of the Group's operations and its principal activities are noted in the Chairman's Statement and Directors' Report.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period covered by these accounts.

Basis of preparation

The accounts have been prepared under the historical cost convention.

The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). The Group first reported under International Financial Reporting Standards in the six month period ending 30 September 2007 and at this time published an IFRS transition statement setting out the effect of adopting IFRS for the Group, the basis of preparation, the accounting policies and details of significant adjustments in respect of the opening balance sheet at the transition date of 1 April 2006, the results for the year ended 31 March 2007 and the balance sheet at 31 March 2007. Further details are disclosed in note 32.

The accounts have been prepared in accordance with IFRS as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985.

These accounts have been prepared in accordance with the accounting policies outlined in the statement.

UK GAAP

Comparative figures previously reported under UK GAAP have been restated for:

(i) Intangible assets

Under UK GAAP the Group had previously opted to capitalise qualifying development expenditure in line with SSAP 13 'Accounting for Research and Development'. For the purposes of considering the impact of transition, the relevant requirements of IAS 38 'Intangible assets' have been compared to the capitalisation criteria and approach adopted under SSAP 13, this resulted in a transfer of £2,331 from property, plant and equipment to intangible assets in respect of computer software.

(ii) Business combinations and goodwill

The Group has not undertaken any business combinations in the period since 1 April 2006 and has chosen not to restate business combinations completed prior to the transition date.

The goodwill recognised by the Group at 1 April 2006 of £112,158, which relates to a business combination completed on 5 December 2002 will no longer be amortised from that date but will instead be subject to an annual impairment review in line with the requirements of IFRS 3 'Business Combinations' and IAS 36 'Impairment of Assets'. As a result, the UK GAAP amortisation charge of £67,296 for the year to 31 March 2007 has been reversed.

1. Accounting policies (continued)

(iii) Employee benefits

In accordance with IAS 19 'Employee benefits' the Group is required to recognise a liability for employees' unused entitlement to annual leave. Therefore, an additional accrual amounting to £57,396 has been recognised at 31 March 2007.

Basis of consolidation

The Group accounts incorporate the accounts of the Company and entities controlled by the Company prepared to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

From 1 April 2007, the consolidated income statement and balance sheet include the accounts of the company and its subsidiary undertakings made up to 31 March 2008. The results of the subsidiaries acquired or sold are included in the income statement up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

Accounting policies

In preparing these accounts, the comparative figures previously reported have been restated for:

(a) The goodwill recognised by the Group at 1 April 2006 of £112,158, which relates to a business combination completed on 5 December 2002, is to no longer be amortised from that date but will instead be subject to an annual impairment review in line with the requirements of IFRS 3 "Business Combinations" and IAS 36 "Impairment of Assets". As a result the UK GAAP amortisation charge of £67,296 for the year to 31 March 2007 has been reversed.

(b) In accordance with IAS 19 "Employee Benefits" the Group is required to recognise a liability for employees' unused holiday entitlement to annual leave. Therefore an additional accrual amounting to £57,396 (2006: £40,317) has been recognised at 31 March 2007.

(c) In accordance with IAS 38 "Intangible Assets" £2,331 in respect of computer software has been transferred from property, plant and equipment into intangible assets.

Adoption of new and revised standards

In the current year, the Group has adopted IFRS 7 "Financial Instruments: Disclosures" which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendments to IAS 1 "Presentation of Financial Statements". The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these accounts regarding the Group's financial instruments and management of capital.

1. Accounting policies (continued)

Critical judgements and estimates

The preparation of the Group's accounts requires management to make judgements on how to apply the Group's accounting policies and make estimates about the future. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

Critical judgements and estimates that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year relate to:

- Revenue recognition, where, on a number of support contracts, an estimate of the total delivery hours is required to determine the stage of completion;
- The impairment of goodwill requires an estimate of the value in use of the cash generating units (CGUs) to which goodwill has been allocated. The value in use calculation involves an estimate of the future cash flows of the CGUs and also the selection of appropriate discount rates to calculate present values. The carrying value of goodwill as at 31 March 2008 is £112,158;
- Other intangible assets are amortised over their useful economic lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for appropriateness. Changes in estimates could result in significant variations in the carrying value.

Goodwill

Under UK GAAP Goodwill was deemed to have a finite useful life of five years and before the transition to IFRS was being amortised over this period and expensed as part of administrative expenses in the income statement.

At the transition date of 1 April 2006, the value of Goodwill was frozen at its carrying amount under UK GAAP and reviewed for impairment immediately and at least annually thereafter.

Research and development

Research expenditure is written off to the income statement in the year in which it is incurred. Development expenditure is deferred and amortised over the period during which the Company is expected to benefit, currently considered to be five years. This cost is included as part of administrative expenses within the income statement.

Development expenditure capitalised represents time spent by company employees, sub-contractor costs, and any other directly attributable costs incurred in creating the asset for the purposes intended by management, valued at cost.

Investments

Investments held in non-current assets are stated at cost as the investment is unlisted and the fair value, although it cannot be reliably measured, is not considered to be significantly different from cost.

Revenue recognition

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

1. Accounting policies (continued)

Revenue comprises the value of sales of licences, royalties arising from the resulting sale of licensees' SRT technology based products, revenues from support, maintenance and training and the sale of product.

Revenue arising from the sale of licences is recognised on a percentage-of-completion basis over the period from signing of the licence to final delivery to the customer. Under the percentage-of-completion method, provisions for estimated losses on uncompleted contracts are recognised in the period in which the likelihood of such losses is determined. The percentage-of-completion is measured by monitoring progress using records of actual time incurred to date in the project.

Where invoicing milestones on licence arrangements are such that the receipts fall due significantly outside of its normal payment terms for standard licence agreements, the Group evaluates whether it is probable that economic benefits associated with these milestones will flow to the Group. In particular it considers:

- Whether there is sufficient certainty that the invoice will be raised in the expected timeframe, particularly if the raising of the invoice is in some way dependent on customer activity;
- Whether it has sufficient evidence that the customer considers that the Group's contractual obligations have been, or will be fulfilled;
- The extent to which previous experience with similar product groups and similar customers support the conclusions reached.

If the amount of revenue recognised exceeds the amounts invoiced to customers, the excess amount is recorded as amounts recoverable on contracts within accounts receivable.

Royalty revenues and revenue from the sale of goods is recognised when goods are delivered and title has passed unless the sale conforms to the "bill and hold" sale requirements of IAS 18 where the following conditions have to be met for the revenue to be recognised:

(a) It is probable that delivery will be made

(b) The item is on hand, identified and ready for delivery to buyer at the time the sale is recognised

(c) The buyer specifically acknowledges the deferred delivery instructions

(d) The usual payment terms apply

As disclosed above, in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors", the Group makes significant estimates in applying its revenue recognition policies. In particular, the estimates made in relation to the use of the percentage-of-completion accounting method, which requires that the extent of progress toward completion of contracts may be anticipated with reasonable certainty. The use of the percentage-of-completion method is itself based on the assumption that, at the outset of licence agreements, there is an insignificant risk that customer acceptance is not obtained. The Group also makes assessments, based on prior experience of the extent to which future milestone receipts represent a probable future economic benefit to the Group. The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the revenue recognition policies affect the amounts reported in the accounts. If different assumptions were used it is possible that different amounts would be reported in the accounts.

1. Accounting policies (continued)

Property, plant and equipment

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

Impairment of non-current assets

At each balance sheet date the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered any impairment. An impairment loss is recognised as an expense immediately in the income statement. In such instances where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax is based on taxable profits for the year using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided for on a full provision basis on all temporary differences, which have arisen but not reversed at the balance sheet date. Temporary differences represent the accumulated differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated at the tax rates that are expected to apply when the related deferred tax balance is settled. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Pension costs

Contributions to defined contribution schemes are charged to the income statement as they become payable in accordance with the rules of the scheme.

Leases

Leases other than finance leases are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term.

1. Accounting policies (continued)

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 income statement.

Inventories

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

Share based payments

The Group operates an equity settled share based compensation plan, whereby the Company grants share based payments to employees of all Group companies. The fair values of the options granted under this plan are calculated using a binomial simulation model, which takes into account assumptions about future events and market conditions. Further details are provided in note 19.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service condition are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense recognised for equity-settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the directors' best estimate of the number of equity instruments that will ultimately vest.

In making this judgement consideration 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.

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.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

Cash and cash equivalents comprise cash held by the Group.

1. Accounting policies (continued)

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

New accounting standards

A number of new standards, amendments to standards and interpretations are not effective for the financial year ended 31 March 2008 and, therefore, have not been adopted in preparing these accounts.

IAS 1 "Presentation of Financial Statements (Revised)" requires the Group to make new disclosures to enable users of the accounts to evaluate the Group's objectives, policies and processes for managing capital. The main changes relate to providing a comprehensive statement of income for the period and statement of changes in equity, this will become mandatory for the Group's 2009 accounts.

IFRS 8 "Operating Segments" introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 accounts, will require the disclosure of segment information based on the internal reports regularly reviewed by the Board. Currently the Group presents segment information in respect of business segments (see note 2); these segments are not expected to change under the Group's management approach.

2. Revenue and segment information

An analysis of the Group's revenue is as follows:

	2008	2007
	£	£
Sale of goods	3,763,238	1,250,147
Rendering of services	975,875	567,441
	4,739,113	1,817,588

Business and geographical segments

In accordance with IAS 14 "Segment Reporting" and the entity's risks and returns, which are reflected within the internal financial reporting structures of the Group, the Board considers that the primary reporting format is business segment. There are two business segments, being the professional mobile radio division and the marine division. Disclosures are given for each of the business segments.

2. Revenue and segment information (continued)

For the year ended 31 March 2008

	PMR	Marine	Unallocated	Total
Income statement information				
Segment revenue	2,554,496	2,184,617	–	**4,739,113**
Operating profit/(loss)	**83,688**	**(508,400)**	**(470,744)**	**(895,456)**
Net financial income	101,424	24,310	(72)	**125,662**
Taxation income	552,439	18,012	–	**570,451**
Profit/(loss) for the year	**737,551**	**(466,078)**	**(470,816)**	**(199,343)**
Balance sheet information				
Segment assets				
Intangible fixed assets	5,522,924	1,324,115	114,490	**6,961,529**
Property, plant and equipment	391,955	46,274	(2,331)	**435,898**
Investments	351,586	–	–	**351,586**
Inventories	266,235	146,784	–	**413,019**
Trade and other receivables	3,425,842	2,197,739	60,334	**5,683,915**
Cash and cash equivalents	41,683	166,587	3,297,214	**3,505,484**
	10,000,225	3,881,499	3,469,707	**17,351,431**
Segment liabilities				
Trade and other payables	1,008,602	1,303,502	226,850	**2,538,954**
	1,008,602	1,303,502	226,850	**2,538,954**
Other segment information				
Balance sheet items				
Capital expenditure:				
– property, plant and equipment	143,995	47,993	–	**191,988**
– intangible assets	1,953,539	350,387	–	**2,303,926**
– Investments	351,586	–	–	**351,586**
Income statement items				
– depreciation	274,525	1,719	–	**276,244**
– amortisation	–	295,793	–	**295,793**

2. Revenue and segment information (continued)

For the year ended 31 March 2007

	PMR	Marine	Unallocated	Total
Income statement information				
Segment revenue	1,015,151	802,437	–	**1,817,588**
Operating profit/(loss)	**(2,435,010)**	**64,877**	**(628,087)**	**(2,998,220)**
Net financial income	84,609	–	1,182	**85,791**
Taxation income	–	–	–	–
Profit/(loss) for the year	**(2,350,401)**	**64,877**	**(626,905)**	**(2,912,429)**
Balance sheet information				
Segment assets				
Intangible fixed assets	3,569,385	1,269,521	114,489	**4,953,395**
Property, plant and equipment	522,485	–	(2,331)	**520,154**
Investments	–	–	–	–
Inventories	143,768	18,170	–	**161,938**
Trade and other receivables	2,468,645	494,528	8,439	**2,971,612**
Cash and cash equivalents	317,005	–	–	**317,005**
	7,021,288	1,782,219	120,597	**8,924,104**
Segment liabilities				
Trade and other payables	(1,112,770)	(369,599)	(164,197)	**(1,646,566)**
	(1,112,770)	(369,599)	(164,197)	**(1,646,566)**
Other segment information				
Balance sheet items				
Capital expenditure:				
– property, plant and equipment	410,320	–	–	**410,320**
– intangible assets	822,999	1,397,496	–	**2,220,495**
Income statement items				
– depreciation	214,365	–	–	**214,365**
– amortisation	–	127,975	–	**127,975**

2. Revenue and segment information (continued)

Geographical segments

A geographical segment is a segment which is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's operations are located in the United Kingdom and the geographical analysis shown below is with reference to the location of the Group's customers who are primarily located in the United Kingdom, Europe and Asia.

Segmental analysis by geographical destination:

	2008 £	2007 £
UK	**187,179**	208,158
Europe	**1,604,542**	719,292
Asia	**2,659,570**	728,600
Other	**287,822**	161,538
	4,739,113	1,817,588

3. Share based payment

Included in the income statement is a non cash charge of £344,242 (2007: £376,030), calculated in accordance with IFRS 2, arising on the grant of share options to executive, non-executive directors and employees in the period from admission to the London Alternative Investment Market.

4. Directors' emoluments

The remuneration policy for directors is set by the Board and is described below. It is determined by the Remuneration Committee within the framework of this policy. The remuneration of the executive directors is determined by the Remuneration Committee, which consists entirely of non-executive directors. The Remuneration Committee, whose members during the year comprised R Moon and S Rogers was chaired by N Jolliffe.

The Remuneration Committee consults with S Tucker, the Group Managing Director, as appropriate with regard to its proposals relating to the remuneration of the executive directors.

Remuneration policy

The policy of the Remuneration Committee is to review the executive directors' remuneration based on market practice within the Company's market sector. The Group wishes to attract, motivate and retain key executives. Accordingly, its policy is to design remuneration packages which, through an appropriate combination of basic salary, performance related bonuses, share options, pension arrangements and certain benefits, reward executives fairly and responsibly for their individual contributions, whilst linking their potential earnings to the performance of the Group as a whole. The overall package, which is reviewed at least annually, may contain the following elements:

4. Directors' emoluments (continued)

(a) Basic salaries

Basic salaries for Executive Directors are reviewed annually by the Remuneration Committee and are set at levels which reflect their performance and degree of responsibility.

(b) Enterprise Management Incentive Share Option Scheme

The company has had in place, since November 2005, an enterprise management incentive share option scheme, under which, awards are met at the discretion of the Remuneration Committee. The Share Options held by the directors are set out on pages 30/31.

(c) Performance related bonus

The Remuneration Committee can award discretionary bonuses, which are linked to the achievement of demanding individual, business and corporate objectives.

(d) Pension allowance

S Tucker elected not to join the Company's Money Purchase Pension Scheme and in compensation for this the Remuneration Committee agreed to pay him the amount that the Company would have paid to the pension scheme on his behalf, for him to invest as he wishes.

(e) Other benefits

Other benefits include the provision of a car allowance and private health insurance and in respect of S Tucker pay in lieu of holiday not taken.

(f) Non-Executive Directors

The Non-Executive Directors are independent of management and have no relationship which could materially interfere with the exercise of their independent judgement. The remuneration of the Non-Executive Directors is decided by the Remuneration Committee.

4. Directors' emoluments (continued)

The remuneration of the individual directors was as follows:

	Salary and fees	Taxable benefits	Bonus	Pension allowance	Pension contributions	**Total 2008**	Total 2007
Executive Directors							
S Tucker	126,000	18,350	25,000	6,300	–	**175,650**	140,300
M Rogers	70,000	6,401	–	–	3,650	**80,051**	75,600
N Peniket	58,333	5,000	–	–	2,916	**66,249**	–
G Kyprios	38,000	2,190	–	–	475	**40,665**	–
Directors employed by the Group during 2007 but not 2008							
S Kelly	–	–	–	–	–	–	124,345
Non-Executive Directors							
R Moon	40,000	–	–	–	–	**40,000**	40,000
S Rogers	15,000	–	–	–	–	**15,000**	15,000
A Lapping	15,000	–	–	–	–	**15,000**	15,000
N Jolliffe	15,000	–	–	–	–	**15,000**	6,250
Total	**377,333**	**31,941**	**25,000**	**6,300**	**7,041**	**447,615**	**416,495**

Share Options

Executive	*Total under option*	*Exercise price*	*Exercise date*	*Expiry date*
S Kelly	(no longer employed by the Group)			

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 30 June 2009. The exercise period was extended by the Remuneration Committee at their meeting on 15 November 2007 and extended again, to 30 June 2009, by the Remuneration Committee at their meeting on 10 June 2008.

S Tucker	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

During the year S Tucker exercised 940,000 options at a price of 0.1p. At the time of this exercise the market price of the Company's shares was 44p. This transaction resulted in an aggregate "paper gain" of £412,660.

M Rogers	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

During the year M Rogers exercised 100,000 options at a price of 0.1p. At the time of this exercise the market price of the Company's shares was 44p. This transaction resulted in an aggregate "paper gain" of £43,900.

4. Directors' emoluments (continued)

Executive	*Total under option*	*Exercise price*	*Exercise date*	*Expiry date*
N Peniket	66,666	57p	1 April 2008	1 April 2016
	66,667	57p	1 April 2009	1 April 2016
	66,667	57p	1 April 2010	1 April 2016
	250,000	42p	1 October 2007	19 July 2017
	250,000	42p	1 October 2008	19 July 2017
G Kyprios	125,000	42p	2 September 2008	3 September 2017
	125,000	42p	2 September 2009	3 September 2017
	250,000	42p	2 September 2010	3 September 2017
Non-Executive				
R Moon	1,040,000	24.5p	2 November 2006	2 November 2015
N Jolliffe	116,666	45.75p	7 December 2009	8 December 2017
	116,667	45.75p	7 December 2010	8 December 2017
	116,667	45.75p	7 December 2011	8 December 2017

An insurance premium of £3,150 (2007: £2,779) was paid in respect of directors and officers liability.

Retirement benefits are accruing to three (2007: one) directors under the money purchase pension scheme.

5. Employee information

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

	2008 No.	2007 No.
Technical	**49**	49
Administration and sales	**21**	13
	70	62

	£	£
Staff costs for the above persons were:		
Wages and salaries	**1,653,911**	1,468,589
Social security costs	**223,231**	273,179
Pension costs – defined contribution schemes	**57,111**	68,495
	1,934,253	1,810,263

Total wages & salaries, as stated above, exclude costs capitalised and included within deferred development expenditure amounting to £1,679,928 (2007: £1,587,637).

Wages and salaries also include £344,242 (2007: £376,030) in respect of share-based payment charges as detailed in note 3.

6. Investment revenues

	2008 £	2007 £
Bank interest receivable	**125,662**	85,791
	125,662	85,791

7. Operating loss for the year is stated after charging/(crediting):

	2008 £	2007 £
Inventories recognised as an expense	**1,843,204**	1,161,541
Amortisation		
– intangible assets (included in administrative expenses in the income statement)	**295,793**	127,975
Depreciation	**276,244**	214,365
Auditors' remuneration		
– audit (including £11,000 (2007: £11,000) in respect of the parent company)	**32,500**	27,522
– taxation	**5,350**	7,560
Exchange (profit)/loss	**(27,797)**	42,527
Operating lease rentals – land & buildings	**95,407**	113,105
Operating lease rentals – other	**4,022**	3,200
And after crediting:		
Long term contract revenue	**(413,626)**	(412,074)

8. Taxation

	2008 £	2007 £
(a) UK corporation tax at 30% (2007: 30%)		
Current	–	–
Over-provision in respect of prior years	**(570,451)**	–
	(570,451)	–

(b) Factors affecting tax charge for year

	2008 £	2007 £
Loss on ordinary activities before tax	**(769,794)**	(2,912,429)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2007: 30%)	**(230,938)**	(873,729)
Effects of:		
Expenses not deductible for tax purposes	**116,481**	8,256
Adjustment for exercise of share options	**(149,288)**	–
Depreciation in excess of capital allowances	**6,219**	23,331
Losses carried forward	**257,526**	842,142
Adjustments to previous periods – R&D tax credit	**570,451**	–
Current tax credit for year	**570,451**	–

8. Tax on profit on ordinary activities (continued)

The group has estimated losses of £14,432,910 (2007: £15,720,994) available for carry forward against future trading profits.

No provision has been made in the accounts for a potential net deferred tax asset of £4,041,215 (2007: £4,716,298) 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 income statement has not been included in these accounts. The loss for the year is £467,590 (2007: loss of £607,701).

10. Intangible fixed assets – Group

	Goodwill	Development costs	Total
Cost			
At 1 April 2006	336,478	2,847,455	3,183,933
Additions	–	2,218,164	2,218,164
Transferred from tangibles under IFRS	–	2,331	2,331
At 31 March 2007	**336,478**	**5,067,950**	**5,404,428**
Additions	–	2,303,927	2,303,927
At 31 March 2008	**336,478**	**7,371,877**	**7,708,355**
Amortisation			
At 1 April 2006	224,320	98,738	323,058
Charge for the year	–	127,975	127,975
At 31 March 2007	**224,320**	**226,713**	**451,033**
Charge for the year	–	295,793	295,793
At 31 March 2008	**224,320**	**522,506**	**746,826**
Carrying amount at 31 March 2008	**112,158**	**6,849,371**	**6,961,529**
Carrying amount at 31 March 2007	112,158	4,841,237	4,953,395

Development costs consist largely of those directly attributable costs incurred in generating three technology assets; a professional mobile radio and two (Class A and Class B) automatic identification transponders.

In recognising such development costs as assets consideration is given to each of the following:

(a) The technological feasibility of completing the asset so that it may be used or sold

10. Intangible fixed assets – Group (continued)

(b) The intention and ability to use or sell the asset

(c) How the asset will generate future probable economic benefits, for example by demonstrating that there is a market for the asset's output

(d) Availability of adequate technical, financial and other resources to complete the development and to use the asset

(e) The ability to measure reliably the expenditure on the asset during its development

Once management have satisfied themselves that the above criteria are met the development costs are carried as assets.

The amortisation periods of each of the assets is 60 months, as this is considered to be the revenue generating life of each asset. This period is subject to annual review by management. The professional mobile radio product has 60 months amortisation remaining, the Class A product 22 months and the Class B product 46 months.

11. Investments

Cost	
At 1 April 2006	–
Additions	–
At 31 March 2007	–
Additions	351,586
At 31 March 2008	**351,586**
Amortisation	
At 1 April 2006	–
Charge for the year	–
At 31 March 2007	–
Charge for the year	–
At 31 March 2008	–
Carrying amount at 31 March 2008	**351,586**
Carrying amount at 31 March 2007	–

The investment represents a 19% interest that SRT PMR Technology Limited took in GroupCo of Taiwan during March 2008. This interest was valued at cost of £351,586.

12. Property, plant and equipment – Group

	£
Cost	
At 1 April 2006	2,050,596
Additions	412,651
Transferred to intangibles under IFRS	(2,331)
At 31 March 2007	**2,460,916**
Additions	191,988
At 31 March 2008	**2,652,904**
Depreciation	
At 1 April 2006	1,726,397
Charge for the year	214,365
At 31 March 2007	**1,940,762**
Charge for the year	276,244
At 31 March 2008	**2,217,006**
Carrying amount at 31 March 2008	**435,898**
Carrying amount at 31 March 2007	520,154

13. Investment in subsidiaries – Company

	Shares in group undertakings £
Cost as at 1 April 2007	11,306,180
Cost as at 31 March 2008	**11,306,180**

Holdings of more than 20%

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

Company Subsidiary undertakings	Country of incorporation	Shares held Class	 %
Software Radio Technology (UK) Limited	England	Ordinary	100
SRT PMR Technology Limited	England	Ordinary	100
SRT Marine Technology Limited	England	Ordinary	100
SRT Software Development (India) Private Limited	India	Ordinary	100

13. Investment in subsidiaries – 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	Electronic hardware and software engineering and licensing of technology reference designs
SRT Marine Technology Limited	Electronic hardware and software engineering and licensing of technology reference designs
SRT Software Development (India) Private Limited	Non-trading

14. Inventories – Group

	2008	2007
	£	£
Raw materials and consumables	**190,275**	58,502
Finished goods	**222,744**	103,436
	413,019	161,938

15. Construction contracts

Revenue of £413,626 (2007: £412,074) relating to construction contracts has been included in the consolidated income statement.

	2008	2007
	£	£
Recognised costs	**(188,136)**	(148,527)
Recognised gross profits	**225,490**	263,547

The amount due from customers in respect of the delivery of SRT's technology is included in note 16.

16. Trade and other receivables – Group

	2008	2007
	£	£
Trade receivables	**3,035,063**	1,390,541
Amounts recoverable on contracts	**1,416,143**	1,107,206
Other debtors	**459,426**	363,553
Prepayments and accrued income	**773,283**	110,312
	5,683,915	2,971,612

16. Trade and other receivables – Group (continued)

Included in the total amount of trade receivables and amounts recoverable on contracts shown above are balances of approximately £1.7 million in respect of contracts entered into with customers located primarily in China. Recovery of amounts due under these contracts has taken longer than initially expected but payments in respect of these balances are now expected to commence in the year to 31 March 2009.

Based on prior experience and an assessment of the current economic environment, the directors did not consider that an impairment provision is required against these assets despite their ageing and consider that the carrying amount of the Group's trade and other receivables approximates to their fair value.

As at 31 March 2008 no trade receivables were considered to be impaired.

As at 31 March 2008 trade receivables of £350,445 (2007: £569,783) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

Other receivables do not contain impaired assets.

	2008	2007
	£	£
Up to 3 months past due	**67,069**	569,783
3 to 6 months past due	**205,646**	–
Over 6 months past due	**77,730**	–
	350,445	569,783

Trade and other receivables – Company

	£	£
Amounts owed by group undertakings	**11,390,063**	7,400,448
Other debtors	**64,717**	12,000
	11,454,780	7,412,448

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.

17. Trade and other payables – Group

	2008 £	2007 £
Trade payables	**1,379,621**	1,178,763
Other tax and social security payable	**109,742**	92,345
Other creditors	**998**	2,711
Accruals and deferred income	**1,048,593**	372,747
	2,538,954	1,646,566

Trade and other payables – Company

	2008 £	2007 £
Trade payables	**160,401**	–
Amounts owed to group undertakings	**10,815,957**	10,815,957
Accruals and deferred income	**6,045**	93,592
	10,982,403	10,909,549

The directors consider that the carrying amount of trade and other payables approximates to fair value.

18. Called up share capital

	2008 £	2007 £
Authorised		
120,000,000 Ordinary shares of 0.1p each	**120,000**	120,000
	120,000	120,000
Allotted, called up and fully paid		
(2008: 97,817,107 Ordinary shares of 0.1p each 2007: 78,287,082 Ordinary shares of 0.1p each)	**97,818**	78,288
Share capital	**97,818**	78,288

18. Called up share capital (continued)

Share capital reconciliation

	No.
Shares outstanding at 1 April 2006	**69,044,530**
Placing May 2006	9,042,552
Warrant conversion January 2007	168,835
Warrant conversion February 2007	31,165
Shares outstanding at 31 March 2007	**78,287,082**
Placing April 2007	9,523,810
Warrant conversion July 2007	150,000
Exercise of options July 2007	1,040,000
Warrant conversion October 2007	305,000
Warrant conversion November 2007	8,417,882
Exercise of options November 2007	93,333
Shares outstanding at 31 March 2008	**97,817,107**

Notes to the reconciliation:

Year ended 31 March 2007

(a) The placing in May 2006 took place at 47 pence per share, raising gross funds of £4,250,000 before costs of £197,972

(b) The warrant conversion in January 2007 took place at 40 pence per share, raising gross funds of £67,534

(c) The warrant conversion in February 2007 took place at 40 pence per share, raising gross funds of £12,466

Year ended 31 March 2008

(a) The placing in April 2007 took place at 42 pence per share, raising gross funds of £4,000,000 before costs of £192,821

(b) The warrant conversion in July 2007 took place at 40 pence per share, raising gross funds of £60,000

(c) The options exercise in July 2007 was by S Tucker (940,000) and M Rogers (100,000). The exercise price was 0.1 pence per share.

(d) The warrant conversion in October 2007 took place at 40 pence per share, raising gross funds of £122,000

(e) The warrant conversion in November 2007 took place at 40 pence per share, raising gross funds of £3,367,153. November 2007 was the deadline for exercising the options and any options that remained outstanding at this date lapsed.

(f) The options which were exercised in November 2007 were by an ex-employee. The exercise price was 35 pence per share and this amount is still owed to the Company at 31 March 2008.

19. 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, 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 from the date of grant.

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	7,698,778	28.5p
Granted during the year	1,710,000	44.6p
Forfeited during the year	20,000	52.5p
Exercised during the year	1,133,333	3p
Expired during the year	–	–
Outstanding at the end of the year	8,255,445	34.9p
Exercisable at the end of the year	2,840,000	25.4p

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

Share price at grant	47p
Exercise price	46p
Volatility	35%
Expected life	5 years
Risk free rate	5.08%
Expected dividend yield	0%

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

19. 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	740,000	0.1p	30 June 2009
2 November 2007*	1,040,000	24.5p	3 November 2015
2 November 2007	93,333	35p	31 January 2008
2 November 2007	875,555	35p	3 November 2015
2 November 2008	875,556	35p	3 November 2015
2 November 2009	875,556	35p	3 November 2015
2 November 2007	230,148	35p	3 November 2015
2 November 2008	230,148	35p	3 November 2015
2 November 2009	230,149	35p	3 November 2015
31 March 2008	180,000	57p	1 April 2016
31 March 2009	180,000	57p	1 April 2016
31 March 2010	179,999	57p	1 April 2016
30 June 2008	16,666	51.5p	1 July 2016
30 June 2009	16,667	51.5p	1 July 2016
30 June 2010	16,667	51.5p	1 July 2016
31 July 2008	33,333	51.5p	1 August 2016
31 July 2009	33,333	51.5p	1 August 2016
31 July 2010	33,334	51.5p	1 August 2016
28 February 2008	221,667	48p	1 March 2017
28 February 2009	221,667	48p	1 March 2017
28 February 2010	221,666	48p	1 March 2017
1 October 2007*	250,000	42p	19 July 2017
1 October 2008*	250,000	42p	19 July 2017
2 September 2008*	125,000	44p	3 September 2017
2 September 2009*	125,000	44p	3 September 2017
2 September 2010*	250,000	44p	3 September 2017
6 December 2009	16,667	45.75p	7 December 2017
6 December 2010	16,667	45.75p	7 December 2017
6 December 2011	16,666	45.75p	7 December 2017
31 August 2009	66,667	48p	1 September 2017
31 August 2010	66,667	48p	1 September 2017
31 August 2011	66,666	48p	1 September 2017
7 December 2009**	116,667	45.75p	8 December 2017
7 December 2010**	116,667	45.75p	8 December 2017
7 December 2011**	116,666	45.75p	8 December 2017
31 August 2009	36,667	49p	1 September 2017
31 August 2010	36,667	49p	1 September 2017
31 August 2011	36,667	49p	1 September 2017
Total outstanding	**8,255,445**		

* Subject to market related performance criteria.
** Options awarded to N Jolliffe, non-executive director are also subject to market related performance criteria.

20. Reserves – Group

	Other reserves	Retained earnings	Share premium account	Total
At 1 April 2006	**5,724,512**	**(3,771,521)**	**3,659,873**	**5,612,864**
Loss for the financial year	–	(2,912,429)	–	(2,912,429)
Share options to be exercised	–	376,030	–	376,030
Premium on shares issued in year	–	–	4,122,785	4,122,785
Exercise of warrants (net)	(5,129)	–	5,129	–
At 31 March 2007	**5,719,383**	**(6,307,920)**	**7,787,787**	**7,199,250**
Loss for the financial year	–	(199,343)	–	(199,343)
Share options to be exercised	–	344,242	–	344,242
Premium on shares issued in year	–	–	7,337,936	7,337,936
Exercise of warrants (net)	(228,787)	–	228,787	–
Exercise of share options	–	–	32,574	32,574
At 31 March 2008	**5,490,596**	**(6,163,021)**	**15,387,084**	**14,714,659**

Other reserves consist of a capital redemption reserve, warrant reserve and a merger reserve.

The capital redemption reserve arose on 8 March 2005 when 285,714 deferred 1p shares with an aggregate nominal value of £2,857 were repurchased by Software Radio Technology (UK) Limited for the aggregate consideration of 1p.

The merger reserve arose on 19 October 2005 when Software Radio Technology plc acquired the entire share capital of Software Radio Technology (UK) Limited by means of a share for share exchange.

The warrant reserve arose on Software Radio Technology plc listing on the London Alternative Investment Market in November 2005 when for every one share issued one warrant was also issued.

	Capital redemption reserve	Warrants	Merger	Total
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**
Exercise of warrants (net)	–	(228,787)	–	(228,787)
At 31 March 2008	**2,857**	**62,400**	**5,425,339**	**5,490,596**

20. Reserves – Company

	Other reserves	Retained earnings	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 year (net)	(5,129)	–	5,129
Share options to be issued	–	376,030	–
At 31 March 2007	**291,187**	**(348,183)**	**7,787,787**
Loss for the financial year	–	(467,590)	–
Premium on shares issued in year (net)	–	–	7,337,936
Exercise of warrants in year (net)	(228,787)	–	228,787
Share options to be issued	–	344,242	–
Exercise of options	–	–	32,574
At 31 March 2008	**62,400**	**(471,531)**	**15,387,084**

21. Reconciliation of movements in Shareholders' funds – Group

	2008 **£**	2007 £
Loss for the financial year	**(199,343)**	(2,912,429)
Proceeds from issue of shares	**4,000,000**	4,250,000
Costs of share issue	**(192,827)**	(197,972)
Proceeds from exercise of warrants	**3,549,153**	80,000
Proceeds from exercise of share options	**33,714**	–
Costs of warrants issue	–	–
Share options to be exercised	**344,242**	376,030
	7,534,939	1,595,629
Opening shareholders' funds	**7,277,538**	5,681,909
Closing shareholders' funds	**14,812,477**	7,277,538

21. Reconciliation of movements in Shareholders' funds – Company (continued)

	2008 £	2007 £
Loss for the financial year	**(467,590)**	(607,701)
Proceeds from issue of shares	**4,000,000**	4,250,000
Cost of share issue	**(192,827)**	(197,972)
Proceeds from exercise of warrants	**3,549,153**	80,000
Proceeds from exercise of share options	**33,714**	–
Cost of warrants issued	**–**	–
Share options to be exercised	**344,242**	376,030
	7,266,692	3,900,357
Opening shareholders' funds	**7,809,079**	3,908,722
Closing shareholders' funds	**15,075,771**	7,809,079

22. Operating lease commitments

At 31 March 2008 the Group has lease agreements in respect of properties and equipment for which the payments extend over a number of years.

	2008 £	2007 £
Due:		
Within one year	**100,364**	64,621
Between two and five years	**369,229**	210,175
After five years	**860,814**	877,710
	1,330,407	1,152,506

23. Related party transactions

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's key management are the directors of Software Radio Technology plc.

The Non-Executive Directors invoice the Company for their services through their respective consultancy businesses. During the year an amount of £15,000 (2007: £15,000) was payable to Andrew Lapping, an amount of £15,000 (2007: £15,000) was payable to Newton Court Partnership for services provided by Simon Rogers, an amount of £40,000 (2007: £40,000) was payable to Synergie Business Limited for services provided by Richard Moon and an amount of £15,000 (2007: £6,250) was payable to Skaana Ltd for services provided by Nick Jolliffe. As at the period end £nil (2007: £nil) was owed to Andrew Lapping, £13,333 (2007: £9,999) was owed to Synergie Business Limited, £7,693 (2007: £2,500) was owed to Skaana Ltd and £3,750 (2007: £nil) was owed to Newton Court Partnership.

Each of the non-executive directors service agreements can be terminated immediately by the Company and on one month's written notice by the non-executives. None of the outstanding balances are secured.

Transaction between the Company and its subsidiaries, which are related parties, are as follows:

	Sale of goods		Purchase of goods		Services provided	
	2008 £	2007 £	**2008 £**	2007 £	**2008 £**	2007 £
Subsidiaries	**–**	–	**–**	–	**1,152,900**	1,095,255

24. Cash used in operations – Group

	2008 £	2007 £
Operating loss	**(895,456)**	(2,998,220)
Depreciation of property, plant and equipment	**276,244**	214,365
Amortisation of intangible fixed assets	**295,793**	127,975
Revenue satisfied by issue of shares	**(351,586)**	–
Share based payment charge	**344,242**	376,030
(Increase)/decrease in inventories	**(251,081)**	128,153
(Increase) in trade and other receivables	**(2,679,729)**	(1,067,635)
Increase in trade and other payables	**892,481**	715,902
Net cash used in operations	**(2,369,092)**	(2,503,430)

Cash used in operations – Company

	2008 £	2007 £
Operating loss	**(467,499)**	(607,701)
Share based payment charge	**344,242**	376,030
(Increase) in trade and other receivables	**(4,009,756)**	(3,929,865)
Increase in trade and other payables	**72,854**	29,508
Net cash used in operations	**(4,060,159)**	(4,132,028)

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

	2008 £	2007 £
Increase/(decrease) in cash in the year	**3,188,479**	(916,426)
Change in net funds resulting from cash flows	**3,188,479**	(916,426)
Movement in net funds in the year	**3,188,479**	(916,426)
Net funds at 1 April 2007	**317,005**	1,233,431
Net funds at 31 March 2008	**3,505,484**	317,005

26. Analysis of net funds

	At 1 April 2007 £	Cash flow £	At 31 March 2008 £
Cash in hand, at bank	317,005	3,188,479	3,505,484
Total	317,005	3,188,479	3,505,484

27. Earnings per share

The basic earnings per share has been calculated on the loss on Ordinary activities after taxation of £199,343 (2007: £2,912,429) divided by the weighted number of Ordinary shares in issue of 90,774,729 (2007: 77,355,397). The weighted average number of shares in issue has been adjusted to reflect the placing in April 2007 and the conversion of warrants in July 2007, October 2007 and November 2007 and the exercise of options in July 2007 and November 2007. A summary of the movements is shown below:

	2008 **No.**	2007 No.
Balance brought forward	**78,287,082**	69,044,530
Placing	**8,730,160**	8,289,006
Exercise of options	**724,444**	–
Conversion of warrants	**3,033,043**	21,861
	90,774,729	77,355,397

28. Post balance sheet events

In April 2008, the Company appointed Numis Securities Limited as its Nomad and Broker, replacing Hanson Westhouse.

29. Financial instruments

The Group's financial instruments comprise cash and cash equivalents and items such as trade payables and trade receivables, which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group's operations expose it to a variety of financial risks including credit risk, interest rate risk and foreign currency exchange rate risk. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Company's finance department.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by each subsidiary's management team.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

	2008 **£**	2007 £
Trade receivables	**3,035,063**	1,390,541
Cash and cash equivalents	**3,505,484**	317,005
	6,540,547	1,707,546

29. Financial instruments (continued)

Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash and cash equivalents, which earn interest at a variable rate.

The Group has not entered into any derivative transactions during the period under review.

The Group's cash and cash equivalents earned interest at a variable rate totalling £125,662 (2007; £85,791) during the year.

The Group has no borrowings.

Foreign currency exchange rate risk

The Group is exposed to foreign currency exchange rate risk as a result of trade payables and trade receivables, which will be settled in US Dollars and Euro's. During the year, the Group did not enter into any arrangements to hedge this risk, as the directors did not consider the exposure to be significant given the short term nature of the balances. The Group will review this policy as appropriate in the future.

The Group'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 income statement. At the year end, this exposure comprised £3,917,313 (2007: £1,220,715) of assets denominated in US Dollars, £29,640 (2007: £155,873) of assets denominated in Euros and £425,269 (2007: £148,609) of liabilities denominated in Euros and £244,939 (2007: £43,837) of liabilities denominated in US Dollars.

The table below illustrates the hypothetical sensitivity of the Group's reported profits to a 10% increase and decrease in the US dollar/Sterling and Euro/Sterling exchange rates at the year end date assuming all other variables remain unchanged. The sensitivity rate of 10% represents the directors assessment of a reasonable possible change.

Positive figures represent an increase in profit.

Year end exchange rates applied in the analysis below are US Dollar 1.99 (2007: 1.97) and Euro 1.38 (2007: 1.47).

	2008	2007
	£	£
Sterling strengthens by 10%		
US Dollar	**408,043**	326,916
Euro	**(40,445)**	1,407
Sterling weakens by 10%		
US Dollar	**(333,851)**	(275,545)
Euro	**35,965**	(1,151)

30. Financial commitments

On 3 December 2007, SRT Marine Technology Limited entered into an agreement with Flextronics International of Hungary for the manufacture, test and assembly of 10,000 units of SRT's AIS Class B Transponder. The total value of this commitment is US$1,303,338 and as at the balance sheet date, SRT Marine Technology Limited had paid a deposit of US$770,400. This amount is included in other debtors. On 16 August 2007, SRT Marine Technology Limited entered into an agreement with TCB of China for the manufacture, test and assembly of 13,000 units of SRT's Automatic Identification System Class B transponder. The total value of this commitment is US$2,035,200 and as at the balance sheet date, SRT Marine Technology Limited had paid a deposit for 3,500 units not yet delivered of US$130,200. This amount is included in other debtors.

31. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders. The Group defines capital as being share capital plus reserves. The Group is not subject to any externally imposed capital requirements.

32. Transition to International Financial Reporting Standards (IFRS)

Software Radio Technology plc reported under UK GAAP in its previously published accounts for the year ended 31 March 2007. The analysis below shows a reconciliation of net assets and profit as reported under UK GAAP as at 31 March 2007 to the revised net assets and profit under IFRS as reported in these accounts.

In addition, there is a reconciliation of net assets reported under UK GAAP to IFRS at the transition date for the Group, being 1 April 2006.

The principal differences to UK GAAP are as follows:

(i) Intangible assets

Under UK GAAP, the Group had previously opted to capitalise qualifying development expenditure in line with SSAP 13 'Accounting for Research and Development'. For the purposes of considering the impact of transition, the relevant requirements of IAS 38 'Intangible assets' have been compared to the capitalisation criteria and approach adopted under SSAP 13, this resulted in a transfer of £2,331 from property, plant and equipment to intangible assets in respect of computer software.

(ii) Business combinations and goodwill

The Group has not undertaken any business combinations in the period since 1 April 2006 and has chosen not to restate business combinations completed prior to the transition date.

The goodwill recognised by the Group at 1 April 2006 of £112,158, which relates to a business combination completed on 5 December 2002, is to no longer be amortised from that date but will instead be subject to an annual impairment review in line with the requirements of IFRS 3 'Business Combinations' and IAS 36 'Impairment of Assets' . As a result, the UK GAAP amortisation charge of £67,296 for the year to 31 March 2007 has been reversed.

32. Transition to International Financial Reporting Standards (IFRS) (continued)

(iii) Employee benefits

In accordance with IAS 19 'Employee benefits' the Group is required to recognise a liability for employees' unused entitlement to annual leave. Therefore, an additional accrual amounting to £57,396 has been recognised at 31 March 2007.

Consolidated Income Statement for the year ended 31 March 2007

	UK GAAP £	IAS 38 Intangible assets £	IFRS 3 Business combinations £	IAS 19 Employee benefits £	IFRS £
Revenue	1,817,588	–	–	–	1,817,588
Cost of sales	(1,628,531)	–	–	(17,079)	(1,645,610)
Gross profit	**189,057**	**–**	**–**	**(17,079)**	**171,978**
Administrative expenses	(3,237,494)	–	67,296		(3,170,198)
Operating loss	**(3,048,437)**	**–**	**67,296**	**(17,079)**	**(2,998,220)**
Finance income	85,791	–	–	–	85,791
Finance costs	–	–	–	–	–
Loss before income tax	**(2,962,646)**	**–**	**67,296**	**(17,079)**	**(2,912,429)**
Taxation	–	–	–	–	–
Loss for the year	**(2,962,646)**	**–**	**67,296**	**(17,079)**	**(2,912,429)**
Loss per share	**(3.83)p**	**–**	**–**	**–**	**(3.76)p**

Company Income Statement for the year ended 31 March 2007

There were no changes on the Company's previously reported Income statement for the year ended 31 March 2007 under UK GAAP on conversion to IFRS.

32. Transition to International Financial Reporting Standards (IFRS) (continued)

Consolidated Balance Sheet as at 31 March 2007

The reconciliation below shows the UK GAAP balance account presented in an IFRS format and the adjustments to the reported position required as a result of the adoption of IFRS.

	UK GAAP £	IAS 38 Intangible assets £	IFRS 3 Business combinations £	IAS 19 Employee benefits £	IFRS £
Assets					
Non-current assets					
Intangible assets	4,883,768	2,331	67,296	–	4,953,395
Property, plant and equipment	522,485	(2,331)	–	–	520,154
Total non-current assets	**5,406,253**	**–**	**67,296**	**–**	**5,473,549**
Current assets					
Inventories	161,938	–	–	–	161,938
Trade and other receivables	2,971,612	–	–	–	2,971,612
Cash and cash equivalents	317,005	–	–	–	317,005
Total current assets	**3,450,555**	**–**	**–**	**–**	**3,450,555**
Liabilities					
Current liabilities					
Trade and other liabilities	(1,589,170)	–	–	(57,396)	(1,646,566)
Total current liabilities	**(1,589,170)**	**–**	**–**	**(57,396)**	**(1,646,566)**
Net assets	**7,267,638**	**–**	**67,296**	**(57,396)**	**7,277,538**
Capital and reserves					
Ordinary shares	78,288	–	–	–	78,288
Share premium	7,787,787	–	–	–	7,787,787
Other reserves	5,719,383	–	–	–	5,719,383
Retained earnings	(6,317,820)	–	67,296	(57,396)	(6,307,920)
Total equity	**7,267,638**	**–**	**67,296**	**(57,396)**	**7,277,538**

Consolidated Cashflow for the year ended 31 March 2007

Under UK GAAP, cash flows are presented separately for operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, management of liquid resources and financing activities. IFRS, however, requires only three categories of cash flow activity to be reported: operating, investing and financing.

There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP.

32. Transition to International Financial Reporting Standards (IFRS) (continued)

Company Balance Sheet as at 31 March 2007

There were no changes to the Company balance sheet as at 31 March 2007 previously reported under UK GAAP as a result of the adoption of IFRS.

Consolidated Balance Sheet as at 1 April 2006

The reconciliation below shows the UK GAAP balance account presented in an IFRS format and the adjustments to the reported position required as a result of the adoption of IFRS.

	UK GAAP £	IAS 38 Intangible assets £	IFRS 3 Business combinations £	IAS 19 Employee benefits £	IFRS £
Assets					
Non-current assets					
Intangible assets	2,860,875	6,469	–	–	2,867,344
Property, plant and equipment	324,199	(6,469)	–	–	317,730
Total non-current assets	**3,185,074**	**–**	**–**	**–**	**3,185,074**
Current assets					
Inventories	290,091	–	–	–	290,091
Trade and other receivables	1,903,977	–	–	–	1,903,977
Cash and cash equivalents	1,233,431	–	–	–	1,233,431
Total current assets	**3,427,499**	**–**	**–**	**–**	**3,427,499**
Liabilities					
Current liabilities					
Trade and other liabilities	(890,347)	–	–	(40,317)	(930,664)
Total current liabilities	**(890,347)**	**–**	**–**	**(40,317)**	**(930,664)**
Net assets	**5,722,226**	**–**	**–**	**(40,317)**	**5,681,909**
Capital and reserves					
Ordinary shares	69,045	–	–	–	69,045
Share premium	3,659,873	–	–	–	3,659,873
Other reserves	5,724,512	–	–	–	5,724,512
Retained earnings	(3,731,204)	–	–	(40,317)	(3,771,521)
Total equity	**5,722,226**	**–**	**–**	**(40,317)**	**5,681,909**

Company Balance Sheet as at 1 April 2006

There were no changes to the company balance sheet as at 1 April 2006 previously reported under UK GAAP as a result of the adoption of IFRS.

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 11.00 a.m. on 2 September 2008 for the purpose of considering and, if thought fit, passing the following ordinary resolutions (in the case of resolutions 1 to 12) and special resolutions (in the case of resolutions 13 and 14):

ORDINARY RESOLUTIONS

1. To receive the audited accounts of the Company for the financial year ended 31 March 2008 and the directors' report and the auditors' report on those accounts.
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. To re-appoint Neil Anthony Peniket as a director of the Company.
10. To re-appoint George Kyprios as a director of the Company.
11. 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 £22,276 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 substitution of any such previous authorities.
12. THAT in accordance with section 366 of the Companies Act 2006 the Company and all companies that are subsidiaries of the Company at any time during the period for which this resolution has effect be and are hereby authorised to:

    (i) make political donations to political parties or independent election candidates not exceeding £10,000 in total;

    (ii) make political donations to political organisations other than political parties not exceeding £10,000 in total; and

    (iii) incur political expenditure not exceeding £10,000 in total,

    provided that the aggregate amount of any such donations and expenditure shall not exceed £10,000 during the period beginning with the date of the passing of this resolution and ending on the date of the Annual General Meeting of the Company to be held in 2009.

For the purpose of this resolution the terms 'political donations', 'independent election candidates', 'political organisations' and 'political expenditure' have the meanings set out in sections 363 to 365 of the Companies Act 2006."

SPECIAL RESOLUTIONS

13. THAT subject to the passing of resolution 11, 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 11 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 £4,886.

    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 11 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.

14. THAT the Articles of Association be amended by the insertion of a new article 113.13 as follows:

    "Any director may be authorised by the Board in relation to any matter that would otherwise involve that director breaching his duty under the 2006 Act to avoid conflicts of interest, and any director (including the director concerned) may propose that such authorisation be given provided that:

    (a) such proposal and any authority given by the Board shall be effected in the same way that any other matter may be proposed to and resolved upon by the Board under the provisions of the Articles, except that the director concerned and any other director with a similar interest:

        (i) shall not count towards the quorum at the meeting at which the conflict is considered;

        (ii) may, if the other members of the Board so decide, be excluded from any Board meeting while the conflict is under consideration; and

        (iii) shall not vote on any resolution authorising the conflict except that, if he does vote, the resolution will still be valid if it would have been agreed to if his vote had not been counted;

(b) where the Board gives authority in relation to such a conflict:

(i) the Board may (whether at the time of giving the authority or at any time or times subsequently) impose such terms upon the director concerned and any other director with a similar interest as it may determine, including, without limitation, the exclusion of that director and any other director with a similar interest from the receipt of information, or participation in discussion (whether at meetings of the Board or otherwise) related to the conflict;

(ii) the director concerned and any other director with a similar interest will be obliged to conduct himself in accordance with any terms imposed by the Board from time to time in relation to the conflict;

(iii) any authority given by the Board in relation to a conflict may also provide that where the director concerned and any other director with a similar interest obtains information that is confidential to a third party, the director will not be obliged to disclose that information to the Company, or to use the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence;

(iv) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and

(v) the Board may withdraw such authority at any time."

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

24 July 2008

Registered Office:
Wireless House, Westfield Industrial Estate,
Midsomer Norton, Bath BA3 4BS
Registered in England and Wales No. 05459678

Notice of Annual General Meeting continued

Notes:

1. A shareholder is entitled to appoint another person as that shareholder's proxy to exercise all or any of that shareholder's rights to attend and to speak and vote at the Annual General Meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy does not need to be a shareholder of the Company.

2. A form of proxy for use in connection with the Annual General Meeting is enclosed with the document of which this notice forms part. Completion and return of a form of proxy will not prevent a shareholder from attending and voting at the Annual General Meeting. Addresses (including electronic addresses) in this document are included strictly for the purposes specified and not for any other purpose.

3. To appoint a proxy or proxies shareholders must complete: (a) a form of proxy, sign it and return it, together with the power of attorney or any other authority under which it is signed, or a notarially certified copy of such authority, to the Company's registrars, Computershare Investor Services PLC, or (b) a CREST Proxy Instruction (see note 4 below) in each case no later than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members and those CREST members who have appointed any voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent by the latest time for receipt of proxy appointments set out in paragraph 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Notice of Annual General Meeting continued

5. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders included in the register of members of the Company at 6.00 p.m. on 31 August 2008 or, if the meeting is adjourned, in the register of members at 6.00 p.m. on the day which is two days before the day of any adjourned meeting, will be entitled to attend and to vote at the Annual General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 6.00 p.m. on 31 August 2008 or, if the meeting is adjourned, in the register of members after 6.00 p.m. on the day which is two days before the day of any adjourned meeting, will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.
6. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

Explanatory Notes for Shareholders

The notice of the Annual General Meeting of the Company to be held at 11.00 a.m. on 2 September 2008 is set out on pages 52 to 56 of the annual report and accounts. The following notes provide an explanation as to why the resolutions set out in the notice are to be put to shareholders.

Resolutions 1 to 12 are ordinary resolutions. These resolutions will be passed if more than 50% of the votes cast for or against are in favour.

Resolution 1 – Directors' report and audited accounts for year ended 31 March 2008

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 2008. They are contained in the Company's Annual Report and Accounts.

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 10 – Directors re-appointment

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

Resolution 11 – 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 £22,276. 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 12 – Political donations

Part 14 of the Companies Act 2006, amongst other things, prohibits the Company and its subsidiaries from making political donations or from incurring political expenditure in respect of a political party or other political organisation or an independent election candidate unless authorised by the Company's shareholders. Aggregate donations made by the Group of £5,000 or less in any 12 month period will not be caught.

Neither the Company nor any of its subsidiaries has any intention of making any political donation or incurring any political expenditure. However, the Companies Act 2006 defines 'political party', 'political organisation', 'political donation' and 'political expenditure' widely. For example, bodies, such as those concerned with policy review and law reform or with the representation of the business community or sections of it, which the Company and/or its subsidiaries may see benefit in supporting may be included in these definitions.

Explanatory Notes for Shareholders continued

Accordingly, the Company wishes to ensure that neither it nor its subsidiaries inadvertently commits any breaches of the Companies Act 2006 through the undertaking of routine activities, which would not normally be considered to result in the making of political donations and political expenditure being incurred.

As permitted under the Companies Act 2006, the resolution extends not only to the Company but also covers all companies which are subsidiaries of the Company at any time the authority is in place. The resolution authorises the Company and its subsidiaries to:

(i) make political donations to political parties or independent election candidates not exceeding £10,000 in total;

(ii) make political donations to political organisations other than political parties not exceeding £10,000 in total; and

(iii) incur political expenditure not exceeding £10,000 in total

provided that the aggregate amount of any such donations and expenditure shall not exceed £10,000 in the period up to the Company's Annual General Meeting in 2009, as defined in the Companies Act 2006.

As required by the Companies Act 2006, the resolution is in general terms and does not purport to authorise particular donations.

Resolutions 13 and 14 are special resolutions. These resolutions will be passed if not less than 75% of the votes cast for and against are in favour.

Resolution 13 – 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 12 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 £4,886 (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.

Resolution 14 - Adoption of new articles of association

It is proposed in resolution 14 to amend the articles of association with a new article (the "New Article") in order to update the Company's current articles of association to take account of changes in English company law brought about by the Companies Act 2006 (the "2006 Act").

The New Article deals with directors' conflicts of interest. The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where appropriate, where the articles of association contain a provision to this effect. The 2006 Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Article gives the directors authority to approve such situations and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

Explanatory Notes for Shareholders continued

There are safeguards that will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Article should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

It is the board's intention to report annually on the Company's procedures for ensuring that the board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

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