

Company's Registered Number: 5459678

SOFTWARE RADIO TECHNOLOGY PLC

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED**

31 MARCH 2010

SOFTWARE RADIO TECHNOLOGY PLC

CONTENTS	PAGES
Directors and Advisors	1
Annual Report Highlights and Background Company Information	2
Chairman's Statement	3-4
Directors' Report	5-6
Statement of Directors' Responsibilities in Respect of the Accounts	7
Corporate Governance Report	8
Independent Auditors' Report	9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Company Statement of Financial Position	12
Consolidated Statement of Cash Flows	13
Company Statement of Cash Flows	14
Consolidated Statement of Changes in Equity	15
Company Statement of Changes in Equity	16
Notes to the Accounts	17-41

SOFTWARE RADIO TECHNOLOGY PLC

DIRECTORS AND ADVISORS

Directors	Simon Tucker Neil Peniket Richard Hurd (appointed 12 October 2009) Simon Rogers Andrew Lapping Nick Jolliffe (resigned 31 December 2009)
Secretary	Richard Hurd (appointed 28 May 2009)
Registered Office	Wireless House Westfield Industrial Estate Midsomer Norton Bath BA3 4BS
Bankers	Lloyds TSB Bank plc Canons House Canons Way Bristol BS99 7LB Royal Bank of Scotland 10 Gordon Street Glasgow G1 3PL
Auditors	Nexia Smith & Williamson Audit Ltd. Chartered Accountants Portwall Place Portwall Lane Bristol BS1 6NA
Tax Advisers	Smith & Williamson Ltd. Chartered Accountants Portwall Place Portwall Lane Bristol BS1 6NA
Solicitors	CMS Cameron McKenna Mitre House 160 Aldersgate Street London EC1A 4DD
Nominated Adviser & Broker	Westhouse Securities Limited One Angel Court London EC2R 7HJ
Registrars	Computershare Investor Services Plc PO Box 82 The Pavilions Bridgewater Road Bristol BS99 7NH
Company's registered number	5459678

www.softwarerad.com

ANNUAL REPORT HIGHLIGHTS

- 41% increase in revenue
- 78% increase in cash
- Gross profit margin increased to 38.7%
- Losses reduced by 81%
- SRT is debt free
- \$4 million forward order book as of 1st April 2010
- New products developed and launched
- Multiple new mandates announced and activated affecting up to 500,000 vessels over next 3 years.

BACKGROUND COMPANY INFORMATION

SRT Strategy:

SRT develops and provides AIS (Automatic Identification System) technologies and product solutions for the maritime industry. AIS is a complex international radio communications standard, managed and regulated by the IMO, which enables precise identification and tracking of all maritime traffic. AIS has been adopted around the world as the preferred system for maritime safety and homeland security applications. SRT's solutions enable companies who have established brands, market knowledge and sales channels to quickly have their own AIS products without development risk such that they can fulfil growing market demand.

What is AIS?

AIS is an open international radio communications standard which intelligently combines VHF radio and GPS technologies to enable vessels to be accurately and reliably identified and tracked. The AIS standard is maintained and evolved by a series of expert committees under the auspices of the International Maritime Organisation (IMO). Since its creation in the 1990's AIS has become the preferred maritime identification, tracking and safety system for most nations and regions.

SRT's Business:

SRT provides turnkey AIS solutions for all parts of the AIS system to companies wishing to address the global maritime market of up to 26 million vessels. Each solution is provided in multiple flexible formats which offer various advantages to different customers. Ultimately SRT's solutions enable customers to quickly develop and build their own AIS product which meets their specific target market requirements whilst also guaranteeing full conformance and certification to the required international AIS standards; all with minimal risk and investment.

Until the end of 2009, SRT's primary focus was its low cost Class B type AIS solution primarily targeting leisure and small commercial vessels due to its low cost. During 2009 SRT developed two new product types which allow it to offer a solution for all segments of the maritime market. The first was the miniature dual channel receiver which started shipping during Q4 of 2009/10 and the second is the Class A type which started shipping in May 2010.

SRT's products deploy advanced radio communications development techniques to deliver products which are formally certified as conforming to the complex AIS standards, but are also small, low cost and flexible. This provides a compelling customer offer and a significant barrier to entry for potential competition.

Market Update:

Global demand for AIS has continued to accelerate due to the general increase in mariner awareness and national mandates. General awareness of the benefits of AIS for leisure and small commercial vessels is driving annual demand increases - benefits include improved operational efficiency, cost savings, safety and insurance premium reductions.

There are also multiple national mandates underway which require vessels to fit AIS devices in multiple countries from the US, EU to China, India, Turkey and South Korea which amount to approximately 500,000 vessels, most of which have started to create demand for SRT's products from the beginning of 2010. Many more mandates are in the planning stage for the future.

CHAIRMAN'S STATEMENT

I am delighted to report that 2009/10 has been a transformational year for SRT and that our heavy investment in AIS technologies and the development of a global customer base are now starting to be reflected in financial performance.

The past financial year, has again seen us increase our growth rate, with a 41% year on year increase in revenue to £3.56 million (2009: £2.52 million), an increase in gross profit margin to 38.7%, an 81% reduction in losses to £221,000 (2009: £1,134,000) and a 78% increase in cash to £952,000 (2009: £536,000) with no debt.

In 2009/10 we saw our business grow by 41%, compared to 15% during 2008/09. This acceleration in growth has been caused by the activation of long planned mandates, such as in Singapore, Turkey and China during 2009 and the subsequent commencement of orders. Each of these mandates is over a period of years and therefore we have only just started to see their effect which will continue to grow in the future.

During 2009, SRT broadened its product range which now includes high value, high margin products such as the new AIS Class A Transceiver and as at 1st April 2010, our forward order book was worth \$4 million. With mandates which affect hundreds of thousands of vessels now underway and gaining pace, an established global customer base, and proven world class products your Board is looking forward to the year ahead with optimism.

Operational Review

The focus of the business is to be the world's leading provider of vessel identification and tracking technologies with a primary focus on AIS technology.

During the year we have managed the business carefully to ensure that overheads and costs are strictly controlled whilst expanding our technology and product portfolio to ensure that we meet the expected expanding market demand for all types of AIS products, now and in the future. I am pleased to report that this has been successfully achieved. On a cash basis our overheads were the same as in 2009, yet we have developed and launched two new market leading products which we are confident will drive significant new revenues for SRT in the current financial year.

Our new Dual Channel AIS Receiver is a miniature device which enables AIS receiver capability to be instantly integrated into existing marine devices at low cost. It enables our customers to offer an exceptionally low cost product to those mariners who may wish to start experimenting with AIS before moving voluntarily on to more expensive and complex transmit-type devices.

The main product development focus has been on our Class A Transceiver. Class A, which is the most complex of all the AIS devices, offers an extensive array of sophisticated features and functions, all of which must be formally tested and approved against the international AIS standard by accredited independent test houses. This was successfully completed in April 2010 and started shipping to customers in May 2010 against orders already placed during the last quarter of the 2009/10 financial year.

As the AIS market grows we remain constantly vigilant of potential competition. As such during the year we have also instigated new core technology development programs which will support the launch of additional new products during the course of the coming year. These will make use of a new and innovative AIS platform which we have developed internally and will enable a considerable size and cost reduction across most of our product range and raise the barrier to entry for any potential competition. We believe that the continued investment in our core technologies is essential for SRT to remain the market leader and maximise all market opportunities.

In parallel with the development and launch of our new products, we have continued to improve the quality of our sales channels and customer relationships to reflect our enhanced product portfolio and the growth in the market. During 2009 we rationalised our customer base and negotiated new longer term contracts for the benefit of both customers and SRT. The most notable aspect of these contracts has been a change in the ordering and payment process with the effect that the burden of production forecasting and stock holding is shared more equally between SRT and the customer, rather than being wholly borne by SRT. This initiative should enabled us to improve the deployment of our capital and provide our customers with reduced lead times and improved service.

CHAIRMAN'S STATEMENT - continued

Our products and solutions are now marketed under 25 different brands around the world through an extensive network of sales channels. Our customers provide AIS products to markets from Singapore, China, South Korea, Turkey, USA and Europe. Often we are unaware of the exact driver for a particular order, but increasingly as large mandates are announced and come into force we are able to have clarity. For example in January 2010, the Turkish AIS Class B mandate took effect and we are now receiving regular orders from our longstanding local partners. In November 2009 one of our customers won a government tender to supply approximately 1,000 Class B transceivers in Singapore. This is in addition to the various other mandates and tenders which continue to roll out.

As we reported last year, our investment in technology and supporting customers to use our solutions placed us in an ideal position to benefit from the commencement of mandates as they come into force. This year has seen the start of the effect of these mandates coming into play, with many more yet to come.

Board Composition and Governance

The financial year saw several changes to the board. Nick Jolliffe resigned as Chairman in December to pursue personal interests and Simon Rogers was appointed as Chairman of the Board. In October, Richard Hurd joined the Board as Chief Financial Officer.

Employees

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


Strategy and the Future

The global demand for AIS products continues to accelerate. Mandates affecting up to 500,000 vessels in Korea, India, Turkey, US and the EU are now underway or pending. SRT has a portfolio of proven AIS products which are embedded in an extensive network of established customers, each with its own sales networks. As such we are in an excellent position to benefit from growing demand for AIS devices and will continue to work closely with our selected customers to maximise their success.

We will continue to invest in new technologies and products to take advantage of opportunities and consolidate our position in the market, whilst carefully managing our overheads. We are also conscious that we are faced with the challenges of large markets and potentially significant growth. We will therefore continue to manage our business and work with our customers to ensure that we trade within our means.

Our new products, in particular our Class A, mean that we expect to see our ARPU (average revenue per unit) and gross margins to increase during the coming financial year whilst maintaining cash overheads at a similar level to last year.

We enter the new financial year with a strong order book and improving visibility on future demand for our products. The combination of our proven market leading technology, our customers' sales channels and strongly growing global demand mean that we look forward to continuing strong growth in the coming year and beyond.



Simon Rogers
Chairman

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2010

The directors present their report and the audited accounts for the year ended 31 March 2010.

BUSINESS REVIEW

Activities:

The principal activity of the SRT plc group is the research and development of advanced wireless radio communication technologies and products for the identification and tracking of land or maritime based assets. The company provides its products in a range of flexible formats which enable customers to create their own unique products without technical risk and with minimal financial and time investment. The final products are used in a variety of applications which include maritime safety, improving commercial efficiency and homeland security.

Results for the Year and Dividends

The Group incurred a loss of £220,524 (2009: loss from continuing operations £1,134,452). This loss is stated after charges of £22,004 (2009: £42,130) related to a share based payment charge. The directors have not recommended the payment of a dividend (2009: £nil).

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 on pages 3 and 4 and above in the Directors' Report.

Principal Risks and Uncertainties

Financial risks

Details of the Group's financial instruments and its policies with regard to financial risk management are given in note 28 to the accounts.

Other risks

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 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.

DIRECTORS' REPORT - continued

FOR THE YEAR ENDED 31 MARCH 2010

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 2010 and at 31 March 2009 were:

	2010	2009
	Ordinary	Ordinary
	0.1p	0.1p
	shares	shares
<i>Non Executives</i>		
Simon Rogers	16,983,900	13,483,900
Andrew Lapping	1,081,080	1,081,080
Nick Jolliffe	-	-
<i>Executives</i>		
Simon Tucker	940,000	940,000
Neil Peniket	-	-
Richard Hurd	-	-

Dates of appointment and resignation are as shown on page 1.

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

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

Payments of Creditors

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms have been complied with.

At March 31 2010, the Group had an average of 48 (2009: 36) days' purchase owed to trade creditors.

Disclosure of Information to the Auditors

In the case of each person who was a director at the time this report was approved:


- so far as that director was aware there was no relevant available information of which the company's auditors were unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

A resolution to appoint the auditors, Nexia Smith & Williamson Audit Ltd, will be proposed at the next 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

The directors are responsible for preparing the Directors' Report and the accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company accounts, as applied in accordance with the provisions of the Companies Act 2006. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state that the accounts comply with IFRSs as adopted by the European Union;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2010

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

The Board of Directors

The Board of Directors at the date of this report consists of three Executive and two 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 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 Andrew Lapping (Chairman) and Simon Rogers – the two Non-Executive directors. It meets at least twice per year. The meeting to review and consider the scope of the 2010 audit took place in March 2010. The meeting to review feedback from the 2010 audit took place in May 2010.

Remuneration Committee

The Committee comprises Andrew Lapping (Chairman) and Simon Rogers; it meets at least twice a year. During the year, the committee met to discuss the grant of options to the Executive directors.

Nomination Committee

The Committee comprises Simon Rogers (Chairman) and Andrew Lapping.

The Committee met during the year to review the composition of the board following the departure of the previous Chairman of the board and to appoint the Chief Financial Officer and Company Secretary.

Going Concern

After making enquiries, the directors have a reasonable expectation that the group 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.

Nexia Smith & Williamson

Independent auditors' report to the shareholders of Software Radio Technology Plc

We have audited the Company and Consolidated accounts of Software Radio Technology Plc for the year ended 31 March 2010 which comprise the Statement of Comprehensive Income, the Company and Consolidated Statements of Financial Position, the Company and Consolidated Statement of Changes in Equity, the Company and Consolidated Statements of Cash Flows, and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company accounts, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Accounts set out on page 7, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the accounts

A description of the scope of an audit of accounts is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on accounts

In our opinion:

- the accounts give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2010 and of the group's loss for the year then ended;
- the group accounts have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company accounts have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the accounts have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company accounts are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Carl Deane
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Portwall Place
Bristol
BS1 6NA

June 4, 2010

SOFTWARE RADIO TECHNOLOGY PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 MARCH 2010

	Notes	2010 £	2009 £
<u>Continuing operations</u>			
Revenue	2	3,558,124	2,516,489
Cost of sales		(2,180,119)	(1,565,649)
Gross profit		1,378,005	950,840
Administrative costs		(1,876,383)	(2,224,313)
Other operating income	7	132,129	-
Operating loss before share based payments	7	(366,249)	(1,273,473)
Share based payments charge	3	(22,004)	(42,130)
Operating loss after share based payments	2	(388,253)	(1,315,603)
Investment revenues	6	2,067	33,441
Loss before income tax		(386,186)	(1,282,162)
Income tax credit	8	165,662	147,710
Loss for the year from continuing operations		(220,524)	(1,134,452)
<u>Discontinued operation</u>			
Loss for the year from discontinued operation	10	-	(11,043,473)
Loss for the year (including discontinued operation)	21	(220,524)	(12,177,925)
Other comprehensive income		-	-
Total comprehensive loss for the period		(220,524)	(12,177,925)
Loss per share (basic and diluted):	27		
Continuing operations		(0.2)p	(1.2)p
Discontinued operations		-	(11.3)p
Continuing and discontinued operations		(0.2)p	(12.5)p

SOFTWARE RADIO TECHNOLOGY PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2010

	Notes	2010 £	2009 £
Assets			
Non-current assets			
Intangible assets	11	1,570,429	908,365
Property, plant and equipment	13	123,759	82,090
		1,694,188	990,455
Current assets			
Inventories	15	894,392	897,981
Trade and other receivables	16	318,762	651,854
Cash and cash equivalents	25	952,485	535,692
		2,165,639	2,085,527
Liabilities			
Current liabilities			
Trade and other payables	18	(1,381,665)	(399,300)
		783,974	1,686,227
Net current assets		783,974	1,686,227
Total assets less current liabilities		2,478,162	2,676,682
Net assets		2,478,162	2,676,682
Shareholders' equity			
Share capital	19	97,818	97,818
Share premium account	21	15,387,084	15,387,084
Retained earnings	21	(18,497,336)	(18,298,816)
Other reserves	21	5,490,596	5,490,596
		2,478,162	2,676,682
Total shareholders' equity		2,478,162	2,676,682

The accounts were approved by the Board of Directors on June 4, 2010 and were signed on its behalf by:



S Tucker
Director

SOFTWARE RADIO TECHNOLOGY PLC

COMPANY STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2010

	Notes	2010 £	2009 £
Assets			
Non-current assets			
Investments in subsidiaries	14	1	1
Property, plant and equipment	13	20,434	7,396
Total non-current assets		20,435	7,397
Current assets			
Trade and other receivables	17	4,529,178	4,373,581
Cash and cash equivalents		271,223	103,667
Total current assets		4,800,401	4,477,248
Liabilities			
Current liabilities			
Trade and other payables	18	(189,405)	(252,355)
Net current assets		4,610,996	4,224,893
Total assets less current liabilities		4,631,431	4,232,290
Net assets		4,631,431	4,232,290
Shareholders' equity			
Share capital	19	97,818	97,818
Share premium account	21	15,387,084	15,387,084
Retained earnings	21	(10,915,871)	(11,315,012)
Other reserves	21	62,400	62,400
Total shareholders' equity		4,631,431	4,232,290

The accounts were approved by the Board of Directors on June 4, 2010 and were signed on its behalf by:



S Tucker
Director

SOFTWARE RADIO TECHNOLOGY PLC

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2010

	Notes	2010 £	2009 £
<u>Continuing operations</u>			
Cash generated from/ (used in) operating activities	26	1,391,790	(896,609)
Corporation tax received		165,662	147,710
Net cash generated from / (used) in operating activities		1,557,452	(748,899)
Investing activities			
Expenditure on product development		(1,073,269)	(213,496)
Purchase of property, plant and equipment		(101,087)	(59,463)
Proceeds from the sale of property, plant and equipment		31,630	-
Interest received		2,067	33,441
Net cash used in investing activities		(1,140,659)	(239,518)
Cash inflow / (outflow) before financing		416,793	(988,417)
Financing activities		-	-
Net increase / (decrease) in cash and cash equivalents in the year from continuing operations		416,793	(988,417)
<u>Discontinued operation</u>			
Cash flows from operating activities		-	(336,331)
Cash used in investing activities		-	(1,645,044)
Net decrease in cash from discontinued operation		-	(1,981,375)
Net increase / (decrease) in cash and cash equivalents		416,793	(2,969,792)
Net cash and cash equivalents at beginning of year		535,692	3,505,484
Net cash and cash equivalents at end of year	25	952,485	535,692

SOFTWARE RADIO TECHNOLOGY PLC

COMPANY STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2010

	Notes	2010 £	2009 £
Cash generated from / (used in) operating activities	26	177,013	(3,199,782)
Investing activities			
Purchase of property, plant and equipment		(43,010)	(10,575)
Proceeds from the sale of property, plant and equipment		31,630	-
Interest received		1,923	16,810
Net cash generated from / (used) in investing activities		(9,457)	6,235
Cash inflow / (outflow) before financing		167,556	(3,193,547)
Financing activities		-	-
Net increase / (decrease) in cash and cash equivalents in the year		167,556	(3,193,547)
Cash and cash equivalents at the start of the year		103,667	3,297,214
Cash and cash equivalents at the end of the year		271,223	103,667

SOFTWARE RADIO TECHNOLOGY PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 MARCH 2010

	Share capital £	Share premium £	Retained earnings £	Other reserves (note 21) £	Total £
At 1 April 2008	97,818	15,387,084	(6,163,021)	5,490,596	14,812,477
Loss for the year	-	-	(12,177,925)	-	(12,177,925)
Other comprehensive income	-	-	-	-	-
Share options to be exercised	-	-	42,130	-	42,130
At 31 March 2009	97,818	15,387,084	(18,298,816)	5,490,596	2,676,682
Loss for the year	-	-	(220,524)	-	(220,524)
Other comprehensive income	-	-	-	-	-
Share options to be exercised	-	-	22,004	-	22,004
At 31 March 2010	97,818	15,387,084	(18,497,336)	5,490,596	2,478,162

SOFTWARE RADIO TECHNOLOGY PLC

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 MARCH 2010

	Share capital	Share premium	Retained earnings	Other reserves (note 21)	Total
	£	£	£	£	£
At 1 April 2008	97,818	15,387,084	(471,531)	62,400	15,075,771
Loss for the year	-	-	(10,885,611)	-	(10,885,611)
Other comprehensive income	-	-	-	-	-
Share options to be exercised	-	-	42,130	-	42,130
At 31 March 2009	97,818	15,387,084	(11,315,012)	62,400	4,232,290
Loss for the year	-	-	377,137	-	377,137
Other comprehensive income	-	-	-	-	-
Share options to be exercised	-	-	22,004	-	22,004
At 31 March 2010	97,818	15,387,084	(10,915,871)	62,400	4,631,431

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010

1. Accounting policies

Software Radio Technology plc is a Company incorporated in the United Kingdom. The address of the registered office 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 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union applied in accordance with the provisions of the Companies Act 2006. These accounts have been prepared in accordance with the accounting policies stated below.

The accounts have been prepared under the historical cost convention.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they can continue to adopt the going concern basis in preparing the financial statements.

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 2009, the consolidated statement of comprehensive income and statement of financial position include the accounts of the company and its subsidiary undertakings made up to 31 March 2010. Intra-group sales and profits are eliminated fully on consolidation.

At 31 December 2008, the Group placed its 100% subsidiary, SRT PMR Technology Limited, into Administration. Accordingly, the results and cash flows of that company are classified as discontinued operations during the years ended March 31, 2009 and March 31, 2010.

Critical judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the year end date and the reported amounts of revenues and expenses during the year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements and estimates that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the 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 group accounting policy on revenue recognition is set out on page 18.
- 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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010

1. Accounting Policies - continued

- In determining the equity value of share based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgement 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 dependent on further estimates, including the Group's 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 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

Research and development

Research expenditure is written off to the income statement in the year in which it is incurred. Development expenditure is capitalised and amortised over the period during which the Company is expected to benefit, currently considered to be between four to 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. The criteria for capitalising development costs are set out in note 11.

Revenue recognition

Revenue comprises the value of sales of licences, royalties arising from the resulting sale of licencees' SRT technology based products, revenues from support, maintenance and training, long term contract revenue from product development and the sale of products. 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.

Revenues arising from the sale of licences and long term contract product development are 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 and long term contract arrangements are such that the receipts fall due significantly outside of its normal payment terms for standard 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

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010**1. Accounting Policies – continued**

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 license 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.

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 - 3 - 4 years

Goodwill

Under UK GAAP Goodwill was deemed to have a finite useful life of 5 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 1st 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. The subsidiary to which the goodwill related was disposed of at 31 December 2008, resulting in a deemed disposal of goodwill in that year. As such, no impairment review has been necessary for the year ended March 2010.

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. Any goodwill written off cannot be reinstated.

Discontinued operations

A discontinued operation is a component of an entity that has either been disposed of, or that is classified as held for sale, which represents a separate line of business or geographical area of operations and is part of a single coordinated plan to dispose of a separate line of business or geographical area of operations.

Taxation

The income tax credit represents the sum of the tax currently receivable 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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010

1. Accounting Policies – continued

Deferred tax assets are recognised to the extent that it is probable 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.

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

Stock and work in progress are stated at the lower of cost and net realisable value. Cost comprises direct materials and other subcontracted manufacturing costs. The costs of finished products are expensed to the consolidated income statement to match against the corresponding revenues from those products. Provision is made against slow and obsolete moving stock to ensure the value at which stock is held in the balance sheet is reflective of anticipated future sales patterns.

Share based payments

The Group operates an equity settled share based compensation plan whereby the company grants share options to employees of all Group companies. The fair values of the options granted under this plan are calculated using an appropriate valuation model which takes into account assumptions about future events and market conditions. Further details are provided in note 20.

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. Different assumptions about these factors to those made by the Group could materially affect the reported value of share based payments.

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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010

1. Accounting Policies - continued

Financial instruments

Cash and cash equivalents comprise cash held by the Group.

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 fair value of the proceeds received, net of direct issue costs.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker as required by IFRS 8 "Operating Segments". The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The adoption of IFRS 8 for the first time this year has not resulted in an change to the basis of segmentation as under the previous standard (IAS14 "Segmental Reporting").

Segment expenses are expenses that are directly attributable to a segment together with the relevant portion of expenses that can be reasonably allocated to the segment. Unallocated expenses relate to corporate head office expenses not recharged to the Company's subsidiaries. Segment assets and liabilities include items that are directly attributable to a segment. Corporate assets and liabilities are not included in business segments and are thus unallocated.

New accounting standards

The Group has adopted IAS 1 "Presentation of Financial Statements (Revised)" which 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.

There are a number of new standards, amendments to standards and interpretations that are not mandatory for the financial year ended 31 March 2010 and which are not expected to materially impact the financial statements of the Group over the next 12 months.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 - continued

2 Revenue and segment information

Business and Geographical Segments

The directors have given due consideration to the requirements of IFRS 8. Operating segments have been determined by considering the business from both a product and geographical perspective. From a product perspective, the primary business segment is its marine technology business ("Marine"). In addition, the company also earns income from the ownership of a suite of Tetra communications handset technology ("Tetra").

From a geographical perspective, the company's earns revenue from a number of countries.

Financial information from a product and geographical perspective are set out below.

Year ended 31 March 2010: by product	Marine £	Tetra £	Unallo- cated £	Total £
Revenue	3,189,324	368,800	-	3,558,124
Operating profit/ (loss)	(763,462)	317,091	58,118	(388,253)
Investment revenues	144	-	1,923	2,067
Profit/ (loss) before income tax	(763,318)	317,091	60,041	(386,186)
Income tax	165,662	-	-	165,662
Profit/ (loss) for the year	(597,656)	317,091	60,041	(220,524)
Total assets	3,581,004	-	278,823	3,859,827
Total liabilities	(1,192,260)	-	(189,405)	(1,381,665)
Net assets	2,388,744	-	89,418	2,478,162
Capital expenditure	1,131,347	-	43,008	1,174,355
Depreciation and amortisation	440,650	-	9,972	450,622
Share based payment costs	-	-	22,002	22,004
Revenue by geographical destination:				2010 £
Continuing operations				
China				1,173,083
UK				1,215,533
USA				358,447
Other				811,061
				<u>3,558,124</u>

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 – continued

2. Revenue and segment information - continued

Included within revenues are sales to the Group's largest customer of £1,173,083 (2009: £1,569,476) and the Group's second largest customer £509,590 (2009: £239,567). There were no other customers which contributed more than 10% of the Group's revenues

Year ended 31 March 2009: by product – continuing operations	Marine £	Tetra £	Unallo- cated £	Total £
Revenue	2,516,489	-	-	2,516,489
Operating loss	(1,318,749)	-	3,146	(1,315,603)
Investment revenues	16,631	-	16,810	33,441
Loss before income tax	(1,302,118)	-	19,956	(1,282,162)
Income tax	147,710	-	-	147,710
Loss for the year from continuing operations	(1,154,408)	-	19,956	(1,134,452)
Total assets	2,888,259	-	187,723	3,075,982
Total liabilities	(146,945)	-	(252,355)	(399,300)
Net assets	2,741,314	-	(64,632)	2,676,682
Capital expenditure	262,220	-	10,575	272,795
Depreciation and amortisation	418,998	-	3,344	422,342
Share based payment costs	-	-	42,130	42,130

Revenues from the Tetra operating segment were generated through the discontinued operation in 2009.

Revenue by geographical destination:	2009 £
Continuing operations	
China	1,569,476
USA	380,597
UK	295,362
Other	271,054
	<hr/>
	2,516,489

3 Share based payment

Included in the income statement is a non cash charge of £22,004 (2009: £42,130), calculated in accordance with IFRS 2, arising on the grant of share options to executive, non executive directors and employees.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 – continued

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 comprises of A Lapping (Chairman) and S Rogers.

The Remuneration Committee consults with S Tucker, the Group Chief Executive Officer, 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:-

- 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 page 25.
- 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.
- 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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2009 – continued

4 Directors' emoluments – continued

The remuneration of the individual Directors was as follows:-

All £	Salary and fees	Taxable benefits	Pension allowance	Pension contributions	Total 2010	Total 2009
<i>Executive Directors</i>						
S Tucker	126,000	6,000	6,300	-	138,300	138,300
N Peniket	75,000	6,000	-	4,050	85,050	85,050
R Hurd	23,387	-	-	1,161	24,548	-
<i>Non Executive Directors</i>						
S Rogers	7,500	-	-	-	7,500	13,125
A Lapping	1,250	-	-	-	1,250	11,250
N Jolliffe	18,750	-	-	-	18,750	27,833
Total	251,887	12,000	6,300	5,211	275,398	275,558

N Jolliffe resigned during the year. R Hurd was appointed during the year. Appointment and resignation dates are shown on page 1. In 2009, the total remuneration of S Tucker and N Peniket was allocated under the same headings as in 2010. The remuneration of the Non Executive Directors in 2009 related only to salary and fees.

Share Options

<i>Executive</i>	Total under option	Exercise price	Expiry date
S Tucker	2,200,000	9p	18 February , 2020
N Peniket	2,000,000	2.5p	20 July, 2019
R Hurd	225,000	2.5p	20 July, 2019

All of the share options above are exercisable based on market related performance criteria and are exercisable 6 months after the criteria has been met except as stated below.

In addition to the market related performance criteria, 500,000 of the options granted to Neil Peniket are only exercisable from January 20, 2012 and a further 800,000 from January 20, 2013. 75,000 of the options granted to R Hurd are only exercisable from January 20, 2012.

In 2009, S Tucker had 2,200,000 options outstanding at an exercise price of 35p and an expiry date of November 2015. N Peniket had 1,200,000 options outstanding at exercise prices ranging from 25.75p to 57p and expiry dates from April 2016 to July 2018. N Jolliffe had 350,000 options outstanding at an exercise price of 45.75p and expiry date of December 2017.

An insurance premium of £2,940 (2009: £3,150) was paid in respect of directors' and officers' liability.

Retirement benefits are accruing to two directors (2009: one) under the money purchase pension scheme.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 – continued

5 Employee information

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

	2010 No.	2009 No.
Technical	18	14
Administration and sales	9	12
	27	26

Staff costs for the above persons were:

	£	£
Wages and salaries	706,436	1,142,425
Social security costs	73,592	120,187
Pension costs – defined contribution schemes	24,750	38,408
	804,778	1,301,020

Total wages & salaries, as stated above, exclude costs capitalised and included within deferred development expenditure amounting to £553,447 (2009: £135,180).

Wages and salaries also include £22,004 (2009: £42,130) in respect of share-based payment charges as detailed in note 3.

6 Investment revenues

	2010 £	2009 £
Bank interest receivable	2,067	33,441
	2,067	33,441

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 - continued

7	Operating loss for the year is stated after charging / (crediting):	2010 £	2009 £
	Inventories recognised as an expense	2,080,548	1,439,235
	Amortisation:		
	- intangible assets (included in administrative expenses in the income statement)	411,205	401,027
	Depreciation	39,417	21,315
	Auditors' remuneration		
	- fees payable to the auditors for the audit of the group's annual accounts (including £14,000 (2009: £11,000) in respect of the parent company)	22,000	25,000
	- tax services	8,000	9,200
	Exchange loss / (profit)	66,335	(130,335)
	Operating lease rentals – land & buildings	35,000	8,750
	Profit on disposal of equipment	(11,630)	-
	Income received from Administrators of SRT PMR Technology Ltd	(120,499)	-
		<hr/>	<hr/>

Included within operating loss is long term contract revenue of £84,979 (2009: £nil) offset by costs of £26,093 (2009: £nil) resulting in a profit of £58,886 (2009: £nil).

8	Taxation	2010 £	2009 £
(a)	UK corporation tax at 28% (2009: 28%)		
	Current tax credit	(165,662)	(147,710)
		<hr/>	<hr/>
		(165,662)	(147,710)
		<hr/>	<hr/>
(b)	Factors affecting tax charge for year		
	Loss on ordinary activities before tax	(386,186)	(12,325,635)
		<hr/>	<hr/>
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 28% (2009: 28%)	(108,132)	(3,451,178)
	Effects of:		
	Expenses not deductible for tax purposes	13,666	3,107,600
	Depreciation in (deficit) /excess of capital allowances	(258,509)	43,285
	Unrelieved tax losses and other deductions arising in the period	552,010	414,896
	Additional deduction for R&D	(199,035)	(114,164)
	Other short term timing differences	-	(439)
	Adjustments to previous periods – R&D tax credit	165,662	147,710
		<hr/>	<hr/>
	Current tax credit for year	165,662	147,710
		<hr/>	<hr/>

The group has estimated losses of £3,558,783 (2009: £2,580,021) available for carry forward against future trading profits.

No provision has been made in the accounts for a potential net deferred tax asset of £572,852 (2009: £553,220) 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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 - continued

9 Company Profit / (Loss) for the financial year

The company has taken advantage of the exemption under Section 408 of the Companies Act 2006 not to publish its individual income statement. The profit for the year ended March 31 2010, dealt with in the accounts of the Company, was £377,137 (2009: loss £10,885,611). The company made no gains or losses which would be reported in other comprehensive income in the year ended March 31, 2010 and therefore the Company has not published its individual Statement of Total Comprehensive Income.

10 Discontinued operation

On 31 December 2008, the Board decided to discontinue the Group's professional mobile radio division and accordingly placed its 100% subsidiary, SRT PMR Technology Ltd, into Administration. The loss for the discontinued operation is stated after charging:

Results of the discontinued operation	2010	2009
	£	£
Revenue	-	624,294
Gross profit	-	349,920
Administrative expenses	-	(2,778,260)
	<hr/>	<hr/>
Operating loss	-	(2,428,340)
Investment revenues	-	29,410
	<hr/>	<hr/>
Loss before income tax	-	(2,398,930)
Income tax credit	-	400,284
	<hr/>	<hr/>
Loss after tax	-	(1,998,646)
Loss on disposal of net assets	-	(9,044,827)
	<hr/>	<hr/>
Loss from discontinued operation	-	(11,043,473)
	<hr/> <hr/>	<hr/> <hr/>

Details of net assets disposed of as a result of the administration of SRT PMR Technology Ltd and the associated loss for the year ended March 31, 2009 resulting from this are as follows:

	£
Non current assets	
Intangible assets	6,362,007
Investments	351,586
Property plant and equipment	297,265
Current assets	2,689,544
Current liabilities	(655,575)
	<hr/>
Net assets disposed of	9,044,827
Consideration	-
	<hr/>
Loss on disposal	9,044,827
	<hr/> <hr/>

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 – continued

11 Intangible assets – Group	Goodwill	Development costs	Total
	£	£	£
Cost			
At 1 April 2008	336,478	5,067,950	5,404,428
Additions	-	1,771,840	1,771,840
Discontinued operation	(336,478)	(7,081,268)	(7,417,746)
At 31 March 2009	-	2,062,449	2,062,449
Additions	-	1,073,269	1,073,269
At 31 March 2010	-	3,135,718	3,135,718
Amortisation			
At 1 April 2008	224,320	522,506	746,826
Charge for the year	-	1,232,446	1,232,446
Discontinued operation	(224,320)	(831,419)	(1,055,739)
Impairment	-	230,551	230,551
At 31 March 2009	-	1,154,084	1,154,084
Charge for the year	-	411,205	411,205
At 31 March 2010	-	1,565,289	1,565,289
Carrying amount at 31 March 2010	-	1,570,429	1,570,429
Carrying amount at 31 March 2009	-	908,365	908,365

Development costs consist largely of those directly attributable costs incurred in generating two technology assets, a Class A and a Class B automatic identification transponder. 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 and
- 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 between four and five years, as this is considered to be the revenue generating life of each asset. This period is subject to annual review by management. The Class A and Class B technology assets have between 24 and 60 months of amortisation remaining. The amortisation charge is included within administrative expenses.

SOFTWARE RADIO TECHNOLOGY PLC

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 - continued

12	Investments - Group	Investments
	Cost	£
	At 1 April 2008	351,586
	Investment held by discontinued operation	(351,586)
		<hr/>
	At 31 March 2009 and 2010	-
		<hr/>
	Amortisation	-
	At 31 March 2009 and 2010	<hr/>
		<hr/>
	Carrying amount at 31 March 2009 and 2010	-
		<hr/> <hr/>

The investment represents a 19% interest that SRT PMR Technology Limited took in GroupCo of Taiwan during March 2008. This investment was written off when SRT PMR Technology Ltd went into administration on 31 December, 2008 (note 10).

13	Property, plant and equipment	Company Plant & Equipment	Group Plant & Equipment
	Cost	£	£
	At 1 April 2008	-	2,652,904
	Additions	10,575	146,163
	Discontinued operation	-	(2,691,696)
		<hr/>	<hr/>
	At 31 March 2009	10,575	107,371
	Additions	43,010	101,086
	Disposals	(20,000)	(20,000)
		<hr/>	<hr/>
	At 31 March 2010	33,585	188,457
		<hr/> <hr/>	<hr/> <hr/>
	Depreciation		
	At 1 April 2008	-	2,217,006
	Charge for the year	3,179	202,706
	Discontinued operations	-	(2,394,431)
		<hr/>	<hr/>
	At 31 March 2009	3,179	25,281
	Charge for the year	9,972	39,417
		<hr/>	<hr/>
	At 31 March 2010	13,151	64,698
		<hr/> <hr/>	<hr/> <hr/>
	Carrying amount at 31 March 2010	20,434	123,759
		<hr/>	<hr/>
	Carrying amount at 31 March 2009	7,396	82,090
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2009 - continued

14	Investment in subsidiaries – Company	Shares in group undertakings £
	Cost as at 1 April 2009 and 31 March 2010	1

Holdings of more than 20%

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

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

* not consolidated as non trading

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 Marine Technology Limited	Electronic hardware and software engineering and licensing of technology reference designs
SRT Software Development (India) Private Limited	Non- trading

During the year ended 31 March 2009, the company wrote off the value of its investment in SRT PMR Technology Limited when that company went into Administration as at 31 December 2008. This company went into liquidation on 29 June, 2009. In addition, the company incurred an impairment charge of £50,480 during the year ended March 31, 2009 against the full value of its investment in Software Radio Technology (UK) Limited, a company which is non trading.

SRT Marine Technology Limited made a loss of £597,656 (2009: £1,154,408) during the year and had negative capital and reserves of £2,153,266 (2009: £1,555,608).

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 – continued

15	Inventories – Group	2010 £	2009 £
	Raw materials and consumables	389,178	19,830
	Finished goods	505,214	878,151
		894,392	897,981
		894,392	897,981
16	Trade and other receivables – Group	2010 £	2009 £
	Trade receivables	166,343	410,359
	Other receivables	61,316	132,001
	Prepayments and accrued income	91,103	109,494
		318,762	651,854
		318,762	651,854

As at 31 March 2010 no trade receivables were considered to be impaired (2009: £nil).

As at 31 March 2010 trade receivables of £33,745 (2009: £nil) were past due but not impaired. The ageing analysis of these trade receivables is as follows:-

Other receivables do not contain impaired assets.

	2010 £	2009 £
Up to 3 months past due	33,745	-
3 to 6 months past due	-	-
Over 6 months past due	-	-
	33,745	-
	33,745	-

17	Trade and other receivables – Company	2010 £	2009 £
	Amounts owed by group undertakings	4,477,839	4,296,920
	Other receivables	51,339	76,661
		4,529,178	4,373,581
		4,529,178	4,373,581

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.

Other receivables do not contain impaired assets.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 - continued

	2010	2009
	£	£
18 Trade and other payables – Group		
Trade payables	427,455	223,608
Other tax and social security payable	37,423	88,624
Other payables	10,805	1,853
Accruals and deferred income	821,002	85,215
Payments on account	84,980	-
	1,381,665	399,300
	1,381,665	399,300
	2010	2009
	£	£
Trade and other payables – Company		
Trade payables	78,257	157,579
Other tax and social security payable	72,997	54,613
Other payables	612	211
Accruals and deferred income	37,539	39,952
	189,405	252,355
	189,405	252,355

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

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 48 days (2009: 36 days).

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 - continued

19	Called up share capital	2010	2009
		£	£
	Authorised		
	120,000,000 Ordinary shares of 0.1p each	120,000	120,000
	Allotted, called up and fully paid		
	(2010 and 2009: 97,817,107 Ordinary shares of 0.1p each)	97,818	97,818

20 **Share Based Payment**

The Company operates an Enterprise Management Incentive share option scheme and a Non Enterprise Management Incentive scheme for directors and employees.

The general terms of the schemes 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 are expected to vest over a three year period and the maximum exercise period for the options is ten years from the date of grant. Upon vesting the options are equity settled.

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

	Number of share options 2010	Weighted average exercise price 2010
Outstanding at beginning of year	5,707,444	33.8p
Granted during the year	6,087,000	4.8p
Cancelled during the year	(3,720,000)	37.2p
Lapsed during the year	(1,599,333)	26.0p
<hr/>		
Outstanding at the end of the year	6,475,111	6.7p
<hr/>		
Exercisable at the end of the year	397,111	35p
<hr/>		
	Number of share options 2009	Weighted average exercise price 2009
Outstanding at beginning of year	8,255,445	28.5p
Granted during the year	950,000	25.2p
Forfeited during the year	(3,498,000)	37.1p
<hr/>		
Outstanding at the end of the year	5,707,445	33.8p
<hr/>		
Exercisable at the end of the year	3,993,777	30.1p
<hr/>		

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 - continued
20 Share Based Payment – continued

The value of the options granted during the year has been measured by using the Black Scholes pricing model as adjusted where applicable for market based performance criteria. For share options granted during the year and previous year, the inputs into the Black Scholes model were as follows:-

	2010	2010
Share price at grant	2.5p	9p
Exercise price	2.5p	9p
Volatility	89%	111%
Expected life	3 years	3 years
Risk free rate	2.9%	2.2%
Expected dividend yield	0%	0%
	2009	2009
Share price at grant	25p	25.75p
Exercise price	24.5p	25.75p
Volatility	35%	36%
Expected life	5 years	5years
Risk free rate	5.2%	5.9%
Expected dividend yield	0%	0%

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

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

Vesting date/criteria	Number issued	Exercise price	Expiry date
achievement of a share price of 8p – 25p - exercisable 6 months from vesting date	1,652,000	2.5p	20 July 2019
achievement of a share price of 15 - 25p - exercisable after a further 6 months and not before 20 January 2012	1,126,000	2.5p	20 July 2019
achievement of a share price of 8p and profitability criteria or the achievement of a share price of 15p – exercisable after a further 6 months	300,000	2.5p	20 July 2019
achievement of share price of 25p – exercisable after a further 6 months and not before January 20, 2013	800,000	2.5p	20 July 2019
achievement of a share price of 20p – 35p- exercisable after a further 6 months	2,200,000	9p	17 February 2020
2 November 2007	132,370	35p	3 November 2015
2 November 2008	132,370	35p	3 November 2015
2 November 2009	132,371	35p	3 November 2015
Total outstanding	6,475,111		

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 - continued

21 Reserves - Group

	Other reserves £	Retained earnings £	Share premium account £	Total £
At 1 April 2008	5,490,596	(6,163,021)	15,387,084	14,714,659
Loss for the financial year	-	(12,177,925)	-	(12,177,925)
Share options to be exercised	-	42,130	-	42,130
At 31 March 2009	5,490,596	(18,298,816)	15,387,084	2,578,864
Loss for the financial year	-	(220,524)	-	(220,524)
Share options to be exercised	-	22,004	-	22,004
At 31 March 2010	5,490,596	(18,497,336)	15,387,084	2,380,344

Other reserves - Group

	Capital Redemption Reserve £	Warrants £	Merger £	Total £
At 31 March 2008, 2009 and 2010	2,857	62,400	5,425,339	5,490,596

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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 – continued

21 Reserves – continued

Reserves – Company

	Other reserves	Retained earnings	Share premium account
	£	£	£
At 1 April 2008	62,400	(471,531)	15,387,084
Loss for the financial year	-	(10,885,611)	-
Exercise of options	-	42,130	-
At 31 March 2009	62,400	(11,315,012)	15,387,084
Profit for the financial year	-	377,137	-
Exercise of options	-	22,004	-
At 31 March 2010	62,400	(10,915,871)	15,387,084

	2010 £	2009 £
22 Reconciliation of movements in Shareholders' funds – Group		
Loss for the financial year	(220,524)	(12,177,925)
Share options to be exercised	22,004	42,130
	(198,520)	(12,135,795)
Opening shareholders' funds	2,676,682	14,812,477
Closing shareholders' funds	2,478,162	2,676,682
Reconciliation of movements in Shareholders' funds – Company		
	2010 £	2009 £
Profit / (loss) for the financial year	377,137	(10,885,611)
Share options to be exercised	22,004	42,130
	399,141	(10,843,481)
Opening shareholders' funds	4,232,290	15,075,771
Closing shareholders' funds	4,631,431	4,232,290

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 - continued

23 Operating lease commitments

At 31 March 2010, the Group has lease agreements in respect of properties and equipment for which the payments extend over a number of years.

	2010 £	2009 £
Due:		
Within one year	35,000	35,000
Between two and five years	26,250	70,000
After five years		-
	61,250	105,000

24 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 £1,250 (2009: £11,250) was payable to Andrew Lapping, an amount of £7,500 (2009: £13,125) was payable to Newton Court Partnership for services provided by Simon Rogers, an amount of £nil (2009: £31,667) was payable to Synergie Business Limited for services provided by Richard Moon and an amount of £18,750 (2009: £27,833) was payable to Skaana Ltd for services provided by Nick Jolliffe. As at the period end £nil (2009: £2500) was owed to Andrew Lapping, £nil (2009: £9,862) was owed to Synergie Business Limited, £nil (2009: £2,083) was owed to Skaana Ltd and £2,203 (2009: £5,094) 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.

Transactions between the Company and its subsidiaries (including SRT PMR Technology Ltd. in 2009), which are related parties, are as follows:

	Sale of goods		Purchase of goods		Services provided	
	2010 £	2009 £	2010 £	2009 £	2010 £	2009 £
Subsidiaries	-	-	-	-	550,204	1,003,995

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 – continued

25 **Cash and cash equivalents**

Included within the Group's year end cash and cash equivalents balance is an amount of £219,244 received as a deposit from a customer and held under a bank guarantee. This guarantee is released upon delivery of the Group's class A AIS transponder product to its customer.

26 **Cash used in operations**

– Group: continuing activities	2010	2009
	£	£
Operating loss	(388,253)	(1,315,603)
Depreciation of property, plant and equipment	39,418	21,315
Amortisation of intangible fixed assets	411,205	401,027
Share based payment charge	22,004	42,130
Decrease / (increase) in inventories	3,589	(751,197)
Decrease in trade and other receivables	333,092	1,606,219
Increase / (decrease) in trade and other payables	982,365	(1,131,051)
Impairment of intangible fixed assets	-	230,551
Profit on disposal of equipment	(11,630)	-
	<hr/>	<hr/>
Net cash generated from / (used in) operations	1,391,790	(896,609)
	<hr/>	<hr/>
Cash used in operations – Company	2010	2009
	£	£
Operating profit / (loss)	375,209	(488,830)
Share based payment charge	22,004	42,130
Depreciation of property, plant and equipment	9,972	3,179
Decrease / (increase) in trade and other receivables	25,321	(11,944)
Increase in amounts owed by group undertakings	(180,913)	(2,830,226)
(Decrease) / increase in trade and other payables	(62,950)	85,909
Profit on disposal of equipment	(11,630)	-
	<hr/>	<hr/>
Net cash generated from / (used in) operations	177,013	(3,199,782)
	<hr/>	<hr/>

27 **Loss per share**

The basic loss per share has been calculated on the loss on ordinary activities after taxation of £220,524 (2009: £12,177,925) divided by the weighted number of Ordinary shares in issue of 97,817,107 (2009: 97,817,107). The Group has incurred losses for the current and previous years and therefore there is no dilution for the impact of the share options granted. There were no movements in share capital during the current or previous year.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 - continued

28 Financial instruments

The Group and Company'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 and Company's operations.

The Group and Company'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 and Company, 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 Company had no trade receivables at 31 March 2010 (2009: £nil). 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:-

	2010 £	2009 £
Trade receivables	166,343	410,359
Cash and cash equivalents	952,485	535,692
	<u>1,118,828</u>	<u>946,051</u>

The Company has cash and cash equivalents of £271,223 (2009: £103,667)

Interest rate risk

The Group and Company have interest bearing assets which comprise only of cash and cash equivalents which earn interest at a variable rate.

The Group and Company have 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 £2,067 (2009: £33,441) during the year. The Company's cash and cash equivalents earned interest at a variable rate totalling £1,923 (2009: £16,810).

The Group and Company have 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 Euros. The Company had no material exposure to foreign exchange risk. 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 £351,733 (2009: £410,359) of assets denominated in US Dollars, £2,583 (2009: £nil) of assets denominated in Euros and £408,227 (2009: £235) of liabilities denominated in Euros and £549,670 (2009: £22,896) of liabilities denominated in US Dollars.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2010 – continued

Financial Instruments – continued

The table below illustrates the hypothetical sensitivity of the Group's reported profits and equity 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 and equity.

Year end exchange rates applied in the analysis below are US Dollar 1.51 (2009:1.56) and Euro 1.12 (2009: 1.18).

	2010 £	2009 £
Sterling strengthens by 10%		
US Dollar	17,994	43,514
Euro	36,877	(22)
Sterling weakens by 10%		
US Dollar	(21,993)	(34,762)
Euro	(45,072)	26

29 **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.