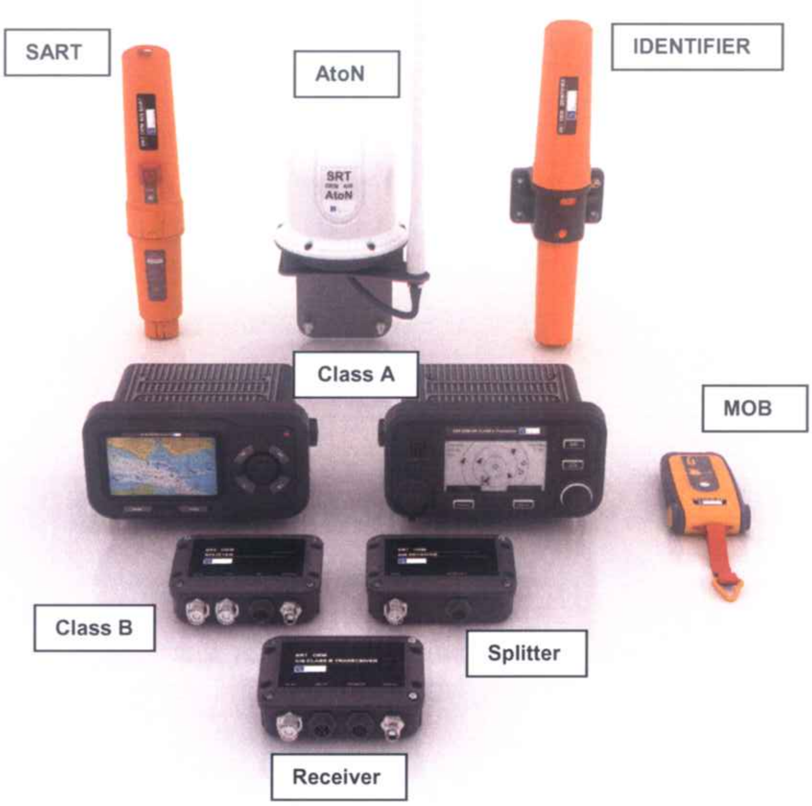
Company's Registered Number: 5459678

SOFTWARE RADIO TECHNOLOGY PLC

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED

31 MARCH 2011

SRT offers a wide range of AIS based products based upon a newly developed core technology architecture.



SRT's range of products addresses all aspects of maritime domain safety, security and information. .

CONTENTS

DIRECTORS AND ADVISORS

Directors	Simon Tucker Neil Peniket Richard Hurd Simon Rogers Andrew Lapping
Secretary	Richard Hurd
Registered Office	Wireless House Westfield Industrial Estate Midsomer Norton Bath BA3 4BS
Bankers	Lloyds TSB Bank plc Canons House Canons Way Bristol BS99 7LB
Auditors	Nexia Smith & Williamson Audit Limited Chartered Accountants Portwall Place Portwall Lane Bristol BS1 6NA
Tax Advisers	Smith & Williamson Limited Chartered Accountants Portwall Place Portwall Lane Bristol BS1 6NA
Solicitors	CMS Cameron McKenna Mitre House 160 Aldersgate Street London EC1A 4DD
Nominated Adviser & Joint Broker	Westhouse Securities Limited One Angel Court London EC2R 7HJ
Joint Broker	Cenkos Securities plc 6.7.8. Tokenhouse Yard London EC2R 7AS
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

- **157% increase in revenue to £9.15 million**
- **Profit after tax of £2.17 million**
- **Gross profit margin of 48%**
- **Cash balance of £3 million and debt free**
- **$3.2 million forward order book as of 1 June 2011**
- **Acceleration of new product and application development**
- **Significant growing global markets**

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 mesh-network radio communications information system standard, created, managed and regulated by the IMO. AIS provides accurate and reliable information about the maritime domain inclusive of vessel movements and the environment. SRT's strategy is to be the world's number one provider of maritime domain information products and services using AIS and other complementary technologies.

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, safety and information system for most nations and regions.

SRT's Business:
SRT develops sophisticated core radio communication technologies which are evolved into a range of modules and derivative OEM product solutions. Customers are offered a comprehensive range of flexible module and turnkey OEM product solutions which enable them to quickly, cost effectively and risk free enter their particular target market with a world class, fully certified product of their own. Typically SRT's customer is a company with its own established brands and sales channels which it can easily leverage.

Since 2010, SRT has offered a wide range of Class A and Class B type transceivers which are considered to be the primary vessel devices within the AIS system. In 2010 the company decided to substantially accelerate and broaden its development activities to open new market segments and ensure the competitiveness of its core product offering. As such 2011 and 2012 will see a steady stream of new and innovative products entering production as well as SRT's first range of applications and services.

Market Update:
Demand for AIS comes from all segments of the global maritime market place: leisure, commercial and homeland security. Market drivers vary between specific market segments and geographies and include, safety, security and enforecement. As of 1st April 2011 there are active mandates underway which will require up to an estimated one million vessels to fit an AIS device with additional mandates and projects under discussion. Increased use and understanding of AIS coupled with new products and applications such as SRT's small vessel tracking device 'the Identifier' and MOB (man over board system) is expected to start to stimulate growth in demand from the non-mandated leisure market in the coming years. The market outlook for AIS on a global basis is therefore very positive with multiple significant opportunities.

CHAIRMAN'S STATEMENT

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

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

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

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

Operational Review

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

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

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

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

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

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

Strategy and the Future

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

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

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

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

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

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

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

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

Simon Rogers
Chairman

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2011

The directors present their report and the audited accounts for the year ended 31 March 2011.

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.

Future developments and strategy are considered in the chairman's statement on page 4.

Results for the Year and Dividends

The Group achieved a profit after tax of £2,169,780 (2010: loss of £220,524). This profit is stated after charges of £102,521 (2010: £22,004) related to a share based payment charge. The directors have not recommended the payment of a dividend (2010: £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 22 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 Intellectual Property Rights ("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 2011

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 2011 and at 31 March 2010 were:

	2011 Ordinary 0.1p shares	2010 Ordinary 0.1p shares
Non Executives		
Simon Rogers	14,183,900	16,983,900
Andrew Lapping	1,081,080	1,081,080
Executives		
Simon Tucker	940,000	940,000
Neil Peniket	200,000	-
Richard Hurd	25,000	-

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 3 to the accounts.

Payments of Payables

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 2011, the Group had an average of 71 (2010: 48) days' purchase owed to trade payables. This calculation is dependant upon the timing of purchases from suppliers which do not arise evenly throughout the year and has impacted the level of days' owed as March 31 2011.

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 Limited, 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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 group and 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 2011

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 once per year. The meeting to review feedback from the 2011 audit took place in May 2011.

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 remuneration of the Executive directors.

Nomination Committee

The Committee comprises Simon Rogers (Chairman) and Andrew Lapping. The nomination committee met during the year to discuss the appointment of new members of the senior management team.

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 2011 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 23. 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 auditor's 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 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 and express an opinion on 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/private.cfm.

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 2011 and of the group's profit 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.

Nexia Smith & Williamson

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

Portwall Place
Bristol
BS1 6NA

20 June 2011

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

	Notes	2011 £	2010 £
Revenue	2	9,154,708	3,558,124
Cost of sales		(4,724,980)	(2,180,119)
Gross profit		4,429,728	1,378,005
Administrative costs		(2,397,082)	(1,876,383)
Other operating income	6	-	132,129
Operating profit / (loss) before share based payments	6	2,032,646	(366,249)
Share based payments charge		(102,521)	(22,004)
Operating profit / (loss) after share based payments	6	1,930,125	(388,253)
Finance income	5	7,626	2,067
Profit / (loss) before tax		1,937,751	(386,186)
Income tax credit	7	232,029	165,662
Profit / (loss) for the year after tax		2,169,780	(220,524)
Total comprehensive profit / (loss) for the year		2,169,780	(220,524)
Earnings / (loss) per share:	21		
Basic		2.2p	(0.2)p
Diluted		2.1p	(0.2)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2011

	Notes	2011 £	2010 £
Assets			
Non-current assets			
Intangible assets	9	1,899,472	1,570,429
Property, plant and equipment	10	159,617	123,759
Total non-current assets		2,059,089	1,694,188
Current assets			
Inventories	12	1,910,818	894,392
Trade and other receivables	13	1,738,826	318,762
Cash and cash equivalents		3,025,448	952,485
Total current assets		6,675,092	2,165,639
Liabilities			
Current liabilities			
Trade and other payables	14	(1,542,984)	(1,381,665)
Net current assets		5,132,108	783,974
Total assets less current liabilities		7,191,197	2,478,162
Net assets		7,191,197	2,478,162
Shareholders' equity			
Share capital	15	105,864	97,818
Share premium account		17,819,772	15,387,084
Retained earnings		(16,225,035)	(18,497,336)
Other reserves	17	5,490,596	5,490,596
Total shareholders' equity		7,191,197	2,478,162

The accounts were approved by the Board of Directors on 20th June 2011 and were signed on its behalf by:

S Tucker
Director

COMPANY STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2011

	Notes	2011 £	2010 £
Assets			
Non-current assets			
Investments in subsidiaries	11	2	1
Property, plant and equipment	10	52,061	20,434
Total non-current assets		52,063	20,435
Current assets			
Trade and other receivables	13	4,698,346	4,529,178
Cash and cash equivalents		2,536,759	271,223
Total current assets		7,235,105	4,800,401
Liabilities			
Current liabilities			
Trade and other payables	14	(215,144)	(189,405)
Net current assets		7,019,961	4,610,996
Total assets less current liabilities		7,072,024	4,631,431
Net assets		7,072,024	4,631,431
Shareholders' equity			
Share capital	15	105,864	97,818
Share premium account		17,819,772	15,387,084
Retained earnings		(10,916,012)	(10,915,871)
Other reserves	17	62,400	62,400
Total shareholders' equity		7,072,024	4,631,431

The accounts were approved by the Board of Directors on 20th June 2011 and were signed on its behalf by:

S Tucker
Director

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2011

	Notes	2011 £	2010 £
Cash generated from operating activities	20	405,982	1,391,790
Corporation tax received		232,029	165,662
Net cash generated from operating activities		638,011	1,557,452
Investing activities			
Expenditure on product development		(906,745)	(1,073,269)
Purchase of property, plant and equipment		(105,163)	(101,087)
Proceeds from the sale of property, plant and equipment		-	31,630
Interest received		7,626	2,067
Net cash used in investing activities		(1,004,282)	(1,140,659)
Cash inflow / (outflow) before financing		(366,271)	416,793
Financing activities			
Net proceeds on issue of shares		2,439,234	-
Net increase in cash and cash equivalents		2,072,963	416,793
Net cash and cash equivalents at beginning of year		952,485	535,692
Net cash and cash equivalents at end of year		3,025,448	952,485

COMPANY STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2011

	Notes	2011 £	2010 £
Cash generated (used in) / from operating activities	20	(128,337)	177,013
Investing activities			
Purchase of property, plant and equipment		(52,798)	(43,010)
Proceeds from the sale of property, plant and equipment		-	31,630
Interest received		7,437	1,923
Net cash used in investing activities		(45,361)	(9,457)
Cash (outflow) / inflow before financing		(173,698)	167,556
Financing activities			
Net proceeds on issue of shares		2,439,234	-
Net increase in cash and cash equivalents in the year		2,265,536	167,556
Cash and cash equivalents at the start of the year		271,223	103,667
Cash and cash equivalents at the end of the year		2,536,759	271,223

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 MARCH 2011

	Share capital £	Share premium £	Retained earnings £	Other reserves (note 17) £	Total £
At 31 March 2009	**97,818**	**15,387,084**	**(18,298,816)**	**5,490,596**	**2,676,682**
Total comprehensive loss for the year	-	-	(220,524)	-	**(220,524)**
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**
Total comprehensive profit for the year	-	-	2,169,780	-	**2,169,780**
Issue of equity share capital	6,250	2,493,750	-	-	**2,500,000**
Costs of issue of equity share capital	-	(104,189)	-	-	**(104,189)**
Share options exercised	1,796	43,127	-	-	**44,923**
Share options to be exercised	-	-	102,521	-	**102,521**
At 31 March 2011	**105,864**	**17,819,772**	**(16,225,035)**	**5,490,596**	**7,191,197**

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 MARCH 2011

	Share capital	Share premium	Retained earnings	Other reserves (note 17)	Total
	£	£	£	£	£
At 31 March 2009	**97,818**	**15,387,084**	**(11,315,012)**	**62,400**	**4,232,290**
Total comprehensive loss for the year	-	-	377,137	-	**377,137**
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**
Total comprehensive loss for the year	-	-	(102,662)	-	**(102,662)**
Issue of equity share capital	6,250	2,493,750	-	-	**2,500,000**
Costs of issue of equity share capital	-	(104,189)	-	-	**(104,189)**
Share options exercised	1,796	43,127	-	-	**44,923**
Share options to be exercised	-	-	102,521	-	**102,521**
At 31 March 2011	**105,864**	**17,819,772**	**(10,916,012)**	**62,400**	**7,072,024**

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011

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.

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.

All intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated accounts.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of accounts 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.
- 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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 - continued

1. **Accounting Policies - continued**

Research and development

Research expenditure is written off to the statement of comprehensive income 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 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 9.

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

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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 - continued

1. **Accounting Policies – continued**

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 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

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.

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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income.

Inventories

Inventories 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 statement of comprehensive income to match against the corresponding revenues from those products. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made against slow and obsolete moving inventories to ensure the value at which inventories are held in the statement of financial position is reflective of anticipated future sales patterns.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 - continued

1. **Accounting Policies – continued**

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 16.

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 statement of financial position 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 statement of comprehensive income. 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.

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 or allocated to a business segment. 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

There were a number of amendments to existing standards and interpretations that effective for the current period, but the adoptions of those amendments to existing standards and interpretations did not have a material impact on the accounts of the Group. There are a number of new standards, amendments to standards and interpretations that are not mandatory for the financial year ended 31 March 2011 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 2011 - 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. 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 2011: by product	Marine £	Tetra £	Unallo-cated £	Total £
Revenue	9,000,532	154,176	-	9,154,708
Operating profit/ (loss)	2,040,225	150,426	(260,526)	1,930,125
Investment revenues	189	-	7,437	7,626
Profit/ (loss) before income tax	2,040,414	150,426	(253,089)	1,937,751
Income tax	232,029	-	-	232,029
Profit/ (loss) for the year	2,272,443	150,426	(253,089)	2,169,780
Total assets	6,076,953	-	2,657,228	8,734,181
Total liabilities	(1,327,841)	-	(215,143)	(1,542,984)
Net assets	4,749,112	-	2,442,085	7,191,197
Capital expenditure	959,110	-	52,798	1,011,908
Depreciation and amortisation	625,836	-	21,171	647,007
Share based payment costs	-	-	102,521	102,521

Revenue by geographical destination:	2011 £
Europe	4,596,953
North America	2,729,493
UK	1,391,591
Other	436,671
	9,154,708

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 – continued

2. Revenue and segment information - continued

Included within revenues are 5 customers (2010: 2) with amounts exceeding 10% of the Group's total revenue. All customers were within the Marine business segment. Sales to the Group's largest customer were £1,614,890 (2010: 1,173,083) and the Group's second largest customer £1,460,656 (2010: £509,590). Revenues of £3,010,201 were achieved from the 3 other customers exceeding 10%, amounting to £1,025,396, £997,005 and £987,800 respectively.

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	22,002

Revenue by geographical destination:	2010
China	1,173,083
USA	1,215,533
UK	358,447
Other	811,061
	3,558,124

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 – continued

3 **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 24.

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 in consultation with the Executive Directors.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 – continued

3 **Directors' emoluments – continued**

The remuneration of the individual Directors was as follows:-

Year ended 31 March 2011

All £	Salary	Fees	Taxable benefits	Pension allowance	Bonus	Pension contribu -tions	Total 2011
Executive Directors							
S Tucker	126,000	-	6,000	6,300	40,000	-	**178,300**
N Peniket	78,667	-	6,000	-	17,100	4,638	**106,405**
R Hurd	51,667	-	-	-	10,000	2,738	**64,405**
Non Executive Directors							
S Rogers	3,125	4,375	-	-	-	-	**7,500**
A Lapping	7,500	-	-	-	-	-	**7,500**
Total	266,959	4,375	12,000	6,300	67,100	7,376	**364,110**

Year ended 31 March 2010

All £	Salary	Fees	Taxable benefits	Pension allowance	Bonus	Pension contribu-tions	Total 2010
Executive Directors							
S Tucker	126,000	-	6,000	6,300	-	-	**138,300**
N Peniket	75,000	-	6,000	-	-	4,050	**85,050**
R Hurd	23,387	-	-	-	-	1,161	**24,548**
Non Executive Directors							
S Rogers	-	7,500	-	-	-	-	**7,500**
A Lapping	-	1,250	-	-	-	-	**1,250**
N Jolliffe	-	18,750	-	-	-	-	**18,750**
Total	224,387	27,500	12,000	6,300	-	5,211	**275,398**

Share Options

Executive	Total under option	Exercise price	Expiry date
S Tucker	2,200,000	9p	18 February , 2020
N Peniket	1,300,000	2.5p	20 July, 2019
R Hurd	75,000	2.5p	20 July, 2019

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 - continued

3 Directors' emoluments – continued

All of the executive 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 N Peniket are only exercisable from January 20, 2012 and a further 800,000 from January 20, 2013. The options held by R Hurd are only exercisable from January 20, 2012.

During the year, N Peniket exercised 700,000 options at a price of 2.5p. At the time of the exercise the market price of the Company's shares was 33.5p. This transaction resulted in a "paper gain" of £217,000. R Hurd exercised 150,000 options at a price of 2.5p. At the time of exercise the market price of the Company's shares was also 33.5p. This transaction resulted in a "paper gain" of £46,500.

In 2010, S Tucker had 2,200,000 options outstanding at an exercise price of 9p and an expiry date of February 2020. N Peniket had 2,000,000 options outstanding at an exercise price of 2.5p and expiry date of 20 July 2019. R Hurd had 225,000 options outstanding at an exercise price of 2.5p and an expiry date of 20 July 2019.

An insurance premium of £3,255 (2010: £2,940) was paid in respect of directors' and officers' liability.

Retirement benefits are accruing to two directors (2010: two) under the money purchase pension scheme.

4 Employee information

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

	2011 No.	2010 No.
Technical	18	18
Administration and sales	13	9
	31	27

Staff costs for the above persons were:	£	£
Wages and salaries	967,741	706,436
Social security costs	91,412	73,592
Pension costs – defined contribution schemes	27,621	24,750
	1,086,774	804,778

Total wages & salaries, as stated above, exclude costs capitalised and included within deferred development expenditure amounting to £512,027 (2010: £553,447).

Wages and salaries also include £102,521 (2010: £22,004) in respect of share-based payment charges as detailed in note 3.

5 Finance income

	2011 £	2010 £
Bank interest receivable	7,626	2,067

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 - continued

		2011	2010
6	**Operating profit / (loss) for the year** is stated after charging / (crediting):	**£**	**£**
	Inventories recognised as an expense	4,521,295	2,080,548
	Amortisation:		
	- intangible assets (included in administrative expenses in the income statement)	577,702	411,205
	Depreciation	69,305	39,417
	Auditors' remuneration		
	- fees payable to the auditors for the audit of the group's annual accounts (including £14,000 (2010: £14,000) in respect of the parent company)	26,000	22,000
	- tax services	8,000	8,000
	Exchange loss	21,080	66,335
	Operating lease rentals – land & buildings	35,000	35,000
	Profit on disposal of equipment	-	(11,630)
	Income received from Administrators of SRT PMR Technology Ltd	-	(120,499)

Included within operating profit / (loss) is long term contract revenue of £305,059 (2010: £84,979) offset by costs of £183,783 (2010: £26,093) resulting in a profit of £121,276 (2010: £58,886).

		2011	2010
7	**Taxation**	**£**	**£**
(a)	UK corporation tax at 28% (2010: 28%)		
	Current tax credit	(232,029)	(165,662)
		(232,029)	(165,662)
(b)	Factors affecting tax charge for year		
	Profit / (loss) on ordinary activities before tax	1,937,751	(386,186)
	Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK 28% (2010: 28%)	542,571	(108,132)
	Effects of:		
	Expenses not deductible for tax purposes	31,041	13,666
	Depreciation in deficit of capital allowances	(146,402)	(258,509)
	(Utilised) / Unrelieved tax losses and other deductions arising in the period	(238,230)	552,010
	Additional deduction for R&D	(188,980)	(199,035)
	Adjustments to previous periods – R&D tax credit	(232,029)	(165,662)
	Current tax credit for year	(232,029)	(165,662)

The group has estimated losses of £1,603,301 (2010: £3,558,783) available for carry forward against future trading profits.

No provision has been made in the accounts for a potential net deferred tax asset of £173,097 (2010: £572,852) calculated at a rate of 26% (2010:28%). This has resulted from assets arising from carry forward trading losses and unexercised share options offset by timing differences on development expenditure and accelerated capital allowances.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 - continued

8 **Company (Loss) / Profit 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 loss for the year ended 31 March 2011, dealt with in the accounts of the Company, was £102,662 (2010: profit £377,137). The company made no gains or losses which would be reported in other comprehensive income in the year ended 31 March 2011 and therefore the Company has not published its individual Statement of Comprehensive Income.

9 **Intangible assets**

	Development costs £
Cost	
At 1 April 2009	**2,062,449**
Additions	1,073,269
At 31 March 2010	**3,135,718**
Additions	906,745
At 31 March 2011	**4,042,463**
Amortisation	
At 1 April 2009	**1,154,084**
Charge for the year	411,205
At 31 March 2010	**1,565,289**
Charge for the year	577,702
At 31 March 2011	**2,142,991**
Carrying amount at 31 March 2011	**1,899,472**
Carrying amount at 31 March 2010	**1,570,429**

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

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 – continued

9 **Intangible assets - continued**

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 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.

10 **Property, plant and equipment**

	Company Plant & Equipment £	Group Plant & Equipment £
Cost		
At 1 April 2009	**10,575**	**107,371**
Additions	43,010	101,086
Disposals	(20,000)	(20,000)
At 31 March 2010	**33,585**	**188,457**
Additions	52,798	105,163
At 31 March 2011	**86,383**	**293,620**
Depreciation		
At 1 April 2009	**3,179**	**25,281**
Charge for the year	9,972	39,417
At 31 March 2010	**13,151**	**64,698**
Charge for the year	21,171	69,305
At 31 March 2011	**34,322**	**134,003**
Carrying amount at 31 March 2011	**52,061**	**159,617**
Carrying amount at 31 March 2010	**20,434**	**123,759**

11 **Investment in subsidiaries – Company**

	Shares in group undertakings £
Cost	
Cost as at 1 April 2010	1
Additions	1
31 March 2011	**2**

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 – continued

11 Investment in subsidiaries – Company - continued

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

On 3 December 2010, the Company incorporated a 100% subsidiary, Em-trak Marine Electronics Limited. During the period from incorporation to 31 March 2011 there were no material transactions.

SRT Marine Technology Limited made a profit of £2,272,443 (2010: loss of £597,658) during the year and had capital and reserves of £119,173 (2010: negative £2,153,266).

12 Inventories – Group

	2011 £	**2010** £
Raw materials and consumables	500,643	389,178
Finished goods	1,410,175	505,214
	1,910,818	894,392

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 – continued

13 **Trade and other receivables**	**2011**	**2010**
Group		
	£	**£**
Trade receivables	1,554,091	166,343
Other receivables	83,116	61,316
Prepayments and accrued income	101,619	91,103
	1,738,826	318,762

As at 31 March 2011 no trade receivables were considered to be impaired (2010: £nil).

As at 31 March 2011 trade receivables of £355,710 (2010: £33,745) were past due but not impaired. The ageing analysis of these trade receivables is as follows:-

Other receivables do not contain impaired assets.

	2011 **£**	**2010** **£**
Up to 3 months past due	350,775	33,745
3 to 6 months past due	4,935	-
Over 6 months past due	-	-
	355,710	33,745

Company	**2011** **£**	**2010** **£**
Amounts owed by group undertakings	4,629,939	4,477,839
Other receivables	68,407	51,339
	4,698,346	4,529,178

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 2011 - continued

14 **Trade and other payables**

Group	**2011** £	**2010** £
Trade payables	1,142,514	427,455
Other tax and social security payable	44,941	37,423
Other payables	9,044	10,805
Accruals and deferred income	346,485	821,002
Payments on account	-	84,980
	1,542,984	1,381,665

Company	**2011** £	**2010** £
Trade payables	102,143	78,257
Other tax and social security payable	38,034	72,997
Other payables	656	612
Accruals and deferred income	74,311	37,539
	215,144	189,405

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

15 **Called up share capital**

	2011 £	**2010** £
Allotted		
(2011: 105,864,107 Ordinary shares of 0.1p each and 2010: 97,817,107 Ordinary shares of 0.1p each)	105,864	97,818

Share capital reconciliation:

	Number
Shares outstanding at 1 April 2009 and 2010	97,817,107
Placing November 2010	6,250,000
Exercise of options December 2010	850,000
Other exercise of options	947,000
Shares outstanding at 31 March 2011	105,864,107

Notes:

(a) The placing in November 2010 took place at 40p per share raising gross proceeds of £2,500,000 before costs of £104,189

(b) The option exercise in December 2010 related to N Peniket (700,000) and R Hurd (150,000). The exercise price was 2.5p per share

(c) The other exercise of options were by employees of the group at various dates during the year. The exercise price was 2.5p per share. At 31 March 2011 an amount of £1,500 in respect of 60,000 shares was owed by an employee. This has been paid in full subsequent to the year end. All other allotted shares were fully paid.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 - continued

16 **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 period of up to three years 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 2011	Weighted average exercise price 2011
Outstanding at beginning of year	6,475,111	6.7p
Granted during the year	180,000	6.0p
Exercised during the year	(1,797,000)	2.5p
Lapsed during the year	(105,000)	2.5p
Outstanding at the end of the year	4,753,111	5.6p
Exercisable at the end of the year	2,433,000	8.6p

	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
Outstanding at the end of the year	6,475,111	6.7p
Exercisable at the end of the year	397,111	35p

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 for the 2 in the previous year, the inputs into the Black Scholes model were as follows:-

	2011	2010	2010
Share price at grant	25p	2.5p	9p
Exercise price	6p	2.5p	9p
Volatility	25%	89%	111%
Expected life	0-2 years	3 years	3 years
Risk free rate	1.5%	2.9%	2.2%
Expected dividend yield	0%	0%	0%

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 - continued

16 **Share Based Payment – continued**

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
Vested and exercisable immediately	2,200,000	9p	17 February 2020
Vested and exercisable immediately	120,000	6p	3 June 2020
Vested and exercisable immediately	113,000	2.5p	20 July 2019
Share price criteria met and exercisable not before 3 June 2012	60,000	6p	3 June 2020
Share price criteria met and exercisable not before 20 January 2012	1,063,000	2.5p	20 July 2019
Share price criteria met and exercisable not before 20 January 2013	800,000	2.5p	20 July 2019
Exercisable after 10 May 2011	397,111	35p	19 January 2012
Total outstanding	**4,753,111**		

17 **Other Reserves**

Other reserves - Group

	Capital redemption reserve	Warrant reserve	Merger reserve	Total
	£	£	£	£
At 31 March 2009, 2010 and 2011	**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. This reserve represents the other reserve within the Company.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 - continued

18 Operating lease commitments

At 31 March 2011, the Group has lease agreements in respect of properties and equipment for which the payments extend over a number of years.

	2011 £	2010 £
Due:		
Within one year	26,250	35,000
Between two and five years	-	26,250
After five years		
	26,250	61,250

19 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 are currently paid through the company's payroll system and their salary and fees are set out in note 4. However previously they have invoiced the Company for their services through their respective consultancy businesses. During the year an amount of £nil (2010: £1,250) was payable to Andrew Lapping, an amount of £4,375 (2010: £7,500) was payable to Newton Court Partnership for services provided by Simon Rogers and an amount of £nil (2010: £18,750) was payable to Skaana Ltd for services provided by Nick Jolliffe. During the year Jonathan Horne, a shareholder of the business was appointed as a director of the company's principal subsidiary, SRT Marine Technology Ltd, and was paid a salary of £2,500 (2010 £nil). As at the year end £nil (2010: £2,203) was owed to Newton Court Partnership. No other amounts were outstanding at either year end.

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.

In addition to the remuneration of the Executive Directors as disclosed in note 3, a share options charge of £70,156 (2010: £11,377) and an employers national insurance contribution of £36,197 (2010: £29,955) was incurred.

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

	Sale of goods		Purchase of goods		Services provided	
	2011	2010	2011	2010	2011	2010
	£	£	£	£	£	£
Subsidiaries		-		-	516,813	550,204

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 – continued

20 Cash used in operations

Group	2011	2010
	£	£
Operating profit / (loss)	1,930,125	(388,253)
Depreciation of property, plant and equipment	69,305	39,418
Amortisation of intangible fixed assets	577,702	411,205
Share based payment charge	102,521	22,004
Decrease / (increase) in inventories	(1,016,426)	3,589
Decrease in trade and other receivables	(1,418,564)	333,092
Increase in trade and other payables	161,319	982,365
Profit on disposal of equipment	-	(11,630)
Net cash generated from operations	405,982	1,391,790

Company	2011	2010
	£	£
Operating profit / (loss)	(110,101)	375,209
Share based payment charge	102,521	22,004
Depreciation of property, plant and equipment	21,171	9,972
Decrease / (increase) in trade and other receivables	(15,569)	25,321
Increase in amounts owed by group undertakings	(152,098)	(180,913)
Increase / (decrease) in trade and other payables	25,739	(62,950)
Profit on disposal of equipment	-	(11,630)
Net cash generated from / (used in) operations	(128,337)	177,013

21 Basic and diluted earnings / (loss) per share

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

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

In 2010 the share options were anti-dilutive.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 - continued

22 **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 2011 (2010: £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:-

	2011 £	2010 £
Trade receivables	1,554,091	166,343
Cash and cash equivalents	3,025,448	952,485
	4,579,539	1,118,828

The Company has cash and cash equivalents of £2,536,759 (2010: £271,223)

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 £7,626 (2010: £2,067) during the year. The Company's cash and cash equivalents earned interest at a variable rate totalling £7,437 (2010: £1,923).

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 and Euros. Such transactions give rise to net currency gains and losses recognised in the income statement.

At the year end this exposure comprised £1,610,142 (2010: £351,733) of assets denominated in US Dollars, £199,385 (2010: £2,583) of assets denominated in Euros and £3,740 (2010: £408,227) of liabilities denominated in Euros and £842,021 (2010: £549,670) of liabilities denominated in US Dollars.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2011 – continued

22 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 1.60 (2010:1.51) and Euro 1.14 (2010: 1.12).

	2011 £	2010 £
Sterling strengthens by 10%		
US Dollar	(69,829)	17,994
Euro	(17,786)	36,877
Sterling weakens by 10%		
US Dollar	76,812	(21,993)
Euro	19,565	(45,072)

23 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.