Software
Radio Technology

Software Radio Technology plc

Annual Report and Accounts for the year ended

31 March 2012

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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
Auditor	Nexia Smith & Williamson Audit Limited Chartered Accountants Portwall Place Portwall Lane Bristol BS1 6NA
Tax Advisers	Smith & Williamson LLP 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

- **Gross profit of 51%**
- **Revenues of £6.2 million**
- **Debt free**
- **Multiple new products launched**
- **Steadily growing core business**
- **Significant new global market opportunities**
- **$3.7 million order for new Identifier product received in June 2012**

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 International Maritime Organisation (IMO). AIS provides accurate and reliable information about the maritime domain inclusive of vessel movements and the environment. SRT's objective 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 IMO. Since its creation in the 1990s 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 with reduced risk 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 has seen a steady stream of new and innovative products entering production with more to come during the second half of 2012 and in 2013.

Market Update:
The global overview for the AIS market in general is extremely positive and through its worldwide network of customers, SRT enjoys a majority and growing market share. In non-mandated markets such as the EU and US leisure markets our broadening product range through partners with long established brands and dealer networks, is resulting in steady sales growth, although market penetration when compared to radar remains low. This underlines the huge future potential in this market segment as AIS gradually becomes a standard fit for most boats. SRT believes that it has positioned itself with the right products and partners to secure the majority of this business in the future. In mandated markets, existing programs such as in the EU are well established and are creating annual demand. Other mandates which have been in the early implementation stages such as Russia, China, Middle East and South America are now looking like they will start generating demand for SRT products during the calendar year 2012 and then accelerate during their respective implementation phases.

CHAIRMAN'S STATEMENT

This year has been one of market and product consolidation to prepare and enable SRT to address the full spectrum of market opportunities opening up to us through our global network of established customers.

The past financial year saw revenue decrease from £9.2 million to £6.2 million with a corresponding decrease in profits to £0.2 million. As reported to the market in March 2012, this was primarily caused by a shifting in expected demand derived from existing EU mandates from the last quarter of financial year 2011/12 to the second half of 2012/13 and a slow down in sales from some customers as they transition to our new range of technologies and products. As such the Board view this as a timing issue and not a market or sales trend.

In 2009 we set ourselves the target of increasing our gross profit margin from 38% to 50% and I am pleased to report that this year we achieved this target and more importantly we expect to be able to maintain this average margin in the future. This has been delivered through our development of new core technologies over the last 3 years which have enabled SRT to deliver significantly improved and lower cost products to our customers this year whilst simultaneously improving our margins.

As at the year end, we had cash of £0.6 million, no debt and inventories at a cost of £3.5 million. A significant proportion of the stock was manufactured in anticipation of the EU demand which has shifted towards the end of 2012, as well as components to support production requirements of new products. We anticipate these inventories will enable us to meet market demand and be converted into cash over the coming months. This strategy will enable us to quickly fulfill the first batch of the recently announced $3.7 million Identifier order. In April 2012, we raised a net £2.5 million of new capital to enable us to hold these inventories of finished goods and components to support our customers in meeting growing demand whilst maintaining our product development plans. Many of our products have relatively long production lead times which when combined with lumpy market orders contribute to the significant challenge of managing highly fluctuating stock positions and therefore cash throughout the year.

Most importantly for our long term strategic objective of maintaining our majority global market share has been the acceleration of our product development programs during financial year 2011/12. Whilst core overheads were tightly controlled with the £0.5 million increase due to the full effects of our 2011 restructure, I am delighted to report that we have accelerated our new product development investments which is reflected in a more than doubling of our cash investment to in excess of £2 million.

We have managed the business carefully to ensure that we remain debt free, able to finance stock required for demand materialising from active mandates while maintaining our accelerated product development program. Through our sales activities we have grown our customer base and increased the number of products our customers are promoting and selling.

Operational Review

During the last twelve months our operations team have delivered a new product on average once every twelve weeks and run up to eight separate projects simultaneously. These projects have varied from integrating the Russian positioning system, GLONASS into our Class A product to meet demand from the mandate in Russia, to the completion of our Identifier product and the ongoing development of SART and AtoN product ranges which are expected to commence production in the second half of the coming financial year. This has been made possible by the heavy investments made during 2010/11 when we developed our new core technology platforms.

As such by the end of the coming financial year, SRT will have a complete range of new products addressing all segments of our global target market. We believe that these products offer our customers the very best in terms of cost, size, performance, ease of use and reliability, thus enabling them to easily address the wide spectrum of opportunities now emerging.

As I mentioned in last year's report the exact pattern and timing of demand from the end market for our products is unpredictable and often translates into a lumpy order pattern. However, throughout the year and in particular in the last few months we have seen a good number of mandate opportunities progress to their implementation phase, such as the EU fisheries, Russia, and one specific project in the Americas thus starting to generate sales for our customers and therefore SRT.

CHAIRMAN'S STATEMENT - continued

Others mandates and projects in regions such as South East Asia, India, Middle East and South America have progressed significantly towards entering their implementation phase, but the exact timing remains challenging to forecast. These are large market opportunities which are expected to generate significant orders in the future.

Employees

The quality and commitment of our employees is what ultimately defines our international competitive advantage. Over the years we have built an exceptional team of people covering all areas of our business from product development to sales, marketing, finance and supply chain. We are constantly reviewing our employee packages to ensure that our staff are well rewarded for their hard work within the overall context of the company's financial performance. I would like to take this opportunity to thank each and every one of them for their continuing hard work and support in delivering our commercial objectives.

Strategy and the Future

Our strategy will continue to deliver a first class product and service to its customers and real shareholder value. We believe that the decisions we have taken and executed over the last few years have resulted in your company being well placed to profit from the conversion of multiple market opportunities into demand for our products.

Over the next year, SRT will continue to execute and complete our product development programs. We expect this to be substantially complete by the end of financial year 2012/13 with annual new product development then normalising. I expect that in the coming twelve months our biggest challenge will be to smoothly and efficiently accommodate the rapid growth that many of our customers expect either in the non mandated market or in the multiple mandates which are now underway. I have every confidence that whilst this will certainly be challenging, the structural changes and investments we have made will enable our team to deliver.

Today we are addressing more and larger markets than ever before. Taking a five year view, the non mandated market which accounts primarily for the estimated 16 million leisure vessels in the EU and USA are expected to consider having an AIS device as standard equipment. The mandated markets, whilst often slow to be implemented, are now existing from Asia to Europe to the Americas and provide SRT with a potential one million vessel opportunity over the next three years.

SRT therefore enters the new financial year with a global network of established customers selling an expanded range of best in class products to a wide range of geographic and vessel type markets. I therefore look forward to 2012/13 as the year when SRT truly capitalises on its investments.

Simon Rogers
Chairman

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2012

The directors present their report and the audited accounts for the year ended 31 March 2012.

BUSINESS REVIEW

General information

Software Radio Technology plc is a public limited company which is listed on the AIM market of the London Stock Exchange and is incorporated and domiciled in the UK.

Activities

The principal activity of the Software Radio Technology plc group is the research and development of advanced wireless radio communication technologies and products for the identification and tracking of primarily 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 £174,643 (2011: profit of £2,169,780). This profit is stated after charges of £78,148 (2011: £102,521) related to a share based payment charge. The directors have not recommended the payment of a dividend (2011: £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 early stage of the market within which the Group operates, means that future revenues are often unpredictable and difficult to forecast. The Group mitigates this risk to the extent possible by maintaining regular communication with its customers and industry experts.

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 relating to 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 these risk areas to ensure that such risk is mitigated so far as reasonably possible.

DIRECTORS' REPORT - continued

FOR THE YEAR ENDED 31 MARCH 2012

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 and their Interests

The directors who served during the year and their interests in the share capital of the Company as at 31 March 2012 and at 31 March 2011 were:

	2012 Ordinary 0.1p shares	**2011** Ordinary 0.1p shares
Non Executives		
Simon Rogers	13,508,900	14,183,900
Andrew Lapping	1,081,080	1,081,080
Executives		
Simon Tucker	940,000	940,000
Neil Peniket	200,000	200,000
Richard Hurd	25,000	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 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 2012, the Group had an average of 112 (2011: 71) days' purchases 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 2012 and 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 also responsible for ensuring that they meet their responsibilities under the AIM Rules.

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 2012

The directors recognise the importance of, and are committed to, high standards of corporate governance. Whilst under the AIM rules full compliance with the UK Corporate Governance 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 eight 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 2012 audit took place in May 2012.

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.

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.

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.

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2012 - continued

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.

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 auditor's 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 2012 which comprise the Consolidated 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 24. 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 its Auditor

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 2012 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.

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

Portwall Place
Bristol
BS1 6NA

June 8th 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 MARCH 2012

	Notes	2012 £	2011 £
Revenue	2	6,171,697	9,154,708
Cost of sales		(3,029,270)	(4,724,980)
Gross profit		3,142,427	4,429,728
Administrative costs		(2,989,779)	(2,499,603)
Operating profit	6	152,648	1,930,125
Finance income	5	21,995	7,626
Profit before tax		174,643	1,937,751
Income tax credit	7	-	232,029
Profit for the year after tax		174,643	2,169,780
Total comprehensive profit for the year		174,643	2,169,780
Earnings per share:	21		
Basic		0.2p	2.2p
Diluted		0.2p	2.1p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2012

	Notes	2012 £	2011 £
Assets			
Non-current assets			
Intangible assets	9	3,568,959	1,899,472
Property, plant and equipment	10	153,989	159,617
Total non-current assets		3,722,948	2,059,089
Current assets			
Inventories	12	3,495,650	1,910,818
Trade and other receivables	13	1,536,701	1,738,826
Cash and cash equivalents		646,202	3,025,448
Total current assets		5,678,553	6,675,092
Liabilities			
Current liabilities			
Trade and other payables	14	(1,945,163)	(1,542,984)
Net current assets		3,733,390	5,132,108
Total assets less current liabilities		7,456,338	7,191,197
Net assets		7,456,338	7,191,197
Shareholders' equity			
Share capital	15	106,190	105,864
Share premium account	17	8,484	17,819,772
Retained earnings		1,851,068	(16,225,035)
Other reserves	17	5,490,596	5,490,596
Total shareholders' equity		7,456,338	7,191,197

The accounts were approved by the Board of Directors on June 8th, 2012 and were signed on its behalf by:

S Tucker
Director

COMPANY STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2012

	Notes	2012 £	2011 £
Assets			
Non-current assets			
Investments in subsidiaries	11	2	2
Property, plant and equipment	10	46,486	52,061
Total non-current assets		46,488	52,063
Current assets			
Trade and other receivables	13	6,697,872	4,698,346
Cash and cash equivalents		380,668	2,536,759
Total current assets		7,078,540	7,235,105
Liabilities			
Current liabilities			
Trade and other payables	14	(204,788)	(215,144)
Net current assets		6,873,752	7,019,961
Total assets less current liabilities		6,920,240	7,072,024
Net assets		6,920,240	7,072,024
Shareholders' equity			
Share capital	15	106,190	105,864
Share premium account	17	8,484	17,819,772
Retained earnings		6,743,166	(10,916,012)
Other reserves	17	62,400	62,400
Total shareholders' equity		6,920,240	7,072,024

The accounts were approved by the Board of Directors on June 8th, 2012 and were signed on its behalf by:

S Tucker
Director

Company Number: 5459678

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2012

	Notes	2012 £	2011 £
Cash (used in) / generated from operating activities	20	(268,945)	405,982
Corporation tax received		-	232,029
Net cash (used in) / generated from operating activities		(268,945)	638,011
Investing activities			
Expenditure on product development		(2,063,160)	(906,745)
Purchase of property, plant and equipment		(81,486)	(105,163)
Interest received		21,995	7,626
Net cash used in investing activities		(2,122,651)	(1,004,282)
Cash outflow before financing		(2,391,596)	(366,271)
Financing activities			
Net proceeds on issue of shares		12,350	2,439,234
Net (decrease) / increase in cash and cash equivalents		(2,379,246)	2,072,963
Net cash and cash equivalents at beginning of year		3,025,448	952,485
Net cash and cash equivalents at end of year		646,202	3,025,448

COMPANY STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2012

	Notes	2012 £	2011 £
Cash used in operating activities	20	(2,170,644)	(128,337)
Investing activities			
Purchase of property, plant and equipment		(19,772)	(52,798)
Interest received		21,975	7,437
Net cash generated from / (used in) investing activities		2,203	(45,361)
Cash outflow before financing		(2,168,441)	(173,698)
Financing activities			
Net proceeds on issue of shares		12,350	2,439,234
Net (decrease) / increase in cash and cash equivalents in the year		(2,156,091)	2,265,536
Cash and cash equivalents at the start of the year		2,536,759	271,223
Cash and cash equivalents at the end of the year		380,668	2,536,759

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 MARCH 2012

	Share capital £	Share premium £	Retained earnings £	Other reserves (note 17) £	Total £
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**
Total comprehensive profit for the year	-	-	174,643	-	**174,643**
Capital reduction (note 17)	-	(17,823,312)	17,823,312	-	**-**
Share options exercised	326	12,024	-	-	**12,350**
Share options to be exercised	-	-	78,148	-	**78,148**
At 31 March 2012	**106,190**	**8,484**	**1,851,068**	**5,490,596**	**7,456,338**

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 MARCH 2012

	Share capital	Share premium	Retained earnings	Warrant reserve (note 17)	Total
	£	£	£	£	£
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**
Total comprehensive loss for the year	-	-	(242,282)	-	**(242,282)**
Capital reduction (note 17)	-	(17,823,312)	17,823,312	-	**-**
Share options exercised	326	12,024	-	-	**12,350**
Share options to be exercised	-	-	78,148	-	**78,148**
At 31 March 2012	**106,190**	**8,484**	**6,743,166**	**62,400**	**6,920,240**

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2012

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 relation to the company accounts 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 19.

- 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 estimates about future events and market conditions. In particular, an estimate 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 2012 - 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. 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 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 AIS technology assets have between 12 and 60 months of amortisation remaining.

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:-

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2012 - continued

1. Accounting Policies – continued

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

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

Property, plant and equipment is valued at net book value, being the cost less accumulated depreciation.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets concerned. Annual lives of 3-4 years are used for plant and machinery.

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 2012 - 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 were 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 2012 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 2012 - 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 2012: by product	**Marine £**	**Tetra £**	**Unallo-cated £**	**Total £**
Revenue	6,146,467	25,230	-	6,171,697
Operating profit / (loss)	416,908	34,775	(299,035)	152,648
Investment revenues	20	-	21,975	21,995
Profit / (loss) before income tax	416,928	34,775	(277,060)	174,643
Income tax	-	-	-	-
Profit / (loss) for the year	416,928	34,775	(277,060)	174,643
Total assets	8,930,819	-	470,682	9,401,501
Total liabilities	(1,768,394)	-	(176,769)	(1,945,163)
Net assets	7,162,425		293,913	7,456,338
Capital expenditure	2,166,015	-	19,771	2,185,786
Depreciation and amortisation	496,581	-	25,346	521,197
Share based payment costs	-	-	78,148	78,148

Revenue by geographical destination:	**2012 £**
Europe	3,150,429
North America	1,024,930
UK	508,383
Other	1,487,955
	6,171,697

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2012 – continued

2. Revenue and segment information - continued

Included within revenues are 3 customers (2011: 5) 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 £1,267,825 (2011: £1,614,890) , the Group's second largest customer £932,544 (2011: £1,460,656) and the Group's third largest customer £645,663 (2011: £1,025,396).

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 2012 – continued

3 **Directors' emoluments**

The remuneration of the individual Directors was as follows:-

Year ended 31 March 2012

All £	Salary	Fees	Taxable benefits	Pension allowance	Bonus	Pension contribu -tions	Total 2012
Executive Directors							
S Tucker	126,000	-	6,000	6,300	4,950	-	**143,250**
N Peniket	86,000	-	6,000	-	3,225	5,211	**100,436**
R Hurd	55,000	-	-	-	2,063	2,996	**60,059**
Non Executive Directors							
S Rogers	7,500	-	-	-	-	-	**7,500**
A Lapping	7,500	-	-	-	-	-	**7,500**
Total	282,000	-	12,000	6,300	10,238	8,207	**318,745**

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**

Share Options at 31 March 2012 and 2011

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 2012 - continued

3 **Directors' emoluments – continued**

The market based criteria for all of the executive share options have been met and therefore all are exercisable immediately except for 800,000 of the options granted to N Peniket which are only exercisable from January 20, 2013.

An insurance premium of £3,311 (2011: £3,255) was paid in respect of directors' and officers' liability.

Retirement benefits are accruing to two directors (2011: two) under the money purchase pension scheme.

4 **Employee information**

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

	2012 No.	**2011 No.**
Technical	21	18
Administration and sales	18	13
	39	31

Staff costs for the above persons were:	**£**	**£**
Wages and salaries	1,054,020	967,741
Social security costs	114,014	91,412
Pension costs – defined contribution schemes	29,604	27,621
	1,197,638	1,086,774

Total wages & salaries, as stated above, exclude costs capitalised and included within deferred development expenditure amounting to £682,675 (2011: £512,027).

Wages and salaries also include £78,148 (2011: £102,521) in respect of share-based payment charges.

5 **Finance income**

	2012	**2011**
	£	**£**
Bank interest receivable	21,995	7,626

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2012 - continued

6 **Operating profit for the year** is stated after charging:

	2012 £	2011 £
Inventories recognised as an expense	2,860,946	4,521,295
Amortisation:		
- intangible assets (included in administrative expenses in the income statement)	434,813	577,702
Depreciation	87,114	69,305
Auditors' remuneration		
- fees payable to the auditors for the audit of the group's annual accounts (including £14,000 for 2012 and 2011 in respect of the parent company)	28,350	26,000
- tax services	9,400	8,000
Exchange loss	94,041	21,080
Operating lease rentals – land & buildings	36,496	35,000
Research and development costs not capitalised	72,223	50,779

Included within operating profit for the year ended March 31 2011 is long term contract revenue of £305,059 offset by costs of £183,783 resulting in a profit of £121,276. There were no long term contract revenues or costs during the year ended March 31 2012.

7 **Taxation**

		2012 £	2011 £
(a)	UK corporation tax at 26% (2011: 28%)		
	Current tax credit	-	(232,029)
		-	(232,029)
(b)	Factors affecting tax charge for year		
	Profit on ordinary activities before tax	174,643	1,937,751
	Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 26% (2011: 28%)	45,407	542,571
	Effects of:		
	Expenses not deductible for tax purposes	28,770	31,041
	Depreciation in deficit of capital allowances	(436,434)	(146,402)
	(Utilised) / Unrelieved tax losses and other deductions arising in the period	677,700	(238,230)
	Additional deduction for R&D	(315,443)	(188,980)
	Adjustments to previous periods – R&D tax credit	-	(232,029)
	Current tax credit for year	-	(232,029)

The group has estimated losses of £4,184,997 (2011: £1,603,301) available for carry forward against future trading profits.

No provision has been made in the accounts for a potential net deferred tax asset of £318,876 (2011: £173,097) calculated at a rate of 24% (2011: 26%). 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 2012 - continued

7 Taxation – continued

The Finance Bill 2012 included proposals to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012, and to 23% from 1 April 2013. The decrease to 24 % was substantially enacted in a budget resolution on 26 March 2012 and the impact of this change has been included in the above deferred tax balances.

The reduction to 23% and a further decrease to 22% from 1 April 2014 are yet to be enacted. The impact of these reductions is not included in the above deferred tax balances. The full anticipated effect of these proposed changes combined with any reductions to the rates of capital allowances is not considered material.

8 **Company 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 loss for the year ended 31 March 2012, dealt with in the accounts of the Company, was £242,282 (2011: loss 102,662). The company made no gains or losses which would be reported in other comprehensive income in the year ended 31 March 2012 and therefore the Company has not published its individual Statement of Comprehensive Income.

9 **Intangible assets**

	Development costs £
Cost	
At 1 April 2010	**3,135,718**
Additions	906,745
At 31 March 2011	**4,042,463**
Additions	2,104,300
At 31 March 2012	**6,146,763**
Amortisation	
At 1 April 2010	**1,565,289**
Charge for the year	577,702
At 31 March 2011	**2,142,991**
Charge for the year	434,813
At 31 March 2012	**2,577,804**
Carrying amount at 31 March 2012	**3,568,959**
Carrying amount at 31 March 2011	**1,899,472**

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2012 – continued

10	**Property, plant and equipment**	**Company Plant & Equipment**	**Group Plant & Equipment**
	Cost	**£**	**£**
	At 1 April 2010	**33,585**	**188,457**
	Additions	52,798	105,163
	At 31 March 2011	**86,383**	**293,620**
	Additions	19,771	81,486
	At 31 March 2012	**106,154**	**375,106**
	Depreciation		
	At 1 April 2010	**13,151**	**64,698**
	Charge for the year	21,171	69,305
	At 31 March 2011	**34,322**	**134,003**
	Charge for the year	25,346	87,114
	At 31 March 2012	**59,668**	**221,117**
	Carrying amount at 31 March 2012	**46,486**	**153,989**
	Carrying amount at 31 March 2011	**52,061**	**159,617**

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2012 continued

11 **Investment in subsidiaries – Company**

	Shares in group undertakings £
Cost	
Cost as at 1 April 2011 and 31 March 2012	2

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**	**%**
SRT Marine Technology Limited	England	Ordinary	100
Em-trak Marine Electronics 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
SRT Marine Technology Limited	Electronic hardware and software engineering and licensing of technology reference designs
Em-trak Marine Electronics Limited	Electronic hardware and software engineering
SRT Software Development (India) Private Limited	Non- trading

On 3 December 2010, the Company incorporated a 100% subsidiary, Em-trak Marine Electronics Limited. To date, there have been no material transactions.

During the year, Software Radio Technology (UK) Ltd, a dormant subsidiary of Software Radio Technology plc, was dissolved.

12 **Inventories – Group**

	2012 £	2011 £
Raw materials and consumables	900,163	500,643
Finished goods	2,595,487	1,410,175
	3,495,650	1,910,818

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2012 – continued

13	**Trade and other receivables**	**2012**	**2011**
	Group		
		£	**£**
	Trade receivables	1,335,384	1,554,091
	Other receivables	78,970	83,116
	Prepayments and accrued income	122,347	101,619
		1,536,701	1,738,826

As at 31 March 2012 no trade receivables were considered to be impaired (2011: £nil).

As at 31 March 2012 trade receivables of £183,715 (2011: £355,710) were past due but not impaired. The ageing analysis of these trade receivables is as follows:-

Other receivables do not contain impaired assets.

	2012	**2011**
	£	**£**
Up to 3 months past due	161,498	350,775
3 to 6 months past due	5,777	4,935
Over 6 months past due	16,440	-
	183,715	355,710

Company	**2012**	**2011**
	£	**£**
Amounts owed by group undertakings	6,626,326	4,629,939
Other receivables	71,546	68,407
	6,697,872	4,698,346

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 2012 - continued

14 **Trade and other payables**

Group	**2012 £**	**2011 £**
Trade payables	1,676,160	1,142,514
Other tax and social security payable	52,829	44,941
Other payables	9,640	9,044
Accruals and deferred income	206,534	346,485
	1,945,163	1,542,984

Company	**2012 £**	**2011 £**
Trade payables	139,706	102,143
Other tax and social security payable	37,371	38,034
Other payables	654	656
Accruals and deferred income	27,057	74,311
	204,788	215,144

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

15 **Called up share capital**

Allotted	**2012 £**	**2011 £**
(2012: 106,190,107 Ordinary shares of 0.1p each and 2011: 105,864,107 Ordinary shares of 0.1p each)	106,190	105,864

Share capital reconciliation:

	Number
Shares outstanding at 1 April 2010	97,817,107
Placing November 2010	6,250,000
Directors exercise of options	850,000
Employees exercise of options	947,000
Shares outstanding at 31 March 2011	105,864,107
Employees exercise of options	326,000
Shares outstanding as at 31 March 2012	106,190,107

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

(c) The employees exercise of options during the year ended March 31 2011 occurred 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 was paid in full subsequent to that year end. All other allotted shares were fully paid.

(d) The employees exercise of options during the year ended March 2012 also occurred at various dates during the year. The exercise prices were 2.5p and 6p per share. All allotted shares were fully paid.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2012 - 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 2012	**Weighted average exercise price 2012**
Outstanding at beginning of year	4,753,111	5.6p
Granted during the year	621,000	35.6p
Exercised during the year	(326,000)	3.8p
Lapsed during the year	(670,111)	31.3p
Outstanding at the end of the year	4,378,000	9.0p
Exercisable at the end of the year	3,137,000	7.1p

	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
Cancelled 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

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

	2012	**2012**	**2012**	**2011**
Share price at grant	37p	37p	32p	25p
Exercise price	23p	37p	32p	6p
Volatility	59%	59%	49%	25%
Expected life (years)	3	3	3	0-2
Risk free rate	1.3%	1.3%	1.3%	1.5%
Expected dividend yield	0%	0%	0%	0%

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2012 - 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 Feb 2020
Vested and exercisable immediately	937,000	2.5p	20 July 2019
Share price criteria not met	321,000	37p	6 May 2021
Share price criteria not met	60,000	32p	13 Oct 2021
Share price criteria not met	30,000	23p	6 May 2021
Share price criteria met and exercisable not before 20 January 2013	800,000	2.5p	20 July 2019
Not vested and exercisable not before 13 April 2013	30,000	32p	13 Oct 2021
Total outstanding	**4,378,000**		

17 **Reserves**

Reserves for the Group and Company are set out in the Statement of Changes in Equity on pages 16 and 17 respectively.

On December 14, 2011, the Court approved the Company's application for the cancellation of its share premium account, resulting in a transfer of £17,823,312 from this account to its retained earnings. This will enable it to make distributions to shareholders in the future.

Other reserves consist of a capital redemption reserve, warrant reserve and a merger reserve as set out below:

	Capital redemption reserve	Warrant reserve	Merger reserve	Total
	£	£	£	£
At 31 March 2010, 2011 and 2012	2,857	62,400	5,425,339	5,490,596

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 2012 – continued

18 **Operating lease commitments**

At 31 March 2012, the Group has lease agreements in respect of properties and equipment for which the payments extend over a number of years.

	2012 £	2011 £
Due:		
Within one year	41,500	26,250
Between two and five years	72,625	-
After five years		
	114,125	26,250

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.

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

	Sale of goods		Purchase of goods		Services provided	
	2012 £	2011 £	2012 £	2011 £	2012 £	2011 £
Subsidiaries	-	-	-	-	511,841	516,813

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2012 – continued

20 **Cash used in operations**

Group	**2012**	**2011**
	£	**£**
Operating profit	152,648	1,930,125
Depreciation of property, plant and equipment	87,114	69,305
Amortisation of intangible fixed assets	434,813	577,702
Share based payment charge	78,148	102,521
Increase in inventories	(1,584,832)	(1,016,426)
Decrease / (increase) in trade and other receivables	202,125	(1,418,564)
Increase in trade and other payables	361,039	161,319
Net cash (used in) / generated from operations	(268,945)	405,982

Company	**2012**	**2011**
	£	**£**
Operating loss	(264,256)	(110,101)
Share based payment charge	78,148	102,521
Depreciation of property, plant and equipment	25,346	21,171
Increase in trade and other receivables	(3,139)	(15,569)
Increase in amounts owed by group undertakings	(1,996,387)	(152,098)
Increase / (decrease) in trade and other payables	(10,356)	25,739
Net cash generated used in operations	(2,170,644)	(128,337)

21 **Basic and diluted earnings per share**

The basic earnings per share has been calculated on the profit on ordinary activities after taxation of £174,643 (2011: profit £2,169,780) divided by the weighted number of ordinary shares in issue of 105,950,771 (2011: 100,863,487).

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 4,598,170 (2011: 5,559,926) and the weighted average number of ordinary shares for the purposes of dilutive earnings per share was 109,733,497 (2011: 105,433,091).

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2012 - 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 2012 (2011: £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:-

	2012 **£**	**2011** **£**
Trade receivables	1,335,384	1,554,091
Cash and cash equivalents	646,202	3,025,448
	1,981,586	4,579,539

The Company has cash and cash equivalents of £380,668 (2011: £2,536,759)

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 £21,995 (2011: £7,626) during the year. The Company's cash and cash equivalents earned interest at a variable rate totalling £21,975 (2011: £7,437).

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 £1,211,444 (2011: £1,610,142) of assets denominated in US Dollars, £310,729 (2011: £199,385) of assets denominated in Euros and £60,430 (2011: £3,740) of liabilities denominated in Euros and £1,065,162 (2011: £842,021) of liabilities denominated in US Dollars.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2012 – 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 (2011: 1.60) and Euro 1.20 (2011: 1.14).

	2012 **£**	**2011** **£**
Sterling strengthens by 10%		
US Dollar	(13,298)	(69,829)
Euro	(22,754)	(17,786)
Sterling weakens by 10%		
US Dollar	14,628	76,812
Euro	25,030	19,565

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.

24 **Subsequent event**

On April 13, 2012 the group completed a placing of 9,500,000 shares at 27p, raising gross proceeds of £2,565,000.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your ordinary shares in the Company, please forward this document to the purchaser or transferee or to the stockbroker, bank or other person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of the Company will be held at the offices of the Company, Wireless House, Westfield Industrial Estate, Midsomer Norton, Bath, England, BA3 4BS at 11.00 a.m. on July 6th, 2012 for the purpose of considering and, if thought fit, passing the following ordinary resolutions (in the case of resolutions 1 to 5) and special resolutions (in the case of resolutions 6 and 7):

ORDINARY RESOLUTIONS

1. To receive the audited accounts of the Company for the financial year ended 31 March 2012 and the directors' report and the auditors' report on the accounts.

2. To re-appoint Nexia Smith & Williamson Audit Limited as the auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which audited accounts are laid.

3. To authorise the directors to determine Nexia Smith & Williamson Audit Limited's remuneration as the auditors of the Company.

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

5. THAT the directors be generally and unconditionally authorised to exercise all the powers of the Company to allot shares, and to grant rights to subscribe for or to convert any security into shares up to an aggregate nominal amount of £38,573 provided that this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) on October 6th, 2013, or, if earlier, at the conclusion of the Annual General Meeting in 2013, except that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the directors may allot shares or grant such rights in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired, and this authority shall be in substitution of any such previous authorities

SPECIAL RESOLUTIONS

6. THAT subject to the passing of resolution 5, the directors be empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of that Act) for cash pursuant to the general authority conferred on them by resolution 5 above and/or to sell equity securities held as treasury shares for cash pursuant to section 727 of the Companies Act 2006, in each case as if section 561 of that Act did not apply to any such allotment or sale, provided that this power shall be limited to:

Notice of Annual General Meeting (continued)

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

(b) any such allotment and/or sale, otherwise than pursuant to sub-paragraph (a) above, of equity securities having, in the case of ordinary shares, an aggregate nominal value or, in the case of other equity securities, giving the right to subscribe for or convert into ordinary shares having an aggregate nominal value, not exceeding the sum of £11,572.

This authority shall expire, unless previously revoked or renewed by the Company in general meeting, at such time as the general authority conferred on the directors by resolution 5 above expires, except that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

7. THAT the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

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

On behalf of the Board

Richard Hurd
Company Secretary
June 12th, 2012

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

Notice of Annual General Meeting (continued)

Notes:

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

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

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

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent by the latest time for receipt of proxy appointments set out in paragraph 3 above.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

Notice of Annual General Meeting (continued)

5. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those shareholders included in the register of members of the Company at 6.00 p.m. on July 4th, 2012 being the time not less than 48 hours before the time fixed for the meeting or, if the meeting is adjourned, in the register of members at 6.00 p.m. on the day which is two days before the day of any adjourned meeting, will be entitled to attend and to vote at the Annual General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 6.00 p.m. on July 4th, 2012 or, if the meeting is adjourned, in the register of members after 6.00 p.m. on the day which is two days before the day of any adjourned meeting, will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

6. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

Explanatory Notes for Shareholders

The notice of the Annual General Meeting of the Company to be held at 11.00 a.m. on July 6th, 2012 is set out on pages 38-41 of the annual report and accounts. The following notes provide an explanation as to why the resolutions set out in the notice are to be put to shareholders.

Resolutions 1 to 5 are ordinary resolutions. These resolutions will be passed if more than 50% of the votes cast for or against are in favour.

Resolution 1 – Directors' report and audited accounts for year ended 31 March 2012
The directors are required by the Companies Act 2006 to present to the shareholders of the Company at a general meeting the audited accounts and the reports of the directors and auditors for the year ended 31 March 2012. The report of the directors and the audited accounts have been approved by the directors, and the report of the auditors has been approved by the auditors, and both reports are contained in the Company's Annual Report and Accounts.

Resolution 2 – Re-appointment of auditors
The Companies Act 2006 requires that auditors be appointed at each general meeting at which accounts are laid, to hold office until the next such meeting. This resolution seeks shareholder approval for the reappointment of Nexia Smith & Williamson Audit Limited. The Audit Committee keeps under review the independence and objectivity of the external auditors. After considering relevant information the Audit Committee recommended to the board of directors that Nexia Smith & Williamson Audit Limited be reappointed. This resolution proposes the re-appointment of Nexia Smith & Williamson Audit Limited as auditors of the Company.

Resolution 3 – Auditors' remuneration

This resolution gives authority to the directors to determine the remuneration of Nexia Smith & Williamson Audit Limited as auditors of the Company.

Resolutions 4 – Director re-appointment
Simon Francis Rogers will retire at this year's Annual General Meeting and offer himself for re-election.

Resolution 5 – Authority to allot shares
The Companies Act 2006 provides that the directors may only allot shares or grant rights to subscribe for or to convert any security into shares if authorised by shareholders to do so. Resolution 5 will, if passed, authorise the directors to allot shares up to a maximum nominal amount of £38,573.

It is accordingly proposed that the directors be granted general authority at any time prior to October 6th, 2013, or, if earlier, at the conclusion of the Annual General Meeting in 2013, to allot shares up to an aggregate nominal amount of £38,573. Passing this resolution will give the directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. The directors have no current plans to make use of this authority.

Resolutions 6 and 7 are special resolutions. These resolutions will be passed if not less than 75% of the votes cast for and against are in favour.

Resolution 6 – Disapplication of pre-emption rights
The Companies Act 2006 requires that, if the Company issues new shares, or grants rights to subscribe for or to convert any security into shares, for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. If passed, resolution 6 will authorise the directors to issue shares for cash and/or sell shares from treasury (if any are so held) up to an aggregate nominal amount of £11,572 (representing approximately 10% of the Company's issued share capital as at the date of the notice of Annual General Meeting) without offering them to shareholders first, and will also modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights or other pre-emptive offer or issue. If passed, this authority will expire at the same time as the authority to allot shares given pursuant to Resolution 5. The Company does not at present hold any shares in treasury.

Explanatory Notes for Shareholders (continued)

Resolution 7 – Adoption of new Articles of Association
It is proposed in resolution 7 to adopt new Articles of Association (the "**New Articles**") in order to update the Company's current Articles of Association (the "**Current Articles**"), primarily to reflect the provisions of the Companies Act 2006.

The principal changes introduced in the New Articles are as follows:

- Previously, a company was required to have an objects clause setting out the scope of the activities that the company was permitted to undertake. The Companies Act 2006 removed the requirement for a company to have any restrictions on its objects, but for existing companies (including the Company), since 1 October 2009 any objects clause included in a company's memorandum of association has been treated as forming part of its Articles of Association. As such, the Current Articles are deemed to include the objects clause included in the Company's Memorandum of Association. The effect of adopting the New Articles that do not include any restrictions on the Company's objects will be to remove the objects clause and for the Company to have unlimited capacity.

- Since 1 October 2009, the statement regarding the Company's limited liability included in the Company's Memorandum of Association has been treated as forming part of the Current Articles. The New Articles contain an express statement regarding the limited liability of the shareholders.

- The Companies Act 2006 abolished the requirement for a company to have an authorised share capital. The New Articles remove the restriction on the Company's authorised share capital. The directors will still be limited as to the number of shares they can allot under the authority granted to the directors by resolution 5 (if passed).

- Under the previous legislation, if a company wished to issue redeemable shares it was required to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead, provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

- The Current Articles permit the directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

- The provisions in respect of stock included in the Current Articles are no longer applicable under the Companies Act 2006. They have been removed in the New Articles.

- The Companies (Shareholders' Rights) Regulations 2009 and the Companies Act specifically provide for the holding and conducting of electronic meetings. The New Articles include amendments to reflect more closely the relevant provisions.

- The Companies (Shareholders' Rights) Regulations 2009 and the Companies Act 2006 include certain amendments and provisions in respect of corporate representatives and proxies. The New Articles reflect these amendments.

The New Articles also include other minor, technical or clarifying changes, which reflect changes made by the Companies Act 2006 and the Companies (Shareholders' Rights) Regulations 2009. The New Articles showing all the changes to the Current Articles are available for inspection at the offices of the Company, Wireless House, Westfield Industrial Estate, Midsomer Norton, Bath, England, BA3 4BS from the date of this notice until the conclusion of the Annual General Meeting.

Software
Radio Technology

Software Radio Technology plc
Wireless House
Westfield Industrial Estate
Midsomer Norton
Bath BA3 4BS
United Kingdom

Telephone: +44 (0)1761 409 500
Fax: +44 (0)1761 410 093

Email: enquiries@softwarerad.com
Web: www.softwarerad.com