Software
Radio Technology

# Software Radio Technology plc

Annual Report and Accounts for the year ended

31 March 2013

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## DIRECTORS AND ADVISORS

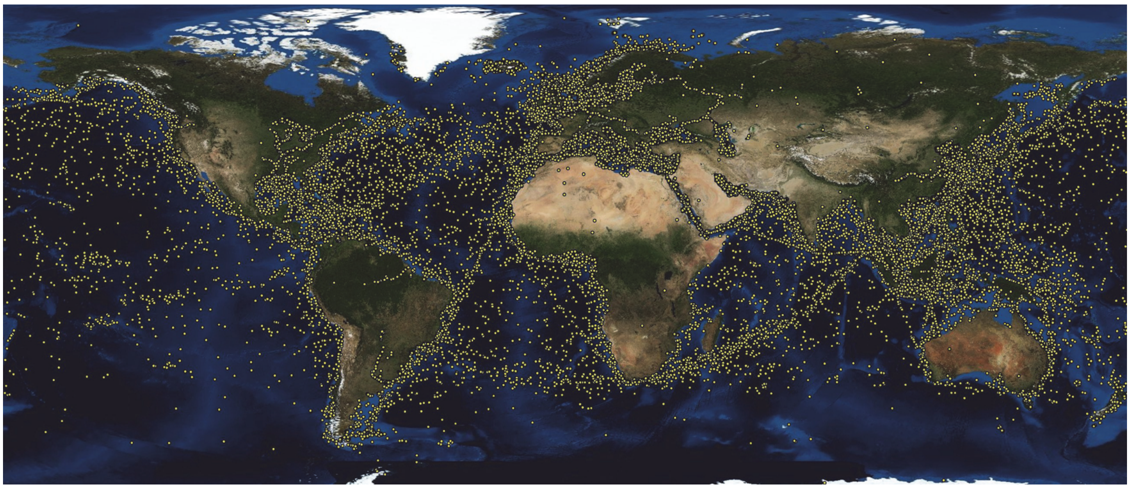
| | |
|---|---|
| **Directors** | Simon Tucker<br>Neil Peniket<br>Richard Hurd<br>Simon Rogers<br>Andrew Lapping |
| **Secretary** | Richard Hurd |
| **Registered Office** | Wireless House<br>Westfield Industrial Estate<br>Midsomer Norton<br>Bath<br>BA3 4BS |
| **Bankers** | Lloyds TSB Bank plc<br>Canons House<br>Canons Way<br>Bristol<br>BS99 7LB |
| **Auditor** | Nexia Smith & Williamson Audit Limited<br>Chartered Accountants<br>Portwall Place<br>Portwall Lane<br>Bristol<br>BS1 6NA |
| **Tax Advisers** | Smith & Williamson LLP<br>Chartered Accountants<br>Portwall Place<br>Portwall Lane<br>Bristol<br>BS1 6NA |
| **Solicitors** | CMS Cameron McKenna<br>Mitre House<br>160 Aldersgate Street<br>London<br>EC1A 4DD |
| **Nominated Adviser & Broker** | WH Ireland Limited<br>24 Martin Lane<br>London<br>EC4R 0DR |
| **Registrars** | Computershare Investor Services PLC<br>PO Box 82<br>The Pavilions<br>Bridgewater Road<br>Bristol<br>BS99 7NH |
| **Company’s registered number** | 5459678 |

**www.softwarerad.com**

## ABOUT SOFTWARE RADIO TECHNOLOGY PLC

Software Radio Technology plc (SRT), and its subsidiaries develop and supply Automatic Identification System (AIS) based maritime domain awareness (MDA) technologies and derivative product and system solutions to the global marine industry.

Originally conceived in the 1990's by the International Maritime Organisation (IMO) as an anti-collision system for ocean going vessels, AIS allows the precise, real time identification and tracking of marine traffic along with efficient supplementary peer to peer and peer to network data exchange.



*AIS connecting 362 million sq km of oceans, 840,000 km of coastlines, 26 million vessels*

Today, AIS is rapidly establishing itself across the world as the next generation MDA technology addressing a wide range of diverse applications, from vessel tracking and coastal security to pollution control.

SRT develops its technology and products entirely in-house at a specialist development facility near Bath, UK, with production contracted out to suitably qualified manufacturing partners. Today, SRT supplies an established global network of over 110 customers with a total of 600 different product variants, all of which are derived from a core product portfolio of 18 OEM products and core technology modules.

SRT's mission is to be the global source provider of sophisticated MDA technologies, products and system solutions. Our strategy to achieve this objective is to leverage our rare in-house radio communications development capabilities and a decade of accumulated marine domain experience to create innovative high quality products that are customised for our global customer network and their target markets.

# ANNUAL REPORT HIGHLIGHTS

## FINANCIAL:

- Revenues £10.0 million (2012: £6.2 million)
- Profit before tax £1.2 million (2012: £0.2 million)
- Earnings per share 1.3p (2012: 0.2p)
- Gross profit margin 46% (2012: 51%) due to product mix and early production costs
- Debt free with cash of £1.5 million

## OPERATIONAL:

- New Identifier and Aids to Navigation product platforms completed and customer deliveries commenced
- Multiple customer product integration and customisation projects completed
- Customer base grown to over 110

## CHAIRMAN'S STATEMENT

I am pleased to report that, due to our market leading position and our growing global customer network, we have seen the continuing growth in the global AIS based maritime domain awareness market reflected in our financial performance.

Revenue increased by 62% from £6.2 million to £10.0 million, resulting in us having achieved an average annual revenue growth rate of 41% over the last four years. The increase in revenue has been driven primarily by a number of market opportunities which have entered their implementation phase and therefore started to create demand into our customers for our products. The most notable during the year have been Mexico, Russia, EU Fisheries and the pending extension of requirements to fit AIS in the United States. These markets are driven by regulatory fit requirements and are in their early stages with further substantial demand expected in the future. As is the nature of these markets, order inflow was lumpy across the year and remains difficult to predict accurately. However, we also saw a steady increase in our core business where customer orders are driven by general non-mandated demand and I am pleased to report that this is considerably easier to forecast.

Gross margin at 46% was below our long term target of 50% due to the higher than expected weighting of lower margin products, together with exceptional costs associated with early production runs of new products. However, we remain confident that our core technology and product investment over the last three years will result in our long term margin across all products exceeding our target in the future and expect this position to normalise in the year ahead.

Despite the substantial development and customer support activities, our cost base was tightly controlled and on a cash basis was consistent with the previous year. Reported administrative costs increased from £3.0 million to £3.4 million due to an increase in the amortisation charge of our intangible assets from £0.4 million to £0.9 million. This all resulted in profit before tax increasing from £0.2 million to £1.2 million.

As at the year end, we had cash of £1.5 million, debtors of £3.4 million and creditors of £1.4 million. Debtors were larger than normal due to the timing of several substantial orders, and have now settled to a more typical level. Inventories stood at £3.4 million, comprising a mixture of finished stock and strategic components valued at cost. Due to the lumpy nature of our target markets this figure has varied substantially throughout the year.

SRT has continued to be managed with a combination of operational aggression and financial prudence. We have again expanded both our product range and customer base into a global market which is starting to yield significant demand.

### Operational Review

This year we had three primary operational targets, all of which were delivered. Firstly, to complete our core product range offering by delivering our Identifier and Aids to Navigation product platforms. Both these products have opened new market segments for SRT. Secondly, to grow our customer network to ensure coverage of all identified markets. Finally, to work with new and existing customers to customise and integrate our product platforms into their product portfolios and support them in bringing them to market. This has involved over 20 customer and market specific customisation projects as well as significant sales support activities.

The delivery of these targets is designed to ensure that our products are actively promoted and available from suitably qualified and respected companies throughout the world to an end market. I am pleased to report that today SRT has an established global network of over 110 customers each with their own sales channels.

Our most significant challenge this year and going forward is the management of production timing and therefore inventory levels. To this end our sales teams continue to work with customers and authorities to improve internal forecasting, however, the nature of our target markets means that often our customers are unable to predict market demand patterns.

### Market Review

AIS is now a global technology being used in a wide range of maritime domain awareness applications. From national maritime security projects affecting hundreds of thousands of vessels to pollution control and port operations, AIS offers a proven, cost effective and highly capable technology platform to deliver the required functionality.

Since launching the world's first low cost AIS transceiver in 2006, SRT has established itself as primary source provider of AIS technology and products to over 110 customers around the world each targeting various segments of the global market: security, commercial and leisure.

During the last year, we have seen a steady increase in non-mandated demand for AIS devices as specific market segments reach a critical mass where it becomes the norm to have an AIS transceiver. We expect this trend to continue with more market segments reaching this critical mass each year. However the current economic climate does mean that growth remains steady rather than explosive and we expect this to remain the case for the foreseeable future.

Most excitingly, we have seen a large increase in the number of mandate market opportunities either where governments are looking to directly acquire AIS devices as part of a national security programme or a local regulation creates market demand. Some of these such as Mexico, India, Middle East, Central America, USA, Russia and EU Fisheries have started to generate orders, but remain in their early implementation stage with only a small percentage of their overall requirements filled to date. In addition, several new mandate opportunities, particularly in South America and South East Asia have materialised, some of which seem likely to generate significant demand for our products and services within a three year time window.

As AIS has proliferated and coastal monitoring networks built, authorities have started to turn their attention to the electronic marking of waterways through the deployment of AIS AtoN devices. Our new AtoN launch in late 2012 has been well received by the market and a specialist network of customers built who are now actively taking this product to market. With many millions of buoys across the world, we expect this market to grow into a substantial revenue stream for SRT, but given its complexity and its linkage to coastal networks, we expect to see this build steadily in the years to come.

**Employees**

We have grown to a team of 39 full time people with a wide range of skill sets from financial control and sales to world class radio communications development and project management. The commitment and skills of our employees are critical to our future success and, as such, we regularly review remuneration to ensure that our employees are rewarded commensurately with their contribution and our overall financial performance. The last year has presented exceptional challenges in terms of delivering a large number of development projects and managing large scale production requirements as our markets grow. None of this would have been possible without our team and I would like to take this opportunity to thank them for their continuing hard work.

**Outlook and Strategy**

As stated above, our major challenge is accurately forecasting customer demand and order inflow remains unpredictable. In common with the year under review, our expectations are that the current financial year will be weighted towards the second half.

Over the last three years we have invested heavily in the development of a new sophisticated core technology architecture which has been used this to create a comprehensive range of high quality product platforms. In parallel we have built a global network of competent customers who have been equipped with the knowledge and customised products to address their specific target markets. As the AIS market grows and the many projects commence and accelerate, we expect to see these investments translate into growing sales.

However, as the market grows, we are seeing new opportunities within the marine market and will therefore continue to develop new products and complementary services which allow our customers to meet these requirements. Over the next two years we will be expanding our Identifier and AtoN product range, and developing a new display system for Class A and Class B. We will also start to leverage our new strategic relationship with exactEarth which will enable us to offer bundled data and product solutions into the market generating a new service-related income stream for SRT.

AIS has established itself as an integral part of all maritime domain awareness projects and SRT has established itself as the primary source provider of reliable product solutions. There are multiple projects which have entered their implementation phase in the last two years and started to generate sales for SRT. Many more will enter the implementation phase over the next three years and we therefore look forward with great optimism to the years ahead.

**Simon Rogers, Chairman**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 MARCH 2013**

The directors present their report and the audited accounts for the year ended 31 March 2013.

**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 sells 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 5.

**Results for the Year and Dividends**

The Group achieved a profit after tax of £1,503,757 (2012: profit of £174,643). The directors have not recommended the payment of a dividend (2012: £nil).

The Key Performance Indicators (KPIs) used by the Board to monitor progress are revenue growth, gross margin, profit from operations and cash flow. 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 4 and 5.

**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 2013**

### 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 2013 and at 31 March 2012 were:

| | **2013** Ordinary 0.1p shares | **2012** Ordinary 0.1p shares |
|---|---|---|
| *Non Executives* | | |
| Simon Rogers | 13,508,900 | 13,508,900 |
| Andrew Lapping | 1,131,080 | 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 31 March 2013, the Group had an average of 57 (2012: 112) 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 at 31 March 2013 and 31 March 2012.

### 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 2013

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 8 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 2013 audit took place in May 2013.

### 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 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 25.

c) Performance related bonus

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

**CORPORATE GOVERNANCE REPORT**

**FOR THE YEAR ENDED 31 MARCH 2013 - 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 2013 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 Auditor**

As explained more fully in the Statement of Directors' Responsibilities in respect of the Accounts set out on page 8, 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 Financial Reporting Council's (FRC'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 FRC'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 2013 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.

James Keeton
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Portwall Place
Bristol
BS1 6NA

3 June 2013

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 MARCH 2013

| | Notes | 2013<br>£ | 2012<br>£ |
|---|---|---|---|
| Revenue | 2 | 10,011,185 | 6,171,697 |
| Cost of sales | | (5,454,532) | (3,029,270) |
| **Gross profit** | | 4,556,653 | 3,142,427 |
| Administrative costs | | (3,378,669) | (2,989,779) |
| **Operating profit** | 6 | 1,177,984 | 152,648 |
| Finance income | 5 | 9,087 | 21,995 |
| **Profit before tax** | | 1,187,071 | 174,643 |
| Income tax credit | 7 | 316,686 | - |
| **Profit for the year after tax** | | 1,503,757 | 174,643 |
| **Total comprehensive income for the year** | | 1,503,757 | 174,643 |
| **Earnings per share:** | 21 | | |
| Basic | | 1.3p | 0.2p |
| Diluted | | 1.3p | 0.2p |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2013**

| | Notes | 2013<br>£ | 2012<br>£ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 9 | 4,381,504 | 3,568,959 |
| Property, plant and equipment | 10 | 130,630 | 153,989 |
| Total non-current assets | | 4,512,134 | 3,722,948 |
| **Current assets** | | | |
| Inventories | 12 | 3,419,521 | 3,495,650 |
| Trade and other receivables | 13 | 3,449,786 | 1,536,701 |
| Cash and cash equivalents | | 1,535,376 | 646,202 |
| Total current assets | | 8,404,683 | 5,678,553 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | (1,437,969) | (1,945,163) |
| **Net current assets** | | 6,966,714 | 3,733,390 |
| **Total assets less current liabilities** | | 11,478,848 | 7,456,338 |
| **Net assets** | | 11,478,848 | 7,456,338 |
| **Shareholders' equity** | | | |
| Share capital | 15 | 115,920 | 106,190 |
| Share premium account | 17 | 2,471,121 | 8,484 |
| Retained earnings | | 3,401,211 | 1,851,068 |
| Other reserves | 17 | 5,490,596 | 5,490,596 |
| **Total shareholders' equity** | | 11,478,848 | 7,456,338 |

The accounts were approved by the Board of Directors on June 3rd, 2013 and were signed on its behalf by:

S Tucker
**Director**

## COMPANY STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2013

| | Notes | 2013<br>£ | 2012<br>£ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | 11 | 3 | 2 |
| Property, plant and equipment | 10 | 49,290 | 46,486 |
| Total non-current assets | | 49,293 | 46,488 |
| **Current assets** | | | |
| Trade and other receivables | 13 | 9,154,028 | 6,697,872 |
| Cash and cash equivalents | | 216,157 | 380,668 |
| Total current assets | | 9,370,185 | 7,078,540 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | (138,358) | (204,788) |
| **Net current assets** | | 9,231,827 | 6,873,752 |
| **Total assets less current liabilities** | | 9,281,120 | 6,920,240 |
| **Net assets** | | 9,281,120 | 6,920,240 |
| **Shareholders' equity** | | | |
| Share capital | 15 | 115,920 | 106,190 |
| Share premium account | 17 | 2,471,121 | 8,484 |
| Retained earnings | | 6,631,679 | 6,743,166 |
| Other reserves | 17 | 62,400 | 62,400 |
| **Total shareholders' equity** | | 9,281,120 | 6,920,240 |

The accounts were approved by the Board of Directors on June 3rd, 2013 and were signed on its behalf by:

**S Tucker**
**Director**

Company Number: 5459678

**CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2013**

| | Notes | 2013<br>£ | 2012<br>£ |
|---|---|---|---|
| **Cash used in operating activities** | 20 | (157,447) | (268,945) |
| Corporation tax received | | 316,686 | - |
| **Net cash generated from / (used in) operating activities** | | 159,239 | (268,945) |
| **Investing activities** | | | |
| Expenditure on product development | | (1,680,532) | (2,063,160) |
| Purchase of property, plant and equipment | | (70,987) | (81,486) |
| Interest received | | 9,087 | 21,995 |
| **Net cash used in investing activities** | | (1,742,432) | (2,122,651) |
| **Cash outflow before financing** | | (1,583,193) | (2,391,596) |
| **Financing activities** | | | |
| Net proceeds on issue of shares | | 2,472,367 | 12,350 |
| **Net increase / (decrease) in cash and cash equivalents** | | 889,174 | (2,379,246) |
| **Net cash and cash equivalents at beginning of year** | | 646,202 | 3,025,448 |
| **Net cash and cash equivalents at end of year** | | 1,535,376 | 646,202 |

**COMPANY STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2013**

| | Notes | 2013 £ | 2012 £ |
|---|---|---|---|
| **Cash used in operating activities** | 20 | (2,607,300) | (2,170,644) |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | (38,648) | (19,772) |
| Interest received | | 9,070 | 21,975 |
| **Net cash (used in) / generated from investing activities** | | (29,578) | 2,203 |
| **Cash outflow before financing** | | (2,636,878) | (2,168,441) |
| **Financing activities** | | | |
| Net proceeds on issue of shares | | 2,472,367 | 12,350 |
| **Net decrease in cash and cash equivalents in the year** | | (164,511) | (2,156,091) |
| **Cash and cash equivalents at the start of the year** | | 380,668 | 2,536,759 |
| **Cash and cash equivalents at the end of the year** | | 216,157 | 380,668 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 MARCH 2013**

| | Share capital £ | Share premium £ | Retained earnings £ | Other reserves (note 17) £ | Total £ |
|---|---|---|---|---|---|
| **At 31 March 2011** | **105,864** | **17,819,772** | **(16,225,035)** | **5,490,596** | **7,191,197** |
| Total comprehensive income 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 based payment charge | - | - | 78,148 | - | **78,148** |
| **At 31 March 2012** | **106,190** | **8,484** | **1,851,068** | **5,490,596** | **7,456,338** |
| Total comprehensive income for the year | - | - | 1,503,757 | - | **1,503,757** |
| Issue of equity share capital | 9,500 | 2,555,500 | - | - | **2,565,000** |
| Costs of issue of equity share capital | - | (100,615) | - | - | **(100,615)** |
| Cancellation of shares | (93) | - | - | - | **(93)** |
| Share options exercised | 323 | 7,752 | - | - | **8,075** |
| Share based payment charge | - | - | 46,386 | - | **46,386** |
| **At 31 March 2013** | **115,920** | **2,471,121** | **3,401,211** | **5,490,596** | **11,478,848** |

**COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 MARCH 2013**

| | Share capital | Share premium | Retained earnings | Warrant reserve (note 17) | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **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 based payment charge | - | - | 78,148 | - | **78,148** |
| **At 31 March 2012** | **106,190** | **8,484** | **6,743,166** | **62,400** | **6,920,240** |
| Total comprehensive loss for the year | - | - | (157,873) | - | **(157,873)** |
| Issue of equity share capital | 9,500 | 2,555,500 | - | - | **2,565,000** |
| Costs of issue of equity share capital | - | (100,615) | - | - | **(100,615)** |
| Cancellation of shares | (93) | - | - | - | **(93)** |
| Share options exercised | 323 | 7,752 | - | - | **8,075** |
| Share based payment charge | - | - | 46,386 | - | **46,386** |
| **At 31 March 2013** | **115,920** | **2,471,121** | **6,631,679** | **62,400** | **9,281,120** |

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013**

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 20.
- 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.
- Recoverability of receivables (page 22)
- Capitalisation of development costs, whereby the recognition of such costs is dependent on a number of criteria as set out on page 20.

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 - 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.

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

a) It is probable that delivery will be made
b) The item is on hand, identified and ready for delivery to buyer at the time the sale is recognised
c) The buyer specifically acknowledges the deferred delivery instructions
d) The usual payment terms apply

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.

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 - continued**

**1. Accounting Policies – continued**

**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.

**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.

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 - continued**

**1. Accounting Policies – continued**

**Share based payments - continued**

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 2013 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 2013 - 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 2013: by product | Marine £ | Tetra £ | Unallo-cated £ | Total £ |
|---|---|---|---|---|
| Revenue | 9,981,553 | 29,632 | - | 10,011,185 |
| Operating profit / (loss) | 1,344,925 | 29,632 | (196,573) | 1,177,984 |
| Investment revenues | 19 | - | 9,068 | 9,087 |
| Profit / (loss) before income tax | 1,344,944 | 29,632 | (187,505) | 1,187,071 |
| Income tax | 316,686 | - | - | 316,686 |
| Profit / (loss) for the year | 1,661,630 | 29,632 | (187,505) | 1,503,757 |
| Total assets | 12,560,081 | - | 356,736 | 12,916,817 |
| Total liabilities | (1,299,611) | - | (138,358) | (1,437,969) |
| Net assets | 11,260,470 | - | 218,378 | 11,478,848 |
| Capital expenditure | 1,712,873 | - | 38,646 | 1,751,519 |
| Depreciation and amortisation | 926,490 | - | 35,843 | 962,333 |
| Share based payment costs | - | - | 46,386 | 46,386 |

| Revenue by geographical destination: | 2013 £ |
|---|---|
| Europe | 3,931,927 |
| North America | 4,715,917 |
| UK | 394,064 |
| Other | 969,277 |
| | 10,011,185 |

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 – continued**

**2. Revenue and segment information - continued**

Included within revenues are 4 customers (2012: 3) 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 £2,323,447 (2012: £1,267,825), the Group's second largest customer £1,321,536 (2012: £932,544), the Group's third largest customer £1,283,462 (2012: £645,663) and the Group's fourth largest customer £1,041,075.

| 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 | 521,927 |
| 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 2013 – continued**

**3 Directors' emoluments**

The remuneration of the individual Directors was as follows:

**Year ended 31 March 2013**

| All £ | Salary | Taxable benefits | Pension allowance | Bonus | Pension contribu -tions | Total 2013 |
|---|---|---|---|---|---|---|
| *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 | 2,748 | **59,811** |
| *Non Executive Directors* | | | | | | |
| S Rogers | 7,500 | - | - | - | - | **7,500** |
| A Lapping | 7,500 | - | - | - | - | **7,500** |
| **Total** | 282,000 | 12,000 | 6,300 | 10,238 | 7,959 | **318,497** |

**Year ended 31 March 2012**

| All £ | Salary | Taxable benefits | Pension allowance | Bonus | Pension contribu- tions | Total 2013 |
|---|---|---|---|---|---|---|
| *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** |

**Share Options at 31 March 2013**

| *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 | 500,000 | 20p | 18 December, 2022 |
| R Hurd | 75,000 | 2.5p | 20 July, 2019 |

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 - 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 500,000 of the options granted to R Hurd of which 166,000 are exercisable from December 18, 2013, 167,000 which are exercisable from December 18, 2014 and 167,000 which are exercisable from December 18, 2015. The only change from the position as at March 31, 2012 was the 500,000 share options granted to R Hurd during the year.

An insurance premium of £3,316 (2012: £3,311) was paid in respect of directors' and officers' liability.

Retirement benefits are accruing to two directors (2012: 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:

| | **2013 No.** | **2012 No.** |
|---|---|---|
| Technical | 24 | 21 |
| Administration and sales | 18 | 18 |
| | 42 | 39 |

| Staff costs for the above persons were: | **£** | **£** |
|---|---|---|
| Wages and salaries | 1,155,858 | 1,054,020 |
| Social security costs | 122,565 | 114,014 |
| Pension costs – defined contribution schemes | 30,738 | 29,604 |
| | 1,309,161 | 1,197,638 |

Total wages & salaries, as stated above, exclude costs capitalised and included within deferred development expenditure amounting to £694,153 (2012: £682,675).

Wages and salaries also include £46,386 (2012: £78,148) in respect of share-based payment charges.

5 **Finance income**

| | **2013 £** | **2012 £** |
|---|---|---|
| Bank interest receivable | 9,087 | 21,995 |

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 - continued

| 6 | **Operating profit for the year** is stated after charging/ (crediting): | **2013** **£** | **2012** **£** |
|---|---|---|---|
| | Inventories recognised as an expense | 5,248,651 | 2,860,946 |
| | Amortisation: | | |
| | - intangible assets (included in administrative expenses in the income statement) | 867,987 | 434,813 |
| | Depreciation | 94,346 | 87,114 |
| | Auditors' remuneration | | |
| | Fees payable to the company's auditor for the audit of the company's annual accounts | 29,500 | 28,350 |
| | Fees payable to the company's auditor for other services | | |
| | - the audit of the company's subsidiaries | 18,000 | 18,000 |
| | - audit-related assurance services | 2,050 | 1,950 |
| | - tax compliance services | 10,500 | 11,900 |
| | - tax advisory services | 3,820 | 5,024 |
| | Exchange (gain) / loss | (41,246) | 94,041 |
| | Operating lease rentals – land & buildings | 41,572 | 36,496 |
| | Research and development costs not capitalised | 82,887 | 72,223 |

| 7 | **Taxation** | **2013** **£** | **2012** **£** |
|---|---|---|---|
| (a) | UK corporation tax at 24% (2012: 26%) | | |
| | Current tax credit | (316,686) | - |
| | | (316,686) | - |
| (b) | Factors affecting tax charge for year | | |
| | Profit on ordinary activities before tax | 1,187,071 | 174,643 |
| | Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 24% (2012: 26%) | 284,897 | 45,407 |
| | Effects of: | | |
| | (Income) / Expenses not deductible for tax purposes | (16,795) | 28,770 |
| | Depreciation in deficit of capital allowances | (184,080) | (436,434) |
| | (Utilised) / Unrelieved tax losses and other deductions arising in the period | 304,785 | 677,700 |
| | Additional deduction for R&D | (388,807) | (315,443) |
| | Adjustment to tax charge in previous year | (316,686) | - |
| | Current tax credit for year | (316,686) | - |

The group has estimated losses of £2,987,262 (2012: £4,184,997) available for carry forward against future trading profits. There were no material deferred tax assets or liabilities at 31 March 2013.

The Finance Act 2012 included legislation to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012, and to 23% from April 2013, and its impact is reflected above. The Finance Bill 2013 includes clauses to reduce the rate of tax to 21% from 1 April 2014 and to 20% from 1 April 2015. The full anticipated effect of these changes is not considered material.

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 – continued**

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 2013, dealt with in the accounts of the Company, was £157,873 (2012: loss £242,282). The company made no gains or losses which would be reported in other comprehensive income in the years ended 31 March 2013 and 2012 and therefore the Company has not published its individual Statement of Comprehensive Income.

9 **Intangible assets**

| | **Development costs** |
|---|---|
| **Cost** | **£** |
| At 1 April 2011 | **4,042,463** |
| Additions | 2,104,300 |
| **At 31 March 2012** | **6,146,763** |
| Additions | 1,680,532 |
| **At 31 March 2013** | **7,827,295** |
| **Amortisation** | |
| At 1 April 2011 | **2,142,991** |
| Charge for the year | 434,813 |
| **At 31 March 2012** | **2,577,804** |
| Charge for the year | 867,987 |
| **At 31 March 2013** | **3,445,791** |
| **Carrying amount at 31 March 2013** | **4,381,504** |
| Carrying amount at 31 March 2012 | **3,568,959** |

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 – continued**

10 **Property, plant and equipment**

| **Cost** | **Company Plant & Equipment £** | **Group Plant & Equipment £** |
|---|---|---|
| At 1 April 2011 | **86,383** | **293,620** |
| Additions | 19,771 | 81,486 |
| **At 31 March 2012** | **106,154** | **375,106** |
| Additions | 38,648 | 70,987 |
| **At 31 March 2013** | **144,802** | **446,093** |
| **Depreciation** | | |
| At 1 April 2011 | **34,322** | **134,003** |
| Charge for the year | 25,346 | 87,114 |
| **At 31 March 2012** | **59,668** | **221,117** |
| Charge for the year | 35,844 | 94,346 |
| **At 31 March 2013** | **95,512** | **315,463** |
| **Carrying Amount as at 31 March 2013** | **49,290** | **130,630** |
| **Carrying Amount as at 31 March 2012** | **46,486** | **153,989** |

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 continued**

11 **Investment in subsidiaries – Company**

| | Shares in group undertakings £ |
|---|---|
| **Cost** | |
| Cost as at 1 April 2012 | 2 |
| Additions | 1 |
| Cost as at 31 March 2013 | 3 |

**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 |
| SRT Marine Technology System Solutions Limited | England | 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 Marine Technology System Solutions 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. On 24 January, 2013, the Company incorporated a 100% subsidiary, SRT Marine Technology System Solutions Limited. To date there have been no material transactions.

During the year ended March 2012, Software Radio Technology (UK) Ltd, a dormant subsidiary of Software Radio Technology plc, was dissolved.

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 – continued**

### 12 Inventories

**Group**

| | 2013 | 2012 |
|---|---|---|
| | £ | £ |
| Raw materials and consumables | 490,288 | 900,163 |
| Finished goods | 2,929,233 | 2,595,487 |
| | 3,419,521 | 3,495,650 |

### 13 Trade and other receivables

**Group**

| | 2013 | 2012 |
|---|---|---|
| | £ | £ |
| Trade receivables | 3,226,686 | 1,335,384 |
| Other receivables | 102,586 | 78,970 |
| Prepayments and accrued income | 120,514 | 122,347 |
| | 3,449,786 | 1,536,701 |

As at 31 March 2013 no trade receivables were considered to be impaired (2012: £nil).

As at 31 March 2013 trade receivables of £36,189 (2012: £183,715) were past due but not impaired. The ageing analysis of these trade receivables is as follows:-

Other receivables do not contain impaired assets.

| | 2013 | 2012 |
|---|---|---|
| | £ | £ |
| Up to 3 months past due | - | 161,498 |
| 3 to 6 months past due | 36,189 | 5,777 |
| Over 6 months past due | - | 16,440 |
| | 36,189 | 183,715 |

**Company**

| | 2013 | 2012 |
|---|---|---|
| | £ | £ |
| Amounts owed by group undertakings | 9,062,743 | 6,626,326 |
| Other receivables | 91,285 | 71,546 |
| | 9,154,028 | 6,697,872 |

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 2013 - continued**

14 **Trade and other payables**

| **Group** | **2013** £ | **2012** £ |
|---|---|---|
| Trade payables | 1,177,977 | 1,676,160 |
| Other tax and social security payable | 54,399 | 52,829 |
| Other payables | 9,566 | 9,640 |
| Accruals and deferred income | 196,027 | 206,534 |
| | 1,437,969 | 1,945,163 |

| **Company** | **2013** £ | **2012** £ |
|---|---|---|
| Trade payables | 99,385 | 139,706 |
| Other tax and social security payable | 9,664 | 37,371 |
| Other payables | 1,480 | 654 |
| Accruals and deferred income | 27,829 | 27,057 |
| | 138,358 | 204,788 |

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

15 **Called up share capital**

| | **2013** £ | **2012** £ |
|---|---|---|
| **Allotted** | | |
| (2013: 115,919,774 Ordinary shares of 0.1p each and 2012: 106,190,107 Ordinary shares of 0.1p each) | 115,920 | 106,190 |

Share capital reconciliation:

| | Number |
|---|---|
| Shares outstanding at 1 April 2011 | 105,864,107 |
| Employees exercise of options | 326,000 |
| Shares outstanding at 31 March 2012 | 106,190,107 |
| Placing April 2012 | 9,500,000 |
| Employee exercise of options | 323,000 |
| Cancellation of shares | (93,333) |
| Shares outstanding as at 31 March 2013 | 115,919,774 |

Notes:

(a) The placing in April 2012 took place at 27p per share raising gross proceeds of £2,565,000 before costs of £100,615

(b) The employees exercise of options during the year ended March 2013 occurred at various dates during the year. The exercises prices were 2.5p per share.

(c) 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.

(d) The Company cancelled 93,333 shares that it had previously issued pursuant to an employee share options plan

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 - 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 2013** | **Weighted average exercise price 2013** |
|---|---|---|
| Outstanding at beginning of year | 4,378,000 | 9.0p |
| Granted during the year | 920,000 | 19.4p |
| Exercised during the year | (323,000) | 2.5p |
| Lapsed during the year | - | - |
| Outstanding at the end of the year | 4,975,000 | 11.4p |
| Exercisable at the end of the year | 3,614,000 | 6.5p |

| | **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 |

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:-

| | **2013** | **2013** | **2013** |
|---|---|---|---|
| Share price at grant | 18p | 23p | 20p |
| Exercise price | 18p | 23p | 20p |
| Volatility | 52% | 52% | 52% |
| Expected life (years) | 3 | 3 | 3 |
| Risk free rate | 0.5% | 0.5% | 0.5% |
| Expected dividend yield | 0% | 0% | 0% |

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 – continued**

16 **Share Based Payment – continued**

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

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

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

| **Vesting date/criteria** | **Number issued** | **Exercise price** | **Expiry date** |
|---|---|---|---|
| Vested and exercisable immediately | 2,200,000 | 9p | 17 Feb 2020 |
| Vested and exercisable immediately | 1,414,000 | 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 |
| Not vested and exercisable not before April 2013 | 30,000 | 32p | 13 Oct 2021 |
| Not vested and exercisable not before June 2014 | 120,000 | 18p | 14 Dec 2022 |
| Not vested and exercisable not before June 2015 | 120,000 | 18p | 14 Dec 2022 |
| Not vested and exercisable not before June 2016 | 120,000 | 18p | 14 Dec 2022 |
| Not vested and exercisable not before July 2014 | 20,000 | 23p | 14 Jan 2023 |
| Not vested and exercisable not before July 2015 | 20,000 | 23p | 14 Jan 2023 |
| Not vested and exercisable not before July 2016 | 20,000 | 23p | 14 Jan 2023 |
| Not vested and exercisable not before Dec 2013 | 166,000 | 20p | 18 Dec 2022 |
| Not vested and exercisable not before Dec 2014 | 167,000 | 20p | 18 Dec 2022 |
| Not vested and exercisable not before Dec 2015 | 167,000 | 20p | 18 Dec 2022 |
| **Total outstanding** | **4,975,000** | | |

17 **Reserves**

Reserves for the Group and Company are set out in the Statement of Changes in Equity on pages 17 and 18 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 is to 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 2011, 2012 and 2013** | 2,857 | 62,400 | 5,425,339 | 5,490,596 |

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 – continued**

17 **Reserves – continued**

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.

18 **Operating lease commitments**

At 31 March 2013, the Group has lease agreements in respect of properties and equipment for which the payments extend over a number of years.

| | **2013** | **2012** |
|---|---|---|
| | **£** | **£** |
| **Due:** | | |
| Within one year | 41,500 | 41,500 |
| Between two and five years | 31,125 | 72,625 |
| After five years | - | - |
| | 72,625 | 114,125 |

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** | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| | £ | £ | £ | £ | £ | £ |
| Subsidiaries | - | - | - | - | 565,968 | 511,841 |

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 – continued**

20 **Cash used in operations**

| **Group** | **2013** | **2012** |
|---|---|---|
| | **£** | **£** |
| Operating profit | 1,177,984 | 152,648 |
| Depreciation of property, plant and equipment | 94,346 | 87,114 |
| Amortisation of intangible fixed assets | 867,987 | 434,813 |
| Share based payment charge | 46,386 | 78,148 |
| Decrease / (increase) in inventories | 76,129 | (1,584,832) |
| (Increase) / decrease in trade and other receivables | (1,913,085) | 202,125 |
| (Decrease) / increase in trade and other payables | (507,194) | 361,039 |
| Net cash used in from operations | (157,447) | (268,945) |

| **Company** | **2013** | **2012** |
|---|---|---|
| | **£** | **£** |
| Operating loss | (166,941) | (264,256) |
| Share based payment charge | 46,386 | 78,148 |
| Depreciation of property, plant and equipment | 35,843 | 25,346 |
| Increase in trade and other receivables | (19,740) | (3,139) |
| Increase in amounts owed by group undertakings | (2,436,417) | (1,996,387) |
| Decrease in trade and other payables | (66,431) | (10,356) |
| Net cash generated used in operations | (2,607,300) | (2,170,644) |

21 **Basic and diluted earnings per share**

The basic earnings per share has been calculated on the profit on ordinary activities after taxation of £1,503,757 (2012: £174,643) divided by the weighted number of ordinary shares in issue of 115,447,244 (2012: 105,950,771).

The calculation of diluted earnings per share has also been calculated on profit on ordinary activities after taxation of £1,503,757 (2012: £174,643). It 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 3,997,616 (2012: 4,598,170) and the weighted average number of ordinary shares for the purposes of dilutive earnings per share was 118,190,488 (2012: 109,733,497).

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 - 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 2013 (2012: £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:-

| | **2013** | **2012** |
|---|---|---|
| | **£** | **£** |
| Trade receivables | 3,226,686 | 1,335,384 |
| Cash and cash equivalents | 1,535,376 | 646,202 |
| | 4,762,062 | 1,981,586 |

The Company has cash and cash equivalents of £216,157 (2012: £380,668)

**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 £9,087 (2012: £21,995) during the year. The Company's cash and cash equivalents earned interest at a variable rate totalling £9,068 (2012: £21,975).

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 £3,762,408 (2012: £1,211,444) of assets denominated in US Dollars, £160,948 (2012: £310,729) of assets denominated in Euros and £785,326 (2012: £1,065,162) of liabilities denominated in US Dollars and £37,265 (2012: £60,430) of liabilities denominated in Euros.

**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 – 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 1.52 (2012: 1.60) and Euro 1.19 (2012: 1.20).

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| **Sterling strengthens by 10%** | | |
| US Dollar | (270,644) | (13,298) |
| Euro | (11,244) | (22,754) |
| **Sterling weakens by 10%** | | |
| US Dollar | 297,708 | 14,628 |
| Euro | 12,638 | 25,030 |

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 **Financial Commitments**

As at 31 March 2013, the Group had financial purchase order commitments with its contract manufacturer amounting to £1,406,345.

**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 Centurion Hotel, Charlton Lane, Radstock, England BA3 4BD at 11.00 a.m. on July 2nd, 2013 for the purpose of considering and, if thought fit, passing the following ordinary resolutions (in the case of resolutions 1 to 6) and special resolutions (in the case of resolution 7):**

**ORDINARY RESOLUTIONS**

1. To receive the audited accounts of the Company for the financial year ended 31 March 2013 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 Tucker as a director of the Company.

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

6. 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 £38,640 provided that this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) on October 2nd, 2014, or, if earlier, at the conclusion of the Annual General Meeting in 2014, 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 RESOLUTION**

7. THAT subject to the passing of resolution 6, 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 6 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 £11,592.

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 6 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.

**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 5th, 2013

**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 June 30th, 2013 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 June 30th, 2013 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 2nd, 2013 is set out on pages 39-43 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 6 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 2013**
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 2013. 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 & 5– Directors re-appointment**
Simon Tucker and Richard Hurd will retire at this year's Annual General Meeting and offer themselves for re-election.

**Resolution 6 – 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 6 will, if passed, authorise the directors to allot shares up to a maximum nominal amount of £38,640.

It is accordingly proposed that the directors be granted general authority at any time prior to October 2nd, 2014, or, if earlier, at the conclusion of the Annual General Meeting in 2014, to allot shares up to an aggregate nominal amount of £38,640. Passing this resolution will give the directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. The directors have no current plans to make use of this authority.

**Resolution 7 is a special resolution. This resolution will be passed if not less than 75% of the votes cast for and against are in favour.**

**Resolution 7 – 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 7 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 £11,592 (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 6. The Company does not at present hold any shares in treasury.

Software
Radio Technology

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