Software Radio Technology plc

Annual Report and Accounts for the year ended 31st March 2016

Software
Radio Technology

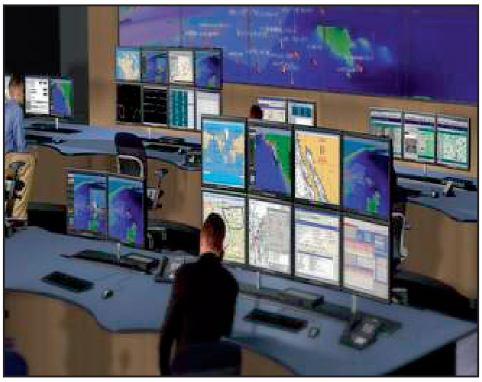
CONTENTS

DIRECTORS AND ADVISORS

Directors	Simon Tucker Neil Peniket Richard Hurd Simon Rogers Andrew Lapping
Secretary	Richard Hurd
Registered Office	Wireless House Westfield Industrial Estate Midsomer Norton Bath BA3 4BS
Bankers	Barclays Bank plc 1 Queen Square, Bath Somerset BA1 2HA
Auditor	Nexia Smith & Williamson Audit Limited Chartered Accountants Portwall Place Portwall Lane Bristol BS1 6NA
Tax Advisors	Smith & Williamson LLP Chartered Accountants Portwall Place Portwall Lane Bristol BS1 6NA
Solicitors	CMS Cameron McKenna Mitre House 160 Aldersgate Street London EC1A 4DD
Nominated Advisor & Broker	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Registrars	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgewater Road Bristol BS99 7NH
Company' registered number	5459678
Website	www.softwarerad.com

ABOUT SOFTWARE RADIO TECHNOLOGY PLC

Software Radio Technology plc (SRT), and its subsidiaries develop and supply technologies, products and systems which address the global maritime domain awareness (MDA) market. Our systems are used across a broad range of applications including, maritime border control and security, fishery monitoring, search and rescue and environment monitoring. SRT's products provide customers with information, visualisation and analysis which enhances their understanding of the maritime domain.



SRT is the global leader in the development of Automatic Identification System (AIS) technologies and derivative products and system. AIS is an international VHF radio based data communications technology standard which was developed and continues to be maintained and evolved by IEC and ITU international technical committees under the auspices of the International Maritime Organisation (IMO). AIS is a sophisticated 'mesh' network radio communications system technology specifically designed for the marine domain. It uses an intelligent combination of GPS and VHF radio to enable real time, simultaneous data communication between multiple, independent entities providing information such as identity, GPS position, course, speed and other customised data.

Following its creation in the 1990's, AIS was first mandated on all vessels over 300GT in 2002 by the IMO under the SOLAS Agreement, thus immediately establishing AIS as a global maritime technology for vessel identification. Today AIS has evolved to become a critical path technology in use around the world across a variety of applications from individual leisure boats, to national maritime security programs.

Having first entered the AIS market in the late 1990's as a contract developer of core technology for third party product manufacturers, in 2006 SRT pioneered the development of a broad range of next generation integrated AIS core technologies and derivative products suitable for large scale use within MDA applications. Through sustained core technology development SRT has taken the size of an AIS transceiver from several shoe boxes to the size of a credit card. This strategic technology and product development made largescale deployment of AIS on vessels under 300GT viable for the first time and in turn has enabled latent interest in AIS functionality to convert into growing global demand for AIS in maritime domain awareness applications.

Today SRT offers a full range of AIS products as well as fully integrated turn-key maritime domain monitoring system solutions which also fuse other maritime sensor technologies such as radar, CCTV and communications. With AIS now a critical technology component of most MDA systems, SRT benefits from a strategic position in the multi-billion dollar global MDA market which its commercial strategy seeks to leverage.

ANNUAL REPORT HIGHLIGHTS

FINANCIAL:

- 25% year on year increase in revenues
- 48% gross margin
- No increase in cash overheads
- Profit before tax of £0.3 million (2015: Loss of £0.4 million)
- £70 million contracted future order book
- Growing validated sales opportunity pipeline of over £200 million

OPERATIONAL:

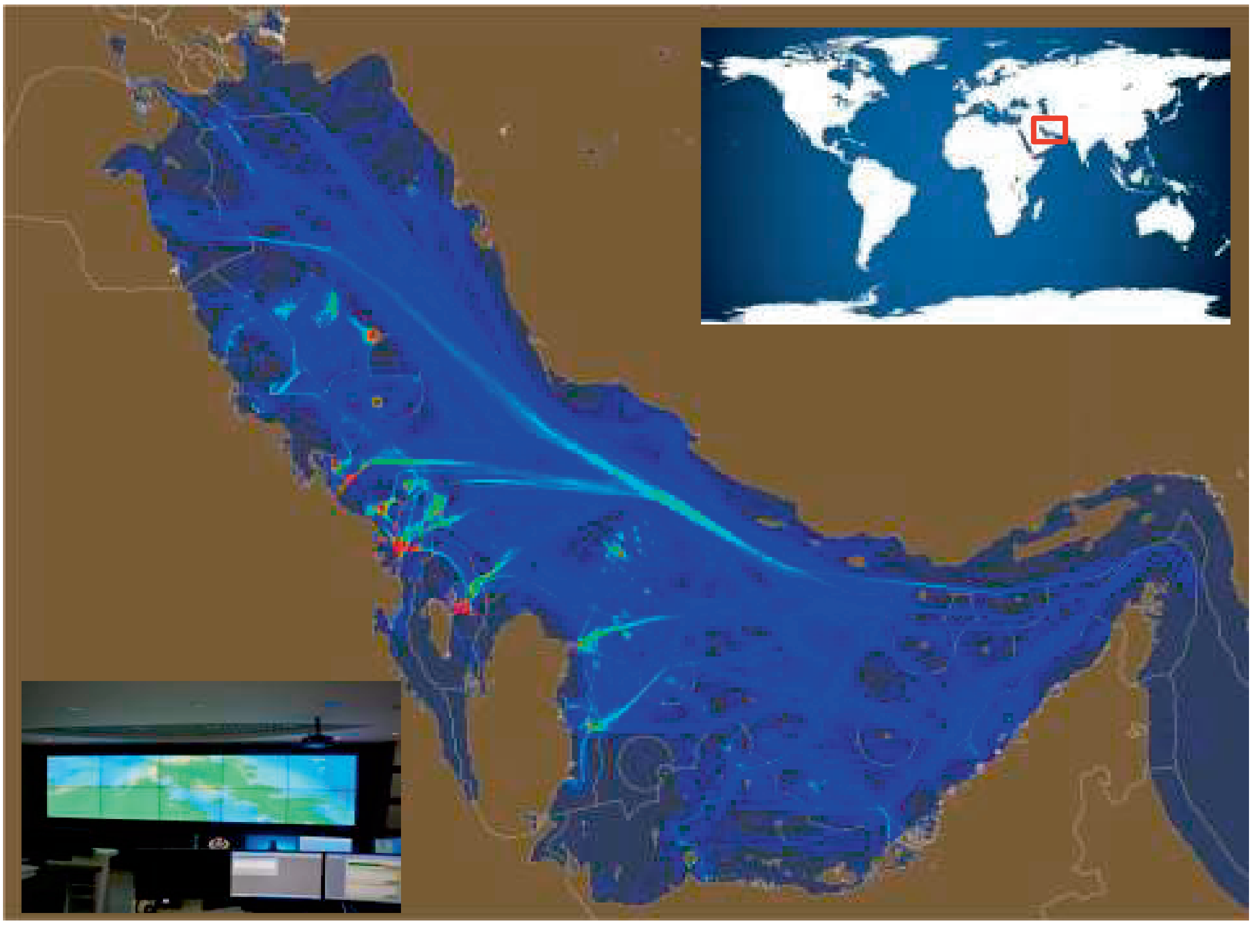
- Completion of national MDM System into the Middle East
- Implementation of satellite AIS optimisation technology
- Increase in customer support resources to accommodate multiple projects
- Significant product functionality enhancements

CHAIRMAN'S STATEMENT

This year has seen SRT transform into a global maritime system integration company, providing a broad range of maritime domain awareness (MDA) solutions to the leisure, commercial and security market segments. We closed the year having achieved our financial targets with 25% year-on-year revenue growth, a substantial contracted forward order book, and an increasing validated sales opportunity pipeline.

Group revenue increased year-on-year by 25% to £10.7 million with a profit before tax of £0.3 million compared to £8.5 million and a loss of £0.4 million respectively in the previous financial year. The gross profit margin was 48% which is broadly in line with our long term target of 50%. Cash overheads remained tightly controlled at the same level compared to the previous year. Gross cash stood at £1.8 million with saleable stock valued at a cost of £4.3 million.

Revenue growth was primarily driven by our projects business which accounted for approximately 50% of sales, where we provide a customised, turn-key MDA solution to countries in the form of our integrated SRT Maritime Domain Management (MDM) product. During the year we closed and completed a US$5.3 million project in the Middle East, and signed a contract worth up to US$100 million for an MDM system for an Asian country which will be supplied in phases over the next three years, of which US$2.9 million was delivered during the financial year under review. We have a significant and growing pipeline of validated project sale opportunities, most of which have made substantial progress towards contract signing during the year. Coupled with our contracted forward order book, I expect this to be a significant growth driver in the new financial year and further into the future.



SRT MDM System Coverage of the Arabian Gulf processing over 1.5 million AIS position reports per day in real time

CHAIRMAN'S STATEMENT - continued

Sales from our OEM, module and direct to dealer sales channels which primarily address the global leisure and commercial markets grew 5% year-on-year despite challenging general market conditions. AIS is now a standard technology in the marine industry, sitting alongside radar in terms of importance and utility, and we therefore expect to see steady annual growth for many years across all market segments.

We continued to see demand from the EU Inland Waterway and Fisheries mandates as enforcement action has now started following the fit deadline in early 2015. The USCG AIS transceiver mandate which was announced on 30 January 2015 with a fit deadline of 3 April 2016 has not yet resulted in the expected surge in demand. We believe that this is due to a combination of factors, including a significant percentage of those vessels affected being out of operation due to the poor economic climate and minimal enforcement thus far. It is now our view that this latent demand will show in sales over the next few years as effective enforcement action is applied. We saw additional renewed mandate activity in other markets such as Russia, Mauritius and Colombia which we believe generated some sales for our distribution network during the year and will continue to do so in the future.

We continued to build our market position in the Ports, Waterway & Infrastructure market segment where we offer a range of monitoring solutions leveraging our core GeoVS and AtoN products. Sales during the year were £0.3 million with a high profit margin, but most importantly end customer understanding of these solutions and projects to implement these complex systems have developed significantly over the period which should reflect in increasing contract conversions in the future, generating a highly profitable business segment for SRT.

I am therefore pleased to report that SRT has made significant progress across all MDA geographic and application market segments. The forward visibility of sales opportunities has notably improved during the year primarily due to the progression of our project MDM opportunities and we look forward to continuing our successful delivery of those under contract and adding more to our order book and our pipeline in the future.

Operational Review

We have maintained a significant level of R&D investment, but with a greater proportion focused on our GeoVS display and data management product group to support our MDM system offer. On the transceiver side we have undertaken various software related enhancements to our existing products to include additional functionality. On our GeoVS product we have made significant functionality additions that are focused around enabling users to better harness and understand the large amounts of data generated by these systems. Going forward we shall continue to develop new hardware products to address the evolving international AIS standards and aggressively expand the functionality and capability of our GeoVS VIEWER and GeoVS HUB products.

With the growth in the number of active and soon to be active projects, we have significantly expanded our Customer Support department. We have successfully completed our first phase of this expansion which, in conjunction with our local in-country partners, gives us the resources to simultaneously support several MDM projects.

Market Review

Marine domain awareness is a significant global market. The market covers a wide range of applications from port security, port efficiency, maritime border security, fishery monitoring, search and rescue, environment monitoring and general waterway management. AIS has evolved to become a critical technology in all of these applications due to its proven and flexible functionality which in turn has placed SRT in a strategic position within the MDA market.

AIS is used within the general leisure and commercial markets to improve general maritime security and as more commercial boats comply with expanding rules and regulations requiring its use, we expect to see more non-mandated vessels to elect to acquire an AIS transceiver. With many millions of leisure and commercial boats in the EU and US, we believe that this offers SRT and its OEM and module customers a significant long term market opportunity which will grow gradually. SRT's full range of AIS product solutions and established sales channels into these market segments places SRT in a good position to benefit from this developing market demand.

CHAIRMAN'S STATEMENT - continued

In recent years, the importance of maritime exclusive economic zones (EEZ) for reasons of security and economics has been recognised by many countries, resulting in new initiatives to implement policies and systems which enhance their protection. The starting point for this is to identify and track marine activity in these zones and through data analysis, identify potential threats and or illegal activities. These are significant national projects which involve the provision of physical infrastructure, intelligent data management and display systems and AIS-based vessel identification transceivers. These national scale projects present a significant opportunity to SRT and one which we have started to crystallise following many years of working with governments and authorities around the world to plan these large national scale projects. Today we have visibility of a significant number of potential projects of which a subset worth over £200 million are sufficiently progressed to qualify for our validated sales opportunity pipeline and thus have the potential to convert within a three year time horizon.

Employees

SRT now has 45 full time employees, operating out of two offices: one in Cardiff and the head office in Somerset. We benefit from a rare capability of being able to develop our own sophisticated products entirely in-house to a standard which we believe is unmatched in our market. Our reputation for high quality, innovative products backed up by robust technical and sales support, is directly attributable to the skills and commitment of the SRT team. I would like to thank all our employees for another year of dedication and hard work towards delivering SRT's objectives.

Outlook and Strategy

SRT's strategy is to maintain our position as the world's leading developer and provider of AIS technologies, products and systems and to provide a range of derivative maritime domain awareness solutions for mariners, infrastructure owners and maritime security agencies such as Coast Guards and Navies with customised turn-key solutions with AIS functionality at their core. The worldwide adoption of AIS as a technology and our proven position in that market, puts SRT in an advantageous position to become one of the world's leading providers of not only black box and module AIS product solutions, but also of sophisticated turn-key maritime security and monitoring system solutions for ports, infrastructure and national maritime borders.

We expect to see the continuing conversion of projects into contracts from our validated sales opportunity pipeline as well as more projects qualifying for inclusion before converting into contracts, thereby generating substantial and sustainable growth in the future. Whilst such growth will not be without challenges, SRT has proven its expertise and capability to successfully design and deliver such systems and has taken steps to ensure that, working in conjunction with its partners, it is well able to handle the implementation of multiple projects simultaneously.

I therefore look forward to a particularly exciting year for SRT and would like to take this opportunity to thank our customers, partners, employees and shareholders for their work and support.

Simon Rogers
Chairman

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The directors present their group strategic report for the year ended 31 March 2016.

Business Review

The principal activity of the Software Radio Technology plc group is the development and supply of Automatic Identification System (AIS) based maritime domain awareness (MDA) technologies, derivative product and system solutions for use in a wide range of maritime applications from safety and security to fishery management and environment protection.

The financial Key Performance Indicators (KPIs) used by the Board to monitor progress are revenue growth, gross margin, profit before tax 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. Non-financial KPIs used include status of development projects against milestone targets, warranty returns and on-time customer delivery. Performance against the financial metrics has been discussed in the Chairman's Statement on pages 5-7.

Principal Risks and Uncertainties

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.

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.

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 and system portfolio as well as evolving our current technology offerings which is further discussed in the Chairman's Statement.

Approved by the Board of Directors and signed on behalf of the Board

S Tucker
Director

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2016

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.

Results for the Year and Dividends

The Group achieved a profit after tax of £433,674 (2015: £46,355). The directors have not recommended the payment of a dividend (2015: £nil).

Future developments and strategy

These are considered in the chairman's statement on page 5-7.

Financial instruments and risk management

Details of the Group's financial instruments and its policies with regard to financial risk management are given in note 23 to the accounts.

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 2016 and at 31 March 2015 were:

	2016 Ordinary 0.1p shares	**2015** Ordinary 0.1p shares
Non Executives		
Chairman	13,508,900	13,508,900
Non Executive Director	1,218,080	1,218,080
Executives		
Chief Executive Officer	1,207,440	1,207,440
Chief Financial Officer	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.

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.

DIRECTORS' REPORT – continued

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 Strategic Report, Directors' Report and the financial statements 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 2016

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 a number of 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 7 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 2016 audit took place on 2 June 2016.

Remuneration Committee

The Remuneration 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 Simon 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.

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2016 - continued

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 28.

c) Performance related bonus

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

d) Pension allowance

Simon 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 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 Nomination 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 financial statements of Software Radio Technology Plc for the year ended 31 March 2016 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Company and Consolidated Statements of Financial Position, the Company and Consolidated Statements of Changes in Equity, the Company and Consolidated Statements of Cash Flows, and the related notes 1 to 25. 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 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements 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 financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements 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 financial statements 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 financial statements 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.

Jonathan Talbot
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Chartered Accountants
Portwall Place
Bristol, BS1 6NA 3rd June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 MARCH 2016

	Notes	2016 £	2015 £
Revenue	2	10,683,639	8,522,134
Cost of sales		(5,515,775)	(4,168,698)
Gross profit		5,167,864	4,353,436
Administrative costs		(4,847,591)	(4,687,282)
Operating profit / (loss)	6	320,273	(333,846)
Finance expenditure	5	(45,549)	(45,587)
Finance income	5	645	319
Profit / (loss) before tax		275,369	(379,114)
Income tax credit	7	158,305	425,469
Profit for the year after tax		433,674	46,355
Total comprehensive income for the year		433,674	46,355
Earnings per share:			
Basic	22	0.34p	0.04p
Diluted	22	0.33p	0.04p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2016

	Notes	2016	2015
		£	£
Assets			
Non-current assets			
Intangible assets	9	6,076,204	6,055,165
Property, plant and equipment	10	139,269	110,543
Total non-current assets		6,215,473	6,165,708
Current assets			
Inventories	12	4,258,556	4,960,959
Trade and other receivables	13	4,726,522	1,604,422
Cash and cash equivalents		1,862,048	2,151,232
Total current assets		10,847,126	8,716,613
Liabilities			
Current liabilities			
Trade and other payables	14	(2,849,583)	(1,425,846)
Financial liabilities	15	-	(1,000,000)
Total current liabilities		(2,849,583)	(2,425,846)
Net current assets		7,997,543	6,290,767
Total assets less current liabilities		14,213,016	12,456,475
Long term liabilities			
Financial liabilities	15	(1,000,000)	-
Deferred tax	7	(293,163)	-
Total long term liabilities		(1,293,163)	-
Net assets		12,919,853	12,456,475
Shareholders' equity			
Share capital	16	127,513	127,453
Share premium account		4,855,729	4,844,989
Retained earnings		2,446,015	1,993,437
Other reserves	18	5,490,596	5,490,596
Total shareholders' equity		12,919,853	12,456,475

The accounts were approved by the Board of Directors on 3 June 2016 and were signed on its behalf by:

S Tucker
Director

COMPANY STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2016

	Notes	2016	2015
Assets		**£**	**£**
Non-current assets			
Investments in subsidiaries	11	932,503	932,503
Intangible assets	9	54,160	54,160
Property, plant and equipment	10	20,836	20,554
Total non-current assets		1,007,499	1,007,217
Current assets			
Trade and other receivables	13	10,546,597	11,474,480
Cash and cash equivalents		613,287	31,506
Total current assets		11,159,884	11,505,986
Liabilities			
Current liabilities			
Trade and other payables	14	(234,435)	(180,553)
Financial liabilities	15	-	(1,000,000)
Total current liabilities		(234,435)	(1,180,553)
Net current assets		10,925,449	10,325,433
Total assets less current liabilities		11,932,948	11,332,650
Long term liabilities			
Financial liabilities	15	(1,000,000)	-
Net assets		10,932,948	11,332,650
Shareholders' equity			
Share capital	16	127,513	127,453
Share premium account		4,855,729	4,844,989
Retained earnings		5,887,306	6,297,808
Other reserves	18	62,400	62,400
Total shareholders' equity		10,932,948	11,332,650

The accounts were approved by the Board of Directors on 3 June 2016 and were signed on its behalf by:

S Tucker
Director
Company's registered number: 5459678

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2016

	Notes	2016	2015
		£	£
Cash generated from operating activities	21	853,394	1,033,847
Corporation tax received		451,468	425,469
Net cash generated from operating activities		1,304,862	1,459,316
Investing activities			
Expenditure on product development		(1,453,370)	(1,932,321)
Purchase of patent		-	(54,160)
Purchase of property, plant and equipment		(106,572)	(19,775)
Interest received		645	319
Net cash used in investing activities		(1,559,297)	(2,005,937)
Financing activities			
Net proceeds on issue of shares		10,800	1,452,901
Interest paid		(45,549)	(45,587)
Net cash (used in) / generated from financing activities		(34,749)	1,407,314
Net (decrease) / increase in cash and cash equivalents		(289,184)	860,693
Net cash and cash equivalents at beginning of year		2,151,232	1,290,539
Net cash and cash equivalents at end of year		1,862,048	2,151,232

COMPANY STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2016

	Notes	2016	2015
		£	£
Cash generated from / (used in) operating activities	21	634,231	(1,580,907)
Investing activities			
Purchase of property, plant and equipment		(18,346)	(5,932)
Purchase of patent		-	(54,160)
Interest received		645	319
Net cash used in investing activities		(17,701)	(59,773)
Financing activities			
Net proceeds on issue of shares		10,800	1,452,901
Interest paid		(45,549)	(45,587)
Net cash (used in) / generated from financing activities		(34,749)	1,407,314
Net increase / (decrease) in cash and cash equivalents		581,781	(233,366)
Net cash and cash equivalents at beginning of year		31,506	264,872
Net cash and cash equivalents at end of year		613,287	31,506

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 MARCH 2016

	Share capital	Share premium	Retained earnings	Other reserves	Total
	£	£	£	£	£
At 1 April 2014	119,003	3,400,538	1,919,143	5,490,596	10,929,280
Total comprehensive income for the year	-	-	46,355	-	46,355
Issue of equity share capital	8,450	1,512,550	-	-	1,521,000
Costs of issue of equity share capital	-	(68,099)	-	-	(68,099)
Share based payment charge	-	-	27,939	-	27,939
At 31 March 2015	127,453	4,844,989	1,993,437	5,490,596	12,456,475
Total comprehensive income for the year	-	-	433,674	-	433,674
Issue of equity share capital	60	10,740	-	-	10,800
Share based payment charge	-	-	18,904	-	18,904
At 31 March 2016	127,513	4,855,729	2,446,015	5,490,596	12,919,853

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 MARCH 2016

	Share capital £	Share premium £	Retained earnings £	Other reserves £	Total £
At 1 April 2014	119,003	3,400,538	6,495,345	62,400	10,077,286
Total comprehensive expense for the year	-	-	(225,476)	-	(225,476)
Issue of equity share capital	8,450	1,512,550	-	-	1,521,000
Costs of issue of equity share capital	-	(68,099)	-	-	(68,099)
Share based payment charge	-	-	27,939	-	27,939
At 31 March 2015	127,453	4,844,989	6,297,808	62,400	11,332,650
Total comprehensive expense for the year	-	-	(429,406)	-	(429,406)
Issue of equity share capital	60	10,740	-	-	10,800
Share based payment charge	-	-	18,904	-	18,904
At 31 March 2016	127,513	4,855,729	5,887,306	62,400	10,932,948

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016

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 Strategic 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.

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.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date.

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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 - continued

1. Accounting Policies – continued

Judgements

- Capitalisation of development costs, whereby the recognition of such costs is dependent on a number of criteria as set out below.

- Revenues generated from the sale of maritime system solutions are broken down into their constituent elements. Revenue on licenses is recognised on despatch when there is no significant further obligation on the Group. Revenue from the sale of goods is recognised as set out in the accounting policy below.

Key sources of estimation uncertainty

- 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. A full line by line review of trade receivables is carried out at each month end. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

- Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units (CGU) to which goodwill has been allocated (note 9). The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and apply a suitable discount rate in order to calculate the present value.

Research and development

Research expenditure is written off to profit or loss 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 profit or loss.

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:-

- The technological feasibility of completing the asset so that it may be used or sold
- The intention and ability to use or sell the asset
- How the asset will generate future probable economic benefits, for example by demonstrating that there is a market for the asset's output
- Availability of adequate technical, financial and other resources to complete the development and to use the asset
- 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 3 and 60 months of amortisation remaining.

The patent is not amortised on the grounds of immateriality.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 - continued

1. Accounting Policies – continued

Revenue recognition

Revenue comprises the value of sales of SRT technology based products and system solutions. 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.

Revenue from the sale of goods and associated license software installed on the 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:-

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

Revenues from the sale of system solutions are broken down into the relevant constituent elements including training and support services and recognised according to the value of the relevant goods and services provided to the end customer.

Property, plant and equipment

Property, plant and equipment are 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 equipment.

Taxation

Where an income tax credit arises, this 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 statement of financial position date.

Deferred tax is provided for on a full provision basis on all temporary differences, which have arisen but not reversed at the statement of financial position 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 to profit or loss, 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 profit or loss 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 profit or loss on a straight-line basis over the lease term.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 – continued

1. Accounting Policies – continued

Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the statement of financial position 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 profit or loss.

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 profit or loss 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 17.

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

In making this judgement consideration must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model, which is dependant on further estimates, including the Group's future dividend policy, employee turnover, the timing with which options will be exercised and the future volatility in the price of the Group's shares. Such assumptions are based on publicly available information and reflect market expectations.

Financial instruments

Financial assets and financial liabilities are recognised in 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 profit or loss. Cash and cash equivalents comprise cash held by the Group. Trade and other payables and financial liabilities (note 15) 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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 – continued

1. Accounting Policies – continued

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 2016 and which are not expected to materially impact the financial statements of the Group over the next 12 months which include:

		Effective date (periods beginning on or after)	EU Adopted?
IFRS 9	Financial Instruments: Classification & Measurement	1 January 2018	No
IFRS 15	Revenue from Contracts with Customers	1 January 2018	No
IFRS 16	Leases	1 January 2019	No

The directors are considering the financial impact of the introduction of IFRS 15 and IFRS 9.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 – continued

2 Revenue and segment information

Business and Geographical Segments

The directors have given due consideration to the requirements of IFRS 8 and have analysed operating segments by considering the business from both a product and geographical perspective.

During the year, the internal organisation was restructured into a single business segment, the Marine technology business, which therefore reflects the results presented in the primary statements. The comparative segmental information therefore reflects the primary statements.

From a geographical perspective, the Group earns revenue from a number of countries as set out below:

Revenue by geographical destination:	**2016**	**2015**
		£
Europe	5,228,347	2,309,247
Middle East	3,760,967	3,689,208
North America	595,847	581,279
UK	222,556	220,194
Other	875,921	1,722,206
	10,683,638	8,522,134

Included within revenues are 3 customers (2015: 2) with amounts exceeding 10% of the Group’s total revenue. In both years, all of these customers were within the Marine business segment. Sales to the Group’s largest customer from Bahrain amounted to £3,524,331 (2015: £3,684,151), the second largest customer from Switzerland £2,001,575 (2015: £1,038,336) and the third largest customer from Belgium £1,558,079 (2015: £nil).

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 - continued

3 Directors' emoluments

The remuneration of the individual Directors was as follows:

Year ended 31 March 2016 All £	Salary £	Bonus £	Pension Contribu-tions £	Total 2016 £
Executive Directors				
S Tucker	160,000	24,000	-	184,000
N Peniket	100,000	15,000	5,022	120,022
R Hurd	65,000	9,750	3,121	77,871
Non Executive Directors				
S Rogers	12,000	-	-	12,000
A Lapping	12,000	-	-	12,000
Total	349,000	48,750	8,143	405,893

Year ended 31 March 2015 All £	Salary £	Bonus £	Pension Contribu-tions £	Total 2015 £
Executive Directors				
S Tucker	160,000	6,000	-	166,000
N Peniket	100,000	3,750	5,187	108,937
R Hurd	65,000	6,500	3,514	75,014
Non Executive Directors				
S Rogers	12,000	-	-	12,000
A Lapping	12,000	-	-	12,000
Total	349,000	16,250	8,701	373,951

Share options at 31 March 2016 and 2015

	Total options	Exercise price	Expiry date
Executive Directors			
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

The criteria for all of the executive share options have been met and therefore all are exercisable immediately.

An insurance premium of £3,430 (2015: £3,321) was paid in respect of directors' and officers' liability.

Retirement benefits are accruing to two directors (2015: two) under the money purchase pension scheme.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 - continued

4 Employee Information

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

	2016 No.	2015 No.
Technical	28	30
Administration and sales	19	19
	47	49

Staff costs for the above persons were:

	2016 £	2015 £
Wages and salaries	1,446,216	1,330,004
Social security costs	162,562	148,064
Pension costs - defined contributions	47,822	43,182
	1,656,600	1,521,250

Total wages and salaries, as stated above, exclude costs capitalised and included within deferred development expenditure amounting to £854,577 (2015: £981,930).

Wages and salaries also include £18,904 (2015: £27,939) in respect of share-based payment charges.

5 Finance income and expenditure

	2016 £	2015 £
Bank interest payable	45,549	45,587
Bank interest receivable	645	319

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 – continued

6 Operating profit / (loss)

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

	2016	**2015**
	£	**£**
Inventories recognised as an expense	5,398,403	4,038,649
Amortisation of intangible assets	1,432,331	1,616,618
Depreciation	77,846	94,629
Auditors' remuneration		
Fees payable to the company's auditor for the audit of the parent company's accounts	12,000	11,950
Fees payable to the company's auditor for other services:		
- audit of the company's subsidiaries	22,000	20,500
- audit-related assurance services	2,250	2,150
- tax compliance services	15,065	23,145
- tax advisory services	2,440	4,115
Exchange gain	(116,017)	(176,358)
Other operating income	-	(59,301)
Operating lease rentals - land & buildings	113,544	114,850
Research and development costs not capitalised	80,594	122,039

7 Taxation

Income tax credit	**2016**	**2015**
UK corporation tax at 20% (2015: 21%):	**£**	**£**
Tax credit	451,468	425,469
Deferred tax	(293,163)	-
Total tax credit for the year	158,305	425,469

Factors affecting tax charge for the year

	2016	2015
Profit / (Loss) on ordinary activities before tax	275,368	(379,114)
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK 20% (2015: 21%)	(55,074)	79,614
Effects of:		
Expenses not deductible for tax purposes	(5,221)	(7,063)
Deferred tax not recognised	(232,865)	(72,551)
Research and development tax credits	451,465	425,469
Tax credit for the year	158,305	425,469

The group has estimated losses of £3,648,992 (2015: £5,209,103) available for carry forward against future trading profits. A provision has been made for a deferred tax liability of £293,163 (2015: nil). This has resulted from assets arising from carry forward trading losses and unexercised share options offset by timing differences on development expenditure and accelerated capital allowances. No provision has been made in the accounts of the company for a potential deferred tax asset of £159,240 (2015: £130,265).

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 - 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 2016, dealt with in the accounts of the Company, was £429,406 (2015: loss £225,476). The company made no gains or losses which would be reported in other comprehensive income in the years ended 31 March 2016 and 2015 and therefore the Company has not published its individual Statement of Comprehensive Income.

9 Intangible assets

	Patent	Development costs	Goodwill	Total
		£	£	£
Cost				
At 1 April 2014	-	9,719,103	633,645	10,352,748
Additions	54,160	1,932,322	-	1,986,482
At 31 March 2015	54,160	11,651,425	633,645	12,339,230
Additions	-	1,453,370	-	1,453,370
At 31 March 2016	54,160	13,104,795	633,645	13,792,600
Amortisation				
At 1 April 2014	-	4,667,447	-	4,667,447
Charge for the year	-	1,616,618	-	1,616,618
At 31 March 2015	-	6,284,065	-	6,284,065
Charge for the year	-	1,432,331	-	1,432,331
At 31 March 2016	-	7,716,396	-	7,716,396
Net book value				
At 31 March 2016	54,160	5,388,399	633,645	6,076,204
At 31 March 2015	54,160	5,367,360	633,645	6,055,165
At 1 April 2014	-	5,051,656	633,645	5,685,301

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination identified according to operating segments. The carrying amount of goodwill has been allocated to the Marine CGU.

The recoverable amount of the goodwill has been determined based on a value in use calculation. That calculation uses cash flow projections covering a three-year period, and a discount rate of 10%. Management estimated the discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the market in which the Marine CGU operates.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 - continued

The main assumption in the cash flow projections is the budgeted sales which have been determined using in-house estimates.

The results during the year include a significant amount of revenue and profits which are attributable to the business acquired and the associated goodwill. Management therefore do not consider there to be any recognised impairment.

None of the goodwill is expected to be tax deductible.

During the previous year, the group paid £54,160 to acquire the joint and several rights to a US registered patent, originally granted in 2009. This covers the use of the Carrier Sense Time Division Multiple Access, one of the fundamental features of the overall AIS technology protocol.

Development costs in respect of assets not in use have been reviewed for indicators of impairment.

10 **Property, plant and equipment**

	Company Plant & Equipment £	**Group Plant & Equipment £**
Cost		
At 1 April 2014	171,687	619,829
Additions	5,932	19,775
At 31 March 2015	177,619	639,604
Additions	18,346	106,572
At 31 March 2016	195,965	746,176
Depreciation		
At 1 April 2014	130,753	434,432
Charge for the year	26,312	94,629
At 31 March 2015	157,065	529,061
Charge for the year	18,064	77,846
At 31 March 2016	175,129	606,907
Net book value		
At 31 March 2016	20,836	139,269
At 31 March 2015	20,554	110,543
At 1 April 2014	40,934	185,397

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016

11 Investment in subsidiaries – Company

Cost - Shares in group undertakings	£
At 31 March 2015 and 31 March 2016	932,503

Holdings of more than 20%

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

Subsidiary	Country of Incorporation	Shares held Class	%
SRT Marine Technology Limited	UK	Ordinary	100
Em-trak Marine Electronics Limited	UK	Ordinary	100
SRT Software Development (India) Private Limited*	India	Ordinary	100
SRT Marine Technology System Solutions Limited	UK	Ordinary	100
SRT Marine System Solutions Limited	UK	Ordinary	100

** not consolidated as non-trading*

The principal activities of these undertakings for the last relevant financial year were as follows:

Subsidiary	Principal activity
SRT Marine Technology Limited	Sale, development and licensing of maritime communication products
Em-trak Marine Electronics Limited	Distribution of marine tracking equipment
SRT Marine Technology System Solutions Limited	Non-trading
SRT Marine System Solutions Limited	Development & supply of real time maritime domain data and traffic movements into interactive 3D display presentation
SRT Software Development (India) Private Limited	Non-trading

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 – continued

12 Inventories

Group	2016	2015
	£	£
Raw materials and consumables	1,031,089	775,709
Finished goods	3,227,467	4,185,250
	4,258,556	4,960,959

13 Trade and other receivables

Group	2016	2015
	£	£
Trade receivables	3,516,152	1,336,111
Other receivables	162,678	165,480
Prepayments and accrued income	1,047,692	102,831
	4,726,522	1,604,422

As at 31 March 2016 and 31 March 2015 the following movements in the provision account for credit losses were recognised during the year:-

Group	2016	2015
	£	£
Balance at 1 April	288,625	13,084
Amounts charged during the year	38,882	275,541
Amounts written off during the year	(152,387)	-
Amounts released during the year	(36,904)	-
	138,216	288,625

As at 31 March 2016 trade receivables of £157,299 (2015: £196,920) were past due but not impaired. The ageing analysis of these trade receivables is as follows:-

Group	2016	2015
	£	£
Up to 3 months past due	79,596	78,168
3 to 6 months past due	-	107,503
Over 6 months past due	77,703	11,249
	157,299	196,920

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 – continued

Company	**2016**	**2015**
	£	**£**
Amounts owed by group undertakings	10,448,496	11,388,982
Prepayments and accrued income	78,507	73,734
Other receivables	19,594	11,764
	10,546,597	11,474,480

The inter-company balances are unsecured, interest free and have no fixed dates for repayment. Prepayments and accrued income and other receivables do not contain impaired assets.

14 Trade and other payables

Group	**2016**	**2015**
	£	**£**
Trade payables	1,597,936	1,007,049
Other tax and social security payable	68,920	69,840
Other payables	20,161	17,511
Accruals and deferred income	1,162,566	331,446
	2,849,583	1,425,846

Company	**2016**	**2015**
	£	**£**
Trade payables	107,754	119,687
Other tax and social security payable	12,176	12,193
Other payables	1,123	929
Accruals and deferred income	113,382	47,744
	234,435	180,553

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

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 – continued

15 Financial liabilities

Bank borrowings	2016	2015
	£	£
Bank loan	1,000,000	1,000,000

Bank borrowings are secured by a floating charge over the Group's assets, which is cross guaranteed by all entities within the Group. The borrowings were renewed during the year and converted from a short term liability to a long term liability with maturity date extending from 6-12 months to 24-36 months. Interest is charged at a variable rate of 4% above the base rate. There are no material differences between the fair value of the borrowings and the actual book value.

16 Called up share capital

Allotted: Ordinary shares of 0.1p each	2016	2015
	No.	No.
Number of shares allotted	127,512,419	127,452,419
	£	£
Value of shares allotted	127,513	127,453

Reconciliation of movements in share capital:

	No.
Shares outstanding at 31 March 2014	119,002,419
Placing of shares July 2014	8,450,000
Shares outstanding at 31 March 2015	127,452,419
Exercise of share options	60,000
Shares outstanding at 31 March 2016	127,512,419

Notes:

(a) The placing in July 2014 took place at 18p per share raising gross proceeds of £1,521,000 before costs of £68,099.

(b) The employee exercise of options occurred during September 2015 at an exercise price of 18p.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 – continued

17 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:-

	No. of options	Weighted average exercise price
Balance at 1 April 2014	5,167,000	11.4p
Granted during the year	390,000	25.2p
Lapsed during the year	(99,000)	27.5p
Balance at 31 March 2015	5,458,000	12.5p
Granted during the year	330,000	26.0p
Exercised during the year	(60,000)	18.0p
Lapsed during the year	(180,000)	27.5p
Balance at 31 March 2016	5,548,000	12.4p
Balance exercisable at 31 March 2016	4,542,000	9.6p
Balance exercisable at 31 March 2015	4,167,000	8.3p

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

	2016	2015	2015
Share price at grant	26p	29p	24p
Exercise price	26p	29p	24p
Volatility	51%	49%	49%
Expected life (years)	3	3	3
Risk free rate	1.90%	1.69%	1.76%
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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 – continued

17 **Share based payment - continued**

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	Feb 2020
Vested and exercisable immediately	1,414,000	2.5p	July 2019
Vested and exercisable immediately	30,000	32p	Oct 2021
Vested and exercisable immediately	500,000	20p	Dec 2022
Vested and exercisable immediately	140,000	18p	Dec 2022
Vested and exercisable immediately	40,000	23p	Jan 2023
Vested and exercisable immediately	60,000	23p	Aug 2023
Vested and exercisable immediately	90,000	29p	Feb 2025
Vested and exercisable immediately	68,000	25p	Dec 2023
Share price criteria not met	30,000	37p	May 2021
Share price criteria not met	60,000	32p	Oct 2021
Share price criteria not met	30,000	23p	May 2021
Vested but not exercisable before:			
June 2016	70,000	18p	Dec 2022
July 2016	20,000	23p	Jan 2023
June 2016	68,000	25p	Dec 2023
December 2016	100,000	24p	Dec 2024
Not exercisable before:			
Februay 2017	30,000	23p	Aug 2023
June 2017	68,000	25p	Dec 2023
December 2017	100,000	24p	Dec 2024
December 2018	100,000	24p	Dec 2024
November 2016	110,000	26p	Dec 2025
November 2017	110,000	26p	Dec 2025
November 2018	110,000	26p	Dec 2025
Total outstanding options	5,548,000		

18 **Reserves**

Reserves for the Group and Company are set out in the Statement of Changes in Equity on pages 20 and 21 respectively. Other reserves consist of a capital redemption reserve, warrant reserve and a merger reserve as set out below:

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 – continued

18 Reserves

	Capital redemption reserve	Warrant reserve	Merger reserve	Total
	£	£	£	£
At 31 March 2014, 2015, 2016	2,857	62,400	5,425,339	5,490,596

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

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

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

19 Operating lease commitments

At 31 March 2016, the Group has lease agreements in respect of properties and equipment for which the payments extend over a number of years.

Group	2016	2015
	£	£
Due:		
Within one year	91,053	107,990
Between two and five years	212,875	221,444
After five years	430,957	479,084
	734,885	808,518

20 Related party transactions

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's key management are the directors of Software Radio Technology plc. The compensation of the directors of Software Radio Technology plc is disclosed in note 3.

During the year, there were expenses charged from the Company to its subsidiaries which are related parties for services provided. These transactions amounted to £703,256 (2015: £647,786).

During the year goods and services amounting to £1,082,439 (2015: £941,106) were transferred between subsidiaries.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 – continued

21 Cash generated from operations

Group	**2016**	**2015**
	£	**£**
Operating profit / (loss)	320,273	(333,846)
Depreciation of property, plant and equipment	77,846	94,629
Amortisation of intangible fixed assets	1,432,331	1,616,618
Share based payment charge	18,904	27,939
Decrease / (Increase) in inventories	702,403	(790,233)
(Increase) / Decrease in trade and other receivables	(3,122,100)	1,016,402
Increase / (decrease) in trade and other payables	1,423,737	(597,662)
	853,394	1,033,847

Company	**2016**	**2015**
	£	**£**
Operating loss	(384,502)	(180,207)
Depreciation of property, plant and equipment	18,064	26,312
Share based payment charge	18,904	27,939
Increase in trade and other receivables	(12,603)	(16,219)
Decrease / (Increase) in amounts owed by group undertakings	940,486	(1,478,357)
Increase in trade and other payables	53,882	39,625
	634,231	(1,580,907)

22 Basic and diluted earnings per share

The basic earnings per share has been calculated on the profit on ordinary activities after taxation of £433,674 (2015: £46,355) divided by the weighted number of ordinary shares in issue of 127,485,789 (2015: 125,253,104).

During the year the calculation of diluted earnings per share has also been calculated on profit on ordinary activities after taxation of £433,674 (2015: £46,355). 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 2,938,446 (2015: 3,005,927) and the weighted average number of ordinary shares for the purposes of dilutive earnings per share was 130,424,235 (2015: 128,259,031).

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 – continued

23 Financial instruments

The Group and Company's financial instruments comprise cash and cash equivalents, borrowings 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 2016 (2015: £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:-

	2016	**2015**
	£	**£**
Trade receivables	3,516,512	1,336,111
Cash and cash equivalents	1,862,048	2,151,232
	5,378,560	3,487,343

The Company has cash and cash equivalents of £613,287 (2015: £31,506).

Interest rate risk

The Group and Company have interest bearing assets and liabilities which comprise of cash and cash equivalents and a medium term loan (see note 15) which earn or incur interest at a variable rate.

The Group and Company have not entered into any derivative transactions during the period under review.

The Group and Company's cash and cash equivalents earned interest at a variable rate totalling £645 (2015: £319) during the year. Interest payable on the medium term loan at a variable rate amounted to £45,549 (2014: £45,587) for the Group and Company.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 – continued

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 profit or loss.

At the year end this exposure comprised £2,440,004 (2015: £1,576,458) of assets denominated in US Dollars, £2,188,814 (2015: £224,692) of assets denominated in Euros and £1,061,167 (2015: £459,213) of liabilities denominated in US Dollars and £22,286 (2015: £3,462) of liabilities denominated in Euros.

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 1.44 (2015: 1.48) and Euro 1.27 (2015: 1.38).

	2016	2015
Sterling strengthens by 10%	£	£
US Dollar	(125,349)	(101,568)
Euro	(196,957)	(20,112)
Sterling weakens by 10%		
US Dollar	137,884	111,724
Euro	216,653	22,123

24 **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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2016 – continued

25 Financial commitments

As at 31 March 2016, the Group had financial purchase order commitments with its contract manufacturer and other significant component suppliers amounting to £127,593 (2015: £156,341).

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 Software Radio Technology plc (the "Company") will be held at the Centurion Hotel, Charlton Lane, Radstock, England BA3 4BD at 11.00 a.m. on July 5th, 2016 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 resolutions 7 & 8):

ORDINARY RESOLUTIONS

1. To receive the audited annual accounts and reports of the Company for the financial year ended 31 March 2016.

2. To re-appoint Nexia Smith & Williamson Audit Limited as the auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company.

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

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

5. To re-appoint Neil Peniket 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 £42,514 provided that this authority shall expire (unless previously varied as to duration, revoked or renewed by the Company in general meeting) on October 5th, 2017, or, if earlier, at the conclusion of the Annual General Meeting in 2017, except that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or such 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 £12,754.

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.

8. THAT the name of the Company be changed to SRT Marine Systems plc for the reasons set out in the explanatory notes.

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 3rd 2016

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

Notice of Annual General Meeting (continued)

Notes:

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

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

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

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

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

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

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

Notice of Annual General Meeting (continued)

5. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those shareholders included in the register of members of the Company at 6.00 p.m. on July 3rd, 2016 being the time not less than 48 hours before the time fixed for the meeting or, if the meeting is adjourned, in the register of members at 6.00 p.m. on the day which is two days before the day of any adjourned meeting, will be entitled to attend and to vote at the Annual General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 6.00 p.m. on July 3rd, 2016 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 5th, 2016 is set out on pages 43-46 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 2016
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 2016. 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
Richard Hurd and Neil Peniket 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 £42,514.

It is accordingly proposed that the directors be granted general authority at any time prior to October 5rd 2017, or, if earlier, at the conclusion of the Annual General Meeting in 2017, to allot shares up to an aggregate nominal amount of £42,514, which represents an amount which is approximately equal to one-third of the issued ordinary share capital of the Company as at the date of the notice of Annual General Meeting. 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.

Explanatory Notes for Shareholders (continued)

Resolutions 7 & 8 are special resolutions. These resolutions 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 £12,754 (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.

Resolution 8 – Change of name

It is proposed to change the Company name from Software Radio Technology plc to SRT Marine Systems plc. The rationale for this change of name is to reflect: firstly, that the business is currently often referred to using "SRT ", so this name should be familiar to relevant individuals, businesses and stakeholders; and secondly the change in the nature of the business whereby the business has evolved to become a complete maritime solutions provider in the defence sector as opposed to solely a technology focused business.

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