



Software
Radio Technology



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

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

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

Software Radio Technology plc

Annual Report and Accounts for the year ended

31 March 2015



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DIRECTORS AND ADVISORS

Directors	Simon Tucker Neil Peniket Richard Hurd Simon Rogers Andrew Lapping
Secretary	Richard Hurd
Registered Office	Wireless House Westfield Industrial Estate Midsomer Norton Bath BA3 4BS
Bankers	Barclays Bank plc 4th Floor, Bridgwater House, Counterslip, Finzels Reach Bristol BS1 6BX
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 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.

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 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, position, course and speed.

AIS was originally created in the 1990’s as an anti-collision system for ocean going vessels and, in 2002 was mandated globally by the IMO on all ships over 300GT, thus immediately establishing AIS as a globally adopted and licensed technology. In 2006 the size and cost of AIS transceivers was significantly reduced, and coupled with the introduction of new product types covering all vessel types and applications by the AIS IEC standard committees, today AIS is being used across a broad range of maritime applications by authorities to enhance their maritime domain awareness; from the tracking of fishing fleets as part of national licensing and fishery management programs, to national and infrastructure security programs and marine environment monitoring and management initiatives.



Advanced core technologies



Modular product range

SRT’s role in the development of this market has been to act as a facilitator through the continuous development of enabling technology and innovative product solutions. SRT first developed AIS technology in the 1990’s and in 2006 launched the world’s first low cost AIS transceiver which made AIS functionality commercially and operationally viable for even the smallest boat. Today the company uses its latest generation core technology to create a range of standard product platforms which are customised to meet specific customer and market requirements. The products range from modules which a customer can integrate into their own product and fully certified white label (OEM) transceivers to complete turnkey regional and national scale maritime domain management (MDM) and vessel tracking system solutions.

SRT’s target market is the global maritime domain, with demand primarily driven by regulation and commercial security. This comprises of approximately 26 million boats, and tens of thousands of ports and other maritime infrastructure spread across 850,000 km of coastlines, and 363 million square km of waterways and oceans. This significant market is highly fragmented with different demand drivers and stake holders varying from commercial, leisure, national security, fishery management, waterway safety and efficiency, search and rescue and environment monitoring. An established worldwide network of distributors each with their own brands, sales channels and market segment focus, coupled with a complete range of innovative product solutions enable SRT to simultaneously address all segments in this developing global market opportunity.



Sophisticated Turnkey Vessel Tracking Systems

ANNUAL REPORT HIGHLIGHTS

FINANCIAL:

- 39% increase in revenues to £8.5 million
 - Loss before tax of £0.4 million
 - Gross profit margin of 51% - in line with long term stated objective
 - Gross cash balances of £2.1 million
-

OPERATIONAL:

- Mutually exclusive partnership with exactEarth and development and integration of ABSEA satellite detection enhancing technology
 - Launch of first GeoVS display and data management products and delivery to two major infrastructure projects
 - Expansion of em-trak dealer base
 - Development of new AIS Class A and Class B product platform with integrated full function colour chart display and WiFi
 - Completion of multiple in-country proof of concepts for SRT's new MDM system
-

CHAIRMAN'S STATEMENT

I am pleased to report that SRT made substantial operational progress during the course of the year with excellent advances in the development of our product offers as well as the realisation of one of our many validated project opportunities which made a significant contribution to the year-on-year revenue growth.

Group revenue increased year-on-year by 39% to £8.5 million with a loss before tax of £0.4 million compared to £6.1 million and £1.5 million respectively in the previous financial year. The gross profit margin was 51% which is in line with our long term target of 50%. Overheads remained tightly controlled, with an expected 12% year-on-year increase to £4.9 million on a cash accounting basis, due to the full year impact of the GeoVS acquisition and the associated increase in product development. Gross cash stood at £2.1 million with stock valued at cost of £5.0 million available to support expected sales opportunities.

Despite having achieved our market sales channel targets, aggregate revenue from our core and mandate driven business was disappointing at £4.3 million for the year. Our core business suffered from the continuing depressed state of the leisure and commercial marine markets where boat owners see maintenance and other costs as a priority at this stage of the economic cycle. Existing fishery and inland-waterway mandates in the EU generated minimal sales during the year, but this is expected to improve during the current year due to some extensions and more rigorous enforcement. The USCG mandate announced on 30 January 2015 gives affected vessel operators until April 2016 to comply and thus, although we have received some initial orders relating to this market opportunity, the majority of business is expected to come in the current financial year due to the legal fit window and thus expected market buying pattern. As always we are aware of other pending mandate opportunities which are included in our validated opportunity pipeline, but until published we believe it is not prudent to forecast exact demand timing.

Following a long period of Aids to Navigation (AtoN) product and sales channel development, this year our focus has been the training of our partners and the build-up of sustained multi-level marketing. This has entailed assisting our customers with developing and implementing their marketing plans and our own marketing targeted at educating the end market (port and waterway authorities) of the diverse functionality and associated benefits delivered by AIS AtoN. This has been a significant investment for SRT, but one which is now starting to yield success with a 200% increase in revenues from £0.1 million last year to £0.4 million and a rapidly growing validated sales opportunity pipeline. Due to the nature of this market where the end user can vary from an operator of a wind farm, a port, a waterway authority or a private marina, the quantity of opportunities is large and diverse with individual sales values ranging between £1,000 and £200,000 and average gross profit margins in excess of 80%. This is a significant market segment in which SRT is now embedded with the best product offer and sales channels and thus we look forward to growing this revenue line.

The acquisition of GeoVS in October 2013 and our subsequent investment to develop a series of professional maritime data-management and viewing products with innovative functionality have enabled SRT to provide customers with the capability to display, manipulate and manage the AIS data transmitted by our transceivers. In turn, this is enhancing existing opportunities and opening new market segments. During the year we completed the delivery of two high profile standalone display systems; one for a major oil company to assist with monitoring critical infrastructure in the Black Sea, and the second for a large commercial port in Malaysia. Whilst not very material to revenue during this year, these projects have provided important and high profile references for our marketing programme targeting ports and critical infrastructure with our GeoVS display system products. We therefore expect to see the GeoVS systems generate strong revenue growth in the years ahead as a standalone product offer, as well as adding significant value to our AtoN and maritime domain management (MDM) vessel tracking products.

A general trend in the global maritime market is for nations to track and monitor their national commercial fleets, most of which are fishing boats, as part of their general maritime domain awareness programmes. AIS is typically the technology of choice. This has placed SRT at the centre of this global market. I am pleased to report that we have over 40 large vessel monitoring project opportunities, of which a subset of 21 worth up to a potential £200 million in revenue are sufficiently mature to be included in our validated sales pipeline. During the year, one such project in the Middle East converted generating revenue to SRT of approximately £3.7 million. With the availability of our GeoVS systems and partnership with satellite AIS operator, exactEarth, SRT has moved from being simply a transceiver provider to being able to provide a complete MDM system solution.

CHAIRMAN'S STATEMENT - continued

This dramatically simplifies and enhances the final proposition to the end customer and has enabled us to play a more important and active role in the development of these opportunities with our partners.

As ever, as these are large national projects involving multiple national stakeholders, legislation and complex implementation and enforcement planning, the exact timing of any given project is difficult to forecast with any degree of accuracy. However, we are confident that the year ahead will see the commencement of the implementation of multiple projects from our validated opportunity pipeline and thus revenues.

Operational Review

A crucial element to our successful positioning within the AIS market has been our ability to develop innovative market leading products, based upon advanced in-house developed core technology. I am pleased to report that this year we have continued to successfully execute our technology and product development road map.

Significant core technology and product investment over the past four years have endowed SRT with a broad range of up to date products able to address most market segments. As such this year our product development activities have been more weighted towards the enhancement of existing products such as the Identifier, AtoN, GeoVS VIEWER and HUB. We have completed the development of ABSEA AIS satellite detection enhancing technology with our partner, exactEarth, as well as developing capability in GeoVS to merge, manage and view satellite and terrestrial AIS data feeds. We have added significant new functionality and accessories to our Identifier product platform aimed at making it easier for mass deployments and offering more functionality configuration options. These enhancements have primarily been aimed at supporting our sales push into monitoring ports and critical infrastructure and the enhancement of our MDM system offer.

The major new core technology and product development in progress during the year was that of a new software configurable AIS transceiver platform (Apollo) with integrated colour display capable of providing full electronic charting and other MDM system related input options and WiFi connectivity. This product platform will ultimately be available in Class A and Class B SOTDMA configurations and is a significant leap in core technology, user functionality, customisation options and decreased manufacturing cost. The product is now in the development process and is expected to be available in selected markets during 2016 and then more widely in due course.

In line with increased sales and marketing activities, a growing customer base and opportunity pipeline, we have continued to focus on enhancing our customer support function. This has entailed investment in demonstration systems, in-country training and increased product testing and validation of the new functionality we are developing. In the future we expect this area of our business to grow, so we can simultaneously support multiple customers implementing large projects.

Our most significant operational challenge is the accurate forecasting of demand and thus production. Our strategy of holding configurable stock, customer customisation kits and components has kept our investment to a minimum given the scale of opportunities for which we may be required to make rapid initial deliveries and then follow through with additional production in due course.

Market Review

Maritime safety and security has developed into a common concern of most countries around the world. As an IMO developed technology with a single global frequency due to the 2002 SOLAS agreement, and with proven performance and a low cost profile, AIS is now the core foundation for the e-navigation and big data market adoption trend. This trend touches all aspects of the maritime domain and thus is creating a large global market opportunity.

Adoption by leisure and commercial boat owners without legislation is starting from a very small base and will take time to reach critical mass and enter sustained regular growth. However, we share the general industry view that AIS penetration will reflect that of radar over a ten year period. With 18 million such boats, this represents a very large future market opportunity.

CHAIRMAN'S STATEMENT - continued

Ports, waterways and critical marine infrastructure are seeking to deploy AIS to improve efficiency, safety and security. The large western ports have established systems, which they are now seeking to enhance with AtoN and more intelligent display systems, whilst fast growing regions within South America, Asia, Africa and the Middle East which rely on the marine domain for wealth generation are seeking to acquire the best system possible within their respective budget constraints.

The biggest opportunity for SRT is the global trend of countries seeking to track their national fleets. Such programmes are actively encouraged by Non-governmental Organisations (NGOs) for environmental preservation, but are also now seen as important for the protection of national sovereignty and security. This is driving countries to consider how they can effectively implement national scale vessel monitoring systems and AIS based systems offer a highly attractive functionality/cost matrix. With approximately four million commercial fishing boats worldwide and many countries on their way to commencing the implementation of such systems, this presents a very significant addressable market opportunity for SRT.

Employees

SRT now has 44 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 is committed to being the world's leading provider of AIS technologies, products and systems. Our investments in technology and product development ensure that our core product platforms remain market leading and our continuing innovation is designed to increase this lead.

Non-regulated derived revenues will grow as the market recovers and the trend for AIS to be a standard fit is established. We will increasingly focus our support on those customers who recognise this long term trend and thus wish to invest in their core product offerings.

Ports, harbours and waterways offer a significant new opportunity for our AtoN and GeoVS product lines. With the recently launched products, coupled with an established and increasingly knowledgeable customer base, we expect to see good revenue growth from this segment which has the additional benefit of high gross margins.

By far the largest short and medium term opportunity for SRT are the many national vessel tracking and monitoring projects which are at various stages of development. Our MDM system provides a complete, scalable and customisable system which is cost effective and relatively simple to deploy on a national scale. Our strategy is to continue to work with our local partners and national authorities to define and deliver the system the end user wants and assist them in understanding and overcoming the many practical issues associated with implementing national scale systems. Our validated pipeline of sales opportunities stands at approximately £200 million and, following several years of working closely with our local partners and authorities, we are confident that several of these will enter their implementation phase in new financial year thus generating revenues.

We recognise that the challenges of forecasting the timing of projects and thus revenues are frustrating for shareholders. However, the global adoption of AIS for maritime domain applications is firmly established as is SRT's position in this market and this is reflected in our £200 million validated sales opportunity pipeline. This morning, we have announced that another of these projects has entered its implementation phase marked by an initial order with more to follow. I therefore thank you for your patience and support and look forward to an exciting financial year across all our target markets as the AIS market and SRT's fortunes progress.



Simon Rogers, Chairman

STRATEGIC REPORT**FOR THE YEAR ENDED 31 MARCH 2015**

The directors present their group strategic report for the year ended 31 March 2015.

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 or other intellectual property rights.

The Group's existing and potential customers operate in numerous countries, each of which has its own national characteristics relating to how business is regulated and conducted in terms of economic, political, judicial, administrative, taxation or other regulatory matters. The Group could therefore be affected by any one of these factors, as well as other unforeseen matters, which, particularly given the size of contracts with customers, could have a material adverse effect on its business, operating results or financial condition.

The Group's management regularly assesses these risk areas to ensure that such risk is mitigated so far as reasonably possible.

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.

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

S Tucker
Director

DIRECTORS' REPORT**FOR THE YEAR ENDED 31 MARCH 2015****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 £46,355 (2014: loss £1,506,374). The directors have not recommended the payment of a dividend (2014: £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 2015 and at 31 March 2014 were:

	Ordinary 0.1p shares 2015	Ordinary 0.1p shares 2014
<i>Non Executives</i>		
Simon Rogers	13,508,900	13,508,900
Andrew Lapping	1,218,080	1,218,080
<i>Executives</i>		
Simon Tucker	1,207,440	940,000
Neil Peniket	-	-
Richard Hurd	25,000	25,000

All directors benefit from the provision of directors' personal indemnity insurance policies. Share options have been granted to all of the executive directors. All are detailed in note 3 to the accounts.

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 2015**

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 8 times throughout the year and through its Chairman and Executive directors in particular, maintains regular contact with its advisers in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

The Board is responsible for such key matters as the approval or monitoring of strategic plans, the annual trading budget, major capital expenditure, treasury policies and financial performance. It delegates responsibility for the day to day operation of the business to the Executive directors who are charged with consulting the Board on all significant financial and operational matters.

Audit Committee

The Audit Committee comprises Andrew Lapping (Chairman) and Simon Rogers – the two Non-Executive directors. It meets at least once per year. The meeting to review feedback from the 2015 audit took place in June 2015.

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 2015 - 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 29.

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 the provision of a car allowance and private health insurance.

f) Non-Executive Directors

The Non-Executive Directors are independent of management and have no relationship which could materially interfere with the exercise of their independent judgement. The remuneration of the Non-Executive Directors is decided by the Remuneration Committee in consultation with the Executive Directors.

Nomination Committee

The 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 2015 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 2015 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
Statutory Auditor
Chartered Accountants
Portwall Place
Bristol
BS1 6NA 8 June, 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 MARCH 2015

	Notes	2015 £	2014 £
Revenue	2	8,522,134	6,110,359
Cost of sales		(4,168,698)	(3,479,159)
Gross profit		4,353,436	2,631,200
Administrative costs		(4,687,282)	(4,135,815)
Operating loss	6	(333,846)	(1,504,615)
Finance expenditure	5	(45,587)	(6,008)
Finance income	5	319	4,249
Loss before tax		(379,114)	(1,506,374)
Income tax credit	7	425,469	-
Profit / (loss) for the year after tax		46,355	(1,506,374)
Total comprehensive income / (loss) for the year		46,355	(1,506,374)
Earnings / (loss) per share:			
Basic	22	0.0p	(1.3)p
Diluted	22	0.0p	(1.3)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2015

	Notes	2015 £	2014 £
Assets			
Non-current assets			
Intangible assets	9	6,055,165	5,685,301
Property, plant and equipment	10	110,543	185,397
Total non-current assets		6,165,708	5,870,698
Current assets			
Inventories	12	4,960,959	4,170,726
Trade and other receivables	13	1,604,422	2,620,825
Cash and cash equivalents		2,151,232	1,290,539
Total current assets		8,716,613	8,082,090
Liabilities			
Current liabilities			
Trade and other payables	14	(1,425,846)	(2,023,508)
Financial liabilities	15	(1,000,000)	(1,000,000)
Total current liabilities		(2,425,846)	(3,023,508)
Net current assets		6,290,767	5,058,582
Total assets less current liabilities		12,456,475	10,929,280
Net assets		12,456,475	10,929,280
Shareholders' equity			
Share capital	16	127,453	119,003
Share premium account		4,844,989	3,400,538
Retained earnings		1,993,437	1,919,143
Other reserves	18	5,490,596	5,490,596
Total shareholders' equity		12,456,475	10,929,280

The accounts were approved by the Board of Directors on 8 June 2015 and were signed on its behalf by:



S Tucker
Director

COMPANY STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2015

	Notes	2015 £	2014 £
Assets			
Non-current assets			
Investments in subsidiaries	11	932,503	932,503
Intangible assets	9	54,160	-
Property, plant and equipment	10	20,554	40,934
Total non-current assets		1,007,217	973,437
Current assets			
Trade and other receivables	13	11,474,480	9,979,905
Cash and cash equivalents		31,506	264,872
Total current assets		11,505,986	10,244,777
Liabilities			
Current liabilities			
Trade and other payables	14	(180,553)	(140,928)
Financial liabilities	15	(1,000,000)	(1,000,000)
Total current liabilities		(1,180,553)	(1,140,928)
Net current assets		10,325,433	9,103,849
Total assets less current liabilities		11,332,650	10,077,286
Net assets		11,332,650	10,077,286
Shareholders' equity			
Share capital	16	127,453	119,003
Share premium account		4,844,989	3,400,538
Retained earnings		6,297,808	6,495,345
Other reserves	18	62,400	62,400
Total shareholders' equity		11,332,650	10,077,286

The accounts were approved by the Board of Directors on 8 June 2015 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 2015

	Notes	2015	2014
		£	£
Cash generated from operating activities	21	1,033,847	515,021
Corporation tax received		425,469	-
Net cash generated from operating activities		1,459,316	515,021
Investing activities			
Expenditure on product development		(1,932,321)	(1,596,901)
Purchase of patent		(54,160)	-
Cash acquired		-	1,973
Purchase of property, plant and equipment		(19,775)	(163,171)
Interest paid		(45,587)	(6,008)
Interest received		319	4,249
Net cash used in investing activities		(2,051,524)	(1,759,858)
Cash outflow before financing		(592,208)	(1,244,837)
Financing activities			
Short term loan		-	1,000,000
Net proceeds on issue of shares		1,452,901	-
Net cash generated from financing activities		1,452,901	1,000,000
Net increase / (decrease) in cash and cash equivalents		860,693	(244,837)
Net cash and cash equivalents at beginning of year		1,290,539	1,535,376
Net cash and cash equivalents at end of year		2,151,232	1,290,539

COMPANY STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2015

	Notes	2015	2014
		£	£
Cash used in operating activities	21	(1,580,907)	(922,641)
Investing activities			
Purchase of property, plant and equipment		(5,932)	(26,885)
Purchase of patent		(54,160)	-
Interest paid		(45,587)	(6,008)
Interest received		319	4,249
Net cash used in investing activities		(105,360)	(28,644)
Cash outflow before financing		(1,686,267)	(951,285)
Financing activities			
Short term loan		-	1,000,000
Net proceeds on issue of shares		1,452,901	-
Net cash generated from financing activities		1,452,901	1,000,000
Net (decrease) / increase in cash and cash equivalents		(233,366)	48,715
Net cash and cash equivalents at beginning of year		264,872	216,157
Net cash and cash equivalents at end of year		31,506	264,872

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 MARCH 2015

	Share capital	Share premium	Retained earnings	Other reserves	Total
	£	£	£	£	£
At 1 April 2013	115,920	2,471,121	3,401,211	5,490,596	11,478,848
Total comprehensive loss for the year	-	-	(1,506,374)	-	(1,506,374)
Shares issued on acquisition	3,083	929,417	-	-	932,500
Share based payment charge	-	-	24,306	-	24,306
At 31 March 2014	119,003	3,400,538	1,919,143	5,490,596	10,929,280
Total comprehensive profit 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

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 MARCH 2015

	Share capital £	Share premium £	Retained earnings £	Other reserves £	Total £
At 1 April 2013	115,920	2,471,121	6,631,679	62,400	9,281,120
Total comprehensive loss for the year	-	-	(160,640)	-	(160,640)
Shares issued on acquisition	3,083	929,417	-	-	932,500
Share based payment charge	-	-	24,306	-	24,306
At 31 March 2014	119,003	3,400,538	6,495,345	62,400	10,077,286
Total comprehensive loss 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

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015**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. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements and estimates that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the financial year relate to:-

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 - continued**1. Accounting Policies - continued**

- 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
- Capitalisation of development costs, whereby the recognition of such costs is dependent on a number of criteria as set out below.
- The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the revenue recognition policies affect the amounts reported in the accounts. If different assumptions were used it is possible that different amounts would be reported in the accounts. Revenues from the sale of support services, maintenance and training are recognised according to the time period to which they relate
- 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.

Revenue recognition

Revenue comprises the value of sales of licences, royalties arising from the resulting sale of licencees' SRT technology based products, revenues from support, maintenance and training, and revenue from product development and the sale of products. Revenue is measured at the fair value of the consideration received or receivable and represents amounts recoverable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 - continued**1. Accounting Policies – continued**

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

- 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

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.

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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 – continued**1. Accounting Policies – continued****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.

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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 – continued**1. Accounting Policies – continued**

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 2015 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?
IAS 1	Disclosure Initiative - Amendments	1 January 2016	No
IFRS 9	Financial Instruments: Classification & Measurement	1 January 2018	No
IFRS 12	Disclosure of Interests in Other Entities – Amendments	1 January 2016	No
IFRS 15	Revenue from Contracts with Customers	1 January 2017	No
	Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016	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 2015 – continued**2 Revenue and segment information****Business and Geographical Segments**

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

The primary business segment is its Marine technology business (“Marine”). In addition, the company also earns income from the ownership of a suite of Tetra communications handset technology (“Tetra”).

From a geographical perspective, the Group earns revenue from a number of countries. Financial information from a product and geographical perspective are set out below.

Year ended 31 March 2015	Marine	Tetra	Unallo- cated	Total
Segmental information by product	£	£	£	£
Revenue	8,522,134	-	-	8,522,134
Operating (loss) / profit	(153,636)	59,301	(239,511)	(333,846)
Finance expenditure	-	-	(45,587)	(45,587)
Finance income	-	-	319	319
(Loss) / profit before income tax	(153,636)	59,301	(284,779)	(379,114)
Income tax	425,469	-	-	425,469
Profit / (loss) for the year	271,833	59,301	(284,779)	46,355
Total assets	13,758,100	-	1,124,221	14,882,321
Total liabilities	(1,245,293)	-	(1,180,553)	(2,425,846)
Net assets	12,512,807	-	(56,332)	12,456,475
Capital expenditure	1,946,164	-	60,092	2,006,256
Depreciation and amortisation	1,684,935	-	26,312	1,711,247
Share based payment costs	-	-	27,939	27,939
Revenue by geographical destination:				2015
				£
Europe				2,309,247
North America				581,279
UK				220,194
Other				5,411,414
				8,522,134

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 - continued**2 Revenue and segment information - continued**

Included within revenues are 2 customers (2014: 1) 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 amounted to £3,684,151 (2014: £1,113,834) and the second largest customer £1,038,336.

Year ended 31 March 2014	Marine	Tetra	Unallo- cated	Total
Segmental information by product	£	£	£	£
Revenue	6,110,359	-	-	6,110,359
Operating profit / (loss)	(1,345,733)	118,142	(277,024)	(1,504,615)
Finance expenditure	-	-	(6,008)	(6,008)
Finance income	-	-	4,249	4,249
Profit / (loss) before income tax	(1,345,733)	118,142	(278,783)	(1,506,374)
Income tax	-	-	-	-
Profit / (loss) for the year	(1,345,733)	118,142	(278,783)	(1,506,374)
Total assets	12,944,057	-	1,008,731	13,952,788
Total liabilities	(1,873,580)	-	(1,149,928)	(3,023,508)
Net assets	11,070,477	-	(141,197)	10,929,280
Capital expenditure	1,733,187	-	26,885	1,760,072
Depreciation and amortisation	1,305,384	-	35,241	1,340,625
Share based payment costs	-	-	24,306	24,306
Revenue by geographical destination:				2014
				£
Europe				3,051,650
North America				688,715
UK				295,568
Other				2,074,426
				6,110,359

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 - continued

3 Directors' emoluments

The remuneration of the individual Directors was as follows:

Year ended 31 March 2015	Salary	Taxable Benefits	Pension allowance	Bonus	Pension Contributions	Total 2015
All £	£	£	£	£	£	£
<i>Executive Directors</i>						
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
<i>Non Executive Directors</i>						
S Rogers	12,000	-	-	-	-	12,000
A Lapping	12,000	-	-	-	-	12,000
Total	349,000	-	-	16,250	8,701	373,951

Year ended 31 March 2014	Salary	Taxable Benefits	Pension allowance	Bonus	Pension Contributions	Total 2014
All £	£	£	£	£	£	£
<i>Executive Directors</i>						
S Tucker	157,167	500	525	6,000	-	164,192
N Peniket	98,833	500	-	3,750	5,154	108,237
R Hurd	64,167	-	-	7,438	3,484	75,089
<i>Non Executive Directors</i>						
S Rogers	11,250	-	-	-	-	11,250
A Lapping	11,250	-	-	-	-	11,250
Total	342,667	1,000	525	17,188	8,638	370,018

Share options at 31 March 2015 and 2014

	Total options	Exercise price	Expiry date
<i>Executive Directors</i>			
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 market based criteria for all of the executive share options have been met and therefore all are exercisable immediately except for 500,000 of the options granted to R Hurd of which 167,000 are exercisable from December 18 2015.

An insurance premium of £3,321 (2014: £3,321) was paid in respect of directors' and officers' liability.

Retirement benefits are accruing to two directors (2014: two) under the money purchase pension scheme.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 - continued**4 Employee Information**

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

	2015	2014
	No.	No.
Technical	30	28
Administration and sales	19	18
	49	46

Staff costs for the above persons were:

	2015	2014
	£	£
Wages and salaries	1,330,004	1,302,818
Social security costs	148,064	148,913
Pension costs - defined contributions	43,182	40,935
	1,521,250	1,492,666

Total wages and salaries, as stated above, exclude costs capitalised and included within deferred development expenditure amounting to £981,930 (2014: £765,857).

Wages and salaries also include £27,939 (2014: £24,306) in respect of share-based payment charges.

5 Finance income and expenditure

	2015	2014
	£	£
Bank interest payable	45,587	6,008
Bank interest receivable	319	4,249

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 – continued**6 Operating loss**

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

	2015	2014
	£	£
Inventories recognised as an expense	4,038,649	3,369,557
Amortisation of intangible assets	1,616,618	1,221,656
Depreciation	94,629	118,969
Auditors' remuneration		
Fees payable to the company's auditor for the audit of the parent company's accounts	11,950	11,500
Fees payable to the company's auditor for other services:		
- audit of the company's subsidiaries	20,500	20,000
- audit-related assurance services	2,150	2,080
- tax compliance services	23,145	9,750
- tax advisory services	4,115	3,780
Exchange (gain) / loss	(176,358)	171,698
Other operating income	(59,301)	(118,142)
Operating lease rentals - land & buildings	114,850	64,000
Research and development costs not capitalised	122,039	54,238

7 Taxation

	2015	2014
	£	£
Income tax credit		
UK corporation tax at 21% (2014: 23%):		
Current tax credit	425,469	-
Factors affecting tax charge for the year		
Loss on ordinary activities before tax	(379,114)	(1,506,374)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 21% (2013: 23%)	(79,614)	(346,466)
Effects of:		
Expenses not deductible for tax purposes	7,063	14,477
Unprovided deferred tax	423,441	697,728
Additional deduction for R&D	(350,890)	(365,739)
Research and development tax credits	425,469	-
Current tax credit for year	425,469	-

The group has estimated losses of £5,209,103 (2014: £5,491,635) available for carry forward against future trading profits. No provision has been made in the accounts for a potential deferred tax asset of £151,955 (2014: £152,551) calculated at a rate of 20%. This has resulted from assets arising from carry forward trading losses and unexercised share options offset by timing differences on development expenditure and accelerated capital allowances.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 - 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 2015, dealt with in the accounts of the Company, was £225,476 (2014: loss £160,640). The company made no gains or losses which would be reported in other comprehensive income in the years ended 31 March 2015 and 2014 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 2013	-	7,827,295	-	7,827,295
Acquisition	-	294,907	633,645	928,552
Additions	-	1,596,901	-	1,596,901
<hr/>				
At 31 March 2014	-	9,719,103	633,645	10,352,748
Additions	54,160	1,932,322	-	1,986,482
<hr/>				
At 31 March 2015	54,160	11,651,425	633,645	12,339,230
<hr/>				
Amortisation				
At 1 April 2013	-	3,445,791	-	3,445,791
Charge for the year	-	1,221,656	-	1,221,656
<hr/>				
At 31 March 2014	-	4,667,447	-	4,667,447
Charge for the year	-	1,616,618	-	1,616,618
<hr/>				
At 31 March 2015	-	6,284,065	-	6,284,065
<hr/>				
Net book value				
At 31 March 2015	54,160	5,367,360	633,645	6,055,165
At 31 March 2014	-	5,051,656	633,645	5,685,301
At 1 April 2013	-	4,381,504	-	4,381,504

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 2015 - continued

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

None of the goodwill is expected to be tax deductible.

During the 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.

10 Property, plant and equipment

	Company Plant & Equipment £	Group Plant & Equipment £
Cost		
At 1 April 2013	144,802	446,093
Acquisition	-	10,565
Additions	26,885	163,171
At 31 March 2014	171,687	619,829
Additions	5,932	19,775
At 31 March 2015	177,619	639,604
Depreciation		
At 1 April 2013	95,512	315,463
Charge for the year	35,241	118,969
At 31 March 2014	130,753	434,432
Charge for the year	26,312	94,629
At 31 March 2015	157,065	529,061
Net book value		
At 31 March 2015	20,554	110,543
At 31 March 2014	40,934	185,397
At 1 April 2013	49,290	130,630

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 – continued

11 Investment in subsidiaries – Company

Cost - Shares in group undertakings	£
At 1 April 2013	3
Additions	932,500
<hr/>	
At 31 March 2014 and 31 March 2015	932,503
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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:

SRT Marine Technology Limited	Electronic hardware and software engineering of marine tracking equipment
Em-trak Marine Electronics Limited	Distribution of marine tracking equipment
SRT Marine Technology System Solutions Limited	Electronic hardware and software engineering of marine tracking equipment
SRT Marine System Solutions Limited	Processing 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 2015 – continued

12 Inventories

Group	2015	2014
	£	£
Raw materials and consumables	775,709	364,309
Finished goods	4,185,250	3,806,417
	<u>4,960,959</u>	<u>4,170,726</u>

13 Trade and other receivables

Group	2015	2014
	£	£
Trade receivables	1,336,111	2,410,453
Other receivables	165,480	131,318
Prepayments and accrued income	102,831	79,054
	<u>1,604,422</u>	<u>2,620,825</u>

As at 31 March 2015 and 31 March 2014, the following receivables were impaired and a bad debt provision held against them:-

	2015	2014
	£	£
Balance at 1 April	13,084	99,369
Amounts charged during the year	275,541	-
Amounts written off during the year	-	(36,285)
Amounts released during the year	-	(50,000)
	<u>288,625</u>	<u>13,084</u>

As at 31 March 2015 trade receivables of £196,920 (2014: £108,161) were past due but not impaired. The ageing analysis of these trade receivables is as follows:-

Group	2015	2014
	£	£
Up to 3 months past due	78,168	43,760
3 to 6 months past due	107,503	7,435
Over 6 months past due	11,249	56,966
	<u>196,920</u>	<u>108,161</u>

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 – continued

Company	2015	2014
	£	£
Amounts owed by group undertakings	11,388,982	9,910,626
Prepayments and accrued income	73,734	57,836
Other receivables	11,764	11,443
	<hr/>	<hr/>
	11,474,480	9,979,905

The inter-company balances are unsecured, interest free and have no fixed dates for repayment. They are not expected to be repaid within 12 months. Prepayments and accrued income and other receivables do not contain impaired assets.

14 Trade and other payables

Group	2015	2014
	£	£
Trade payables	1,007,049	1,706,218
Other tax and social security payable	69,840	68,272
Other payables	17,511	13,165
Accruals and deferred income	331,446	235,853
	<hr/>	<hr/>
	1,425,846	2,023,508

Company	2015	2014
	£	£
Trade payables	119,687	78,167
Other tax and social security payable	12,193	12,034
Other payables	929	776
Accruals and deferred income	47,744	49,951
	<hr/>	<hr/>
	180,553	140,928

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 2015 – continued**15 Financial liabilities**

Bank borrowings	2015	2014
	£	£
Current 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 mature in 6-12 months with interest 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	2015	2014
	No.	No.
Number of shares allotted	127,452,419	119,002,419
	£	£
Value of shares allotted	127,453	119,003

Reconciliation of movements in share capital:

	No.
Shares outstanding at 31 March 2013	115,919,774
Shares issued on acquisition	3,082,645
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

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 shares issued on acquisition were as consideration for the investment in SRT Marine System Solutions Limited (formerly Geovs Ltd). The shares were issued at a price of 30.25p per share resulting in a total consideration for the acquisition of £932,500.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 – 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:-

		average exercise price
Balance at 1 April 2013	4,975,000	11.4p
Granted during the year	372,000	24.2p
Lapsed during the year	(180,000)	37.0p
Balance at 31 March 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
Balance exercisable at 31 March 2015	4,167,000	8.3p
Balance exercisable at 31 March 2014	3,810,000	7.2p

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:-

	2015	2015	2014	2014
Share price at grant	29p	24p	25p	23p
Exercise price	29p	24p	25p	23p
Volatility	49%	49%	52%	52%
Expected life (years)	3	3	3	3
Risk free rate	1.69%	1.76%	3.50%	3.50%
Expected dividend yield	0%	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 2015 – 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	333,000	20p	Dec 2022
Vested and exercisable immediately	120,000	18p	Dec 2022
Vested and exercisable immediately	20,000	23p	Jan 2023
Vested and exercisable immediately	30,000	23p	Aug 2023
Vested and exercisable in 6 months	90,000	29p	Feb 2025
Share price criteria not met	120,000	37p	May 2021
Share price criteria not met	60,000	32p	Oct 2021
Share price criteria not met	30,000	23p	May 2021
Not vested and exercisable not before:			
June 2015	120,000	18p	Dec 2022
June 2016	120,000	18p	Dec 2022
July 2015	20,000	23p	Jan 2023
July 2016	20,000	23p	Jan 2023
December 2015	167,000	20p	Dec 2022
February 2016	30,000	23p	Aug 2023
February 2017	30,000	23p	Aug 2023
June 2015	68,000	25p	Dec 2023
June 2016	68,000	25p	Dec 2023
June 2017	68,000	25p	Dec 2023
June 2016	100,000	24p	Dec 2024
June 2017	100,000	24p	Dec 2024
June 2018	100,000	24p	Dec 2024
Total outstanding options	5,458,000		

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 2015 – continued**18 Reserves**

	Capital redemption reserve	Warrant reserve	Merger reserve	Total
	£	£	£	£
At 31 March 2013, 2014, 2015	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 2015, the Group has lease agreements in respect of properties and equipment for which the payments extend over a number of years.

Group	2015	2014
	£	£
Due:		
Within one year	107,990	85,125
Between two and five years	221,444	54,000
After five years	479,084	-
	808,518	139,125

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. The subsidiaries to whom these services were provided were SRT Marine Technology Ltd and SRT Marine System Solutions Ltd. These transactions amounted to £647,786 (2014: £628,988).

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 – continued**21 Cash generated from operations**

Group	2015	2014
	£	£
Operating loss	(333,846)	(1,504,615)
Depreciation of property, plant and equipment	94,629	118,969
Amortisation of intangible fixed assets	1,616,618	1,221,656
Share based payment charge	27,939	24,306
Increase in inventories	(790,233)	(751,205)
Decrease in trade and other receivables	1,016,402	829,155
(Decrease) / increase in trade and other payables	(597,662)	576,755
	1,033,847	515,021
Company	2015	2014
	£	£
Operating loss	(180,207)	(158,884)
Depreciation of property, plant and equipment	26,312	35,241
Share based payment charge	27,939	24,306
(Increase) / decrease in trade and other receivables	(16,219)	22,007
Increase in amounts owed by group undertakings	(1,478,357)	(847,882)
Increase in trade and other payables	39,625	2,571
	(1,580,907)	(922,641)

22 Basic and diluted earnings / (loss) per share

The basic earnings / (loss) per share has been calculated on the profit on ordinary activities after taxation of £46,355 (2014: loss £1,506,374) divided by the weighted number of ordinary shares in issue of 125,253,104 (2014: 117,355,526).

During the year the calculation of diluted earnings per share has also been calculated on profit on ordinary activities after taxation of £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 4,964,093 and the weighted average number of ordinary shares for the purposes of dilutive earnings per share was 128,259,031. During the year ended 31 March 2014 the Group incurred a loss on ordinary activities after taxation and therefore there is no dilution of the impact of the share options granted.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 – 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 2015 (2014: £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:-

	2015	2014
	£	£
Trade receivables	1,336,111	2,410,453
Cash and cash equivalents	2,151,232	1,290,539
	<hr/>	<hr/>
	3,487,343	3,700,992
	<hr/>	<hr/>

The Company has cash and cash equivalents of £31,506 (2014: £264,872).

Interest rate risk

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

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

The Group and Company's cash and cash equivalents earned interest at a variable rate totalling £319 (2014: £4,249) during the year. Interest payable on the short term loan at a variable rate amounted to £45,587 (2014: £6,008) for the Group and Company.

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.

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2015 – continued

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 £1,576,458 (2014: £1,875,517) of assets denominated in US Dollars, £224,692 (2014: £793,905) of assets denominated in Euros and £459,213 (2014: £1,285,985) of liabilities denominated in US Dollars and £3,462 (2014: £20,117) 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 1.48 (2014: 1.66) and Euro 1.38 (2014: 1.21).

	2015	2014
	£	£
Sterling strengthens by 10%		
US Dollar	(101,568)	(53,594)
Euro	(20,112)	(70,344)
Sterling weakens by 10%		
US Dollar	111,724	58,953
Euro	22,123	77,379

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.

25 Financial commitments

As at 31 March 2015, the Group had financial purchase order commitments with its contract manufacturer and other significant component suppliers amounting to £156,341 (2014: £1,344,190).

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 14th, 2015 for the purpose of considering and, if thought fit, passing the following ordinary resolutions (in the case of resolutions 1 to 6) and special resolution (in the case of resolution 7):

ORDINARY RESOLUTIONS

1. To receive the audited annual accounts and reports of the Company for the financial year ended 31 March 2015.
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 Simon Rogers as a director of the Company.
5. To re-appoint Simon Tucker 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 £42,484 provided that this authority shall expire (unless previously varied as to duration, revoked or renewed by the Company in general meeting) on October 14th, 2016, or, if earlier, at the conclusion of the Annual General Meeting in 2016, 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 £12,745.

This authority shall expire, unless previously revoked or renewed by the Company in general meeting, at such time as the general authority conferred on the directors by resolution 6 above expires, except that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

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

On behalf of the Board

Richard Hurd
Company Secretary
June 8th 2015

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 12th, 2015 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 12th, 2015 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 14th, 2015 is set out on pages 44-47 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 2015

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 2015. The report of the directors and the audited accounts have been approved by the directors, and the report of the auditors has been approved by the auditors, and both reports are contained in the Company’s Annual Report and Accounts.

Resolution 2 – Re-appointment of auditors

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

This resolution proposes the re-appointment of Nexia Smith & Williamson Audit Limited as auditors of the Company.

Resolution 3 – Auditors’ remuneration

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

Resolutions 4 & 5 – Directors’ re-appointment

Simon Rogers and Simon Tucker 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 £42,484.

It is accordingly proposed that the directors be granted general authority at any time prior to October 14th 2016, or, if earlier, at the conclusion of the Annual General Meeting in 2016, to allot shares up to an aggregate nominal amount of £42,484, 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.

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

Resolution 7 – Disapplication of pre-emption rights

The Companies Act 2006 requires that, if the Company issues new shares, or grants rights to subscribe for or to convert any security into shares, for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. If passed, resolution 7 will authorise the directors to issue shares for cash and/or sell shares from treasury (if any are so held) up to an aggregate nominal amount of £12,745 (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.