

SOFTWARE RADIO TECHNOLOGY PLC
(“SRT” or the “Group”)

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

SRT, the AIM-quoted developer and supplier of maritime identification and tracking technologies, announces its unaudited interim results for the six months ended 30 September 2014 (the “Period”).

Financial Highlights

- Revenue of £5.4 million, a 71% increase over H1 2013/14
- Profit before tax of £517,000 (H1 2013/14: loss of £434,000)
- Profit after tax of £943,000, as a result of R&D tax credit (H1 2013/14: loss of £434,000)
- Cash of £2.6 million at 30 September 2014
- Stock of £5.0 million valued at cost and manufactured for pending orders

Operational Summary

- Market penetration and market share targets achieved for the Period
- Increasing demand from projects with conversion of major Middle East order and accelerated progression of existing projects
- Considerable pipeline with several new significant opportunities
- Increased revenue sources smoothing overall financial performance

Chairman’s Statement

For the six months ended 30 September 2014, revenue and profit before tax were £5.4 million and £517,000 respectively. As at 30 September 2014, the Group had cash of £2.6 million, with drawn down borrowings of £1.0 million and stock valued at cost of £5.0 million, manufactured for pending orders.

The gross margin for the Period was 55%, reflecting the greater weighting of project business during the Period over lower margin core, OEM and module business. We continue to expect our gross margin to average around 50% over a 12 month period. Group cash overheads, inclusive of administration and research and development costs, but excluding amortisation and depreciation, increased to £2.6 million from £2.0 million in the corresponding period last year. This was due to the impact of the acquisition of SRT Marine System Solutions Ltd (formerly GeoVs Ltd) in October 2013, together with increased investment in new product development.

During the Period, whilst our market penetration and market share targets were achieved, the generally subdued economic landscape resulted in sales derived from the non-mandated leisure and commercial market sectors for onboard AIS transceivers to be below our expectations. However, this segment remains an important opportunity for SRT due to an expected long-term trend of AIS penetration matching that of radar. Our investment in core technology, derivative products and relevant OEM and module customers ensures that sales from this segment will grow with general market demand in the future.

Demand from existing mandates such as in Russia and the EU Inland Waterways and Fisheries, both of which had final deadlines during calendar year 2014, is expected to be second half weighted due to enforcement schedules and therefore made little contribution during the Period. The long pending USA

mandate remains outstanding, but at the time of this statement the scheduled implementation appears likely to start to generate revenues for the Group during the second half.

Driven by a widespread requirement to track and monitor fishing fleets and other small commercial vessels, our project business was focused on the conversion of a major Middle East opportunity during the Period, accelerated progression of most existing project opportunities and the addition of several new opportunities. Most of these are very significant projects and take time to reach their implementation stage and revenue generation for SRT. However, we now have a considerable pipeline of these opportunities, some of which are expected to reach their implementation phase in the near future. Again, our investments in technologies such as ABSEA and GeoVS dynamic 3D visualisation, coupled with established local customers, is now starting to bear fruit as demonstrated by the project conversion during the Period.

For the first time our fledgling AtoN business started to make meaningful progress in respect of developing a pipeline of sales opportunities through an increasingly established sales network. We have continued to invest in new product development both on the transceiver and display side, as well as commencing a sustained marketing programme to train our customers and educate the market.

During the second half we expect our core OEM and module business to remain flat, but see our projects and mandates business performing strongly due to existing and new mandates along with the conversion of some significant vessel tracking projects into their implementation phases. We anticipate that AtoN will continue to make steady progress, and the recent launch of the first series of stand-alone GeoVS licences and ABSEA related data sales could see SRT generating its first recurring revenue.

Finally, we were pleased that during the period the broadening of our revenue sources across multiple market segments have smoothed our overall financial performance. We have delivered a 71% increase in revenues compared to the same period last year despite one of our target segments experiencing a lull in its long-term growth trend. Our leading position within the global AIS market will continue to drive the growth of our company and with a significant pipeline of future opportunities we look forward to a busy second half and beyond.

Simon Rogers
Chairman

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

Six months

Six months

Year

	ended 30 Sep 2014 Unaudited	ended 30 Sep 2013 Unaudited	ended 31 Mar 2014 Audited
	£	£	£
Revenue	5,410,060	3,164,711	6,110,359
Cost of sales	(2,430,584)	(1,666,429)	(3,479,159)
Gross profit	2,979,476	1,498,282	2,631,200
Administrative expenses	(2,462,516)	(1,935,916)	(4,141,823)
Operating profit / (loss)	516,960	(437,634)	(1,510,623)
Investment revenues	162	3,194	4,249
Profit / (loss) before income tax	517,122	(434,440)	(1,506,374)
Income tax credit	3 425,469	-	-
Profit / (loss) for the period	942,591	(434,440)	(1,506,374)
Total comprehensive income / (loss) for the period	942,591	(434,440)	(1,506,374)
Earnings / (loss) per share:			
Basic	2 0.77p	(0.37)p	(1.3)p
Diluted	2 0.75p	(0.37)p	(1.3)p

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014**

	As at 30 Sep 2014 Unaudited	As at 30 Sep 2013 Unaudited	As at 31 Mar 2014 Audited
Notes	£	£	£
Assets			
Non-current assets			
Intangible assets	5,847,995	4,523,541	5,685,301
Property, plant and equipment	142,963	146,618	185,397
Total non-current assets	5,990,958	4,670,159	5,870,698
Current assets			
Inventories	4,990,882	3,275,295	4,170,726

Trade and other receivables		2,824,440	1,745,594	2,620,825
Cash and cash equivalents		2,651,359	2,184,997	1,290,539
Total current assets		10,466,681	7,205,886	8,082,090
Liabilities				
Current liabilities				
Trade and other payables		(2,117,881)	(814,487)	(2,023,508)
Financial liabilities		(1,000,000)	-	(1,000,000)
Total current liabilities		(3,117,881)	(814,487)	(3,023,508)
Net current assets		7,348,800	6,391,399	5,058,582
Net assets		13,339,758	11,061,558	10,929,280
Shareholders' equity				
Ordinary shares	4	127,453	115,920	119,003
Share premium		4,844,989	2,471,121	3,400,538
Other reserves	6	5,490,596	5,490,596	5,490,596
Retained earnings		2,876,720	2,983,921	1,919,143
Total shareholders' equity		13,339,758	11,061,558	10,929,280

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

	Notes	Six months ended 30 Sep 2014 Unaudited £	Six months ended 30 Sep 2013 Unaudited £	Year ended 31 Mar 2014 Audited £
Cash generated from operating activities				
	5	491,341	1,426,010	509,013
Corporation tax received		425,469	-	-
Net cash generated from operating activities		916,810	1,426,010	509,013
Investing activities				
Expenditure on product development		(999,892)	(705,661)	(1,596,901)
Cash acquired		-	-	1,973
Purchase of property, plant and				

equipment	(9,161)	(73,922)	(163,171)
Interest received	162	3,194	4,249
Net cash used in investing activities	(1,008,891)	(776,389)	(1,753,850)
Cash (outflow) / inflow before financing	(92,081)	649,621	(1,244,837)
Financing activities			
Short term loan	-	-	1,000,000
Net proceeds from issue of ordinary share capital	1,452,901	-	-
Net cash generated from financing activities	1,452,901	-	1,000,000
Net increase / (decrease) in cash and cash equivalents	1,360,820	649,621	(244,837)
Cash and cash equivalents at beginning of period	1,290,539	1,535,376	1,535,376
Cash and cash equivalents at end of period	2,651,359	2,184,997	1,290,539

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

	Share Capital	Share Premium	Retained Earnings	Other Reserves	Total
	£	£	£	£	£
Balance at 31 March 2013	115,920	2,471,121	3,401,211	5,490,596	11,478,848
Comprehensive loss for the period	-	-	(434,440)	-	(434,440)
Share based payment expense	-	-	17,150	-	17,150
Balance at 30 September 2013	115,920	2,471,121	2,983,921	5,490,596	11,061,558
Comprehensive loss for the period	-	-	(1,071,934)	-	(1,071,934)
Shares issued on acquisition	3,083	929,417	-	-	932,500
Share based payment expense	-	-	7,156	-	7,156
Balance at 31 March 2014	119,003	3,400,538	1,919,143	5,490,596	10,929,280

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 expense	-	-	14,986	-	14,986
Comprehensive profit for the period	-	-	942,591	-	942,591
Balance at 30 September 2014	127,453	4,844,989	2,876,720	5,490,596	13,339,758

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Accounting Policies

Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 March 2015.

Non-statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). The statutory accounts for the year ended 31 March 2014 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

The financial information for the 6 months ended 30 September 2014 and 30 September 2013 is unaudited.

The interim financial statements will be available to download on the Company's website www.softwarerad.com.

Accounting policies

The accounting policies as applied by the group are the same as those applied by the Group in the consolidated financial statements for the year ended 31 March 2014 except that IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities' have been adopted from 1 January 2014. The adoption of these standards has had no material effect on the results of the Group.

2. Earnings per share

The basic earnings per share have been calculated using the profit for the period of £942,591 (six months ended 30 September, 2013 - loss of £434,440; year ended 31 March, 2014 - loss of

£1,506,374) divided by the weighted average number of ordinary shares in issue of 123,111,982 (six months ended 30 September, 2013, 115,919,774 and year ended 31 March, 2014 117,355,526).

During the 6 months ended 30 September 2014, the diluted earnings per share have been calculated using weighted diluted shares of 125,919,549. During the six months ended 30 September 2013 and year ended 31 March 2014 the group has incurred losses for the period and therefore there is no impact of the share options granted on diluted earnings per share.

3. Income tax credit

During the period, the Group received income tax credits of £425,469 in respect of its Research and Development activities.

4. Called up share capital

	30 Sep 2014 Unaudited £	30 Sep 2013 Unaudited £	31 Mar 2014 Audited £
Allotted: (Ordinary shares of 0.1p each):	127,453	115,920	119,003
Share capital reconciliation:	Number of shares		
Shares outstanding at 31 March 2013 and 30 September 2013	115,919,774		
Shares issued on acquisition	<u>3,082,645</u>		
Shares outstanding at 31 March 2014	119,002,419		
Placing July 2014	<u>8,450,000</u>		
Shares outstanding at 30 September 2014	<u>127,452,419</u>		

- a) 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 of £932,500.
- b) The placing in July 2014 took place at 18p per share raising gross proceeds of £1,521,000 before costs of £68,099.

5. Cash from operations

	Six months ended 30 Sep 2014 Unaudited £	Six months ended 30 Sep 2013 Unaudited £	Year ended 31 Mar 2014 Audited £

Operating profit / (loss)	516,960	(437,634)	(1,510,623)
Depreciation of property, plant and equipment	51,595	57,934	118,969
Amortisation of intangible fixed assets	837,198	563,624	1,221,656
Share-based payment charge	14,986	17,150	24,306
(Increase) / decrease in inventories	(820,156)	144,226	(751,205)
(Increase) / decrease in trade and other receivables	(203,615)	1,704,192	829,155
Increase / (decrease) in trade and other liabilities	94,373	(623,482)	576,755
Net cash generated from operations	491,341	1,426,010	509,013

6. Statement of movement in shareholders' equity

Other reserves consist of: Capital Redemption Reserve £2,857 (2013: £2,857), Warrants Reserve £62,400 (2013: £62,400) and Merger Reserve £5,425,339 (2013: £5,425,339). There were no movements during the period.