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The Directors, whose names appear on page 5 of this document, and the Company accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, and the Company, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the whole of the issued and to be issued share capital and warrants to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. It is expected that Admission will become effective and dealings in the Ordinary Shares and in the Warrants will commence on AIM on 2 November 2005.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Attention is drawn, in particular, to Part II of this document entitled "Risk Factors".

London Stock Exchange plc has not itself examined or approved the contents of this document.

This document is an admission document which has been drawn up in accordance with the AIM Rules and has been issued in connection with the application for Admission. This document does not constitute a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 and a copy of it has not been, and will not be, delivered to the Registrar of Companies in England and Wales.

Software Radio Technology plc

(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5459678)

**Placing of 11,552,850 ordinary shares of 0.1p each at 35p per share
and 11,552,850 warrants
and**

Admission to trading on AIM of ordinary shares and warrants

Westhouse Securities LLP

Nominated Adviser and Broker

Westhouse, which is regulated by The Financial Services Authority, is acting as nominated adviser and broker to Software Radio Technology plc in relation to the Placing and Admission. Under the AIM Rules, a nominated adviser has certain responsibilities to the London Stock Exchange which are less onerous than the responsibilities of a sponsor of a company applying for its securities to be admitted to the Official List. In accordance with the AIM Rules, Westhouse has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received independent advice and guidance as to the nature of their responsibilities and obligations under the AIM Rules and that to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with. In giving its confirmation to the London Stock Exchange, Westhouse has not made its own enquiries except as to matters which have come to its attention which it considers it necessary to satisfy itself. Westhouse is not acting for any other persons and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Westhouse or for providing advice in relation to the contents of this document, the Placing or the application for Admission. Westhouse has not authorised any part of this document. No liability is accepted by Westhouse for the accuracy of any information or opinions contained in, or for the omission of any information from, this document for which the Directors and the Company are responsible.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution into the United States, Canada, Australia, the Republic of Ireland, South Africa or Japan. The issue of the Placing Shares and Warrants has not been and will not be registered under the applicable securities laws of the United States, Canada, Australia, the Republic of Ireland, South Africa or Japan or to any national, resident or citizen of the United States, Canada, Australia, the Republic of Ireland, South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

Westhouse is a trading name of Westhouse Securities LLP, a member of the London Stock Exchange and regulated by The Financial Services Authority, a subsidiary of Kredietbank Luxembourg and part of the Almanij-Kredietbank Group.

The Placing Shares will rank in full for all dividends or other distributions declared, made or paid on the ordinary share capital of the Company after Admission and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

Copies of this document, which is dated 28 October 2005, will be available free of charge to the public during normal working hours on any weekday (except Saturdays and public holidays) from the registered office of the Company and from the offices of Westhouse at Clements House, 14-18 Gresham Street, London EC2V 7NN from the date of Admission for a period of not less than one month.

In making any investment decision in respect of the Placing, no information or representation should be relied upon in relation to the Placing or in relation to the Placing Shares or the Warrants other than as contained in this document. No person has been authorised to give any information or make any representation other than that contained in this document and, if given or made, such information or representation must not be relied in any respect whatsoever.

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KEY INFORMATION

The following summary information is derived from and should be read in conjunction with the full text of this document. Prospective investors should read the whole document and not just rely on the key information set out below. In particular, attention is drawn to Part II which is entitled “Risk Factors”.

Business

SRT develops and licenses technology reference designs which enable electronics companies to manufacture their own complex digital wireless products.

The Group targets niche sectors of the national security market, where governments drive the necessary investment and where the specification of products is defined by international standards.

SRT’s reference designs save manufacturers time and cost when developing their own products. The Group currently licenses reference designs for a TETRA professional mobile radio handset and automatic identification systems (AIS) for use on commercial and leisure vessels.

TETRA is an international digital communications standard which is designed for users such as security and emergency services and which has been adopted in over 70 countries. The AIS standard was developed as a form of intelligent radar to prevent collisions between ships, but its capability for monitoring and tracking marine traffic has application in areas of national security.

There are two AIS variants: AIS Class A for large vessels and AIS Class B for smaller commercial and leisure vessels. The market for AIS Class A is driven by a worldwide mandate from the IMO that covers approximately 150,000 vessels, for which SRT has two licence contracts generating royalties on AIS Class A devices sold. AIS Class B is a simpler version of the AIS Class A standard and would cover at least 23 million vessels globally.

SRT has signed seven licence contracts with well established electronics companies for the current reference designs, of which four are with manufacturers in China and South Korea for the TETRA handset design and three are for AIS.

SRT receives licence and product development support fees, which are payable against specific milestones during the development of the customer’s product, and a significant per unit royalty on every product manufactured by its customers.

The Directors expect that Hisense and TCB, both major Chinese electronics groups with whom SRT has signed licence contracts, will commence deliveries of their TETRA handsets, incorporating SRT’s reference design, to their end customers in the first and second quarters of 2006 respectively.

Key Strengths

The Directors believe that SRT has the following key strengths:

- SRT licenses its reference designs in the same form to multiple customers, generating licence and product development support fees and ongoing royalty revenue.
- The Group’s reference design business model is compatible with a preference for government agencies to purchase national security related products from local suppliers.
- SRT has signed four licence contracts for its TETRA handset reference design with electronics manufacturers in China and South Korea, who are committing significant time and resources in developing their own handsets for production.
- The Group’s AIS Class B reference design addresses a growing interest from coastal authorities, such as the US Coast Guard, in seeking to mandate AIS as standard equipment on all marine vessels.
- Royalties are secured through the inclusion of a single source component within the reference designs.
- SRT has a portfolio of IPR, from which further reference designs are under consideration.

Use of Proceeds

The Company intends to apply the net proceeds of the Placing (amounting to approximately £3.51 million) to:

- develop the next generation of the Group's current reference designs, the focus of which will be on reducing manufacturing costs;
- invest in the customer product development team, which is expected to shorten the time between the signing of a contract and the commencement of production by customers;
- invest in sales and marketing to seek to increase the rate at which the Group wins contracts;
- continue the development of further reference designs derived from the Group's existing IPR; and
- repay the Group's existing borrowings.

VCT and EIS

The Company has applied to HM Revenue & Customs and obtained provisional clearance that the Placing Shares will qualify to be "eligible shares" for the taxation advantages offered under the VCT scheme and the EIS.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Richard James Moon (<i>Non-Executive Chairman</i>) Shamus Kelly (<i>Managing Director</i>) Simon Richard Tucker (<i>Commercial Director</i>) Matthew David Rogers (<i>Finance Director</i>) Simon Francis Rogers (<i>Non-Executive Director</i>) Andrew Christopher Lapping (<i>Non-Executive Director</i>) all of whose business address is:
Registered Office and Principal Place of Business	Wireless House Westfield Industrial Estate Midsomer Norton Bath BA3 4BS
Company Secretary	Matthew David Rogers
Website	www.softwareerad.com
Nominated Adviser	Westhouse Securities LLP Church House 90 Deansgate Manchester M3 2GP
Broker	Westhouse Securities LLP Clements House 14-18 Gresham Street London EC2V 7NN
Solicitors to the Company	CMS Cameron McKenna LLP Mitre House 160 Aldersgate Street London EC1A 4DD
Solicitors to the Placing	Walker Morris Kings Court 12 King Street Leeds LS1 2HL
Reporting Accountants	Nexia Audit Limited 25 Moorgate London EC2R 6AY
Auditors	Nexia Audit Limited 1 Bishops Wharf Walnut Tree Close Guildford GU1 4RA
Financial Public Relations Consultants	The Communication Group 19 Buckingham Gate London SW1E 6LB
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE

DEFINITIONS

In this document, where the context permits or unless otherwise stated, the definitions set out below shall apply:

“Act”	the Companies Act 1985 (as amended)
“Admission”	admission of the Ordinary Shares and the Warrants to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	the market of that name, owned and operated by the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange from time to time governing admission to, and the operation of, AIM
“Board” or “Directors”	the directors of the Company, whose names are set out on page 5 of this document
“China”	the People’s Republic of China
“Company”	Software Radio Technology plc and, where the context requires, all or any of its subsidiaries
“CREST”	the relevant system (as defined in the Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the Regulations)
“DTI”	Department of Trade and Industry
“EIS”	Enterprise Investment Scheme
“Enlarged Share Capital”	the Ordinary Shares in issue immediately following Admission
“EU”	European Union
“Executive Directors”	Shamus Kelly, Simon Tucker and Matthew Rogers
“Existing Ordinary Shares”	the 57,491,680 Ordinary Shares in issue immediately prior to Admission
“Existing Shareholders”	holders of Existing Ordinary Shares
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Group” or “SRT”	the Company and its subsidiaries
“ISIN”	International Securities Identification Number
“London Stock Exchange”	London Stock Exchange plc
“Motorola”	Motorola Inc.
“Nokia”	Nokia Corporation
“Non-Executive Directors”	Richard Moon, Simon Rogers and Andrew Lapping
“Official List”	the Official List of the UKLA
“Ordinary Shares”	the ordinary shares of 0.1p each in the capital of the Company
“Placing”	the conditional placing by Westhouse, as agent for the Company, of the Placing Shares at the Placing Price and the Warrants pursuant to the Placing Agreement as described in this document

“Placing Agreement”	the conditional agreement dated 28 October 2005 and made between (1) Westhouse, (2) the Directors and (3) the Company, further details of which are set out in paragraph 11.8 of Part V of this document
“Placing Price”	35p per Placing Share
“Placing Shares”	the 11,552,850 new Ordinary Shares to be issued pursuant to the Placing
“Regulations”	the Uncertificated Securities Regulations 2001
“Securicor”	Securicor plc, a subsidiary of Group 4 Securicor plc
“Sepura”	Sepura Limited
“Share Option Scheme”	the Software Radio Technology plc Enterprise Management Incentive Scheme, further details of which are set out in paragraph 7.1 of Part V of this document
“Shareholder(s)”	the person(s) who are registered as holder(s) of Ordinary Shares from time to time
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UKLA”	the Financial Services Authority acting in its capacity as a competent authority for the purposes of Part VI of the FSMA
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US\$”	United States dollars
“VCT”	venture capital trust
“Warrantholder(s)”	holder(s) of Warrants
“Warrant Instrument”	the warrant instrument constituting the Warrants dated 28 October 2005
“Warrants”	warrants of the Company entitling the holders thereof to subscribe for Ordinary Shares, as constituted by the Warrant Instrument, further details of which are set out in paragraph 6 of Part V of this document
“Westhouse”	Westhouse Securities LLP, the nominated adviser and broker to the Company

An exchange rate of US\$1.80 : £1 has been used throughout the document, except where otherwise stated.

GLOSSARY OF TERMS AND MEASURES

“AIS”	automatic identification system
“ASIC”	application specific integrated circuit
“encryption”	a method of coding or scrambling voice or data information so that it cannot be understood or deciphered without special equipment or software
“ETSI”	European Telecommunications Standards Institute
“GPS”	global positioning system
“IMO”	International Maritime Organisation
“IPR”	intellectual property rights
“linearisation”	the process of increasing the output of an amplifier without changing, as far as practicable, other parameters
“MHz”	megahertz, or one million cycles per second
“MMI”	man-machine interface
“Mt”	metric tonnes
“PMR”	professional mobile radio
“RF”	radio frequency
“SOLAS Agreement”	The International Convention for the Safety of Life at Sea
“TETRA”	terrestrial trunked radio, the ETSI standard for digital trunked radio communications
“transceiver”	a device that performs both transmitting and receiving functions
“transponder”	an automatic device that transmits a predetermined message in response to a predefined received signal
“VHF”	very high frequency, used to refer to frequencies between 30 MHz and 300 MHz

PLACING STATISTICS

Placing Price	35p
Number of Ordinary Shares in issue immediately following the Placing	69,044,530
Market capitalisation of the Company at the Placing Price immediately following the Placing	£24.17 million
Number of Ordinary Shares being placed on behalf of the Company	11,552,850
Number of Warrants in issue immediately following the Placing	11,552,850
Percentage of Enlarged Share Capital being placed pursuant to the Placing	16.73 per cent.
Estimated net proceeds of the Placing receivable by the Company	£3.51 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2005
Publication of Admission Document	28 October
Dealings in Ordinary Shares and Warrants to commence on AIM	8.00am on 2 November
CREST accounts credited	8.00am on 2 November
Definitive share certificates in respect of the Placing Shares and certificates in respect of the Warrants (where appropriate) despatched by	4 November

PART I

INFORMATION ON SRT

1. Introduction

SRT develops and licenses technology reference designs which enable electronics companies to manufacture their own complex digital wireless products. The Group targets niche sectors of the national security market, where governments drive the necessary investment and where the specification of products is defined by international standards.

Driven by its existing IPR portfolio and development skills, SRT has focused on digital communications and marine tracking technologies. The Group currently licenses reference designs for a TETRA professional mobile radio handset, a technology which is being adopted by security and emergency services around the world, and automatic identification systems (AIS) for use on commercial and leisure vessels.

SRT's reference designs are based on internationally agreed and maintained standards. The standards exist to facilitate interoperability between products from different manufacturers, but they also ensure that every product has to operate in the same way from a technological perspective. This enables SRT to license the same reference design to multiple customers.

Each reference design incorporates hardware design and operating software, which enables manufacturers to develop proprietary versions of complex digital wireless products more rapidly and cost effectively than through in-house development and without the associated development cost and risk.

SRT has signed seven licence contracts with well established electronics companies for the current reference designs, of which four are for the TETRA handset design and three are for AIS. A number of further licence contracts are under negotiation. Particular success has been generated in the Far East, notably in China and South Korea.

SRT receives licence and product development support fees, which are payable against specific milestones during the development of the customer's product. SRT further receives a significant per unit royalty on every product manufactured. For the TETRA handset design, the licence and product development support fees have averaged US\$1.35 million per contract, with an average net royalty of approximately US\$20 per product manufactured. For AIS, the licence and product development support fees are up to \$300,000, with royalties of \$30 to \$120 per unit.

Based upon available market statistics, the Directors estimate that the global market for TETRA handsets will grow to approximately four million unit sales per annum within five years, 45 per cent. of which are forecast to be in Asia. The Directors are confident that the Group's customers are well positioned to capitalise on preferences for local manufacturing and supply within their domestic markets and that those customers have established distribution channels internationally to win a share of the global TETRA handset market.

The SOLAS Agreement mandated the installation of AIS Class A transponders on 150,000 vessels worldwide. Following on from AIS Class A, the creation of a simpler AIS Class B device has created interest from government agencies, such as the US Coast Guard, in seeking to mandate AIS as standard equipment on all marine vessels. The Directors believe that this process is now well underway and would present the Group with a substantial opportunity in the future. AIS can be used for the tracking and surveillance of small commercial and leisure vessels, which number approximately 17 million within the US alone.

SRT has a portfolio of IPR, which has been generated over 15 years. From this portfolio, the TETRA handset and the AIS Class A transponder have been developed as the Group's first reference designs. SRT's next reference design, for the AIS Class B transponder, is nearing completion. Further reference designs, which may be developed utilising the Group's existing IPR, are under consideration.

The Company is seeking Admission in conjunction with the Placing, which will raise £4.04 million (before expenses), to fund the next phase of growth of the business.

2. Background

The business of the Group was founded in 1989 by Securicor as Linear Modulation Technology Limited ("LMT"). LMT worked closely with the University of Bristol in developing wireless technologies. Through its work within the Securicor group and on projects for third parties, LMT developed a number of advanced wireless technologies which were patented and are retained within the Group today.

In 1996, Securicor sold LMT to Intek Diversified Corporation (renamed Inter Global Corporation). LMT was a subsidiary of Intek Global Corporation when it was floated on NASDAQ in 1996. In 1999, Securicor, which had a 60 per cent. shareholding in Intek Global Corporation, bought the remainder of the company and delisted it.

During its ownership, Securicor committed substantial investment over a sustained period to finance capital expenditure and significant ongoing losses. This investment resulted in a portfolio of IPR and a strong reputation among its customers.

In December 2002, a consortium of private investors acquired the business, which was then called Securicor Wireless Technology Limited, with the intention of commercialising the extensive portfolio of IPR for wireless technology on the basis of a reference design licence model. Following the acquisition, the pre-existing development contracts were completed, but new development contracts were not sought to allow the development team to concentrate on the first two reference designs. The intention was to create a scalable business plan which would enable SRT to generate substantial repeat revenues through royalties as a technology provider to multiple manufacturers. To date, SRT has been funded by private equity and venture and other private funding. Since the acquisition, a total of approximately £5.3 million has been invested by the Shareholders.

SRT operates from 10,000 square feet premises in Midsomer Norton, near Bath.

3. Business Model

SRT does not manufacture anything. SRT uses its existing portfolio of IPR to develop wireless technology reference designs which are licensed in the same form to multiple customers in return for a combination of licence and product development support fees and ongoing royalties.

A SRT reference design is a set of electronic hardware manufacturing ‘blue prints’ and operating software that enable manufacturers to develop proprietary versions of complex digital wireless products more rapidly and cost effectively than through in-house development and without the associated development cost and risk.

Reference designs are developed by SRT’s engineers. Once completed and licensed, the designs generate royalty income from multiple customers, thereby allowing the engineers to commence the development of the next reference design. This model is designed to generate an increasing portfolio of income earning technology assets, without a proportionate increase in overheads.

The reference design encompasses the main printed circuit board and the software, or protocol stack. The design of the keypad and associated software, which controls the user interface, is undertaken by the manufacturer. In this way, the manufacturer is able to design the look and feel of the end product specific to its brand and target market requirements around the reference design.

Depending on the product, a manufacturer is expected to take between 6 and 18 months to develop its own final product. During this period, the customer learns how to manufacture the reference design with SRT’s support and develops the look and feel of the final product, including the product casing, keypad and user interface software.

SRT receives the following income streams from customers:

- Licence and product development support fees - payable during the product development phase against agreed milestones.
- Training fees - payable during the product development phase on completion of agreed courses.
- Warranty fees - payable annually for two years on the anniversary of commencement of production.
- Royalties - payable on every product manufactured by the customer using the design.

The business model is structured to deliver long term royalty income from multiple customers from the same reference design.

Royalties are secured through the inclusion of a single source component within the hardware design over which SRT either has proprietary control or an agreement in place with the component manufacturer to monitor, track and, wherever possible, control the supply thereof.

For TETRA handsets, the component is a complex ASIC chip which is only available from SRT, although its manufacture is outsourced. For AIS transponders, a chip is incorporated into the design which is only available from a single source, specified by SRT.

Royalties are currently being received in respect of the AIS Class A design from two customers and the Directors expect royalty income from its TETRA reference design to commence during the first quarter of 2006. The Directors believe that royalties will increasingly become the most significant element of SRT's revenue.

4. Markets

SRT develops and licenses reference designs which address niche sectors of the national security market, where governments drive the necessary investment and where the specification of products is defined by international standards.

The Directors believe that the characteristics of these markets provide SRT with the opportunity to leverage its portfolio of IPR and engineering know-how, at limited expense, by licensing the same products to multiple customers, thereby generating sustainable repeat revenues through per unit royalties.

TETRA

TETRA (Terrestrial Trunked Radio) is an ETSI-defined international mobile radio digital communications standard designed specifically for professional mobile radio (PMR) users. PMR users are characterised as users who rely on mission critical communications to carry out their work, for example the police, military, fire and medical emergency services and transport companies.

Digital systems offer advantages over analogue systems, such as greater functionality, data capability, high level encryption and enhanced call reliability. Being an open standard, TETRA also enables true interoperability between different manufacturers' equipment, thereby facilitating the use of handsets from multiple manufacturers on the same network. In the same way as the mobile phone market, PMR users, driven by their requirements for greater functionality and performance, are currently migrating from analogue to digital systems, creating a rapidly growing market for digital mobile radio systems.

There are an estimated 32 million PMR users worldwide, approximately 85 per cent. of which are still operating on analogue systems. The overall PMR market is growing annually at approximately 5 per cent. per annum, primarily driven by national security concerns and the resulting government investment. However, the digital element of the PMR market is growing more rapidly, due to the migration from analogue to digital systems.

Within the digital PMR market, there are a number of standards. TETRA is used in more countries than any other standard: over 70 countries in total. The US, where approximately 50 per cent. of the current global PMR market is located and where Motorola's APCO 25 standard is prevalent, is the most notable exception to the widespread adoption of TETRA. Outside of the US, the APCO 25 standard is not commonly used.

Although initially slow to take off, the proliferation of TETRA networks worldwide, particularly in Europe and Asia, is starting to drive demand for TETRA handsets. The Directors estimate that global demand for TETRA handsets will increase from approximately 500,000 units in 2004 to approximately four million units per annum by 2010, with Europe and Asia together accounting for over 90 per cent. of the market. Authorities in countries such as Germany, South Korea, China, Taiwan and India are in the process of updating their existing communication networks by, amongst other things, installing TETRA networks. Such networks will be used by a range of local agencies from police and military to railways and other professional services.

A TETRA system consists of a series of networked base stations. A network can be as small as a single base station, such as at an oil refinery, or can involve several hundred base stations in a national network, such as in the UK. A base station costs approximately US\$100,000 with handsets currently priced between US\$800 and US\$1,200 each. In recent years, approximately 600 TETRA contracts have been awarded worldwide, the majority of which have been in respect of network infrastructure equipment being sold by Motorola and Nokia. These contracts have created the networks required for the various user groups to consider the purchase of TETRA handsets and to migrate their communication systems from analogue to digital.

The Directors understand that there are currently six manufacturers and suppliers of TETRA handsets, all of which have been primarily focused upon the European market. SRT currently has four licence contracts with manufacturers in China and South Korea and is in negotiations on a pipeline of further contracts. The Directors believe that there is a preference for government agencies to purchase national security related products from local suppliers. Indeed in China, government agencies are required wherever commercially viable to buy products from local manufacturers. As a result, the Directors believe that the Group's Asian TETRA handset customers are well placed to win a substantial share of their local markets and a share of the international market through their established distribution networks.

For the TETRA handset design, the licence and product development support fees received by SRT have averaged US\$1.35 million per contract, with an average net royalty of approximately US\$20 per product manufactured by the customer.

Customers

SRT currently has four contracts for the licensing of the TETRA handset design:

Hisense, China (www.hisense.com)

In March 2004, SRT signed a licence agreement for the Group's TETRA handset with Hisense Co. Ltd ("Hisense").

Hisense is the largest professional telecommunications group in Shandong Province in East China. The group is one of China's top 500 companies by turnover and is publicly traded on the Shanghai Stock Exchange. The group has interests in household appliances, telecommunications, information technology and real estate and has in excess of 10,000 employees. The chairman of Hisense is a deputy to the National People's Congress, which is the legislative arm of the Communist Party in China. The Directors believe that Hisense has a close relationship with a number of government agencies.

Although the Directors understand Hisense will seek to address international markets, Hisense has indicated that the first customer is expected to be the Chinese police force which has been actively involved in the development of the handset.

The Directors expect Hisense to commence deliveries of TETRA handsets to end customers in the first quarter of 2006.

TCB, China (www.tcb.com.cn)

In October 2004, SRT signed a licence agreement for the Group's TETRA handset with Tianjin Communication & Broadcasting Group Corporation Limited ("TCB").

Founded in 1936 and based in Tianjin, TCB is a substantial, Chinese Government-owned electronics company which supplies domestic consumer and military and international markets with a variety of products and employs around 5,000 people. The Directors understand that TCB has been working closely with a primary target customer for its TETRA handset and that initial demonstrations have taken place.

The Directors expect TCB to commence deliveries of TETRA handsets to end customers in the second quarter of 2006.

HYT, China (www.hyt.com.cn)

In June 2005, SRT signed a licence agreement for the Group's TETRA handset design with Shenzhen HYT Science & Technology Co. Ltd ("HYT").

HYT was founded in southern China in the 1990s. Employing over 1,000 people, annual turnover is growing rapidly and is now in excess of US\$100 million. HYT specialises in developing, manufacturing and selling PMR products. The company has supplied countries such as Pakistan and Bangladesh with country-wide analogue PMR systems and is positioned to be able to sell TETRA products to existing and new customers through its local and international network of dealers.

HYT is currently designing the mechanics and MMI for the handset in accordance with SRT's reference design. The Directors anticipate that HYT will commence deliveries of TETRA handsets to end customers in the third quarter of 2006.

Unimo and Mercury, South Korea (www.unimo.co.kr and www.mercurykr.com)

In July 2005, SRT signed a licence agreement for the Group's TETRA handset with Unimo Technology Co. Ltd ("Unimo") and Mercury Corporation ("Mercury").

Unimo was founded in South Korea over 20 years ago and now employs approximately 200 people and has annual turnover of approximately US\$30 million. In partnership with Mercury (formerly Daewoo Communications), a large Korean group that manufactures fibre optic cable, Unimo is developing a TETRA handset using SRT's reference designs to complement Unimo's existing range of PMR radios. Unimo has supplied the Korean military and police with communications equipment.

The South Korean government has adopted TETRA as its national security communications network and it is estimated that this will create local demand for 750,000 handsets over the next three to five years. The Directors understand that Unimo and Mercury are targeting the local market and will also seek to enter the international market through their existing sales and distribution networks.

The Directors anticipate that Unimo and Mercury will commence deliveries of TETRA handsets to end customers in the third quarter of 2006.

AIS

AIS, or Automatic Identification System, is an international standard that was initially developed to create an intelligent system using VHF and GPS technologies to prevent ships colliding with each other. AIS transponders continuously transmit the vessel's position, course and speed, together with other identification details, whilst being able to receive similar information from other AIS transponders within range. Each transponder uses this information to calculate the relative position of other vessels and automatically provide warnings of impending or potential collisions.

AIS is designed to feed information to coastal authorities through base stations located at strategic points. The information provided by each transponder is comprehensive and allows the vessel to be instantly identified, monitored and tracked. The system also provides a text messaging facility between vessels for private, line of sight communications.

AIS was initially implemented in full in the form of the AIS Class A standard in accordance with the SOLAS Agreement. AIS Class B, a simpler variant of the AIS Class A standard, is now nearing completion. AIS Class B uses the same basic principles, but removes functionality deemed unnecessary for smaller commercial and leisure vessels to which AIS Class B is being targeted.

AIS Class A

In July 2002, the IMO implemented a range of amendments to the SOLAS Agreement. The amendments included the requirement for certain vessels to be fitted with an AIS Class A system. The detailed vessel mandate conditions are complex. However, in general terms, they cover all vessels over 300Mt, with the exception of fishing vessels.

The SOLAS Agreement resulted in the requirement for approximately 150,000 vessels to be fitted with an AIS Class A transponder. Additionally, some authorities, such as the US Coast Guard, have extended the mandate to include vessels over a certain size operating on inland waterways: for example all motorised vessels over 65 feet. The Directors believe that the demand for AIS Class A transponders will be driven by new builds, minor additional specific AIS Class A mandates and replacements. The cost of an AIS Class A system for the end-user is approximately US\$3,000 plus installation.

The primary objective for the mandating of AIS Class A was the avoidance of collisions between ships in busy shipping lanes. However, due to the market pressures resulting from the high cost of installing an AIS Class A system, many exceptions have been included in the mandate, in particular fishing vessels.

AIS Class B

AIS Class B is a derivative of the AIS Class A standard and is being developed for use on smaller commercial and leisure vessels. SRT has played an active role in the evolution of the AIS Class B standard, which is expected to be finalised and adopted before the end of 2005.

There are estimated to be 3.8 million commercial and 23 million leisure vessels globally which currently fall outside of the SOLAS Agreement or other existing AIS mandates. Approximately 75 per cent. of the global leisure vessel market is located in the US.

With increasing concerns over national security around the world, leisure vessels are considered to be a major security threat by authorities. Leisure craft could be used to assist in acts of terrorism and existing radar coverage provides limited information to the authorities, except to alert them of a vessel's presence.

Any mandating of AIS Class B will be undertaken on a regional basis, unlike the global IMO mandating of AIS Class A. The US Coast Guard and coastal authorities in Europe, the Middle East and Asia have expressed interest in an electronic licence and monitoring system to be fitted to leisure craft. Recent public statements from some of such authorities have indicated that AIS Class B will be used to meet this objective. The US Coast

Guard is currently trying to secure the AIS frequencies to implement a plan to roll out a national coastal AIS system, which may include all vessels operating within US territorial waters. The current high cost of the equipment is one of the principal barriers in the mandating of such a system.

The Directors estimate that if AIS Class B was mandated in the US for leisure craft, it would create a market of approximately two million units per annum. Other countries, such as the United Arab Emirates and South Korea, are already installing marine surveillance systems incorporating AIS. The estimated demand in South Korea for AIS Class B devices is approximately 100,000 units over the next four years. The global market for AIS Class B devices could therefore be substantial.

In 2003, SRT recognised AIS Class B as a potential solution to coastal national security issues and, therefore, a significant opportunity. Using its AIS development skills and AIS Class A technology, SRT implemented a development plan to create an AIS Class B design with a product retail price of under US\$500, which the Directors believe may be sufficiently low to encourage the mandating of AIS Class B by authorities. Having developed a proof of concept design, which was tested by a number of EU coastal authorities, SRT is now in the final phase of development and the first customer licence agreement has already been signed.

The Directors believe that the low manufacturing cost of the AIS Class B reference design will enable SRT to become a substantial technology provider for AIS Class B systems and anticipate the receipt of royalties of between US\$30 to US\$50 on each unit sold by customers.

Customers

SRT currently has three contracts in respect of AIS designs, two relating to AIS Class A and one relating to AIS Class B.

McMurdo (www.mcmurdo.co.uk)

In September 2003, SRT signed a licence agreement with McMurdo Limited (“McMurdo”) for the Group’s AIS Class A reference design.

Founded in 1937 and located in Portsmouth, McMurdo is a wholly owned subsidiary of Chemring Group plc and has an established brand and dealer network to support its range of marine products.

McMurdo produces an AIS Class A device based on SRT’s reference design. Sales of the product commenced in December 2004 and, as such, SRT is now receiving royalties.

Samyung (www.samyungenc.com)

In February 2004, SRT signed a licence agreement with Samyung ENC Co. Limited (“Samyung”) for the Group’s AIS Class A reference design.

Samyung is based in South Korea and quoted on the Seoul Stock Exchange. The group specialises in the development, manufacture and sale of marine electronic equipment.

Samyung produces an AIS Class A device based on SRT’s reference design. Sales of the product commenced in January 2005 and, as such, SRT is now receiving royalties.

TCB (www.tcb.com.cn)

In addition to the TETRA licence agreement, SRT signed an agreement with TCB in August 2005 in respect of the Group’s AIS Class B reference design.

Under the agreement, TCB received a licence, which is exclusive in China, for the production and sale of AIS Class B devices based on SRT’s reference design. Also under the agreement, TCB agreed a fixed price for the contract manufacturing of complete AIS Class B devices on behalf of SRT. The Group is exploring the possibility of selling complete AIS Class B devices. The Directors believe that the price agreed by TCB would allow a retail price per device of below US\$500.

5. Sales and Marketing

SRT's business development team includes persons with Asian language skills and engineers who provide technical support. The business model dictates that all technical and contractual documentation is in standard form and target markets are specific. This, combined with a strict prospect verification process, enables a small sales team to operate efficiently and win contracts.

The nature of SRT's business is that there are a relatively small number of potentially high value contracts. Once a prospective customer has met SRT's customer criteria, in depth negotiations and technical consultations commence, which can take between 3 and 12 months. Through experience to date, the Directors have formed the view that the final determinant of when contracts are signed is the customer's expectation of the market and the existence of demand from a lead local customer with whom they are working closely. SRT's verification process seeks to establish these key drivers.

6. Technology and IPR

SRT has focused on the application of linearisation techniques from its formation. Linearisation was developed as a series of techniques to solve technical issues that arise when large amounts of information needed to be transmitted wirelessly through narrow frequency bands without distortion. The increasing use of digital systems has driven demand for linearisation technologies. As the amount of information transmitted through wireless systems increases, the demands on amplifiers increase, typically resulting in the amplifiers becoming larger and less power-efficient. Linearisation can be used to reduce the size and power consumption of amplifiers.

Cartesian Loop develops linearisation techniques further. It was pioneered in the late 1980s to control the amplification of radio frequencies in such a way that even ultra-high data transmission rates will not cause distortion of the signal. The signal can therefore be amplified without distortion and be transmitted close to its original form. As the requirements for the amount of information contained in a signal increases, the more important the use of linearisation techniques becomes.

SRT pioneered a number of techniques involving Cartesian Loop, developing its commercial applications. The techniques were patented by SRT and remain an important part of the Group's IPR portfolio.

The Directors believe that SRT has the expertise to exploit the prevalence of digital wireless systems, which require increasing amounts of data to be sent faster and more efficiently within the same bandwidths. The Group's reputation gained through solving technical issues attracted many of the companies that have subsequently become customers and has resulted in innovative IPR being generated.

7. Growth Strategy

SRT has proven TETRA and AIS reference designs and has won contracts with major customers with established sales channels. The customers are either in the process of developing their own product or already have their own product in production using SRT's reference design. Further contracts are under negotiation.

The next stage in SRT's strategy in respect of its TETRA reference design is the development of the next generation of the designs, the primary focus of which will be on reducing manufacturing costs. This would enable SRT to deliver a cost benefit to its customers and should enable SRT to increase its royalties on products manufactured. The intention is to time the release of the next generation designs to existing customers to coincide with their desire to manufacture a second range of handsets.

SRT is continuing to develop further reference designs derived from the Group's existing IPR. The immediate focus of this development is the completion of the AIS Class B reference design, for which the first contract has already been signed. This design has generated considerable interest from other prospective customers, despite very limited marketing efforts to date.

SRT is also investigating the avionics market where the Directors believe that a previous technology design trialled by the Company may give SRT a competitive advantage as new digital standards are implemented in commercial and private aviation.

To date, SRT has not had the resources to investigate the full potential of its IPR portfolio and plans to accelerate this during 2006 with the objective of identifying further applications for the use of its patented linearisation technology. As an example, the wireless broadband market faces future challenges which may be addressable by linearisation.

8. Competition

TETRA

The Directors are not aware of any other company which licenses a reference design for a TETRA handset. The primary competitors are the internal research and development departments of the Group's potential customers. SRT's key advantages include its linearisation expertise and the fact that its technology is currently available, as opposed to a requirement to engage in a lengthy development programme with considerable cost and risk.

The Directors understand that there are currently six manufacturers of TETRA handsets in the world. This number will increase as SRT's customers move into production. Of the existing manufacturers, Nokia, Motorola and Sepura are the largest and sell handsets internationally. SRT supplies the remaining three manufacturers with its ASIC chip for use in their TETRA handsets.

All of the existing manufacturers currently produce handsets in Europe that were initially designed for the EU market. Nokia, Motorola and Sepura have achieved sales in non-European markets. Nokia and Motorola have been the primary providers of the base stations and networks required by countries adopting TETRA before the volume purchase of handsets commences.

The Directors believe the success generated, particularly in the Far East, in terms of agreeing contracts with major electronics companies demonstrates the demand for the reference design approach. The Directors consider that this is a result of a preference for government agencies to purchase national security related products from local suppliers, such as SRT's customers. Indeed in China, government agencies are required wherever commercially viable to buy products from local manufacturers. The future success of SRT's TETRA business will depend on the Group's customers' ability to win contracts to supply handsets and thereby generate royalties for SRT.

Customers have been willing to commit to licence and product development support fees in the expectation that they will win handset contracts. From discussions with customers, the Directors understand that initial sales targets are invariably domestic to each customer, with whom the ability to offer a locally supplied, manufactured and branded product may prove critical to the sales proposition to the end user.

AIS

The Directors are not aware of any other company which licenses a reference design for AIS devices. The primary competitors in respect of the AIS technology are the internal research and development departments of potential customers. SRT's key advantages include the current availability of its technology and its low cost, integrated design.

The Directors understand that there are currently ten manufacturers of AIS Class A devices in the world, of which three use SRT's AIS platform. Currently, AIS Class B transponders are available from three manufacturers and all have a retail price of around US\$1,200 per unit. The Directors believe that this is because most manufacturers have concentrated on AIS Class A, as that previously presented a greater opportunity than AIS Class B. Having taken the decision to develop a low cost AIS Class B design in 2004, the Directors believe that SRT has an advantage over any competitor now wishing to develop a low cost AIS Class B design.

9. Directors, Senior Management and Employees

Directors

The Board comprises three Executive Directors and three Non-Executive Directors (including the Non-Executive Chairman).

Richard Moon (Non-Executive Chairman), aged 54

Richard has an extensive track record of both chairman and chief executive roles in the telecommunications, defence, information technology and services sectors.

Richard became managing director of Thorn Automation in 1992 and Sensors Group in 1995, both divisions of Thorn EMI Electronics Limited. The company was acquired by Racal Electronics plc in late 1995 and Richard was appointed managing director of Racal Thorn Electronics Limited. In 1997 he became chief executive of Racal Communications Limited. In 1998 he became chief executive of Racal Defence Electronics Limited and was appointed to the parent board of Racal Electronics plc. Following the sale of Racal Electronics plc in 2000,

Richard became the first chief executive of Thales Holdings UK plc and was appointed to the executive board of the parent company, Thales SA. In 2002 he left Thales and began to take on a number of non-executive roles.

In 2003, Richard became chairman of Vivista Holdings Limited, which acquired Securicor Information Systems Limited from Securicor for £20.5 million in a private equity backed deal. Vivista Holdings Limited was sold to US company Sungard Data Systems Inc. for £110 million in 2005. Richard currently holds a number of other directorships, including the chairmanship of Acal plc, the UK value added distributor of electronic components and IT products which is listed on the Official List.

Richard has also been a member of the National Defence Industry Council, the British Marine Equipment Council and a vice president of the Federation of Electronics Industries.

Shamus Kelly (Managing Director), aged 51

Shamus joined SRT in May 2004 and is responsible for the day-to-day running of the business and the successful implementation of SRT's business model. While at SRT, Shamus has focused on building a strong management team and providing commercial support to SRT's strong technical capability.

Shamus worked for Lotus Development UK Limited, a leading US application software vendor which is now part of IBM, between 1984 and 1994. During that time, he graduated from technical sales roles, to becoming a corporate sales manager, before being appointed UK sales director in 1992. In 1995, Shamus founded and was managing director of NetInfo Limited, an internet services company, providing services to UK corporate businesses. He led a successful round of venture capital funding and saw the company through to profitability before taking a non executive position with the company and joining SRT.

Simon Tucker (Commercial Director), aged 35

Simon is responsible for the development and negotiation of all new business opportunities and commercial arrangements for SRT. Simon has defined the core commercial strategies of SRT including the reference design approach and the generation of multiple royalty streams. In the past two years, Simon has forged and developed the strong relationships with SRT's Asian customers.

Simon has extensive experience of starting and building companies. Prior to his involvement with SRT, Simon founded a number of businesses, involved in a variety of sectors. In 1997 Simon founded two companies, Rosvik Limited and Rovigo Limited, both of which were subsequently sold. Rosvik Limited supplied and installed air conditioning units, which were manufactured on its behalf by Tatung in Taiwan. Rovigo Limited sold motor scooters in the UK which were designed and manufactured by Standard Motor Corporation in Taiwan.

Matthew Rogers ACCA (Finance Director), aged 30

Matthew is responsible for the control and reporting of all financial aspects of SRT as well as for facilities management and human resources.

Matthew qualified as a member of the Association of Chartered Certified Accountants during his time at Moore Stephens, Chartered Accountants. In 2002, Matthew joined Guardian Security Group Limited, a company which develops and implements integrated security packages for commercial and institutional organisations. Matthew joined SRT in 2003 as financial controller and was appointed Finance Director in 2005.

Andrew Lapping ATII (Non-Executive Director), aged 42

Andrew is managing director of The Hamilton Portfolio Limited. He is a member of the Chartered Institute of Taxation and non-executive director of a number of companies, including Aberdeen Growth Opportunities VCT 2 PLC and Legend Communications plc.

Simon Rogers (Non-Executive Director), aged 48

After an early career in FMCG brand management and market research, Simon worked as UK marketing director for software company Lotus Development UK Limited from 1984 to 1989 when he left to set up an exhibition and conference business focusing on the IT market.

Together with another SRT shareholder, Jonathan Horne, he grew I.T. Events Limited to a turnover of £5 million and sold it in 2000. Since that time, he has founded and built another media company, Electronic Media Limited, and has served on the boards of a number of small and medium sized businesses, including ten years at NetInfo Limited, an internet services company. He was a founder shareholder of SRT and one of the main investors backing the buyout from Securicor. He has committed considerable funds during subsequent funding rounds.

Senior Management

Nick Burroughs (Delivery Director), aged 42

Nick and his team are responsible for the delivery of SRT's reference designs to customers. Nick has 20 years' experience in technology product development, engineering design and manufacturing and has a proven record of achievement in the management of development projects, materials supply, manufacturing costs and quality in rapid growth businesses. Nick joined Airtech plc, which designed and manufactured RF products for mobile phone base stations, as operations director in 1995, before joining European Data Systems Limited, which designed and marketed PC's for industrial and military markets, as design and operations director in 1997. Nick then joined Quail Limited, which produces radio communication products, as technical director in 1999, before moving to Tellermate plc, which provides cash management solutions to the retail, hospitality and banking sectors, as group development director in 2002.

Antoine Assaf (Development Director), aged 36

Antoine and his team are responsible for the design and development of SRT's reference designs. Antoine has focused on cost reduction of the reference designs. Antoine worked for Philips Consumer Communications, which designed and produced RF and wireless products, between 1997 and 2000, initially as a RF design engineer and then as a RF team leader. Antoine joined Sendo Limited, a start up mobile telephone company, in 2000 as a senior RF engineer before being promoted to RF group manager and then to 3G hardware manager.

Employees

As at 31 August 2005, the Group employed a total of 43 full time employees (including the Executive Directors), divided into the following areas:

Operations	3
Business Development	3
Finance and Administration	4
Project management	3
Engineering	30

10. Summary Financial Record

The table below summarises the pro forma trading results of SRT as if the Group had been in existence in its current form for the three years ended 31 March 2005. The information has been extracted from the Accountants' Report set out in Part IV of this document. Investors should read the whole of this document and should not rely solely on the summarised information set out below.

	Year ended 31 Mar 2003 £'000	Year ended 31 Mar 2004 £'000	Year ended 31 Mar 2005 £'000
Turnover	1,342	914	1,409
Cost of sales	(1,421)	(1,425)	(715)
Gross (loss)/profit	(79)	(511)	694
Administrative expenses	(1,862)	(1,544)	(1,650)
Operating loss	(1,941)	(2,055)	(956)
Profit on sale of property	-	195	-
Loss on ordinary activities before interest	(1,941)	(1,860)	(956)
Net interest payable and similar charges	(17)	(23)	(61)
Loss on ordinary activities before taxation	(1,958)	(1,883)	(1,017)

The results for the years ended 31 March 2003 and 31 March 2004 reflect the strategy employed following the purchase of the business from Securicor. The new shareholders resolved to complete existing development and consultancy contracts, but not to seek further similar contracts in order to allow resources to be directed at building a new scaleable business model. This approach led to the reduction in revenue in the year ended 31 March 2004 as the existing contracts were completed. The new focus also led to significant reorganisation expenditure, including the redundancy costs of some senior managers.

The year ended 31 March 2005 saw the initial impact of the Group's new business model based on licensing reference designs. Licence and product development support fees, both from Hisense in respect of TETRA and the two AIS Class A contracts, as well as royalties from the AIS Class A contracts, comprised a substantial element of the revenue for the year.

11. Current Trading and Prospects

During the current financial year, SRT has focused on advancing its TETRA handset development contracts with Hisense and TCB and on securing further TETRA contracts with manufacturers. Contracts with HYT and Unimo were signed in mid-2005. The TETRA contracts generate significant income, which is payable against specific milestones, during the product development phase.

The Directors expect that the Hisense and TCB contracts will reach the stage where volume production of handsets, and the receipt of royalties by SRT, can commence in quarter one and quarter two of 2006 respectively. The contracts with HYT and Unimo are anticipated to reach volume production in quarter three of 2006.

Negotiations are ongoing with further manufacturers in respect of TETRA handset development contracts.

The Group also receives income through royalties on its two contracts for its AIS Class A design and on direct sales of its ASIC chip. SRT is currently in negotiations with Selex Communications OTE SpA, an Italian TETRA equipment manufacturer, for the supply of ASIC chips in the period to 31 December 2006.

In-house development work is concentrated on the completion of the AIS Class B reference design, which is now in the final phase of development. The Directors believe the proposed reference design would enable the manufacture of an AIS Class B device with a product retail price of under US\$500.

12. Corporate Governance

The Directors acknowledge the importance of the Combined Code on Corporate Governance and intend, following Admission, to apply its principles so far as is practicable and appropriate to a company of the size and nature of the Company.

The Directors have established an Audit Committee, a Nomination Committee and a Remuneration Committee with formally delegated rules and responsibilities. Each of the committees will meet regularly, at least twice each year in the case of the Audit Committee and at least once a year in respect of each of the Nomination and Remuneration Committees.

The Company has appointed Richard Moon as its Non-Executive Chairman and Simon Rogers and Andrew Lapping as Non-Executive Directors. Simon Rogers chairs the Audit Committee, Richard Moon the Nomination Committee and Andrew Lapping the Remuneration Committee.

The Audit Committee (which comprises Simon Rogers and Andrew Lapping) will receive and review reports from management and the Company's auditors relating to the annual and interim accounts and the accounting and internal control systems of the Company. It will meet at least once a year with the Company's auditors. The Audit Committee will have unrestricted access to the Company's auditors.

The Nomination Committee (which comprises the Non-Executive Directors) will meet as required for the purpose of considering new or replacement appointments to the Board.

The Remuneration Committee (which comprises the Non-Executive Directors) will review the performance of the Executive Directors and will set and review the scale and structure of the Executive Directors' remuneration and the terms of their service contracts with due regard to the interests of Shareholders. No Executive Director will be permitted to participate in discussions or decisions concerning his own remuneration. In determining the remuneration of Executive Directors, the Remuneration Committee will seek to enable the Company to attract and retain executives of the highest calibre. The remuneration and terms and conditions of appointment of the Non-Executive Directors will be set by the Board. The Remuneration Committee will also make recommendations to the Board concerning the allocation of share options to employees.

The Company has adopted a model code for Directors' and senior employees' share dealings which is appropriate for an AIM quoted company. The Directors will comply with Rule 21 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's senior employees as well.

13. Dividend Policy

The Directors do not intend to commence the payment of dividends for the foreseeable future. They consider that, it is likely to be more prudent to retain cash generated to fund the expansion of the Company. They will reconsider the Company's dividend policy as and when the Company is in a position to pay dividends. The declaration and payment by the Company of any dividends will depend on the results of the Company's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time.

14. Reasons for the Placing and Admission

SRT is carrying out the Placing and Admission to enable it to fund the next growth phase of the business. In addition to the funds raised, the Directors consider that the following benefits will be derived from the Placing and Admission:

- provide flexibility in financing its future growth;
- assist in the recruitment, retention and incentivisation of skilled employees and management; and
- enhance the status and recognition of the Company in its marketplace.

15. Use of Proceeds

The Company intends to apply the net proceeds of the Placing (amounting to approximately £3.51 million) to:

- develop the next generation of the Group's current reference designs, the primary focus of which will be on reducing manufacturing costs;
- invest in the customer product development team, which is expected to shorten the time between the signing of a contract and the commencement of production by customers;
- invest in sales and marketing to seek to increase the rate at which the Group wins contracts;
- continue the development of further reference designs derived from the Group's existing IPR; and
- repay the Group's existing borrowings.

16. Details of the Placing

The Company is proposing to raise approximately £4.04 million through a conditional placing by Westhouse of 11,552,850 Placing Shares at 35p per share.

The Placing Shares will represent approximately 16.7 per cent. of the Enlarged Share Capital. The Placing is conditional upon, *inter alia*, Admission becoming effective. Further details of the Placing Agreement are set out in paragraph 11.8 of Part V of this document.

On Admission, the Company will have a market capitalisation of approximately £24.17 million at the Placing Price.

Immediately following the Placing, the interests, in aggregate, of the Directors will amount to approximately 22.2 per cent. of the Enlarged Share Capital. Details of the Directors' holdings of Ordinary Shares are set out in paragraph 8 of Part V of this document.

The Placing Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares then in issue, including the right to receive all dividends and other distributions thereafter declared, made or paid in respect of the ordinary share capital of the Company.

Admission is expected to take place and dealings in the Ordinary Shares and the Warrants are expected to commence on AIM at 8.00am on 2 November 2005. It is intended that, where applicable, definitive share certificates and warrant certificates in respect of the Placing Shares and the Warrants will be posted by first class

post on 2 November 2005, or as soon thereafter as is practicable. It is expected that the Placing Shares and the Warrants will be delivered in CREST immediately following Admission. No temporary documents of title will be issued in connection with the Placing.

17. Warrants

The Warrants will entitle holders to subscribe in cash for Ordinary Shares at an exercise price of 40p each, on the terms and conditions of the Warrant Instrument. The exercise price of 40p per share may be adjusted in certain circumstances. The Warrants may be exercised at any time from and including Admission up to and including the second anniversary of Admission or earlier in certain circumstances. Application has been made for the Warrants to be admitted to trading on AIM. Warrants to subscribe for an aggregate of 11,552,850 Ordinary Shares will be issued in connection with the Placing, representing approximately 14.3 per cent. of the issued share capital of the Company following Admission, assuming exercise of all the Warrants but no other share issues.

Further details regarding the Warrants are set out in paragraph 6 of Part V of this document.

18. Lock-in and Orderly Market Arrangements

Each of the Directors, who holds or who is interested in Ordinary Shares, and certain other Existing Shareholders have entered into lock-in and orderly market arrangements in respect of all of their shareholdings, the terms of which are described more fully in paragraph 11.9 of Part V of this document.

Under the terms of these arrangements, the Directors and certain of the Existing Shareholders have agreed not to sell, transfer or otherwise dispose of any Ordinary Shares held by them at Admission, other than in certain specified circumstances, for a period of 12 months following Admission, without the prior agreement of Westhouse. In addition, certain Existing Shareholders concerned have agreed that in the period of 24 months following Admission, any disposals of any such Ordinary Shares will (save in certain specific circumstances) be effected on their behalf by an authorised person (within the meaning of the FSMA) to a transferee nominated or approved by Westhouse.

The arrangements outlined above will apply in respect of 51,634,305 Ordinary Shares, representing approximately 89.8 per cent. of the Existing Ordinary Shares and approximately 74.8 per cent. of the Enlarged Share Capital.

19. Share Option Scheme

The Company intends to adopt the Share Option Scheme immediately prior to Admission to provide an incentive to certain Directors and senior management to promote the continued growth of the Company. Under the Share Option Scheme, options over a total of 6,540,000 Ordinary Shares will be granted immediately prior to or on Admission. Further details are set out in paragraph 7.1 of Part V of this document.

20. CREST

Application has been made to the London Stock Exchange for all of the Ordinary Shares and the Warrants to be admitted to trading on AIM.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the Regulations. The new articles of association of the Company, to be adopted before Admission, will permit the holding of Ordinary Shares under the CREST system. All of the Ordinary Shares and the Warrants will be in registered form and no temporary documents of title will be issued. The Directors intend to apply for the Ordinary Shares and the Warrants to be admitted to CREST and it is expected that the Ordinary Shares and the Warrants will be so admitted and accordingly enabled for settlement in CREST on the date of Admission.

It is expected that Admission will become effective and dealings in Ordinary Shares and in the Warrants will commence on 2 November 2005.

Accordingly, settlement of transactions in the Ordinary Shares and in the Warrants following Admission may take place within the CREST system if any Shareholder or Warrantholder so wishes. CREST is a voluntary system and Shareholders or Warrantholders who wish to receive and retain share or warrant certificates will be able to do so.

21. UK Taxation

The Company has applied to HM Revenue & Customs and obtained provisional clearance that the Placing Shares will qualify to be “eligible shares” for the taxation advantages offered under the VCT scheme and the EIS.

Further information regarding UK taxation is in paragraph 13 of Part V of this document. If you are in any doubt as to your tax position, you should contact your professional adviser.

22. Risk Factors

The Group’s business is dependent on many factors and potential investors are advised to read the whole of this document, and in particular Part II entitled “Risk Factors”.

23. Further Information

The attention of investors is drawn to the information contained in Parts III to V of this document which provide additional information on the Group.

PART II

RISK FACTORS

An investment in the Company is subject to a number of risks. Prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including, in particular, the specific risk factors described below, before making any investment decision with respect to the Ordinary Shares. The information below does not purport to be an exhaustive list. Investors should consider carefully whether investment in the Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances. Before making any final decision, prospective investors in any doubt should consult with an investment adviser authorised under the Financial Services and Markets Act 2000. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Group.

If any of the following risks were to materialise, the Group's business, financial position, results and/or future operations may be materially adversely affected. In such case, the market price of the Ordinary Shares may decline and an investor may lose all or part of his investment.

1. General

Investment risk

Although the Ordinary Shares are to be admitted to trading on AIM, they will not be listed on the Official List. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed.

Investors should be aware that, following Admission, the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment. This volatility could be attributable to various facts and events, including any regulatory or economic changes affecting the Group's operations, variations in the Group's operating results, developments in the Group's business or its competitors, or changes in market sentiment towards the Ordinary Shares. In addition, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors.

At the same time, market conditions may affect the Ordinary Shares regardless of the Group's operating performance or the overall performance of the technology sector. Share market conditions are affected by many factors such as general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply for capital.

Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets, and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Group while others of which may be outside the Group's control.

2. Risks related to the Company and the Group

Dependence on key customers

The success of the Group will depend to a large extent on the performance of its current and future customers.

The business model adopted by the Group determines that the Group is dependent on the customer to develop its own product based on a reference design. Delays in the progress of the development of the end product, as a result of a customer's action or inaction, may have an adverse impact upon the Group in terms of the receipt of licence and product development support fees, which are payable on the achievement of specific development milestones. Any delays in the development of the end product will adversely affect the timing of the receipt of royalties by the Group.

In a similar way, on completion of the customer's end product, the receipt of royalties by the Group is reliant on the ability of the customer to generate sales of the product.

Whilst the Directors believe that customers would not enter into licence contracts with SRT without firm expectations of substantial and timely sales to end users, there can be no guarantee that such sales will occur in accordance with the expected timetable and that royalties will become payable.

Dependence upon key suppliers

The Group has long term relationships with a number of key suppliers. Despite the close nature of these relationships, there can be no guarantee that these relationships will not be impacted by factors outside the Group's control. Replacing these relationships could take significant time and may therefore have an impact on the Group's business performance.

Austrian Microsystems ("AMS") operates a microprocessor fabrication plant based in Austria. For the last three years, AMS has been the exclusive provider of the Group's proprietary LMT4585 ASIC chip. This device is sold by the Group both as an individual component to customers who utilise the ASIC as part of their own product designs and as an intrinsic component of the Group's TETRA reference design.

The Directors do not believe that there is any threat to the continuation of this longstanding relationship, but SRT continues to investigate other possible fabricators of the LMT4585 ASIC.

The Centre for the Development of Advanced Computing ("CDAC"), based in Trivandrum, India, is contracted to deliver essential elements of SRT's TETRA reference design operating software. The Group has had a successful relationship with CDAC since 1999 and the Directors do not foresee any threat to this continuing. However, should CDAC not be in a position to deliver the planned software releases for the Group, there could be an impact on the Group's ability to complete the delivery of the TETRA reference designs to the schedules agreed with customers which could adversely affect the financial results and prospects of the Group.

Intellectual property protection

Failure to protect the Group's IPR may result in another party copying or otherwise obtaining and using its proprietary content and technology without authorisation. There may not be adequate protection for IPR in every country in which the Group's products are made available and policing unauthorised use of proprietary information is difficult and expensive.

Due to the Group's size and limited cash resources, it may not be able to detect and prevent infringement of its IPR.

The steps which the Group has taken to protect its IPR may be inadequate to prevent the misappropriation of its proprietary information or other intellectual property rights. Any misappropriation of the Group's intellectual property could have a negative impact on the Group's business and its operating results. Furthermore, the Group may need to take legal action to enforce its IPR, to protect trade secrets or to determine the validity or scope of the proprietary rights of others. Litigation relating to the Group's intellectual property, whether instigated by the Group to protect its rights or arising out of alleged infringement of third party rights, may result in substantial costs and the diversion of resources and management attention and there can be no guarantees as to the outcome of any such litigation.

Intellectual property infringement risk

There is a risk that the Group may inadvertently infringe a patent held by another party. In order to mitigate this risk, SRT employs in-house specialists as well as engaging external patent attorneys and technical consultants when appropriate.

Recently, Sepura informed the Group of its belief that SRT products may infringe one of its patents. In accordance with the Group's policy, the Directors commissioned an internal investigation and engaged an external technical consultant and the Group's patent attorneys. Based upon the resulting technical and legal findings, the Directors concluded that the Group's products do not infringe the patent as alleged. The matter is now considered closed by the Directors.

Markets

The nature of the markets addressed by the Group's reference designs is such that their size and growth depend to a large extent on government, or other regulatory, policies and decisions over which the Group has no control.

Whilst the current worldwide focus on issues of national security gives the Directors confidence that the markets will continue to grow, there can be no guarantee that they will do so.

In particular, the Group is in the process of completing its reference design for an AIS Class B device for the tracking and monitoring of marine traffic. The Directors believe that the size of the market for AIS Class B devices will be determined by the extent to which government agencies around the world mandate or otherwise promote the use of such devices. Without such mandating or promotion, the market opportunity for the Group could be substantially diminished.

Overseas customers

The Group's existing customers are primarily based overseas, in particular in China and South Korea. As a result, the Group is exposed to the additional risks and costs of operating in foreign countries.

Whilst the Directors believe that the Group takes appropriate steps to protect itself whilst operating overseas, differences from typical Western practices in areas such as contract law, the treatment of IPR and issues surrounding export regulations may have an adverse impact on the Group. The impact may be exacerbated due to the Group having only a small number of potentially high value customers.

UK export licences

The sale of products using encryption technology, such as the Group's TETRA reference design, is subject to export licence control. The Group is in the process of applying for these licences from the DTI for each customer. The Group maintains close contact with the DTI and has defined and ensures a clear process of communication with its customers so that they are aware of the need for export licences.

The Directors cannot be certain that the Group will be able to obtain appropriate licences in respect of all existing and future customers. Failure to secure such necessary licences would have an adverse impact on the financial performance of the Group.

Competition

New competitive products, designs or solutions may enter the market with different benefits or using different technologies, making them equally or more attractive than the Group's reference designs.

Competitors may also be able to devote greater resources to the promotion and sale of their products, designs or solutions than the Group, which would give them a competitive advantage.

In order to be successful in the future, the Group must continue to respond promptly and effectively to the challenges of technological change and competitors' innovations. If the Group is unable to compete successfully with existing or new competitors, it may have to reduce prices on products, which would lead to reduced profits.

Technological risks

SRT operates in an industry where competitive advantage is heavily dependent on technology. It is possible that technological development may reduce the importance of the Group's function in the market or render the patents on which it relies redundant. Staying abreast of technological changes may require substantial investment. SRT's existing reference designs may become obsolete or may be superseded by new technologies or changes in customer or end-user requirements.

Dependence on key executives and personnel

The Group's development and prospects are dependent upon the continued services and performance of its Directors, senior management and other key personnel. The loss of the services of any of the Directors, senior management or key personnel may have a material adverse impact on the Group.

Ability to recruit and retain skilled personnel

The ability to attract new employees with the appropriate expertise and skills cannot be guaranteed. The Group may experience difficulties in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group.

Exchange rate risk

Fluctuations in exchange rates between currencies in which the Group operates may cause fluctuations in its financial results. SRT cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on its business, operating results or financial condition.

Economic, political, judicial, administrative, taxation or other regulatory matters

The Group's existing and potential customers operate in numerous countries, each of which has its own national characteristics in terms of 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.

International Financial Reporting Standards

The Company prepares its financial statements in accordance with UK GAAP. UK companies whose shares are traded on AIM will have to comply with International Financial Reporting Standards ("IFRS") for each financial year beginning on or after 1 January 2007. Therefore, the Company will have to comply with IFRS from 1 April 2007 and will need to provide comparable data in accordance with IFRS for the financial year ending 31 March 2007. It is not possible at this time to accurately quantify the impact that the conversion from UK GAAP to IFRS will have on the Company's financial results, although it could adversely affect the capital position or reported profitability of the Group.

Control by certain Shareholders

Following Admission, certain Directors and principal Shareholders who hold 3 per cent. or more of the Enlarged Share Capital will beneficially own, in aggregate, approximately 69.4 per cent. of the Enlarged Share Capital. As a result, these Shareholders could, if they act together, be able to exercise significant control over all matters requiring Shareholder approval, which could delay or prevent an outside party from acquiring or merging with the Company. The ability of such Shareholders to prevent or delay these transactions could cause the price of the Ordinary Shares to decline.

Potential requirement for further investment

The Group may require additional capital in the future for expansion, activity and/or business development, whether from equity or debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient. If additional funds are raised by issuing equity securities, dilution to the then existing shareholdings may result. The level and timing of future expenditure will depend on a number of factors, many of which are outside the Group's control. If the Group is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon such planned expansion, activity and/or business development.

Investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

PART III

ACCOUNTANTS' REPORT ON THE COMPANY

The Directors
Software Radio Technology plc
Wireless House
Westfield Industrial Estate
Midsomer Norton
Bath BA3 4BS

The Directors
Westhouse Securities LLP
Church House
90 Deansgate
Manchester M3 2GP

28 October 2005

Dear Sirs

Software Radio Technology plc (the “Company”)

We report on the financial information set out below. This financial information has been prepared for inclusion in the AIM Admission Document (“AIM Admission Document”) dated 28 October 2005 of the Company. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that Schedule and for no other purpose.

Introduction

The Company was incorporated on 23 May 2005 and has not completed its first accounting reference period. As at the date of this report, the Company has not traded.

Basis of preparation

The financial information set out below is based on the balance sheet prepared for the purposes of the re-registration of the Company as a plc as required by section 43 of the Companies Act 1985.

The balance sheet was audited by Nexia Audit Limited and an unqualified audit opinion was given.

Responsibility

The Directors of the Company and the Company are responsible for the contents of the AIM Admission Document in which this report is included.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Group’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document, a true and fair view of the state of affairs of the Company as at the date of this report.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules.

COMPANY BALANCE SHEET**AT 19 OCTOBER 2005**

	Notes	£
FIXED ASSETS		
Investment in Software Radio Technology (UK) Limited	3	50,480
Investment in Software Radio Technology Limited		11,255,700
		<hr/>
		11,306,180
CURRENT ASSETS		
Debtors	4	524,995
Cash at bank and in hand		10,000
		<hr/>
		534,995
CREDITORS: amounts falling due within one year including convertible debt		
Other creditors – convertible loans	5	(534,995)
		<hr/>
NET CURRENT ASSETS		-
TOTAL ASSETS LESS CURRENT LIABILITIES		11,306,180
CREDITORS: amounts falling due after more than one year		
Amounts due to Software Radio Technology (UK) Limited		(11,255,700)
		<hr/>
		50,480
		<hr/> <hr/>
CAPITAL AND RESERVES		
Called up equity share capital	6	50,480
Share premium account		-
Profit and loss account		-
		<hr/>
EQUITY SHAREHOLDERS' FUNDS		50,480
		<hr/> <hr/>

NOTES

1. ACCOUNTING POLICIES

a Basis of preparation

The balance sheet has been prepared under the historical cost accounting rules.

b Investments

Fixed asset investments are stated at cost less provision for diminution in value.

2. INCORPORATION

The Company was incorporated on 23 May 2005 as Intercede 2047 Limited.

On 16 September 2005, the Company's name was changed to Software Radio Technology Holdings Limited.

3. FIXED ASSET INVESTMENTS

**Shares in
subsidiary
undertakings
£**

Cost

As at 19 October 2005

11,306,180

Holdings of more than 20 per cent.

The Company holds more than 20 per cent. of the share capital of the following companies:

Company	Country of Registration or Incorporation	Class	Shares held %
Software Radio Technology Ltd	England & Wales	Ordinary	100
Software Radio Technology (UK) Ltd	England & Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital & reserves 2005 £	Profit for the year 2005 £
Software Radio Technology Limited	(2,191,253)	(433,272)
Software Radio Technology (UK) Limited	(405,129)	(4,890,674)

4. DEBTORS

Amounts due from Software Radio Technology (UK) Limited – 8.75% loan notes	£524,995
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5. CREDITORS: amounts falling due within one year

Other creditors	£534,995
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At 19 October 2005, other creditors included convertible debt of £534,995.

On 7 October 2005, the Company entered into a loan deed to borrow a principal amount of £10,000. This loan is unsecured and interest free.

This loan is repayable on receipt of three days' written notice from the lenders and is repayable in cash or by conversion into a fixed number of ordinary 1p shares which is subject to variation in the event of a capital re-organisation.

On 19 October 2005, Software Radio Technology (UK) Limited entered into an agreement with the holders of secured loan notes convertible into shares in Software Radio Technology (UK) Limited to transfer the outstanding loan notes from the holders to Software Radio Technology Holdings Limited. On transfer, the conversion rights in respect of the shares in Software Radio Technology (UK) Limited were cancelled. On the same date, Software Radio Technology Holdings Limited issued new loan notes to the previous holders of the same outstanding principal amount of the loan notes transferred to the Company, or £524,995, carrying interest at 8.75 per cent. These loan notes may be converted into C ordinary 1p shares at the option of the holder at any time during the year following the date of issue.

The loan, if not converted, is repayable in two equal installments of £262,497 on 8 March 2010 and 2011.

The loan notes are secured by a floating charge over the assets of the Company.

6. CALLED UP SHARE CAPITAL

	£
Authorised:	
3,250,000 A ordinary shares of 1p each	32,500
1,500,000 B ordinary shares of 1p each	15,000
300,000 C ordinary shares of 1p each	3,000
950,000 ordinary shares of 1p each	9,500
	<hr/>
	60,000
	<hr/>
Called up, allotted and fully paid:	
2,976,496 A ordinary shares of 1p each	29,765
1,328,280 B ordinary shares of 1p each	13,283
84,668 C ordinary shares of 1p each	847
658,500 ordinary shares of 1p each	6,585
	<hr/>
	50,480
	<hr/>

The Company was incorporated with authorised share capital of £100 comprising 100 ordinary shares of £1 each and an issued share capital of 1 ordinary share of £1 each.

On 19 October 2005, the authorised share capital was increased to £60,000 comprising 60,000 ordinary shares of £1 each. On the same day, the authorised share capital was sub-divided into 6,000,000 shares of 1p each and the shares were redesignated as 3,250,000 A ordinary shares of 1p each; 1,500,000 B ordinary shares of 1p each; 300,000 C ordinary shares of 1p each and 950,000 ordinary shares of 1p each.

On 19 October 2005, the Company issued 2,976,496 A ordinary shares of 1p each; 1,328,280 B ordinary shares of 1p each; 84,668 C ordinary shares of 1p each and 658,500 ordinary shares of 1p each in order to effect the purchase, by way of share for share exchange, of the entire issued share capital of Software Radio Technology (UK) Limited.

On the same day, Software Radio Technology (UK) Limited transferred its investments in Software Radio Technology Limited to the Company. The transfer consideration remains outstanding as a balance on an inter-company loan account.

On 28 October 2005, the issued share capital was further sub-divided into 29,764,960 A ordinary shares of 0.1p each; 13,282,800 B ordinary shares of 0.1p each; 846,680 C ordinary shares of 0.1p each and 658,500 ordinary shares of 0.1p each.

On the same date the authorised but unissued A ordinary shares of 1p each, B ordinary shares of 1p each and C ordinary shares of 1p each were re-designated as ordinary shares of 1p each and each of the authorised but unissued shares were then sub-divided into ten ordinary shares.

On 28 October 2005, the authorised share capital of the Company was increased from £60,000 to £120,000. A separate report on SRT UK is contained in Part IV of this AIM Admission Document.

Yours faithfully

Nexia Audit Limited
25 Moorgate
London
EC2R 6AY

PART IV

ACCOUNTANTS' REPORT ON SOFTWARE RADIO TECHNOLOGY (UK) LIMITED

The Directors
Software Radio Technology plc
Wireless House
Westfield Industrial Estate
Midsomer Norton
Bath BA3 4BS

The Directors
Westhouse Securities LLP
Church House
90 Deansgate
Manchester M3 2GP

28 October 2005

Dear Sirs

Software Radio Technology (UK) Limited and its subsidiary (together the “Group”)

We report on the financial information set out below. This financial information has been prepared for inclusion in the AIM Admission Document (the “AIM Admission document”) dated 28 October 2005 of Software Radio Technology plc (“SRT plc”). This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that Schedule and for no other purpose.

Introduction

Software Radio Technology (UK) Limited (“SRT UK”) was incorporated on 6 November 2001 (registered company number 04491769) as a private limited company. The company’s accounting date is 31 March.

Software Radio Technology Limited (“SRT”) was incorporated on 15 December 1987 (registered company number 02205771) as a private limited company. The company’s accounting date is 31 March.

Basis of preparation

The financial information set out below is based on the audited consolidated financial statements of SRT UK for the year ended 31 March 2005, the audited financial statements of SRT UK for the periods ended 31 July 2003 and 31 March 2004 and the audited financial statements of SRT for the three years ended 31 March 2003, 31 March 2004 and 31 March 2005. Adjustments have been made to the financial information to reflect the position as if the group had been in existence since 1 April 2002.

The financial statements for each period were audited by Nexia Audit Limited. In all periods, the adequacy of the disclosures made in the financial statements in connection with the preparation of the financial statements on a going concern basis was considered. The audit opinions given were not qualified in this respect.

Responsibilities

The directors of SRT UK and SRT are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with United Kingdom GAAP.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its results and cash flows for the years then ended in accordance with the basis of preparation set out in note 1 to the financial information and in accordance with United Kingdom GAAP.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The summarised consolidated profit and loss accounts for the Group for the years ended 31 March 2003, 31 March 2004 and 31 March 2005 are set out below:

	Note	2003 £	2004 £	2005 £
TURNOVER	2	1,341,737	914,238	1,408,786
Cost of sales		(1,420,831)	(1,425,287)	(714,504)
GROSS (LOSS)/PROFIT		(79,094)	(511,049)	694,282
Administrative expenses		(1,862,063)	(1,544,073)	(1,650,686)
OPERATING LOSS	3	(1,941,157)	(2,055,122)	(956,404)
Profit on sale of property		-	195,335	-
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(1,941,157)	(1,859,787)	(956,404)
Interest receivable		118	372	1,014
Interest payable and similar charges	4	(17,437)	(23,672)	(62,079)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,958,476)	(1,883,087)	(1,017,469)
Taxation	5	-	-	366,328
LOSS FOR THE YEAR AFTER TAXATION	13	(1,958,476)	(1,883,087)	(651,141)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains or losses other than the result for each year.

CONSOLIDATED BALANCE SHEETS

The summarised consolidated balance sheets of the Group as at 31 March 2003, 31 March 2004 and 31 March 2005 are set out below:

	Note	2003 £	2004 £	2005 £
FIXED ASSETS				
Intangible assets	6	314,046	825,384	1,551,743
Tangible fixed assets	7	644,361	206,200	162,503
		<u>958,407</u>	<u>1,031,584</u>	<u>1,714,246</u>
CURRENT ASSETS				
Stock	8	48,669	4,690	134,737
Debtors	9	417,038	682,724	635,866
Cash at bank and in hand		21,220	125,583	1,067,650
		<u>486,927</u>	<u>812,997</u>	<u>1,838,253</u>
CREDITORS: Amounts falling due within one year	10	(1,157,458)	(1,378,586)	(789,583)
NET CURRENT (LIABILITIES)/ASSETS		<u>(670,531)</u>	<u>(565,589)</u>	<u>1,048,670</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		287,876	465,995	2,762,916
CREDITORS: Amounts falling due after more than one year, including convertible debt	11	-	-	(439,743)
		<u>287,876</u>	<u>465,995</u>	<u>2,323,173</u>
CAPITAL AND RESERVES				
Called up equity share capital	12	9,253	10,857	12,475
Share premium account	13	849,900	2,909,502	5,413,346
Other reserves	13	-	-	2,857
Profit and loss account	13	(571,277)	(2,454,364)	(3,105,505)
EQUITY SHAREHOLDERS' FUNDS	14	<u>287,876</u>	<u>465,995</u>	<u>2,323,173</u>
Equity interests		287,876	463,138	2,323,173
Non-equity interests		-	2,857	-
		<u>287,876</u>	<u>465,995</u>	<u>2,323,173</u>

CONSOLIDATED CASH FLOW STATEMENTS

The summarised consolidated cash flows of the Group for the years ended 31 March 2003, 31 March 2004 and 31 March 2005 are set out below:

	2003 £	2004 £	2005 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(319,320)	(1,489,958)	(1,411,510)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	118	372	1,014
Interest paid	(17,437)	(23,672)	(62,079)
	(336,639)	(1,513,258)	(1,472,575)
TAXATION	-	-	366,328
CAPITAL EXPENDITURE			
Payments to acquire intangible fixed assets	(536,757)	(578,634)	(813,403)
Payments to acquire tangible assets	(29,012)	(54,087)	(86,543)
Receipts from sales of tangible assets	-	550,100	198
NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING	(902,408)	(1,595,879)	(2,005,995)
FINANCING			
Loans introduced	-	-	439,743
Issue of ordinary shares	859,151	2,061,206	2,508,319
(DECREASE)/INCREASE IN CASH IN THE YEAR	(43,257)	465,327	942,067

The summarised consolidated notes to the cash flow statements of the Group for the years ended 31 March 2003, 31 March 2004 and 31 March 2005 are set out below:

Reconciliation of operating loss to net cash outflow from operating activities

Operating loss	(1,941,157)	(2,055,122)	(956,404)
Depreciation of tangible assets	138,515	137,483	129,045
Amortisation of intangible assets	22,432	67,296	87,044
(Increase)/decrease in stocks	(48,669)	43,979	(130,047)
Decrease/(increase) in debtors	51,106	(265,686)	46,858
Increase/(decrease) in creditors	1,458,453	582,092	(589,003)
Loss on disposal of fixed assets	-	-	997
Net cash outflow from operating activities	(319,320)	(1,489,958)	(1,411,510)

Analysis of net funds

	1 April 2002 £	Cash flow £	31 March 2003 £
Net cash:			
Cash at bank and in hand	888	20,332	21,220
Debt:			
Overdrafts	(297,375)	(63,589)	(360,964)
	<u>(296,487)</u>	<u>(43,257)</u>	<u>(339,744)</u>

	1 April 2003 £	Cash flow £	Non cash changes £	31 March 2004 £
Net cash:				
Cash at bank and in hand	21,220	104,363	-	125,583
Debt:				
Overdrafts	(360,964)	360,964	-	-
	<u>(339,744)</u>	<u>465,327</u>	<u>-</u>	<u>125,583</u>

	1 April 2004 £	Cash flow £	Non cash changes £	31 March 2005 £
Net cash:				
Cash at bank and in hand	125,583	942,067	-	1,067,650
	<u>125,583</u>	<u>942,067</u>	<u>-</u>	<u>1,067,650</u>

Reconciliation of net cash flow to movement in net funds

	2003 £	2004 £	2005 £
Increase in cash in the year	20,332	104,363	942,067
Cash (inflow)/outflow from decrease in debt	(63,589)	360,964	-
	<u>(43,257)</u>	<u>465,327</u>	<u>942,067</u>
Movement in net funds in the year	(296,487)	(339,744)	125,583
Opening net funds	<u>(339,744)</u>	<u>125,583</u>	<u>1,067,650</u>
Closing net funds	<u>(339,744)</u>	<u>125,583</u>	<u>1,067,650</u>

Acquisitions

On 5 December 2002, 100 per cent. of the issued share capital and goodwill of Securicor Wireless Technology Limited was acquired.

	£
Net assets acquired:	
Goodwill	336,478
Tangible fixed assets	681,988
Debtors	163,382
Stock	61,817
Amounts recoverable on contracts	8,268
Creditors	(715,176)
	<hr/>
	536,757
	<hr/> <hr/>
Satisfied by:	
Cash	536,757
	<hr/> <hr/>

NOTES

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the years are set out below:

(a) Accounting convention

The financial statements have been prepared under the historical cost convention.

(b) Compliance with accounting standards

The financial statements are prepared under United Kingdom GAAP in accordance with applicable accounting standards.

(c) Basis of consolidation

The consolidated financial information set out below is based on the audited consolidated financial statements of SRT UK for the year ended 31 March 2005, the audited financial statements of SRT UK for the periods ended 31 July 2003 and 31 March 2004 and the audited financial statements of SRT for the three years ended 31 March 2003, 31 March 2004 and 31 March 2005. Adjustments have been made to the financial information to reflect the position if the Group had been in existence since 1 April 2002. Intra-group sales and profits are eliminated fully on consolidation.

(d) Turnover

Turnover represents amounts receivable for goods and services supplied in the year net of VAT and trade discounts.

Profit is recognised on long term contracts if the final outcome can be assessed with reasonable certainty by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which hours to date bear to total expected hours for that contract.

(e) Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of five years.

(f) Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Group is expected to benefit, currently expected to be five years.

Development expenditure capitalised represents time spent by employees and sub-contractor costs, valued at cost.

(g) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	over 50 years
Plant and machinery	over 2 to 10 years

(h) Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

(i) Stock

Stock is valued at the lower of cost and net realisable value.

(j) Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

(k) Pensions

SRT participates in a defined contribution pension scheme. The contributions to this scheme are accounted for in the period in which they are due.

(l) Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

(m) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

(n) Taxation

Tax credits receivable in respect of losses surrendered in relation to research and development expenditure incurred are accounted for on a cash basis.

2. TURNOVER

The total turnover of the Group has been derived from its principal activity.

Segmental analysis by geographical area

The analysis by destination of the Group's turnover is set out below.

	2003	2004	2005
	£	£	£
Geographical segment			
United Kingdom	143,878	327,485	117,468
Europe	928,776	436,142	413,173
Asia	265,577	145,410	878,145
Other	3,506	5,201	-
	<u>1,341,737</u>	<u>914,238</u>	<u>1,408,786</u>

3. OPERATING LOSS

	2003	2004	2005
	£	£	£
Operating loss is stated after charging:			
Amortisation of intangible assets	22,432	67,296	87,044
Depreciation of tangible assets	138,515	137,483	129,045
Loss on disposal of tangible assets	-	-	997
Loss on foreign exchange transactions	-	3,603	-
Operating lease rentals	8,423	16,748	58,742
Auditor's remuneration	14,700	13,750	12,500
Amounts paid to related companies			
of the auditors	102,240	4,265	12,100
and after crediting:			
Profit on foreign exchange transactions	-	-	(1,199)

4. INTEREST PAYABLE

	2003 £	2004 £	2005 £
On bank loans and overdrafts	17,107	11,441	84
Other interest	330	12,231	61,995
	<u>17,437</u>	<u>23,672</u>	<u>62,079</u>

5. TAXATION

(a) Domestic current year tax

	2003 £	2004 £	2005 £
Adjustment to prior years	-	-	(366,328)
Current tax charge	<u>-</u>	<u>-</u>	<u>(366,328)</u>

(b) Factors affecting the tax charge for the period

The tax assessed for the period varies from the standard rate of corporation tax for the following reasons:

	2003 £	2004 £	2005 £
Loss on ordinary activities before tax	(1,958,476)	(1,883,087)	(1,017,469)
Tax at 30%	(587,543)	(564,926)	(305,241)
Effects of:			
Non deductible expenses	215,637	22,030	20,971
Excess depreciation over capital allowances	41,555	(6,734)	1,696
Tax losses carried forward	330,387	608,231	282,579
Adjustments to previous periods R&D tax credit	-	-	(366,328)
Chargeable disposals	-	(58,601)	299
Other tax adjustments	(36)	-	(304)
	<u>587,543</u>	<u>564,926</u>	<u>(61,087)</u>
Current tax charge	<u>-</u>	<u>-</u>	<u>(366,328)</u>

The Group has estimated losses of £11,937,565 (2004: £10,996,650, 2003: £10,666,263) available for carry forward against future trading profits.

No provision has been made in the accounts for a potential net deferred tax asset of £3,620,301 (2004: £3,523,365, 2003: £3,341,707) resulting from the excess of depreciation over capital allowances and carry forward trading losses. A deferred tax asset would only be recognised where there is reasonable certainty that suitable taxable profits will be generated in the future and that the Group will be able to claim capital allowances in excess of depreciation in the future or where a balancing allowance would arise on the disposal of the asset.

6. INTANGIBLE ASSETS

	Goodwill £	Development Costs £	Total £
As at 31 March 2003			
Cost:			
At 1 April 2002	-	-	-
Additions	336,478	-	336,478
At 31 March 2003	336,478	-	336,478
Amortisation:			
At 1 April 2002	-	-	-
Charge for the year	22,432	-	22,432
At 31 March 2003	22,432	-	22,432
Net book value:			
At 31 March 2003	314,046	-	314,046
As at 31 March 2004			
Cost:			
At 1 April 2003	336,478	-	336,478
Additions	-	578,634	578,634
At 31 March 2004	336,478	578,634	915,112
Amortisation:			
At 1 April 2003	22,432	-	22,432
Charge for the year	67,296	-	67,296
At 31 March 2004	89,728	-	89,728
Net book value:			
At 31 March 2004	246,750	578,634	825,384
As at 31 March 2005			
Cost:			
At 1 April 2004	336,478	578,634	915,112
Additions	-	813,403	813,403
At 31 March 2005	336,478	1,392,037	1,728,515
Amortisation:			
At 1 April 2004	89,728	-	89,728
Charge for the year	67,296	19,748	87,044
At 31 March 2005	157,024	19,748	176,772
Net book value:			
At 31 March 2005	179,454	1,372,289	1,551,743

7. TANGIBLE FIXED ASSETS

	Freehold land & buildings £	Plant & machinery £	Total £
As at 31 March 2003			
Cost:			
At 1 April 2002	-	1,588,299	1,588,299
Additions	-	29,012	29,012
Transfers from related companies	468,853	-	468,853
	<hr/>	<hr/>	<hr/>
At 31 March 2003	468,853	1,617,311	2,086,164
	<hr/>	<hr/>	<hr/>
Depreciation:			
At 1 April 2002	-	1,201,703	1,201,703
Charge for the year	5,470	133,045	138,515
Transfers from related companies	101,585	-	101,585
	<hr/>	<hr/>	<hr/>
At 31 March 2003	107,055	1,334,748	1,441,803
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 March 2003	361,798	282,563	644,361
	<hr/>	<hr/>	<hr/>

During the year, the freehold land and buildings were transferred to SRT by Securicor Electronics Limited at a net book value of £367,268.

As at 31 March 2004

Cost:			
At 1 April 2003	468,853	1,617,311	2,086,164
Additions	-	54,087	54,087
Disposals	(468,853)	-	(468,853)
	<hr/>	<hr/>	<hr/>
At 31 March 2004	-	1,671,398	1,671,398
	<hr/>	<hr/>	<hr/>
Depreciation:			
At 1 April 2003	107,055	1,334,748	1,441,803
Charge for the year	7,033	130,450	137,483
On disposals	(114,088)	-	(114,088)
	<hr/>	<hr/>	<hr/>
At 31 March 2004	-	1,465,198	1,465,198
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 March 2004	-	206,200	206,200
	<hr/>	<hr/>	<hr/>

7. TANGIBLE FIXED ASSETS (continued)

	Freehold land & buildings £	Plant & machinery £	Total £
As at 31 March 2005			
Cost:			
At 1 April 2004	-	1,671,398	1,671,398
Additions	-	86,543	86,543
Disposals	-	(1,195)	(1,195)
At 31 March 2005	-	1,756,746	1,756,746
Depreciation:			
At 1 April 2004	-	1,465,198	1,465,198
Charge for the year	-	129,045	129,045
At 31 March 2005	-	1,594,243	1,594,243
Net book value:			
At 31 March 2005	-	162,503	162,503

8. STOCK

	2003 £	2004 £	2005 £
Finished goods and goods for resale	48,669	4,690	134,737

9. DEBTORS

	2003 £	2004 £	2005 £
Trade debtors	151,401	523,057	395,941
Amounts recoverable on long term contracts	195,890	75,812	12,863
Called up share capital not paid	6,352	6,352	-
Other debtors	24,845	34,404	23,102
Prepayments and accrued income	38,550	43,099	203,960
	417,038	682,724	635,866

10. CREDITORS: Amounts falling due within one year

	2003 £	2004 £	2005 £
Bank loans and overdrafts	360,964	-	-
Payments received on account	28,776	689,316	364,266
Trade creditors	663,044	385,837	288,884
Taxes and social security	45,523	171,591	53,856
Other creditors	16,535	50,552	10,176
Accruals and deferred income	42,616	81,290	72,401
	1,157,458	1,378,586	789,583

11. CREDITORS: Amounts falling due after more than one year

	2003 £	2004 £	2005 £
Debenture loans	-	-	439,743
Analysis of loans			
Not wholly repayable within five years by instalments			
8.75% convertible loan notes	-	-	439,743
Wholly repayable within five years	-	30,875	-
Included in current liabilities	-	(30,875)	-
	<hr/>	<hr/>	<hr/>
	-	-	439,743
	<hr/>	<hr/>	<hr/>
Instalments not due within five years	-	-	219,871
Loan maturity			
In more than two years but not more than five years	-	-	219,872
In more than five years	-	-	219,871
	<hr/>	<hr/>	<hr/>

Creditors due after more than one year include convertible debt of £439,743 (2004: £nil, 2003 : £nil), net of issue expenses of £85,252. On 8 March 2005, SRT UK issued convertible loan notes with an aggregate value of £524,995 and carrying interest at 8.75 per cent. These loan notes may be converted into C ordinary 1p shares at the option of the holder at any time in the year following the date of issue.

The loan, if not converted, is repayable in two equal instalments of £262,797 on 8 March 2010 and 2011.

The loan notes are secured by a floating charge over the assets of SRT.

The issue expenses are released to the profit and loss account in equal annual instalments over the life of the instrument.

12. SHARE CAPITAL OF SRT UK

	2003 £
Authorised share capital:	
1,000,000 ordinary shares of 1p each	10,000
	<hr/>
Called up, allotted and fully paid:	
925,251 ordinary shares of 1p each	9,253
	<hr/>
	<hr/>
	2004 £
Authorised share capital:	
464,513 ordinary shares of 1p each	4,645
850,998 A ordinary shares of 1p each	8,510
398,775 B ordinary shares of 1p each	3,988
285,714 deferred shares of 1p each	2,857
	<hr/>
	20,000
	<hr/>
Called up, allotted and fully paid:	
150,204 ordinary shares of 1p each	1,502
550,998 A ordinary shares of 1p each	5,510
98,775 B ordinary shares of 1p each	988
285,714 deferred shares of 1p each	2,857
	<hr/>
	10,857
	<hr/>

12. SHARE CAPITAL OF SRT UK (continued)

	2005 £
Authorised share capital:	
664,513 ordinary shares of 1p each	6,645
1,050,998 A ordinary shares of 1p each	10,510
698,775 B ordinary share of 1p each	6,988
300,000 C ordinary shares of 1p each	3,000
285,714 deferred shares of 1p each	2,857
	<hr/> 30,000 <hr/>
Called up, allotted and fully paid:	
154,600 ordinary shares of 1p each	1,546
744,124 A ordinary shares of 1p each	7,442
327,600 B ordinary shares of 1p each	3,275
21,167 C ordinary shares of 1p each	212
285,714 deferred shares of 1p each	-
	<hr/> 12,475 <hr/>

2003

925,251 ordinary shares of 1p each were issued during the year. 635,251 were issued at par value and remain unpaid at the balance sheet date. 290,000 were issued at a premium of £2.93 per share for cash consideration.

2004

On 21 August 2003, 61,666 A ordinary 1p shares with an aggregate nominal value of £617 were issued. This share issue was satisfied by the conversion of loans totalling £643,000 and cash consideration of £168,207. On the same date, 489,332 ordinary 1p shares with an aggregate value of £4,893 were converted into A ordinary 1p shares.

On 18 March 2004, 98,775 B ordinary 1p shares with an aggregate nominal value of £988 were issued for cash consideration of £1,250,000.

On 31 March 2004, 285,714 ordinary 1p shares with an aggregate nominal value of £2,857 were converted to deferred 1p shares.

A and B 1p ordinary shares are redeemable at the option of the company at any time with the written agreement of 80 per cent. of the A and B shareholders. These shares are redeemable at the option of the holder on the date on which a liquidity event is to occur. There is no premium payable on redemption.

A and B ordinary shareholders rank ahead of ordinary shareholders for the purposes of income and capital distribution.

A and B ordinary shareholders are entitled to two votes for each share held where there has been a breach of the articles of association or the subscription agreement and 80 per cent. of the A & B shareholders have notified the company of this breach in writing. Ordinary shareholders are not entitled to this additional vote.

A and B ordinary shares are automatically converted to ordinary shares immediately prior to a liquidity event.

80 per cent. of the A and B ordinary shareholders have significant rights to influence the decision-making of the directors and the shareholders of the company. These detailed rights are set out in SRT UK's articles of association.

In addition to the above, B ordinary shareholders have the right to appoint one director of the company and nominate one director of the subsidiary company.

The holders of deferred shares have no significant rights to participate in the profits or assets of the company.

All deferred shares in issue were cancelled subsequent to the year end.

12. SHARE CAPITAL OF SRT UK (continued)

2005

On 17 January 2005, 23,523 B ordinary 1p shares with an aggregate nominal value of £235 were issued for total cash consideration of £250,050.

On 19 January 2005, 40,541 B ordinary 1p shares with an aggregate nominal value of £405 were issued in satisfaction of a convertible loan with a book value of £150,000.

On 8 March 2005, the authorised share capital of the company was increased by £10,000 to £30,000 by the creation of 200,000 ordinary 1p shares, 300,000 B ordinary 1p shares and 300,000 C ordinary 1p shares.

On the same date, 71,989 ordinary 1p shares, 125,558 A ordinary 1p shares, 81,081 B ordinary 1p shares were issued with an aggregate nominal value of £2,787 in satisfaction of convertible loans with a total book value of £1,030,929. A further 21,167 C ordinary 1p shares with an aggregate nominal value of £212 were issued for cash consideration of £225,000.

On the same day, 67,568 ordinary 1p shares with an aggregate nominal value of £676 were converted to A ordinary 1p shares.

On 8 March 2005, 285,714 deferred 1p shares with an aggregate nominal value of £2,857 were repurchased by the company for the aggregate consideration of 1p.

On 24 March 2005, 83,617 B ordinary 1p shares with an aggregate nominal value of £836 were issued for total cash consideration of £888,877.

A ordinary 1p shares are redeemable at the option of the company at any time with the written agreement of 80 per cent. of the A ordinary shareholders. These shares are redeemable at the option of the holder on the date on which a liquidity event is to occur. There is no premium payable on redemption.

A ordinary shareholders rank ahead of ordinary shareholders for the purpose of income and capital distribution.

Ordinary and C ordinary shareholders are entitled to one vote for each share held. The holders of A and B ordinary shares are entitled to one vote for each share held except where there has been a breach of the articles of association or the subscription agreement and 80 per cent. of the A and B ordinary shareholders have notified that they wish such shares to carry extra votes at the relevant meeting then, in any event, each holder of A & B ordinary shares shall be entitled on a poll, to exercise 2 votes for every share held. Ordinary and C ordinary shareholders are not entitled to the additional vote.

A, B and C ordinary shares are automatically converted to ordinary shares immediately prior to a liquidity event.

80 per cent. of the A and 80 per cent. in aggregate of the B and C ordinary shareholders have significant rights to influence the decision-making of the directors and the shareholders of SRT UK. These detailed rights are set out in the company's articles of association.

In addition to the above, B ordinary shareholders have the right to appoint one director of the company and nominate one director of the subsidiary company. C ordinary shareholders shall be entitled to appoint one person, to be approved by the company, to be a non-executive director.

13. STATEMENT OF MOVEMENTS ON RESERVES

Profit and loss account

	£
At 1 April 2002	-
Retained loss for the year	(1,958,476)
Adjustment for pre-acquisition results	1,387,199
	<hr/>
At 31 March 2003	(571,277)
	<hr/>
At 1 April 2003	(571,277)
Retained loss for the year	(1,883,087)
	<hr/>
At 31 March 2004	(2,454,364)
	<hr/>
As at 1 April 2004	(2,454,364)
Retained loss for the year	(651,141)
	<hr/>
At 31 March 2005	(3,105,505)
	<hr/>

Share premium and other reserves

	Share premium £	Other reserves £
At 1 April 2002	-	-
Premium on shares issued during the year	849,900	-
	<hr/>	<hr/>
Balance at 31 March 2003	849,900	-
	<hr/>	<hr/>
At 1 April 2003	849,900	-
Premium on shares issued during the year	2,059,602	-
	<hr/>	<hr/>
Balance at 31 March 2004	2,909,502	-
	<hr/>	<hr/>
At 1 April 2004	2,909,502	-
Premium on shares issued during the year	2,540,381	-
Other movements	(36,537)	-
Capital redemption reserve movement	-	2,857
	<hr/>	<hr/>
Balance at 31 March 2005	5,413,346	2,857
	<hr/>	<hr/>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2004 £	2005 £
Loss for the financial year	(1,958,476)	(1,883,087)	(651,141)
Adjustment to eliminate pre-acquisition reserves	1,387,199	-	-
	(571,277)	(1,883,087)	(651,141)
Proceeds from issue of shares	859,153	2,061,206	2,544,856
Cost of share issue written off to share premium account	-	-	(36,537)
Net addition to shareholders' funds	287,876	178,119	1,857,178
Opening shareholders' funds	-	287,876	465,995
	287,876	465,995	2,323,173

15. FINANCIAL COMMITMENTS

At 31 March, the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		
	2003 £	2004 £	2005 £
Expiry date:			
In over five years	-	51,630	51,630
	Other		
	2003 £	2004 £	2005 £
Expiry date:			
Within one year	4,062	-	2,868
Between two and five years	2,031	5,814	2,946
	6,093	5,814	5,814

16. DIRECTORS' EMOLUMENTS

	2003 £	2004 £	2005 £
Emoluments for qualifying services	101,918	336,461	103,600
Company pension contributions to			
Money Purchase schemes	6,800	15,673	667
	108,718	352,134	104,267

The number of directors for whom retirement benefits are accruing under Money Purchase pension schemes amounted to 1 (2004: 3, 2003: 3).

Included within directors' emoluments is an amount of £70,000 (2004: £56,000, 2003: £nil) in respect of directors' services provided by S Tucker. This amount was invoiced by Abercrombie & Associates, an entity in which S Tucker has an interest. There is no amount owing to Abercrombie & Associates at 31 March 2005 (2004: £14,000, 2003: £nil).

In 2004, directors' emoluments include £30,000 paid to F Owen as compensation for loss of office.

17. EMPLOYEES

Number of employees

The average monthly number of employees (including directors) during the year was:

	2003 No.	2004 No.	2005 No.
Sales and office	10	10	9
Engineering	29	31	27
	<u>39</u>	<u>41</u>	<u>36</u>

Employment costs

	2003 £	2004 £	2005 £
Wages and salaries	1,625,336	1,166,955	944,823
Social security costs	169,251	174,551	88,934
Other pension costs	115,371	70,036	31,830
	<u>1,909,958</u>	<u>1,411,542</u>	<u>1,065,587</u>

Total wages and salaries, as stated above, exclude costs capitalised and included within deferred development expenditure amounting to £650,805 (2004: £525,851, 2003: £nil).

Pension contributions of £9,571 (2004: £9,621, 2003: £9,431) remained outstanding at the year end.

18. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH DIRECTORS

For the year ended 31 March 2003

At the year end there were option agreements in existence between the company and S F Rogers and J M Horne. These were cancelled subsequent to the year end, on 21 August 2003.

S F Rogers and J M Horne, directors, have an interest in Newton Court Partnership. During the year, the Group incurred £500 for accountancy services to Newton Court Partnership. As at 31 March 2003, the Group owed £500 to Newton Court Partnership.

S Tucker, a director, has an interest in Abercrombie & Associates. During the year, the Group purchased consultancy services from Abercrombie & Associates to the value of £49,000. At 31 March 2003, SRT UK owed £13,163 to Abercrombie & Associates.

For the year ended 31 March 2004

Directors are reimbursed for expenses incurred while on Group business. S Tucker and F Owen were owed £5,234 and £3,029 respectively at 31 March 2004.

S Tucker, a director, has an interest in Abercrombie & Associates. During the year, the group purchased consultancy services from Abercrombie & Associates to the value of £25,000. As at 31 March 2004, £14,000 was due to Abercrombie & Associates in respect of directors' fees.

For the year ended 31 March 2005

Directors are reimbursed for expenses incurred while on Group business. S Tucker and S Kelly were owed £50 and £849 respectively at 31 March 2005.

19. POST BALANCE SHEET EVENTS

On 19 October 2005, SRT UK became a 100 per cent. subsidiary of SRT plc by way of a share for share exchange of the entire issued share capital of SRT UK. On the same day, SRT UK transferred its investment in SRT to SRT plc. The transfer consideration remains outstanding as a balance on an inter-company loan account.

Yours faithfully

Nexia Audit Limited
25 Moorgate
London
EC2R 6AY

PART V

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Directors, whose names appear on page 5 of this document, and the Company accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) and the Company, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Nexia Audit Limited, whose registered office is at 25 Moorgate, London EC2R 6AY, accepts responsibility for its reports contained in Parts III and IV of this document. To the best of the knowledge of Nexia Audit Limited (which has taken all reasonable care to ensure that such is the case) the information in those reports is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Registered Office and Business

- 2.1 The Company was incorporated pursuant to the Act on 23 May 2005 in England and Wales as a private company limited by shares (registered number 5459678) under the name Intercede 2047 Limited. The Company changed its name to Software Radio Technology Holdings Limited on 16 September 2005 and was re-registered as a public limited company under the new name of Software Radio Technology plc on 21 October 2005.
- 2.2 The Company's registered office and principal place of business is at Wireless House, Westfield Industrial Estate, Midsomer Norton, Bath BA3 4BS. The Company's principal activity is to act as the holding company for the Group, whose principal activity is electronic hardware and software engineering and the development and licensing of technology reference designs.

3. Memorandum and Articles of Association

- 3.1 The Company's principal objects are set out in clause 3 of its Memorandum of Association and include the carrying on of the business of a holding company.
- 3.2 The new articles of association as adopted by special resolution dated 28 October 2005 conditionally upon Admission ("New Articles of Association") contain provisions, *inter alia*, to the following effect:

(a) Voting rights

Subject to relevant legislation to any rights or restrictions attached to any shares and to any other provisions of the New Articles of Association, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person shall have one vote for every share of which he is the holder.

On a poll, votes may be given either personally or by proxy. A member entitled to vote may appoint more than one proxy to attend on the same occasion. A member entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

In the case of joint holders of a share who are entitled to vote, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

(b) General meetings

Subject to the requirements of the relevant statutes including the Act, annual general meetings shall be held at such time and place as the board may determine.

The board may convene an extraordinary general meeting whenever it thinks fit and, on the requisition of members pursuant to the Act, they shall convene an extraordinary general meeting for a date not later than twenty eight days after the date of notice convening the meeting.

(c) *Disclosure of ownership*

Pursuant to section 212 of the Act, the Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company's issued share capital, to confirm that fact or (as the case may be) to indicate whether or not it is the case, and where that person holds, or has during that time held an interest in shares so comprised, to give such further information as may be required in accordance with section 212 of the Act. The New Articles of Association provide that where any member fails to provide the requisite information pursuant to such notice, then, unless the board shall determine otherwise such member shall not vote in respect of such shares and, in certain circumstances, retain any dividend payable on such shares and refuse to register any transfer.

Pursuant to section 198 of the Act, holders of 3 per cent. or more of the nominal value of the Company's share capital are required to notify their interest in writing to the Company. To the extent that persons who already hold at least 3 per cent. or more of the nominal value of the Company's share capital increase or decrease their holding by the requisite amount, section 198 of the Act requires that this is also notified to the Company by the Shareholder.

(d) *Dividends*

Subject to relevant legislation, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the board. Subject to relevant legislation, any determination by the board of the amount of profits at any time available for distribution shall be conclusive.

Subject to relevant legislation, the board may pay interim dividends if it appears to the board that they are justified by the financial position of the Company.

Except in so far as the rights attaching to any share otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but (for the purposes of the calculation only) no amount paid up on a share in advance of calls shall be treated as paid up on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

A general meeting declaring a dividend may, upon the recommendation of the board, by ordinary resolution direct that it shall be satisfied wholly or partly by the distribution of assets and, in particular, of paid-up shares or debentures of any other company and, where any difficulty arises concerning such distribution, the board may fix the value for distribution of any assets and may determine that cash shall be paid to any member upon the basis of the value so fixed in order to secure equality of distribution.

Subject to relevant legislation, the board may, if authorised by an ordinary resolution of the Company, offer the holders of Ordinary Shares (subject to such exclusions or other arrangements as the board may consider necessary or expedient in relation to any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or stock exchange) the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash for all or part (as determined by the board) of the dividend specified by the ordinary resolution.

The Company may cease to send any cheque or warrant through the post or to effect payment by any other means for any dividend or other monies payable in respect of a share which is normally paid in that manner on that share if, in respect of at least two consecutive dividends payable on that share, payment (through no fault of the Company) has not been effected (or, following one such occasion, reasonable enquiries have failed to establish any new address of the holder). However, subject to the New Articles of Association, the Company shall recommence payments

in respect of dividends or other monies payable on that share by that means if the holder or person entitled by transmission claims the arrears of dividend and does not instruct the Company to pay future dividends in some other way.

All dividends, interest or other sums payable unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed. The retention by the Company of, or payment into a separate account of, any unclaimed dividend or other monies payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect of it. Any dividend or interest unclaimed after a period of 12 years from the date when it was declared or became due for payment shall be forfeited and shall revert to the Company.

(e) *Distribution of assets on a winding-up*

If the Company commences liquidation, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by relevant legislation:

- (i) divide among the members in kind the whole or any part of the assets of the Company (whether the assets are of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members or otherwise as the resolution may provide; or
- (ii) vest the whole or any part of the assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall determine, but no member shall be compelled to accept any assets upon which there is a liability. Any such resolution may provide for and sanction a distribution of any specific assets amongst different classes of members otherwise than in accordance with their existing rights, but each member shall in that event have a right of dissent and other ancillary rights in the same way as if the resolution were a special resolution passed in accordance with the Insolvency Act 1986.

(f) *Rights attaching to shares*

Subject to the relevant legislation, and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine (or, in the absence of any such determination or in so far as such ordinary resolution does not make specific provision, as the board may determine).

(g) *Variation of rights*

- (a) Subject to relevant legislation, all or any of the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated with the written consent of the holders of three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class.

The rights attached to any share or class of shares shall not, unless otherwise expressly provided by its terms of issue, be deemed to be varied, abrogated or breached by:

- (i) the creation or issue of further shares ranking *pari passu* with it; or
 - (ii) the purchase or redemption by the Company of any of its own shares (whether of that or any other class) or the sale of any shares (of that class or any other class) held as treasury shares.
- (b) The rights of Shareholders may only be varied pursuant to a special resolution, passed by the Shareholders, to amend the New Articles of Association.
- (c) Subject to the relevant legislation and the New Articles of Association, the board may offer, allot, grant options over, or otherwise dispose of unissued shares or rights to subscribe for, or to convert any security into, such shares to such persons and on such terms as they think fit. Subject to the provisions of the Act, the Company may purchase its own shares.

(h) *Redemption*

Subject to the relevant legislation, and without prejudice to any rights attached to any existing shares, shares may be issued which are to be redeemed or which are liable to be redeemed at the option of the Company or of the holder on such terms and in such manner as may be provided for by the New Articles of Association.

(i) *Increase, consolidation, sub-division and cancellation of capital*

The Company may by ordinary resolution:

- (i) increase its share capital by new shares of such amount as the resolution prescribes;
- (ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (iii) subject to relevant legislation, sub-divide its shares, or any of them, into shares of smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage or have such qualified or deferred rights or be subject to any restrictions as compared with the others; and
- (iv) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

(j) *Reduction of capital*

Subject to relevant legislation, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account or other undistributable reserve in any manner.

(k) *Transfer of shares*

Subject to such of the restrictions of the New Articles of Association as may be applicable, a member may transfer all or any of his shares, in the case of shares held in certificated form, by an instrument of transfer in any usual form or in any other form which the board may approve or, in the case of shares held in uncertificated form, in accordance with the Regulations and the rules of CREST and otherwise in such manner as the board in its absolute discretion shall determine.

An instrument of transfer shall be executed by or on behalf of the transferor and (unless the share is fully paid) by or on behalf of the transferee. Subject to relevant legislation, the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect of it.

Subject to relevant legislation and notwithstanding any other provisions of the New Articles of Association, the board shall have power to implement any arrangements it may think fit to enable:

- (i) title to any securities of the Company to be evidenced and transferred without a written instrument in accordance with the Regulations and the facilities and requirements of CREST; and
- (ii) rights attaching to such securities to be exercised notwithstanding that such securities are held in uncertificated form where, in the board's opinion, the New Articles of Association do not otherwise allow or provide for such exercise.

Subject to relevant legislation, the board may refuse to register the transfer of a share which is not fully paid without giving any reason for so doing provided that, where any such shares are admitted to the AIM or the Official List, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

Subject to relevant legislation, the board may also refuse to register the transfer of a share:

- (i) in the case of shares held in certificated form, if it is not lodged, duly stamped (if necessary), at the registered office of the Company or at such other place as the board may appoint and accompanied by the certificate for the shares to which it relates (where a certificate has been issued in respect of the shares and the New Articles of Association do not provide for such a transfer to be valid without production of the certificate) and/or such other evidence as the board may reasonably require to show the right of the transferor to make the transfer;
- (ii) if it is not in respect of one class of share only;
- (iii) if it is not in favour of four or fewer transferees;
- (iv) if it is in favour of a minor, bankrupt or person of mental ill health;
- (v) without prejudice to the foregoing, in the case of shares held in uncertificated form, in any other circumstances permitted by the Regulations and/or the rules of CREST; or
- (vi) where the board is obliged or entitled to refuse to do so as a result of any failure to comply with a notice under section 212 of the Act.

If the board refuses to register a transfer it shall, in the case of shares held in certificated form, within two months after the date on which the transfer was lodged with the Company and, in the case of shares held in uncertificated form, within two months after the date on which the relevant CREST instruction was received by or on behalf of the Company, send to the transferee notice of the refusal.

The registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any calendar year) as the board may determine but if the Company is a participating issuer within the meaning of the Regulations the register of members of the Company will not be closed without the prior consent of CRESTCo Limited.

No fee shall be charged by the Company for the registration of any instrument of transfer or document relating to or affecting the title to any share.

Any instrument of transfer which is registered may be retained by the Company, but any instrument of transfer which the board refuses to register shall be returned to the person lodging it when notice of the refusal is given.

(l) Untraced shareholders

The Company shall be entitled to sell any share of a member if, for a period of 12 years, no cheque or warrant sent by the Company to the member has been cashed and no communication has been received by the Company from the member, provided that: (i) in any such period of 12 years the Company has paid at least three dividends whether interim or final; and (ii) the Company has at the expiration of the period of 12 years given notice of its intention to sell such share by two newspaper advertisements and has not received any response.

(m) Rights of pre-emption

The New Articles of Association do not contain any provisions which set out a procedure for the exercise of pre-emption rights, in addition to that provided for by the Act.

(n) Proceedings of directors

- (i) Subject to the relevant legislation, the Memorandum of Association of the Company and the New Articles of Association and to any directions given by the Company in general meeting by special resolution, the business of the Company shall be managed by the board which may exercise all the powers of the Company.
- (ii) Unless otherwise determined by ordinary resolution of the Company, the number of directors (disregarding alternate directors) shall not be less than two but shall not be subject to any maximum number.

- (iii) Subject to the provisions of the New Articles of Association, the directors may meet together for the despatch of business, adjourn and otherwise regulate their proceedings as they think fit. All or any of the directors, and any committee of the directors, shall be deemed to meet together if, being in separate locations, they are nonetheless linked by conference telephone or other communication equipment which allows those participating to hear and speak to each other.

The quorum necessary for the transaction of business of the directors may be fixed from time to time by the directors and unless so fixed at any other number shall be two. A meeting of the directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the directors.

The directors may elect from their number a chairman and determine the period for which he is to hold office. Questions arising at any meeting of the directors shall be determined by a majority of votes. In the case of equality of votes, the chairman of the meeting shall have a second or casting vote.

- (iv) The directors may delegate any of their powers or discretions to committees. Any such committee shall consist of such directors as the board thinks fit. Meetings of any such committee shall be governed *mutatis mutandis* by the provisions of the New Articles of Association.

The directors may establish local boards or agencies for managing any of the affairs of the Company and may appoint any persons to be members of such local boards and may delegate to any local board any of the powers, authorities and discretions vested in the directors with power to sub-delegate, and the directors may remove any person so appointed, and may revoke or vary any such delegation.

Any director may at any time in writing appoint any person (including another director) to be his alternate director and may in like manner at any time terminate such appointment. Such appointment, unless previously approved by the directors or unless the appointee is another director, shall have effect only upon and subject to being so approved.

(o) *Director's right to vote on a matter in which he is materially interested*

Save as otherwise provided by the New Articles of Association, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the board or of a committee of the board concerning any matter in which he has to his knowledge, directly or indirectly, an interest (other than his interest in shares or debentures or other securities of, or otherwise in or through, the Company) or duty which (together with any interest of a person connected with him within the meaning of section 346 of the Act) is material and, if he shall do so, his vote shall not be counted.

However, a director shall be entitled to vote on and be counted in the quorum in respect of any resolution concerning any of the following matters:

- (i) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;
- (ii) the giving by the Company of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (iii) his subscribing or agreeing to subscribe for, or purchasing or agreeing to purchase, any shares, debentures or other securities of the Company or any of its subsidiary undertakings as a holder of securities, or his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, debentures, or other securities by the Company or any of its subsidiary undertakings for subscription, purchase or exchange;

- (iv) any contract concerning any company (not being a company in which the director owns 1 per cent. or more) in which he is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise;
- (v) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings under which he benefits in a similar manner as the employees and which does not accord to any director as such any privilege or advantage not accorded to the employees to whom the arrangement relates; and
- (vi) any contract concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any directors or for persons who include directors.

(p) *Fees of non-executive directors*

Each of the directors (other than any director who for the time being holds an executive office or employment with the Company or a subsidiary of the Company) shall be paid a fee for his services at such rate as may from time to time be determined by the board or by a committee authorised by the board provided that the aggregate of such fees (excluding any amounts payable under any other provision of the New Articles of Association) shall not exceed £150,000 per annum per director or such higher amount as the Company by ordinary resolution may determine from time to time.

(q) *Directors' expenses*

The directors may be paid all travelling, hotel and other expenses properly incurred by them in the conduct of the Company's business performing their duties as directors including all such expenses incurred in connection with attending and returning from meetings of the board or any committee of the board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company.

(r) *Voting on directors' terms of appointment*

A director shall not vote on, or be counted in the quorum in relation to, any resolution of the board concerning his/her own appointment, or the settlement or variation of the terms or the termination of his/her own appointment, as the holder of any office or place of profit with the Company or any company in which the Company is interested but, where proposals are under consideration concerning the appointment, or the settlement or variation of the terms or the termination of the appointment, of two or more directors to offices or places of profit with the Company or any company in which the Company is interested, a separate resolution may be put in relation to each director and in that case each of the directors concerned shall be entitled to vote on and be counted in the quorum in relation to each resolution which does not concern either: (a) his/her own appointment or the settlement or variation of the terms or the termination of his/her own appointment; or (b) the appointment of another director to an office or place of profit with a company in which the Company is interested and in which the director seeking to vote or be counted in the quorum is interested by virtue of owning 1 per cent. or more of that company.

(s) *Relaxation of rules relating to directors' interests*

Subject to relevant legislation and the AIM Rules or the rules of the UK Listing Authority (as appropriate), the Company may by ordinary resolution suspend or relax those provisions of the New Articles of Association relating to directors' interests to any extent or ratify any contract not properly authorised by reason of a contravention of such provisions.

(t) *Directors' gratuities and pensions*

The board or any committee authorised by the board may exercise all the powers of the Company to provide benefits, whether by the payment of gratuities, pensions, annuities, allowances, bonuses or by insurance or otherwise, for any director or former director who holds or who has held but no longer holds any executive office, other office, place of profit or employment with the Company or with any body corporate which is or has been a subsidiary undertaking of the Company or a predecessor in business of the Company or of any such subsidiary undertaking,

and for any member of his family (including a spouse and a former spouse) or any person who is or was dependent on him, and may (as well before as after he ceases to hold such office, place of profit or employment) establish, maintain, support, subscribe to and contribute to any scheme, trust or fund for the benefit of all or any such persons and pay premiums for the purchase or provision of any such benefits. The board or any committee authorised by the board may procure any of these matters to be done by the Company either alone or in conjunction with any other person. No director or former director shall be accountable to the Company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify any person from being or becoming a director.

(u) *Directors' borrowing powers*

The board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to relevant legislation, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party. The board shall restrict the borrowings of the Group such that the aggregate principal amount from time to time outstanding of all borrowings by the Group (exclusive of borrowings owing by one member of the Group to another member of the Group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to 4 (four) times the "Adjusted Capital and Reserves" as set out and defined in the New Articles of Association, but being in summary the amount standing to the credit of the capital and revenue reserves of the Company and its subsidiary undertakings as shown by the then latest audited consolidated balance sheet of the Group (and after making certain adjustments and deducting from the amount of any borrowings all cash and short term loans and deposits of the Group).

(v) *Appointment, retirement and removal of directors*

Directors not to retire on account of age

No person shall be disqualified from being appointed a director, and no director shall be required to vacate that office, by reason only of the fact that he has attained the age of 70 years or any other age nor shall it be necessary by reason of his age to give special notice of any resolution. Where the board convenes any general meeting of the Company at which (to the knowledge of the board) a director will be proposed for appointment or reappointment who will have attained the age of 70 years or more at the date for which the meeting is convened, the board shall give notice of his age in years in the notice convening the meeting or in any document accompanying the notice, but the accidental omission to do so shall not invalidate any proceedings, or any appointment or reappointment of that director, at that meeting.

Number to retire by rotation

Any director not otherwise required to retire from office at an annual general meeting shall do so unless he was appointed or re-appointed as a director at either of the last two annual general meetings before that meeting.

At every annual general meeting, one-third of the directors (not counting any to be omitted in accordance with the New Articles of Association) shall retire from office, having been determined (both as to number and identity) by the composition of the board at start of business on the date of the notice convening the annual general meeting. If the number of directors from which the determination is to be made is not three or a multiple of three, the number to retire shall be that which is nearest to but not greater than one-third (unless their number is fewer than three, in which case one of them shall retire). Those to retire shall comprise: first, any director who wishes to retire and not to offer himself for re-election; and secondly, those who have been longest in office since their last appointment or reappointment (but as between persons who became or were last reappointed directors on the same day, those to retire shall be determined by lot or as the directors concerned may agree among themselves). No director shall be required to retire or be relieved from retiring by reason of any change in the number or identity of the directors after that time on the date of the notice but before the close of the meeting.

Position of retiring director

Subject to the New Articles of Association, the Company at the meeting at which a director retires may fill the vacated office and, in default, the retiring director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the director is put to the meeting and lost. If he is not reappointed or deemed to be reappointed, he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

Vacation of office by directors

Without prejudice to the provisions for retirement by rotation or otherwise contained in the New Articles of Association, the office of a director shall be vacated if:

- (i) he resigns his office by notice delivered to the registered office of the Company or tendered at a meeting of the board;
- (ii) he becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (iii) he is or has been suffering from mental ill health and the board resolves that his office is vacated;
- (iv) without the permission of the board, he is absent from meetings of the board for six consecutive months (whether or not an alternate appointed by him attends) and the board resolves that his office is vacated;
- (v) he ceases to be a director by virtue of the Statutes (as defined therein) or is prohibited by law from being a director or is removed from his office under the New Articles of Association;
- (vi) his resignation is requested by all other directors (provided those directors are not less than three in number) by notice delivered to the registered office of the Company or tendered at a meeting of the board; or
- (vii) his contract of service as a director expires or is terminated without being renewed within 14 days.

Eligibility for appointment as a director

No person other than a director retiring, whether by rotation or otherwise, shall be appointed or reappointed a director at any general meeting unless:

- (i) s/he is recommended by the board; or
- (ii) not less than seven nor more than 42 clear days before the day appointed for the meeting, notice executed by a member qualified to vote at the meeting (not being the person to be proposed) has been delivered to the registered office of the Company of the intention to propose that person for appointment or reappointment stating the particulars which would, if he was so appointed or reappointed, be required to be included in the register of directors of the Company, together with notice executed by that person of his/her willingness to be appointed or reappointed.

Shareholders' power to remove a director

In addition to any power conferred by relevant legislation, the Company may by an ordinary resolution remove any director before the expiration of his period of office and may, subject to the New Articles of Association, by ordinary resolution appoint another person who is willing to act to be a director in his place.

(w) *Officer's indemnity*

Subject to relevant legislation, every director, secretary or other officer of the Company other than the auditors may be indemnified out of the assets of the Company to whatever extent the board may determine against any costs, charges, expenses, losses and liabilities sustained or incurred by him in the actual or purported execution of his duties or in the exercise or purported exercise of his powers or otherwise in connection with his office, whether or not such liability attaches to him in connection with any negligence, default, breach of duty or breach of trust in relation to the Company.

The board shall also have power, subject to relevant legislation, to provide funds to meet any expenditure incurred or to be incurred by any director, secretary or other officer of the Company other than the auditors in defending any criminal or civil proceedings in which he is involved by reason of his office, or in connection with any application under the Act, or in order to enable him to avoid incurring such expenditure.

The auditors may, subject to relevant legislation, be indemnified out of the assets of the Company to whatever extent the board may determine against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgment is given in their favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default, breach of duty or breach of trust in relation to the Company.

(x) *Accounts*

The board shall cause true accounts to be kept which are sufficient to give a true and fair view of the Company's state of affairs and to comply with applicable laws. The board shall, in accordance with applicable laws, cause accounts to be prepared and to be laid before the Company in general meeting. Save and except so far as otherwise provided by applicable laws, a copy of every document which is to be laid before a general meeting of the Company shall no less than twenty one days before the date of the meeting be sent to every Shareholder.

(y) *Notices*

A member whose registered address is not within the UK and who notifies the Company of an address within the UK at which notices, documents or other communications may be served on or delivered to him shall be entitled to have notices or other communications served on or delivered to him at that address (in the manner referred to above), but otherwise no such member shall be entitled to receive any notice, document or other communications from the Company. Such address may, at the board's discretion, be an address for the purposes of electronic communications.

4. Directors

- 4.1 The current directorships of the Directors and partnerships in which any Director is currently a partner, and directorships held by them and partnerships in which any Director has been a partner during the five years preceding the date of this document are as follows:

Name	Current directorships	Previous directorships
Richard Moon	Acal plc Andec Limited e-San Limited Netia Holdings SA Oxford BioSignals Limited Securistyle Holdings Limited Securistyle Limited Software Radio Technology plc Synergie Business Limited	Andec Limited B.C.C. (Sales) Limited British Communications Corporation Limited Fairey Electronics Limited Genod SA IFCO Systems NV Mendip Housing Limited Racal-BCC Service Limited Racal Communications Equipment Limited

Name	Current directorships	Previous directorships
Richard Moon (continued)		Racal Communications Limited Racal Communication Systems Limited Racal-Comsec Limited Racal Cougar Limited Racal Defence Radar Limited Racal Electronics plc Racal-Mobical Limited Racal Radio Group Limited Racal Radio Limited Racal Seaton Limited Racal-SES Limited Racal-Tacitcom International Manufacturing Limited Racal Tacticom Limited Racal Thomson Networks Limited Sterling Flying Training Services Limited Thales Avionics Limited Thales Electronics plc Thales Holdings UK plc Thales MESL Limited Thales Naval Limited Thales Research & Technology (UK) Limited Thales UK Limited Thales (Weybridge) plc Vivista Holdings Limited
Shamus Kelly	NetInfo Limited Portal Partnership Limited Software Radio Technology Limited Software Radio Technology plc Software Radio Technology (UK) Limited	None
Simon Tucker	Software Radio Technology Limited Software Radio Technology plc Software Radio Technology (UK) Limited	Dalmon Witts Technology Limited Lyderhorn Securities Limited Rosvik Limited Rovigo Limited Shalbourne Property Management Limited Student Hi-Fi Limited Wheels Link Limited
Matthew Rogers	Software Radio Technology Limited Softward Radio Technology plc	The Closet Company (UK) Limited
Simon Rogers	101 EMedia LP NetInfo Limited Electronic Media Limited Electronic Media International Limited Electronic Markets Limited Newton Court Limited	H-Tech Limited I.T. Events Limited Sarum (UK) Limited

Name	Current directorships	Previous directorships
Simon Rogers (continued)	Newton Court Partnership Software Radio Technology Limited Software Radio Technology (Marine Technology) Limited Software Radio Technology plc Software Radio Technology (UK) Limited	
Andrew Lapping	Aberdeen Growth Opportunities VCT2 Plc B L Developments (Glasgow) Limited B L Developments (Shrubhill) Limited Barmoor Management Limited BDL Associates Limited BDL Doncaster Limited BDL Hemel Hempstead Limited BDL Leeds Limited BDL Operations Limited BDL Ventures Limited BL Developments Limited BL Property Limited Blenheim St. Newcastle Limited Breezeinfo Limited Collingwood Developments Limited Container Store Limited Corfu Villas Limited CV Travel Holdings Limited Davidson's Mains Developments Limited Davie Street Developments Limited Different World Limited DMWS 570 Limited DMWS 571 Limited DMWS 588 Limited DMWS 591 Limited DMWS 610 Limited Elliot Street Developments Limited Exchangelaw (No.229) Limited Go Travel Direct Limited Guildway Holdings Limited Hamilton AYR Limited Hamilton Bradford Limited Hamilton Portfolio 2001 Limited Hamilton Travel Investments Limited HP2 Limited Just Corfu Limited Kent Road Developments Limited Lapping Nominees Limited Leds Hotel Group Limited Legend Communications plc Motherwell Football and Athletic Club Limited Musselburgh Developments Limited Neville's Cross Developments Limited Northern Edge Limited Paper Push Limited	Alfendo Limited Appleblossom Property Investors Limited Axeon Limited Buzzsoft Limited Collingham Securities Limited DMWS 596 Limited DMWSL 395 Limited Exchangelaw (No.270) Limited Gala Unity Limited Glasgow FM Limited Glowing Sunset Limited Hamilton (Newcastle) Limited Hamilton Elgin Limited Hamilton Portfolio (2002) Limited James Travel Airfares Limited JTA Holdings Limited Landslide Move Limited Leaseimage Limited Linda Reid Furnishings Limited Monsternob Limited M-Quest Limited Room 2 Limited Scene Selection Limited Scotflight Holdings Limited Shore Leave Limited Sigtronics Limited Space Incorporated Limited Stablestar Limited Tender Taupe Limited The Scottish Premier League Limited The Search Engineers Limited UK Retail Portfolio Limited Victorydance Limited Vis Entertainment Limited

Name	Current directorships	Previous directorships
Andrew Lapping (continued)	Pendleflame Limited PCG Residential Lettings (No 9) Limited RPP Developments Limited SOE Development Limited Software Radio Technology plc Software Radio Technology (UK) Limited Space 2001 Limited St Mary's Workshops (Leith) Limited The Hamilton Portfolio Limited Triangle Aviation Limited Waterloo Place Developments Limited Yorkhill Investments Limited	Park Circus (Secretaries) Limited

- 4.2 Save as disclosed in paragraphs 4.3, 4.4 and 4.5, as at the date of this document, no Director:
- (a) has any unspent convictions in relation to indictable offences;
 - (b) has been declared bankrupt or has entered into any individual voluntary arrangements;
 - (c) has been a director of any company at the time of or within a 12 month period preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with such company's creditors generally or any class of creditors of such company;
 - (d) has been a partner of any partnership at the time of or within a 12 month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
 - (e) has held assets which have been the subject of a receivership or been a partner of any partnership at the time of or within a 12 month period preceding any of its assets being the subject of a receivership;
 - (f) has been publicly criticised by statutory or regulatory authorities (including recognised professional bodies); or
 - (g) has been disqualified by a court from acting as a director of any company or from acting in the management or conduct the affairs of any company.
- 4.3 Simon Tucker was a director of Wheels Link Limited ("Wheels Link") from 14 July 2000 until 28 August 2002. On 28 August 2002, a resolution that Wheels Link be wound up voluntarily was passed as it was, by reason of its liabilities amounting to approximately £250,000, unable to carry on its business. It was placed into a creditors' voluntary winding up on 28 August 2002, which closed on 21 September 2004. Wheels Link was dissolved on 27 December 2004.
- 4.4 Andrew Lapping was a director of Room 2 Limited from 6 March 2000 until 22 July 2005. On 30 August 2005, administrators of the company were appointed pursuant to paragraph 46 of Schedule B1 to the Insolvency Act 1986 and Rule 2.19 of the Insolvency (Scotland) Rules 1986 in respect of unpaid debts amounting to approximately £2,000,000.
- 4.5 Andrew Lapping was a non-executive director of Vis Entertainment Limited from 23 January 2004 until 17 June 2004. On 7 April 2005, administrators of the company were appointed pursuant to paragraph 46 of Schedule B1 to the Insolvency Act 1986 and Rule 2.19 of the Insolvency (Scotland) Rules 1986 and pursuant to a resolution by the board of directors of the company on 6 March 2005. The estimated statement of affairs produced by the administrators on 7 April 2005 showed total debts outstanding of approximately £3,771,000.
- 4.6 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any Director.

5. Share Capital

- 5.1 The following tables set out: (1) the authorised and issued and fully paid share capital of the Company as at 28 October 2005; (2) as it will be immediately prior to Admission (taking into account the conversions and sub-divisions described below); and (3) as it will be immediately following Admission (assuming no options granted under the Share Option Scheme, the Chairman's Option and the Westhouse Option (each as defined in paragraphs 7.2 and 11.10 of this Part V respectively) or any Warrants are exercised).

Immediately prior to Admission, certain outstanding convertible loan notes issued by the Company shall be converted into Ordinary Shares as set out at paragraph 11.2 of this Part V. In addition, immediately prior to Admission, further Ordinary Shares will be issued in satisfaction of a loan made to the Company as set out in paragraph 11.5 of this Part V. As stated at paragraph 5.8 of this Part V, all of the issued A ordinary shares of 0.1p each, B ordinary shares of 0.1p each and C ordinary shares of 0.1p each in the capital of the Company will, immediately prior to Admission, convert into a like number of Ordinary Shares.

(1) As at 28 October 2005

	Ordinary Shares	A ordinary shares of 0.1p	B ordinary shares of 0.1p	C ordinary shares of 0.1p	Total
Authorised share capital					
Number of shares	9,500,000	32,500,000	15,000,000	3,000,000	60,000,000
Nominal value	£9,500.00	£32,500.00	£15,000.00	£3,000.00	£60,000.00
Issued share capital					
Number of shares	6,585,000	29,764,960	13,282,800	846,680	50,479,440
Nominal value	£6,585.00	£29,764.96	£13,282.80	£846.68	£50,479.44

(2) Immediately prior to Admission

	Number of Ordinary Shares	Nominal value
Authorised share capital	60,000,000	£60,000.00
Issued share capital	57,491,680	£57,491.68

(3) Immediately following Admission

	Number of Ordinary Shares	Nominal value
Authorised share capital	120,000,000	£120,000.00
Issued share capital	69,044,530	£69,044.53

- 5.2 As at the date of this document, the Company does not hold any treasury shares and no shares have been issued otherwise than as fully paid.
- 5.3 The Company was incorporated with an authorised share capital of £100 made up of 100 ordinary shares of £1 each.
- 5.4 Since incorporation of the Company, there have been the following changes to the share capital of the Company:

Pursuant to a resolution of the sole member of the Company passed on 19 October 2005:

- the authorised share capital of the Company was increased to £60,000 comprising 60,000 ordinary shares of £1 each;
- the authorised share capital was then sub-divided such that the Company's authorised share capital comprised 6,000,000 ordinary shares of 1p each, and such shares were re-designated as:
 - 3,250,000 A ordinary shares of 1p each;
 - 1,500,000 B ordinary shares of 1p each;
 - 300,000 C ordinary shares of 1p each; and
 - 950,000 ordinary shares of 1p each;

- (c) the Directors were granted a general and unconditional authority for the purposes of section 80 of the Act to allot relevant securities (as defined in section 80 of the Act) up to an aggregate nominal amount of £60,000 (such authority to expire at the conclusion of the annual general meeting of the Company to be held in 2006, unless previously renewed, varied or revoked by the Company);
 - (d) the Directors were empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority described in sub-paragraph (c) as if section 89(1) of the Act did not apply to such allotment (such authority to expire at the conclusion of the annual general meeting of the Company to be held in 2006 unless previously renewed, varied or revoked by the Company in general meeting); and
 - (e) the existing articles of association were adopted.
- 5.5 On 19 October 2005, the Company issued a total of 2,976,496 A ordinary shares of 1p each, 1,328,280 B ordinary shares of 1p each, 84,668 C ordinary shares of 1p each and 658,500 ordinary shares of 1p each in consideration of the acquisition of the entire issued share capital of Software Radio Technology (UK) Limited pursuant to the terms of a share for share exchange agreement entered into with each of the shareholders of Software Radio Technology (UK) Limited, summarised at paragraph 11.5 of this Part V.
- 5.6 By special resolutions of the Company passed on 28 October 2005:
- (a) all of the issued A ordinary shares of 1p each, B ordinary shares of 1p each, C ordinary shares of 1p each and ordinary shares of 1p each were each sub-divided into ten shares of 0.1p each of the respective class, such that one A ordinary share of 1p each was sub-divided into ten A ordinary shares of 0.1p each, one B ordinary share of 1p each was sub-divided into ten B ordinary shares of 0.1p each, and so forth for all C ordinary shares of 1p each and ordinary shares of 1p each in issue;
 - (b) all of the authorised but unissued A ordinary shares of 1p each, B ordinary shares of 1p each and C ordinary shares of 1p each were redesignated as ordinary shares of 1p each; and
 - (c) each of the authorised but unissued ordinary shares of 1p each were then sub-divided into ten Ordinary Shares.
- 5.7 In accordance with a conversion notice provided by the lenders under the terms of the loan deed summarised at paragraph 11.5 of this Part V (such conversion taking effect conditional upon and immediately prior to Admission), the following shares shall be issued to the lenders under the loan deed as set out below taking into account the effect of the sub-division of shares set out at paragraph 5.6 above:
- | | |
|--|---------------------------|
| The Jonathan Horne 1999 Interest in Possession Trust | 2,033,800 Ordinary Shares |
| The S F Rogers Life Interest Trust | 2,033,800 Ordinary Shares |
| Lester Industries Limited | 525,760 Ordinary Shares |
| Tadpole Limited | 99,320 Ordinary Shares |
| The A L Deal 2005 Life Interest Trust | 344,040 Ordinary Shares |
- 5.8 In accordance with article 3.4 of the existing articles of association, all of the A ordinary shares of 0.1p each, B ordinary shares of 0.1p each and C ordinary shares of 0.1p each in issue immediately prior to Admission (including as a result of the conversions, sub-divisions and issues described above) will automatically convert into a like number of Ordinary Shares on a one-for-one basis immediately prior to, and conditional upon, Admission.
- 5.9 By an ordinary resolution of the Company passed on 28 October 2005, the authorised share capital of the Company was increased from £60,000.00 to £120,000.00.
- 5.10 By an ordinary resolution of the Company passed on 28 October 2005, the Directors were granted a general and unconditional authority for the purposes of section 80 of the Act to allot relevant securities (as defined in section 80 of the Act) up to an aggregate nominal amount of £53,132.78 for (i) the purposes of the Placing, (ii) the issue of Ordinary Shares as set out at paragraph 5.7 of this Part V; (iii) the issue of Ordinary Shares in connection with the conversion of the convertible loan notes as set out at paragraph 11.2 of this Part V; (iv) the issue of the Warrants (and Ordinary Shares upon the exercise of all or any of the Warrants); and (v) otherwise up to an aggregate nominal amount of £23,014.84 (representing approximately one third of the Enlarged Share Capital), such authority to expire (unless reviewed, varied or revoked by the Company in general meeting) on 31 December 2006. This authority supersedes that authority referred to in paragraph 5.4 of this Part V.

- 5.11 By a special resolution of the Company passed on 28 October 2005, the Directors were empowered to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply, such power to expire (unless renewed, varied or revoked by the Company in general meeting) on 31 December 2006, being limited to the allotment of equity securities pursuant to (i) the Placing, (ii) the issue of Ordinary Shares as set out at paragraph 5.7 of this Part V; (iii) the issue of Ordinary Shares in connection with the conversion of the convertible loan notes as set out at paragraph 11.2 of this Part V; (iv) the issue of the Warrants (and Ordinary Shares upon the exercise of all or any of the Warrants); (v) any allotment of equity securities in connection with an issue or offer by way of rights or other pre-emptive issue or offer; and (vi) and otherwise up to an aggregate nominal amount of £3,452.23 (representing approximately 5 per cent. of the Enlarged Share Capital). This authority supersedes that referred to in paragraph 5.4 of this Part V.
- 5.12 The allotment of the Placing Shares will be made by a resolution of the Directors or a duly constituted committee of the Directors pursuant to the authority conferred by the resolution referred to in paragraph 5.10 of this Part V.
- 5.13 The provisions of section 89(1) of the Act (which, to the extent not disappplied pursuant to section 95 of the Act, confer on Shareholders rights of pre-emption in respect of allotments of equity securities which are, or which are to be, paid up in cash other than allotments to employees under employee share schemes) apply to the balance of the authorised but unissued share capital of the Company save as described in paragraph 5.11 of this Part V.
- 5.14 Following the Placing, 50,955,470 Ordinary Shares will remain authorised but unissued, representing approximately 73.8 per cent. of the Enlarged Share Capital. The Placing will result in an overall immediate dilution of 16.7 per cent. of the Existing Ordinary Shares.
- 5.15 Immediately following Admission, there will be outstanding options over a total of 8,270,445 Ordinary Shares, representing approximately 12.0 per cent. of the Enlarged Share Capital.
- 5.16 The outstanding options over the Enlarged Share Capital immediately following Admission are set out below:

	Number of Ordinary Shares under options	Exercise price per Ordinary Share	Exercise period
Share Option Scheme	1,780,000	0.1p	12 months from grant to tenth anniversary of grant (see note 1)
Share Option Scheme	4,760,000	35.0p	Exercisable as to one third on and from the second anniversary of grant, one third on and from the third anniversary of grant and one third on and from the fourth anniversary of grant. Options remain exercisable until tenth anniversary of grant (see note 2)
Chairman's Option	1,040,000	24.5p	(see note 3)
Westhouse Option	690,445	35.0p	Exercisable from Admission to the fifth anniversary of Admission (see note 4)

Notes:

- (1) These options vest immediately on the date of grant.
- (2) These options, exercisable at 35p, vest in three equal tranches annually over 3 years, the first tranche vesting 12 months from the date of grant.
- (3) Please refer to the vesting and exercise table at paragraph 8.2 of this Part V in respect of the Chairman's Option.
- (4) Please refer to paragraph 11.10 of this Part V in respect of the option granted to Westhouse.

- 5.17 Immediately following Admission, the Company will have no outstanding convertible debt securities, exchangeable debt securities or rights over any of the Company's unissued share capital other than as set out in paragraphs 5.16 and 11.3 of this Part V.
- 5.18 If a "takeover offer" (as defined in section 428(1) of the Act) is made and the offeror, by virtue of acceptances of such offer, acquires or contracts to acquire not less than nine-tenths in value of the Ordinary Shares to which the takeover offer relates, then the offeror would have the right to acquire compulsorily the remaining Ordinary Shares of the minority Shareholders for the offer price within a fixed period. In certain circumstances, the minority Shareholders also have the right to require the offeror to buy their Ordinary Shares at the offer price within a fixed period.

6. Warrants

The Warrants were constituted on 28 October 2005 pursuant to the Warrant Instrument and their issue is conditional upon Admission. Application has been made for the Warrants to be admitted to trading on AIM. The Warrants may be exercised at any time from and including Admission up to and including the second anniversary of Admission or earlier in certain circumstances (the "Subscription Period"). The Warrants give the Warrantholders the right to subscribe for Ordinary Shares at a subscription price of 40p per Ordinary Share. The Warrants are freely transferable. Exercise is by notice in writing lodged at the Company's registrars' office accompanied by the appropriate remittance for the aggregate number of Ordinary Shares being subscribed for. The Company is obliged to allot the appropriate number of Ordinary Shares within 30 business days of such exercise notice and apply for such Ordinary Shares to be admitted to trading on AIM as soon as practicable. In the case of the exercise of Warrants in certificated form, the Company shall despatch definitive share certificates within 30 business days of such exercise notice and in the case of the exercise of Warrants in uncertificated form, the Company shall credit the Ordinary Shares to the CREST account of such Warrantholder within 30 business days of such notice.

The subscription price of the Warrants is subject to adjustment in the event of there being an alteration in the nominal value of the Ordinary Shares as a result of a consolidation or sub-division.

If at any time during the Subscription Period, an offer is made to acquire the whole or a majority of the issued ordinary share capital of the Company, a Warrantholder may exercise his Warrants within a period of 30 days from the date such offer is notified to the Warrantholder. If the Warrants are not exercised within such 30 day period, the Warrants shall lapse. On a share-for-share offer, the Company shall be entitled to exercise, on behalf of the Warrantholder, a transfer of his Warrants to the offeror in consideration for the issue of warrants over ordinary shares in the offeror, subject to the value of such consideration being considered fair and reasonable by the Company's financial advisers.

If an order is made or an effective resolution is passed on or before the expiry of the Subscription Period for the mandatory winding up of the Company (except for the purpose of reconstruction or amalgamation), each Warrantholder will be treated as if he had exercised his Warrants immediately before the passing of the said resolution or order and will be entitled to receive out of the assets available in the liquidation, *pari passu* with the holders of the Ordinary Shares, such a sum as he would have received if he had held such Ordinary Shares less the aggregate subscription price of such Ordinary Shares under the terms of the Warrants. Subject to this, the Warrants shall lapse on the liquidation of the Company.

7. Share Option Scheme

7.1 The following is a summary of the Share Option Scheme

(a) Introduction

The Company intends to adopt the Share Option Scheme immediately prior to Admission. Share options are to be granted under the Share Option Scheme immediately prior to Admission on the terms set out in paragraphs 5.16 and this paragraph 7.1 of this Part V. Such share options will be in accordance with the legislation governing enterprise management incentives (the "EMI Legislation") to the extent possible and will otherwise take effect as unapproved share options.

(b) Grant of options

In order to grant options under the Share Option Scheme, the Company will enter into a separate option agreement with each individual option holder. The rules of the Share Option Scheme have a pro forma option agreement attached as an appendix.

Except in the case of an unapproved option, notification must be given to HM Revenue & Customs in the specified form within 92 days of the date of grant in order for the option to qualify for the tax reliefs afforded by the EMI Legislation. HM Revenue & Customs has 12 months to check that the option granted complies with the EMI Legislation. There is an appeal procedure if HM Revenue & Customs concludes that the requirements of the EMI Legislation are not met in relation to the grant of an option.

The Company must be a qualifying company for the purposes of the EMI Legislation on the date of grant of each option under the Share Option Scheme.

(c) Eligible employees

The Company can grant options under the Share Option Scheme to employees of its choice, although such options must be granted for genuine commercial reasons in order to recruit or retain employees.

Employees must be employees of the Company or a qualifying subsidiary and must devote at least 25 hours a week or, if less, 75 per cent. of their working time to the employing company or (if employed by the Company) to the Group. Working time means time spent in self employment as well as in employment and must be calculated in accordance with the EMI Legislation.

An individual is not an eligible employee if he has a material interest in the Company or any subsidiary. A material interest is broadly defined as beneficial ownership by the employee and/or any associates of 30 per cent. of the ordinary share capital of the Company or the ability to control directly or indirectly more than 30 per cent. of the ordinary share capital of the Company. If the Company is a close company then material interest also includes possession or entitlement to acquire 30 per cent. of the assets that would be available for distribution on a winding up of the Company.

(d) Option price

The price per share to be paid on exercise of the option will be a price determined by the Remuneration Committee at the date of grant of an option.

(e) Period of exercise of options

Options granted pursuant to the Share Option Scheme must be exercised within 10 years of the date of grant.

Options may generally only be exercised to the extent that they have vested and become exercisable in accordance with the vesting schedule set out in the option agreement as detailed in paragraph 5.16 of this Part V.

If the option holder ceases to be a director or employee of the Company or a qualifying subsidiary by reason of injury, disability, sickness, retirement, the company for which the option holder works ceasing to be a qualifying subsidiary or the business or part business in which the option holder works being transferred to a person who is not a qualifying subsidiary, then option holders generally have 40 days, or such other period as the Remuneration Committee may in its absolute discretion determine, to exercise their options. In such circumstances, options vest and become immediately exercisable in full irrespective of the vesting schedule. Any options not exercised within this period will lapse. The Remuneration Committee have a discretion to allow employees who cease to be employed by the Company or a qualifying subsidiary for any other reason to exercise their options to such extent as it permits for the period referred to above.

If the option holder dies before exercising his option, the option holder's personal representatives may generally exercise his option in full (irrespective of the extent vested and exercisable at the date of death under the vesting schedule) within 12 months after the date of his death. Thereafter, the option will lapse.

If another company acquires or will acquire control of the Company, then options may generally be exercised in full (irrespective of the extent vested and exercisable under the vesting schedule) within the period beginning immediately before such event and ending within 40 days of such event. If application is made to the court for a meeting under section 425 of the Act, the Remuneration Committee may permit options to be exercised in full (irrespective of the extent vested and exercisable under the vesting schedule) up to the time of the meeting, such exercise to be conditional upon the court sanctioning such compromise or arrangement.

Where an acquiring company obtains control of the Company then, in certain circumstances, the option holder may (with the agreement of the acquiring company) release his rights in relation to an option granted under the Share Option Scheme in exchange for the grant of a replacement option (in respect of which the original vesting schedule shall be disregarded) relating to shares in the acquiring company. If an acquiring company proposes to offer an option rollover then the Remuneration Committee may, in their discretion, provide that options granted under the Share Option Scheme will not become exercisable as a result of the change of control of the Company and that options will lapse to the extent that an option holder does not choose to accept the option rollover offered by the acquiring company.

If the Company passes a resolution for voluntary winding up, or if an order is made for the compulsory winding up of the Company, options may generally be exercised in full (irrespective of the extent vested and exercisable under the vesting schedule) within six months of such event and any options not exercised within that period will lapse.

If there is a disqualifying event for the purposes of the EMI Legislation then options may generally be exercised in full (irrespective of the extent vested and exercisable under the vesting schedule) within the period of 40 days following such disqualifying event. Options not exercised within such period will lapse unless the Remuneration Committee direct otherwise.

(f) Exercise of options

Once an option has been exercised then the shares must be issued and allotted or transferred to the person entitled under the option within 30 days. However, where the Company or a subsidiary will incur an obligation to account for tax, duties and/or national insurance contributions as a result of the exercise of the option, the option holder authorises the Company to sell sufficient shares to which the option holder is entitled as a result of the exercise of the share option as may be necessary to realise a sum equal to the tax and/or national insurance contributions (including secondary (employer's) Class 1 national insurance contributions). To the extent that the Company does not recover the tax or national insurance contributions from a sale of shares then the option holder agrees to pay the Company the said tax or national insurance contributions within 21 days of the date of exercise of the option.

The Company has reserved the power to introduce a cashless exercise facility to enable option holders to satisfy the total exercise price payable on exercise of an option by means of an immediate sale of the shares acquired. Should the Company decide to introduce such a facility, it will enter into appropriate arrangements with its broker to implement this.

(g) Limitations

There is no limit on the number of employees to whom grants of options can be made under the Share Option Scheme, however, the total maximum value of shares under option, excluding unapproved options, must not exceed £3 million (calculated by reference to market value of shares put under option at each date of grant).

Further, under the terms of the Share Option Scheme, the maximum number of shares that can be issued pursuant to the Share Option Scheme or any other share option scheme in a rolling ten year period is limited to 10 per cent. of the issued ordinary share capital of the Company from time to time. For the purposes of applying these limits all options granted prior to Admission are ignored. Options that have lapsed or been released, surrendered or cancelled are also ignored.

An employee cannot hold unexercised options qualifying for tax relief under the EMI Legislation or the legislation governing HM Revenue & Customs approved company share option plans in respect of shares with a value of more than £100,000 (calculated by reference to market value of shares put under option at each date of grant). Any options granted in excess of this limit are not eligible for the tax reliefs available under the EMI Legislation. Where the £100,000 limit has been reached and exceeded, to the extent that an option granted pursuant to the Share Option Scheme relates to any excess shares, that option will take effect as an unapproved option in relation to such excess shares.

No option may be granted more than ten years after the date on which the Share Option Scheme is adopted.

(h) Variation in capital

Where there is any issue of shares or other securities by the Company or any capitalisation, rights issue, consolidation, sub-division or reduction of share capital by the Company or any other event resulting in a variation to the share capital of the Company or any special dividend declared by the Company or any demerger or other event which, in the opinion of the Remuneration Committee, justifies a variation in the number of shares subject to the option and/or the option price, then the Remuneration Committee may adjust the number of shares subject to the option and/or the option price. In relation to options qualifying for the purposes of the EMI Legislation, no such adjustment shall be made without the prior approval of HM Revenue & Customs.

(i) Amendments

The Company and an option holder may alter or add to any of the provisions of an option agreement in any respect by the execution of a supplemental deed.

7.2 Summary of the Chairman's Option

The Company intends to grant, immediately prior to Admission, a standalone unapproved option to Richard Moon as set out in paragraph 8.2 of this Part V (the "Chairman's Option"). The terms of the Chairman's Option are the same as for unapproved options granted under the Share Option Scheme, except: (i) in respect of eligibility; (ii) in respect of the vesting schedule (see paragraph 8.2 of this Part V); (iii) that the leaver provisions described in paragraph 7.1(e) of this Part V apply where the option holder ceases to be a director, employee, consultant or person actively engaged in the activities of the Group; and (iv) that ceasing to satisfy the working time requirements of the EMI Legislation or the grant of an approved option are not disqualifying events.

8. Interests in Ordinary Shares

8.1 Interests of Directors

As at the date of this document, the interests of the Directors and persons connected with them in the issued share capital of the Company (all of which, unless otherwise stated, are beneficial) which (i) have been notified to the Company pursuant to sections 324 or 328 of the Act; (ii) are required to be entered into the register referred to in section 325 of the Act; or (iii) in the case of persons connected with the Directors are interests (the existence of which is known to or could with reasonable diligence be ascertained by that Director) which would be required to be so notified or entered into the register in accordance with (i) or (ii) above if that connected person were a Director are (and will be immediately following Admission) as follows:

	As at 28 October 2005		Immediately following Admission	
	Number and class of shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of Enlarged Share Capital
Simon Rogers	11,915,520 A ordinary shares of 0.1p each and 292,080 Ordinary Shares	24.2%	14,241,400 (see note)	20.6%
Andrew Lapping	1,081,080 B ordinary shares of 0.1p each	2.1%	1,081,080	1.6%

Note: 2,033,800 Ordinary Shares are registered in the name of The SF Rogers Life Interest Trust.

8.2 Share options held by Directors

The following options will, immediately following Admission, be held over Ordinary Shares pursuant to the Share Option Scheme by the Directors:

	Number of Ordinary Shares under options	Exercise price per Ordinary Share	Exercise period
Shamus Kelly	740,000	0.1p	12 months from grant to tenth anniversary of grant
	1,480,000	35.0p	Exercisable as to one third on and from the second anniversary of grant, one third on and from the third anniversary of grant and one third on and from the fourth anniversary of grant (see note)
TOTAL	2,220,000		
Simon Tucker	940,000	0.1p	12 months from grant to tenth anniversary of grant
	2,200,000	35.0p	Exercisable as to one third on and from the second anniversary of grant, one third on and from the third anniversary of grant and one third on and from the fourth anniversary of grant (see note)
TOTAL	3,140,000		
Matthew Rogers	100,000	0.1p	12 months from grant to tenth anniversary of grant
	320,000	35.0p	Exercisable as to one third on and from the second anniversary of grant, one third on and from the third anniversary of grant and one third on and from the fourth anniversary of grant (see note)
TOTAL	420,000		

Note: The options exercisable at the Placing Price vest in three equal tranches annually over 3 years, the first tranche vesting 12 months from the date of grant (and are therefore exercisable one year after vesting). Those exercisable at 0.1p vest immediately.

The following options are intended to be granted, immediately prior to Admission over 1,040,000 Ordinary Shares to the Non-Executive Chairman, Richard Moon, pursuant to the Chairman's Option (summary terms of which are set out at paragraph 7.2 of this Part V). Set out below is a table of how such options vest and become exercisable. Upon vesting, such options are exercisable 10 years from the date of grant.

Aggregate number of Ordinary Shares under options vesting	Aggregate number of Ordinary Shares under options exercisable	Exercise price	Exercise commencement date
520,000	Nil	24.5p	Date of grant
520,000	520,000	24.5p	First anniversary of date of grant
780,000	780,000	24.5p	First anniversary of date of grant provided that the market capitalisation of the Company has been sustained at a value of at least £50,000,000 over a period of 30 calendar days
910,000	910,000	24.5p	First anniversary of date of grant provided that the market capitalisation of the Company has been sustained at a value of at least £75,000,000 over a period of 30 calendar days
1,040,000	1,040,000	24.5p	First anniversary of date of grant provided that the market capitalisation of the Company has been sustained at a value of at least £100,000,000 over a period of 30 calendar days

8.3 Substantial Shareholders

Save as disclosed below, the Company is not aware of any person who, directly or indirectly, was, as at the date of this document interested in 3 per cent. or more of the issued share capital of the Company.

Substantial Shareholders	As at 28 October 2005	Immediately prior to Admission		Immediately following Admission	
	Number of and class of shares	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of Enlarged Share Capital
Simon Rogers (Non-Executive Director)	11,915,520 A ordinary shares of 0.1p each 292,080 Ordinary Shares	14,241,400 ¹	24.7%	14,241,400 ¹	20.6%
Jonathan Horne	11,915,520 A ordinary shares of 0.1p each 292,080 ordinary shares	14,241,400 ²	24.7%	14,241,400 ²	20.6%
Lester Industries Limited	2,702,720 A ordinary shares of 0.1p each 4,252,000 Ordinary Shares	7,480,480	13.0%	7,480,480	10.8%
Anthony Deal	2,897,400 A ordinary shares of 0.1p each	3,241,440 ³	5.6%	3,241,440 ³	4.7%
Funds managed by Aberdeen Asset Managers Limited	846,680 C ordinary shares of 0.1p each	2,822,200	4.9%	3,107,914	4.5%
Northern Edge Limited	2,702,720 B ordinary shares of 0.1p each	2,702,720	4.7%	2,988,434	4.3%
Carl Holt	2,595,080 B ordinary shares of 0.1p each	2,595,080	4.5%	2,595,080	3.8%
Funds managed by Invesco Asset Management Limited	940,920 B ordinary shares of 0.1p each	940,920	1.6%	3,798,062	5.5%
RAB Capital plc	-	-	-	2,857,142	4.1%
Charles Stanley plc	-	-	-	2,185,712	3.2%
Gartmore Investment Management plc	-	-	-	2,142,857	3.1%

Notes:

1. 2,033,800 Ordinary Shares are registered in the name of The S F Rogers Life Interest Trust.
2. 2,033,800 Ordinary Shares are registered in the name of The Jonathan Horne 1999 Interest in Possession Trust.
3. 344,040 Ordinary Shares are registered in the name of The A L Deal 2005 Life Interest Trust.

8.4 The Shareholders detailed in the above table will not, following Admission, have different voting rights from those of the other Shareholders since the A ordinary shares of 0.1p each, B ordinary shares of 0.1p each and C ordinary shares of 0.1p each will, immediately prior to Admission, automatically convert into a like number of Ordinary Shares.

8.5 Simon Rogers, a Non-Executive Director, and Jonathan Horne will, immediately following Admission, together be interested (directly or indirectly) in approximately 41.2 per cent. of the Enlarged Share Capital. Simon Rogers and Jonathan Horne are business partners. There are no formal agreements in place between Simon Rogers and Jonathan Horne regarding their holdings in the Company. Any future arrangements between any member of the Group and Simon Rogers and Jonathan Horne will be determined through arm's length negotiations.

- 8.6 Other than set out in paragraph 8.5 of this Part V, the Directors are not aware (i) of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company, nor (ii) of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

9. Service Agreements of the Directors and Remunerations of the Directors

9.1 Executive Directors

The Executive Directors have entered into service agreements with the Company, on the dates shown below, and their current annual salaries (which are subject to an annual review) are as follows:

Executive Director	Date of service contract	Current salary (£ per annum)
Shamus Kelly	28 October 2005	100,000
Simon Tucker	28 October 2005	120,000
Matthew Rogers	28 October 2005	55,000

All of the service agreements continue until terminated by either party giving to the other not less than 12 months' prior written notice, save in respect of Matthew Rogers, whose agreement provides for not less than 3 months' prior written notice. Under the terms of the agreements, the Company reserves the right once notice has been served to either put the relevant individual on garden leave for his period of notice or pay the relevant individual in lieu of notice. The Company may also terminate summarily on the grounds that, *inter alia*, the individual has been guilty of gross misconduct, has engaged in a course of conduct which is likely to be detrimental to the interests of the Group, has been convicted of a criminal offence punishable with 6 months or more imprisonment, commits any act of dishonesty, becomes bankrupt, vacates his office as a director of the Company or any Group Company, or in the board's opinion has been incompetent in performing his duties.

In addition, each Executive Director receives (i) in lieu of a company car, an annual allowance of £6,000 paid monthly, save that Matthew Rogers is not entitled to a car allowance; (ii) life insurance; and (iii) private medical insurance to cover costs in the UK and abroad.

The Executive Directors are entitled to receive a contribution of up to 5 per cent. of their annual basic salary toward their retirement arrangements.

9.2 Non-Executive Directors

The Company has entered into non-executive appointment letters in respect of the provision to the Company of the services of the following Non-Executive Directors:

Non-Executive Director	Committee membership	Annual fee (£)
Richard Moon	Remuneration Committee Nominations Committee (Chairman)	40,000
Simon Rogers	Audit Committee (Chairman) Remuneration Committee Nominations Committee	15,000
Andrew Lapping	Audit Committee Remuneration Committee (Chairman) Nominations Committee	15,000

The terms of appointment in respect of Richard Moon are set out in a letter between the Company and Synergie Business Limited dated 28 October 2005, in accordance with which the annual fee of £40,000 payable in respect of Richard Moon's appointment shall be paid to Synergie Business Limited.

The terms of appointment in respect of Simon Rogers are set out in a letter between the Company and Newton Court Partnership dated 28 October 2005, in accordance with which the annual fee of £15,000 payable in respect of Simon Rogers's appointment shall be paid to Newton Court Partnership.

The terms of appointment in respect of Andrew Lapping are set out in a letter between the Company and Andrew Lapping dated 28 October 2005.

The Non-Executive Directors' appointment letters are terminable on the Non-Executive Director giving the Company not less than one months' written notice. The Company may terminate the appointment of any Non-Executive Director in writing with immediate effect.

10. Principal Subsidiary and Associated Undertakings of the Company

- 10.1 The Company is the parent company of the Group. The significant subsidiary undertakings of the Company, all of which are wholly-owned unless otherwise indicated, are set out below.

Company	County of registration and operation	Principal activity
Software Radio Technology (UK) Limited	England	Holding company
Software Radio Technology Limited	England	Trading company - electronic hardware and software engineering and the development and licensing of technology reference designs
Software Radio Technology (Marine Technology) Limited	England	Non-trading company

11. Material Contracts

Save for the contracts described in this paragraph 11, no member of the Group has entered into any contract (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document which is or may be material or which has been entered into by any member of the Group at any other time and which contains provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

- 11.1 Software Radio Technology (UK) Limited (“SRT(UK)”) was a party to certain subscription and shareholders’ agreements dated 5 December 2002, 21 August 2003, 25 November 2003 and 8 March 2005 (each as supplemented, amended or varied from time to time), entered into between, in each case, various Investors (as defined therein), SRT(UK) and certain members of SRT(UK)’s management at the time (together referred to as the “Subscription Agreements”). Pursuant to the Subscription Agreements, the Investors agreed to subscribe for certain shares in the capital of the Company. The Subscription Agreements contain provisions regarding the rights and obligations of the various parties, setting out matters requiring the consent of certain of the Investors and the management of the Company, all of which are customary for an agreement of this nature entered into by investors in a UK company.

Pursuant to deeds of novation and variation, each dated 19 October 2005 (together the “Novation Agreements”), the Company became a party to the Subscription Agreements in place of SRT(UK). The Novation Agreements also provide in each case that each of the relevant Subscription Agreements will terminate, conditional on Admission, and that the rights and obligations of the parties under the Subscription Agreements will, upon Admission, cease to have any further effect.

- 11.2 On 8 March 2005, SRT(UK) constituted a loan note instrument in respect of £524,995 nominal amount 8.75 per cent. Convertible Secured Loan Notes 2010/11 (the “Loan Notes”), secured by a debenture containing a floating charge over the assets of SRT(UK) in favour of Aberdeen Asset Managers Limited (the “Debenture”). The Debenture converts into a fixed charge over certain assets in the event of a default under the Loan Notes but otherwise does not contain any further consent/control rights. The holders of the Loan Notes may, at any time prior to 8 March 2006, convert the total outstanding principal amount of the Loan Notes into such number of C ordinary shares of 1p each in SRT(UK) as shall be calculated by dividing the outstanding principal amount of Loan Notes to be converted by the subscription price paid for the C ordinary shares of 1p each in SRT(UK) by the holders of the Loan Notes on 8 March 2005. It is an event of default under this loan note instrument for, *inter alia*, either (i) 50 per cent. or more of the issued share capital of SRT(UK) to be sold or (ii) any of the shares in the capital of SRT(UK) to be admitted to AIM or any other investment exchange without the prior written consent of the holders of the Loan Notes, unless SRT(UK) has issued a notice of conversion (which it can do only on a Sale or Listing (as defined therein) if the price per equity share in that case exceeds £12.76). In such an event, SRT(UK) is able to convert the total outstanding principal amount of the Loan Notes into such number of C ordinary shares of 1p each as shall be calculated by dividing the outstanding principal amount of loan notes to be converted by the subscription price, i.e. £10.63.

Aberdeen Growth VCT1 PLC is the registered holder of £262,493 of the Loan Notes. Aberdeen Growth Opportunities VCT PLC is the registered holder of £175,005 of the Loan Notes and Aberdeen Growth Opportunities VCT2 PLC is the registered holder of £87,497 of the Loan Notes (together the “Aberdeen Investors”).

On 19 October 2005, the Company, SRT (UK) and the Aberdeen Investors entered into an agreement relating to (i) the transfer of the outstanding Loan Notes issued by SRT(UK) to the Company (and waiver of the conversion rights) by the Aberdeen Investors in connection with the Share-for-Share Exchange (as defined in paragraph 11.5 of this Part V); (ii) the issue of new loan notes by the Company to the Aberdeen Investors of the same outstanding principal amount of the Loan Notes transferred to the Company. In connection therewith, the Company issued £524,995 nominal amount 8.75 per cent. Convertible Secured Loan Notes 2010/11 (the “New Loan Notes”) to the Aberdeen Investors, on the same terms as the Loan Notes. The Company, SRT(UK), and Aberdeen Investors also agreed that the Debenture would be novated to the Company such that the Debenture would be granted over the assets of the Company to secure the liability under the New Loan Notes and not over the assets of SRT(UK), thereby releasing SRT(UK) from the Debenture.

On 28 October 2005, the Company received a conversion notice from the Aberdeen Investors in relation to all of the New Loan Notes, conditional upon (and taking effect immediately prior to) Admission and providing for the conversion into Ordinary Shares (at a rate of 26.6p agreed to take into account the effect of the sub-division of shares referred to at paragraph 5.6 of this Part V).

- 11.3 Software Radio Technology Limited (“SRT”) entered into an overdraft facility of up to £500,000 put in place on 6 July 2005 with The Royal Bank of Scotland PLC (“RBS”), Glasgow branch. This was provided on RBS’s standard terms, is repayable upon demand, and does not have a fixed expiry date, but is able to be cancelled by RBS on notice to SRT. The facility is also subject to annual review. The facility is not secured by way of a charge over any part of SRT or the Group, but rather by way of personal guarantees provided directly to RBS by each of Andrew Lapping (for £100,000), Northern Edge Limited (for £150,000), Simon Rogers (for £125,000) and Jonathan Horne (for £125,000) (together the “Guarantors”).

In connection with the above personal guarantees, SRT(UK) and the Guarantors entered into a guarantee deed dated 6 July 2005 (the “Guarantee Deed”), which provided that in the event that SRT repays the overdraft facility in full by 30 November 2005, then in consideration for providing the personal guarantees to SRT, the Guarantors would be entitled to an aggregate fee of £50,000, payable by SRT(UK) pro-rata to the amount of the guarantee provided. If repayment of the facility is not made by SRT on or before such date (or other date agreed between the parties) no such fee would be payable. In the event that any of the Guarantors is called upon by RBS to pay any sum to RBS in respect of the guaranteed SRT overdraft facility, then the Guarantee Deed also provides that the relevant Guarantors will be entitled to be issued shares in SRT(UK), such shares to be of the same class held by the relevant Guarantor, and the number of shares to be calculated by dividing the amount actually paid by the Guarantor to RBS by a fixed value of £3.96.

On 19 October 2005, the parties to the Guarantee Deed and the Company agreed in writing to the variation of the terms of the share allotment rights under the Guarantee Deed, such that any shares to be issued would be issued to the Guarantors by the Company rather than SRT(UK) (at a rate of 10p to take into account the effect of the bonus issue of shares by SRT(UK) prior to the Share-for-Share Exchange (as defined in paragraph 11.6 of this Part V), the sub-division of the Company’s share capital set out in paragraph 5.6 of this Part V and the fact that, following Admission, there will only be Ordinary Shares in issue).

- 11.4 On 18 July 2005, a nominated adviser and broker agreement was entered into between the Company and Westhouse, under which the Company engaged Westhouse to act as nominated adviser and broker to the Company in respect of the Placing and Admission. Following the Placing and Admission, and provided the engagement has not been terminated, Westhouse will act as ongoing nominated adviser and broker to the Company in return for an annual fee of £35,000 plus VAT. Additional fees may be payable in relation to advice given by Westhouse to the Company in relation to transactions undertaken by the Company or other specific matters on which Westhouse’s advice is sought by the Company. This ongoing appointment can be terminated on three months’ written notice on either side although Westhouse may terminate the appointment at any time without notice if the Company materially breaches the terms of the agreement.

- 11.5 On 7 October 2005, the Company entered into a loan deed (the “Loan Deed”) with (1) The SF Rogers Life Interest Trust; (2) The Jonathan Horne 1999 Interest in Possession Trust; (3) Lester Industries Limited; (4) The AL Deal 2005 Life Interest Trust; and (5) Tadpole Limited (together the “Lenders”) pursuant to which the Lenders advanced an unsecured interest-free loan of £10,000 to the Company. The loan is repayable on demand in cash or by the issue to the Lenders of ordinary shares of 1p each in the capital of the Company in proportion to the amount of the loan advanced by each Lender. The number of shares to which each Lender is entitled in repayment is subject to adjustment in the event of a variation, increase, consolidation, sub-division or reduction in capital of the Company.

On 28 October 2005, the Company received a conversion notice pursuant to the Loan Deed on behalf of the Lenders, demanding repayment of the loan by the issue of shares, conditional upon (and taking effect immediately prior to) Admission. The numbers of Ordinary Shares issued to the Lenders is set out at paragraph 5.7 of this Part V, which reflects the sub-division of shares set out at paragraph 5.6 of this Part V.

11.6 Share-for-Share Exchange

On 19 October 2005, the Company entered into an agreement with all the shareholders of SRT(UK), pursuant to which the Company acquired of all the issued share capital of SRT(UK) from each of its shareholders in return for the issue of shares in the Company on a one for one basis, such that all the sellers were issued with exactly the same number and class of shares in the Company as they had held in SRT(UK) (the “Share-for-Share Exchange”).

11.7 Acquisition of SRT

On 19 October 2005, and immediately following the Share-for-Share Exchange, the Company entered into an agreement with SRT (UK) for the acquisition of the entire issued share capital of SRT (being a wholly owned subsidiary of SRT(UK)) for an aggregate sum of £11,255,700 to be left outstanding as an intra-group loan from SRT(UK) to the Company. On the same date, the Company entered into an intra-group loan agreement in respect of such intra-group loan.

- 11.8 On 28 October 2005, a placing agreement was entered into between the Company, the Directors and Westhouse, under which Westhouse agreed, on and subject to the terms and conditions of the agreement and as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price, together with the Warrants. The obligations of Westhouse under the Placing Agreement are conditional, *inter alia*, upon Admission occurring not later than 8.30am on 2 November 2005 (or such other time and/or date as the Company and Westhouse may agree, not being later than 5.30pm on 12 November 2005). Westhouse is entitled to terminate the Placing Agreement in certain circumstances prior to Admission, including in the event of a material breach of the Placing Agreement or any of the warranties contained in it or in certain force majeure circumstances. The Company has agreed to pay Westhouse a commission of up to 4 per cent. of the aggregate value at the Placing Price of the Placing Shares and a fee of £100,000 (excluding VAT) to Westhouse, although this commission will not become payable and this fee will be reduced if Admission does not occur in certain circumstances. The Company will also meet all costs, fees and expenses of the application for Admission and the legal and other professional fees and expenses of Westhouse. The Placing Agreement contains warranties given to Westhouse by the Company and the Directors as to the accuracy of the information contained in this document and other matters relating to the Group and its business. The Placing Agreement also contains a general indemnity from the Company in favour of Westhouse. Such warranties and indemnity are in a form which is customary of an agreement of this kind.

- 11.9 On 28 October 2005, a lock in and orderly marketing agreement was entered into between the Company, various Shareholders (holding, in aggregate, 76.2 per cent. of the Enlarged Share Capital) and Westhouse, under which the Shareholders concerned have agreed, conditional, *inter alia*, upon Admission occurring not later than 8.30am on 2 November 2005 (or such other date as the Company and Westhouse may agree, not being later than 5.30pm on 12 November 2005), not to dispose (save in certain specific circumstances) of any of the Ordinary Shares which they will hold on Admission before the date which falls 12 months from Admission, without the prior agreement of Westhouse. In addition, the Shareholders concerned have agreed that in the period of 24 months following Admission, any disposals of any of such Ordinary Shares will (save in certain specific circumstances) be effected on their behalf by an authorised person (within the meaning of the FSMA) to a transferee nominated or approved by Westhouse.

11.10 On 28 October 2005, an option agreement was entered into between the Company and Westhouse (the “Westhouse Option”), under which the Company has agreed, conditional, *inter alia*, upon Admission occurring not later than 8.30am on 2 November 2005 (or such other date as the Company and Westhouse may agree, not being later than 5.30pm on 12 November 2005), to grant to Westhouse an option to subscribe for 690,445 Ordinary Shares (representing approximately 1 per cent. of the Enlarged Share Capital). The exercise price is equal to the Placing Price and the option is exercisable at any time between Admission and the date which falls five years from Admission. The option may be exercised in up to three tranches. The number of Ordinary Shares subject to the option and/or the exercise price may be adjusted in such manner as the parties may agree (or, in default of agreement, as the Company’s auditors may consider to be fair and reasonable) in the event of certain types of reconstruction or reorganisation affecting the Company. Westhouse has agreed that, in the event it exercises the option within 12 months of Admission, it will not (save in certain specific circumstances) dispose of any of the Ordinary Shares it acquires as a result of such exercise before the date which falls 12 months from Admission, without the prior agreement of the Company.

11.11 The Warrant Instrument.

12. Litigation

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this document which may have, or have had in the recent past a significant effect on the Group’s financial position or profitability.

13. UK Taxation

13.1 The following comments are intended only as a general guide for investors who are resident and ordinarily resident for tax purposes in the UK, and are beneficial owners of Ordinary Shares, in respect of their position under UK law and HM Revenue & Customs current at the date of this document. These comments may not apply to certain classes of investors such as dealers in securities. If investors are in any doubt as to their tax position, or subject to taxation in a jurisdiction other than the UK, they should consult their own professional adviser immediately.

13.2 VCT and EIS

Provisional approval has been sought and obtained from HM Revenue & Customs that the Placing Shares will qualify as eligible shares under EIS legislation. Such approval could enable eligible investors who subscribe for Placing Shares to qualify for tax relief. The Warrants will not be eligible for shares under EIS or VCT legislation.

Provisional approval has been sought and obtained from HM Revenue & Customs that the VCT provisions of schedule 28B of the Income and Corporation Taxes Act 1988 should be met and that the Placing Shares would be a qualifying holding under the schedule.

The continuing availability of EIS relief and the status of the Placing Shares as a qualifying holding for VCT purposes will be conditional, *inter alia*, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making his investment (under EIS), and VCT purposes, throughout the period the Placing Shares are held as a qualifying holding.

Although the Company currently expects to satisfy the relevant conditions contained in the EIS and VCT legislation, neither the Company nor the Directors make any warranty or give any undertaking that the relief will be available in respect of any subscription for the Placing Shares. Nor do they warrant or undertake that the Company will keep its qualifying status throughout the relevant period or that, once given, such relief will not be withdrawn.

Provided that the Company and the investors qualify and continue to qualify for the relief, then the following favourable tax advantages will accrue for investors:

	EIS	VCT
Income tax relief on subscriptions of up to £200,000 at a rate of	20 per cent.	40 per cent.
Capital gains tax relief on the final disposal of qualifying share held for 3 years	Exempt	Exempt
EIS subscribers may also benefit from potential deferral of existing capital gains tax pound for pound on amounts subscribed on gains made in the three years before and one year after subscription.		

13.3 Stamp duty and stamp duty reserve tax (“SDRT”)

No liability to stamp duty or SDRT will generally arise on the allotment and issue of the Placing Shares under the Placing, to a Shareholder. But a charge may arise if the shares are acquired for the purposes of an arrangement for the provision of clearance services or the issue of depository receipts (see below).

The conveyance or transfer on sale of Ordinary Shares in the Company will generally be subject to *ad valorem* stamp duty, at the rate of 0.5 per cent., rounded-up if necessary to the nearest multiple of £5, of the amount or value of the consideration paid. In practice, stamp duty is normally paid by the purchaser. A charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid for the Ordinary Shares will generally arise in relation to an unconditional agreement to transfer the Ordinary Shares. However, if within six years of the date of agreement (or, if the agreement was conditional, the date the agreement became unconditional) an instrument of transfer is executed pursuant to the agreement and that instrument is duly stamped, this will cancel, or give rise to a repayment in respect of, the SDRT liability. SDRT is specifically the liability of the purchaser.

There will be no stamp duty or SDRT on a transfer of Ordinary Shares into CREST where such a transfer is made for no consideration e.g. the Ordinary Shares are held by CREST Members in uncertificated form as nominee for the transferor. Similarly, where Ordinary Shares which are in uncertificated form are re-materialised and then transferred by a member of CREST to the beneficial owner (on whose behalf it has held them as nominee) and no onward sale is effected, then no stamp duty or SDRT should be payable. Where shares are held in uncertificated form, transfers of shares which are settled within CREST will not be subject to stamp duty. But a transfer of Ordinary Shares effected on a paperless basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the system.

When Ordinary Shares are issued or transferred to issuers of depository receipts or providers of clearance services (or their nominees or agents) stamp duty or SDRT (as appropriate) may be payable at the higher rate of 1.5 per cent., rounded-up if necessary to the nearest multiple of £5 (in the case of stamp duty), of the amount or value of the consideration provided or (in the case of SDRT) 1.5 per cent. of the amount or value of the consideration payable (if in money or money’s worth). Clearance services may opt, under certain conditions, for the normal rates of SDRT to apply to a transfer of shares into, and to transactions within, the service instead of the higher rate applying to an issue or transfer of shares into the clearance service.

The Warrants are treated in the same manner as detailed for the Ordinary Shares.

Certain categories of persons are not liable to stamp duty or SDRT and others may be liable to a higher rate as mentioned above or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

Special rules apply to agreements made by market intermediaries and to certain repurchase and stock-lending arrangements. There is also an exemption for agreements to transfer shares to charities.

13.4 UK taxation on dividends

Under current United Kingdom tax legislation the Company is not required to withhold tax from dividend payments it makes.

An individual Shareholder who is a resident for tax purposes in the UK is entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of cash dividend received.

Such individual Shareholder's liability to UK tax is calculated on the sum of the dividend and the tax credit which, with certain other investment income, will be regarded as the top part of the individual's income and which will be subject to UK income tax at the rates of tax described below. The tax credit therefore equals 10 per cent. of the sum of the dividend and the tax credit (the gross dividend). The tax credit will be available to offset the Shareholder's liability (if any) to income tax on the gross dividend.

An individual Shareholder liable to income tax at the basic rate or at a rate which is lower than the basic rate will be liable to tax on dividend income received at the rate of 10 per cent. This means that the tax credit will satisfy the income tax liability of such Shareholders.

An individual Shareholder will be liable to tax on dividend income received at the rate of 32.5 per cent. on the gross dividend to the extent that the gross dividend, when treated as the top slice of that Shareholder's income, falls above the threshold for higher rate income tax. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend. Where the tax credit exceeds the tax liability of UK resident individual Shareholders, they cannot claim repayment of the tax credit from HM Revenue & Customs.

Subject to certain exceptions for traders in securities and overseas insurance companies, a corporate Shareholder resident for tax purposes in the UK will not normally be liable to corporation tax on any dividend received. These Shareholders will not be able to claim repayment of tax credits attaching to dividends.

13.5 Capital gains tax

Shareholders who are resident or ordinarily resident for tax purposes in the UK may, depending upon their individual circumstances, be liable to UK taxation on chargeable gains on a disposal of Ordinary Shares or Warrants.

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not be liable to UK taxation on chargeable gains unless (subject to relief under any applicable double taxation treaty) the Shareholder carries on a trade, profession or vocation in the UK through a branch or agency or, in the case of a non-resident company, through a permanent establishment in the UK and the shares are, or have been, used, held or acquired for the purposes of such trade, profession or vocation or for the purposes of such branch or agency or in the case of a non-resident company through a permanent establishment. Special rules apply to disposals by individuals at a time they are temporarily not resident or ordinarily resident in the UK.

A capital gain realised on the disposal of Ordinary Shares or Warrants will be eligible for taper relief in the case of individuals at a rate determined by the number of complete years for which they have been held. Special rules apply to establishing whether the Ordinary Shares or Warrants in the Company will be considered business or non-business assets for the purposes of taper relief and an individual should consult his or her professional adviser if in doubt as to his or her position.

Companies realising gains on disposals of Ordinary Shares or Warrants will be eligible for indexation allowance. For trading companies or a member of a trading group disposing of Ordinary Shares or Warrants, the substantial shareholdings rules may apply. This may allow companies that own not less than 10 per cent. of a company's capital to make disposals of shares in that company exempt from tax. Capital losses on such shareholdings are not allowable.

Individual investors should seek their own advice concerning the taxation implications on exercise of the Warrants, or the adjustment or modification of the Warrant subscription rights.

13.6 Inheritance tax

Ordinary Shares or Warrants are assets situated in the UK for the purposes of UK inheritance tax. A gift of Ordinary Shares or Warrants by, or the death of, an individual Shareholder may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the Shareholder is neither domiciled nor deemed to be domiciled in the UK.

13.7 Non-UK resident Shareholders

Subject to certain exceptions for individuals who are Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man or the Channel Islands, nationals of states which are part of the European Economic Area and certain others, non-UK resident Shareholders will not generally be able to claim repayment from HM Revenue & Customs of any part of the tax credit attaching to dividends paid by the Company. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. A Shareholder who is not resident in the UK (for tax purposes) should consult his own tax adviser concerning his tax liabilities on dividends received from the Company.

14. Working Capital

In the opinion of the Directors, having made due and careful inquiry and after taking into account the net proceeds of the Placing, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from Admission.

15. Consents

- 15.1 Nexia Audit Limited has given and not withdrawn its written consent to the inclusion in this document of its reports set out in Parts III and IV of this document and the references to its name in the form and context in which they appear and has authorised the contents of such report for the purposes of the AIM Rules and the FSMA.
- 15.2 Westhouse has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.

16. Significant Change

- 16.1 There has been no significant change in the financial or trading position of the Group since 31 March 2005, being the date up to which the Company's latest audited accounts were prepared.

17. Miscellaneous

- 17.1 The total expenses of or incidental to the Placing and Admission which are payable by the Company (including placing commissions of approximately £141,770 payable to Westhouse) are estimated to amount to approximately £530,000 (excluding VAT).
- 17.2 The Company is not dependent on any patents or any other intellectual property rights, licences or particular contracts, which are or may be of fundamental importance to the Company's business other than as described in Parts I and II of this document.
- 17.3 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- (a) received, directly or indirectly, from the Company within the 12 months preceding the date of this document; or
 - (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (i) fees totalling £10,000 or more; or
 - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 17.4 The Company's auditors are Nexia Audit Limited, whose registered office is 25 Moorgate, London EC2R 6AY. Nexia Audit Limited has audited, without qualification, the Company's balance sheet as at 19 October 2005, Software Radio Technology (UK) Limited's accounts for the year ended 31 March 2005, the period ended 31 March 2004 and the period ended 31 July 2003 and Software Radio Technology Limited's accounts for the years ended 31 March 2005, 31 March 2004 and 31 March 2003, in accordance with generally accepted auditing standards in the UK.

- 17.5 The Company's registrars are Computershare Investor Services PLC of The Pavilions, Bridgwater Road, Bristol BS13 8AE.
- 17.6 Neither the Placing Shares nor the Warrants have been marketed, nor are they available, in whole or in part, to the public in connection with the application for listing save under the terms of the Placing.
- 17.7 Application for trading of the Placing Shares and the Warrants is not being and will not be sought on any other stock exchange other than AIM.
- 17.8 The Placing Shares will be issued at 35p per Ordinary Share. This represents a premium of 34.9 per share to the nominal value of 0.1p for each Ordinary Share.
- 17.9 The ISIN of the Ordinary Shares is GBOOBOM8KM36.
- 17.10 The ISIN of the Warrants is GBOOBOMTCF34.

28 October 2005

