Company Registration No. 05676080

ETHERSTACK LONDON LIMITED

(PREVIOUSLY ETHERSTACK LIMITED)

Report and Financial Statements

For the year ended 31 December 2011

ETHERSTACK LONDON LIMITED (PREVIOUSLY ETHERSTACK LIMITED)

REPORT AND FINANCIAL STATEMENTS 2011

CONTENTS

ETHERSTACK LONDON LIMITED (PREVIOUSLY ETHERSTACK LIMITED)

REPORT AND FINANCIAL STATEMENTS 2011

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

David Deacon
Paul Barnes FCCA
Peter Stephens

SECRETARY

Paul Barnes FCCA

REGISTERED OFFICE

28 Poland Street
London W1P 8QN

BANKERS

HSBC Bank plc
18a Curzon Street
London W1J 7LA

SOLICITORS

Maclay Murray & Spens LLP
One London Wall
London EC2Y 5AB

AUDITOR

Deloitte LLP
Chartered Accountants
Reading, United Kingdom

ETHERSTACK LONDON LIMITED (PREVIOUSLY ETHERSTACK LIMITED)

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Group throughout the year was wireless software development sales.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

During the year the Etherstack Group completed the delivery of the marquee contract signed in December 2010 with a leading international radio manufacturer; this contract will provide ongoing revenue opportunities as the customer rolls out product over the next five years. This significant project was delivered successfully and marks a major milestone in the Group's ability to earn future revenues from its product base.

The Group also completed the acquisition of Auria Wireless Pty Limited, our distributor in Asia Pacific, which is based in Sydney, Australia. Shortly after the acquisition Auria Wireless secured an Australian state-wide public utility contract which requires remote access secure network capability, a key attribute in the Group's products. In winning this contract, in partnership with a multi-national systems integrator, Auria Wireless is able to further promote the Group's products in this very important sector at a time when change in that market is taking place and there are similar exciting opportunities for the Group.

Having previously recognised the different elements that comprise the Group's core competencies, Protocols, Networks, RF products and prototype design, the Group, whilst maintaining its offices in London, Reading, New York, Barcelona, Sydney, Yokohama, Southern California and now in Singapore, has continued to develop its management and control processes through the senior management team as we look to further develop our business. Whilst adding overhead, the Group consider the senior level management appointments that have been made are critical in the on-going development and growth of the business.

The Singapore office has recently been established to work closely with channel and local technology partners in this vibrant economy.

The primary performance indicator for the Group continues to be revenue. Current period consolidated revenue totalled \$14,514,000 (2010: \$17,193,000) whilst this is a reduction on 2010 revenue, the income mix shows additional profitability on 2010 revenues as much of the revenue for the year is derived from licence sales rather than product sales as was the case in 2010. Cost of sales relates to third party costs principally in relation to hardware with engineering salaries presented within administrative expenses. As a result of the change in product mix, cost of sales has reduced to \$3,238,000 (2010: \$7,997,000).

During the year we have completed the acquisition of Auria Wireless which has unlocked a new market area for the Group that offers exciting opportunities for the Group's products, additionally we are encouraged by the many exciting new opportunities for the various commercial areas of our business to seek out in 2012.

As the Group has undertaken the acquisition of Auria Wireless during the year and with an Initial Public Offering planned, the Board has determined not to declare a dividend for the year ended 31 December 2011 (2010: \$2 per ordinary share). Our financial position at 31 December 2011 remains strong; Consolidated balance sheet net assets totalled \$9,184,000 (2010: \$4,425,000), and net current assets of \$3,552,000 (2010: \$2,543,000). \$3.1m (2010: \$0.6m of development costs were capitalised in the year. Cash reserves at the balance sheet date were \$2,660,000 (2010: \$1,724,000).

Our objective for the coming year ahead is to further commercialise our product base and to add to revenues from those products recently introduced into the market. Our product development pipeline remains strong and we have been developing new Intellectual Property. Having completed the acquisition of Auria Wireless, we will also consider opportunities which arise from possible acquisitions whilst also helping our partner product channel partners add to their markets with Etherstack products.

FINANCIAL RISK MANAGEMENT AND POLICIES

The Group's activities expose it to a number of financial risks including exchange rate risk and credit risk.

Exchange rate risk

The Group has a mixture of contracts for products in various currencies and reports its financial statements in US\$. Management reviews the Group's exposure to currency rate movements on a regular basis and where applicable may use financial instruments to hedge the Group's exposure to such risks.

DIRECTORS' REPORT

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. Although the Group has a small number of customers which inherently increases credit risk, these customers are large international business and are individually financially credit worthy, therefore helping to reduce the exposure to credit risk.

UNDERLYING CURRENCY FOR FINANCIAL STATEMENTS

Given the range of markets in which the Group operates, US$ has been adopted as the presentational currency in these financial statements. The Group has operations in the United Kingdom, mainland Europe, Australia, Singapore, Japan and the USA. In accordance with IAS 21, the Directors have considered the appropriate functional currency for each individual operation and has determined that the local currency in each case principally reflects the costs and funding structures of the business and therefore has been adopted as the functional currency.

DISABLED EMPLOYEES

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

DIVIDEND

The directors do not recommend the payment of a final dividend for the year ending 31 December 2011. A dividend of $2 per share was paid to shareholders registered on 14 June 2010.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the directors' report above. The current economic conditions create uncertainty over the level of demand for the Group's services and the availability of finance through banking facilities.

The Group has considerable financial resources with strong net assets and current assets as noted in the principal activity and review of business. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the annual report and accounts.

The directors present their annual report and the audited financial statements for the year ended 31 December 2011.

DIRECTORS

The directors who served throughout the period and to the date of signing of this report are noted on page 1.

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Group auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By Order of the Board

Paul Barnes FCCA
Director
24 May 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors decided to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Director

Paul Barnes FCCA

24 May 2012

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF ETHERSTACK LONDON LIMITED (PREVIOUSLY ETHERSTACK LIMITED)

We have audited the financial statements of Etherstack London Limited for the year ended 31 December 2011 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2011 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Gregory Culshaw

Gregory Culshaw (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
24 May 2012

CONSOLIDATED INCOME STATEMENT
Year Ended 31 December 2011

	Note	31 December 2011 $'000	31 December 2010 $'000
REVENUE	4	14,514	17,193
Cost of sales		(3,238)	(7,997)
GROSS PROFIT		11,276	9,196
Foreign exchange gains/(losses)		360	(41)
Other administrative expenses		(7,038)	(7,797)
Total administrative expenses		(6,678)	(7,838)
OPERATING PROFIT		4,598	1,358
Investment revenues	10	1	-
Finance costs	11	(32)	(26)
PROFIT BEFORE TAX	6	4,567	1,332
Tax	12	(579)	(275)
PROFIT FOR THE PERIOD	20	3,988	1,057

All results derive from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
At 31 December 2011

	Note	31 December 2011 $'000	31 December 2010 $'000
PROFIT FOR THE PERIOD		3,988	1,057
Exchange differences on translation of foreign operations	20	(76)	(296)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,912	761

ETHERSTACK LONDON LIMITED (PREVIOUSLY ETHERSTACK LIMITED)

CONSOLIDATED BALANCE SHEET
At 31 December 2011

	Note	2011 $'000	2010 $'000
NON-CURRENT ASSETS			
Intangible assets	13	5,389	1,502
Property, plant and equipment	15	243	380
		5,632	1,882
CURRENT ASSETS			
Inventories	16	202	735
Trade and other receivables	17	3,411	2,716
Cash and bank balances		2,660	1,724
		6,273	5,175
TOTAL ASSETS		11,905	7,057
CURRENT LIABILITIES			
Trade and other payables	18	1,910	2,421
Current tax liabilities		811	211
TOTAL LIABILITIES		2,721	2,632
NET CURRENT ASSETS		3,552	2,543
NET ASSETS		9,184	4,425
EQUITY			
Share capital	19	226	222
Share premium account	20	3,519	2,799
Own shares	21	-	(124)
Merger reserve	20	(191)	(191)
Share based payment reserve	24	48	49
Retained earnings	20	5,582	1,670
TOTAL EQUITY		9,184	4,425

The financial statements of Etherstack London Limited (previously Etherstack Limited) (company registration number 05676080) were approved by the Board of Directors on 24 May 2012.

Signed on behalf of the Board of Directors

Paul Barnes FCCA
Director

ETHERSTACK LONDON LIMITED (PREVIOUSLY ETHERSTACK LIMITED)

COMPANY BALANCE SHEET
At 31 December 2011

	Note	2011 \$'000	2010 \$'000
NON-CURRENT ASSETS			
Intangible assets	13	4,198	432
Property, plant and equipment	15	171	276
Investments	14	159	159
		4,528	867
CURRENT ASSETS			
Inventories	16	202	627
Trade and other receivables	17	3,623	4,151
Cash and bank balances		2,181	858
		6,006	5,636
TOTAL ASSETS		10,534	6,503
CURRENT LIABILITIES			
Trade and other payables	18	1,148	2,179
Current tax liabilities		833	165
TOTAL LIABILITIES		1,981	2,344
NET CURRENT ASSETS		4,025	3,292
NET ASSETS		8,553	4,159
TOTAL LIABILITIES			
EQUITY			
Share capital	19	226	222
Share premium account	20	3,519	2,799
Own shares	21	-	(124)
Share-based payment reserve	24	48	49
Retained earnings	20	4,760	1,213
TOTAL EQUITY		8,553	4,159

The financial statements of Etherstack London Limited (previously Etherstack Limited) (company registration number 05676080) were approved by the Board of Directors on 24 May 2012.

Signed on behalf of the Board of Directors

Paul Barnes FCCA
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
At 31 December 2011

	Share Capital	Share Premium Account	Own Shares	Merger Reserve	Share Based Payment	Retained Earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2010	222	2,799	(62)	(191)	47	3,138	5,953
Profit for the year	-	-	-	-	-	1,057	1,057
Other comprehensive income for the period	-	-	-	-	-	(296)	(296)
Total comprehensive income for the year	-	-	-	-	-	761	761
Interim dividend $2 per share	-	-	-	-	-	(2,229)	(2,229)
Own shares acquired in the period	-	-	(62)	-	-	-	(62)
Share based payment charge	-	-	-	-	2	-	2
Balance at 31 December 2010	222	2,799	(124)	(191)	49	1,670	4,425
Profit for the year	-	-	-	-	-	3,988	3,988
Other comprehensive income for the period	-	-	-	-	-	(76)	(76)
Total comprehensive income for the year	-	-	-	-	-	3,912	3,912
Issue of ordinary shares	4	844	-	-	-	-	848
Own shares cancelled	-	(124)	124	-	-	-	-
Share based payment charge	-	-	-	-	(1)	-	(1)
Balance at 31 December 2011	226	3,519	-	(191)	48	5,582	9,184

ETHERSTACK LONDON LIMITED (PREVIOUSLY ETHERSTACK LIMITED)

COMPANY STATEMENT OF CHANGES IN EQUITY
At 31 December 2011

	Share Capital	Share Premium Account	Own shares	Share Based Payment	Retained Earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2010	222	2,799	(62)	47	833	3,839
Profit for the year	-	-	-	-	2,723	2,723
Other comprehensive income for – exchange losses	-	-	-	-	(114)	(114)
Total comprehensive income for the year	-	-	-	-	2,609	2,609
Own shares acquired in the period	-	-	(62)	-	-	(62)
Dividend ($2 per share)	-	-	-	-	(2,229)	(2,229)
Share based payment charge	-	-	-	2	-	2
Balance at 31 December 2010	222	2,799	(124)	49	1,213	4,159
Profit for the year	-	-	-	-	3,691	3,691
Other comprehensive income exchange gains	-	-	-	-	(144)	(144)
Total comprehensive income for the year	-	-	-	-	3,547	3,547
Issue of ordinary shares	4	844	-	-	-	848
Own shares cancelled in the period	-	(124)	124	-	-	-
Share based payment charge	-	-	-	(1)	-	(1)
Balance at 31 December 2011	226	3,519	-	48	4,760	8,553

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT
Year ended 31 December 2011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Net cash from operating activities	22	4,439	4,527	4,976	1,134
Investing activities					
Interest received		1	-	-	-
Purchase of subsidiary	26	(1,258)	-	-	-
Purchases of intangible assets		(3,064)	(628)	(4,004)	(84)
Purchases of property, plant and equipment		(102)	(167)	(34)	(133)
Net cash used in investing activities		(4,423)	(795)	(4,038)	(217)
Financing activities					
Increase/(decrease) of directors' loans		92	268	(469)	414
Dividend receipt		-	-	-	1,800
Dividend payment		-	(2,229)	-	(2,229)
Purchase of own shares		-	(62)	-	(62)
Proceeds on issue of ordinary shares		848	-	848	-
Net cash (used in)/from financing activities		940	(2,023)	379	(77)
Net increase in cash and cash equivalents		956	1,709	1,317	840
Cash and cash equivalents at beginning of year		1,724	369	858	115
Effect of foreign exchange rate changes		(20)	(354)	6	(97)
Cash and cash equivalents at end of year		2,660	1,724	2,181	858

NOTES TO THE ACCOUNTS
For the year ended 31 December 2011

1. GENERAL INFORMATION

Etherstack London Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in note 5 and the directors' report.

These financial statements are presented in US$ because the Group operates in international markets and the US Dollar provides the most comparable currency for peer companies. Foreign operations are included in accordance with the policies set out in note 2.

2. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised standards

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but, with the exception of the amendment to IFRS 1, may impact the accounting for future transactions and arrangements.

IAS 24 (2009) Related Party Disclosures	The revised Standard has a new, clearer definition of a related party, with inconsistencies under the previous definition having been removed.
Improvements to IFRSs 2010	Aside from those items already identified above, the amendments made to standards under the 2010 improvements to IFRSs have had no impact on the group.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7 (amended)	Disclosures – Transfers of Financial Assets
IFRS	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income
IAS 12 (amended)	Deferred Tax: Recovery of Underlying Assets
IAS 19 (revised)	Employee Benefits
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Review of the Business and future prospects within the directors report on page 2.

Current economic conditions create uncertainty over the level of demand for the Group's services and the availability of finance through banking facilities.

The Group has considerable financial resources with strong net assets and current assets as noted in the principal activity and review of business in the directors' report on page 2. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income *Taxes* and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is derived from operations in the UK, mainland Europe, Australia, Asia and the USA.

Sale of goods

Sales of goods include technology access licenses, manufactured equipment sales, and white labelled equipment sales.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Services includes sales of system solutions which require an inherent customisation element and other specific services delivered to customers.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined based on the percentage of work that has been completed measured through time and cost incurred and forecast to complete. At the balance sheet date, revenue is accrued or deferred as appropriate depending on the stage of contractual billings compared with the work performed to the balance sheet date.

In some cases the Group provides warranties or free maintenance periods. Where the cost of meeting these obligations is material, a portion of the revenue attributable to the contract is deferred and recognised over the period in which the warranty costs are incurred.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Leasing

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease, except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

Foreign currencies

Given the range of markets in which the Group operates, US$ has been adopted as the presentational currency in these financial statements. The Group has operations in the United Kingdom, mainland Europe, Australia, Singapore, Japan and the USA. In accordance with IAS 21, the Directors have considered the appropriate functional currency for each individual operation and has determined that the local currency in each case principally reflects the costs and funding structures of the business and therefore has been adopted as the functional currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to minority interests as appropriate).

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to State-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

No deferred tax liabilities have been recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, as the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised so as to write-off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold improvements	-	over 5 years or the length of the lease, whichever is shorter
Computer equipment	-	over 3 years
Engineering software	-	over 5 years
Furniture and equipment	-	over 5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's software development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment.

The Group does not enter into any derivative transactions, and does not hold any derivative financial instruments.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 24.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair of the liability. At the Balance Sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

Investments in Subsidiaries

Investments are carried at their historic cost, and are reviewed annually for impairment. Any impairment losses are booked in the year that they arise.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

The revenue and profit of fixed price contracts is recognised on a percentage of completion basis when the outcome of a contract can be estimated reliably. Management makes estimates of the time and cost incurred to date as a percentage of the total cost to be incurred. This involves forecasting future costs which requires estimates and judgements. These estimates are continually revised based on changes in the facts relating to each contract. Any changes in estimates are reflected in that period.

Capitalisation and recoverability of internally-generated intangible assets

Management recognise an internally-generated intangible asset arising from the Group's software development only if all of the following conditions are met:

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

These criteria are assessed on a project by project basis from the outset and continuing through to project completion. This assessment requires management judgement to determine whether the criteria are met, which is often reliant on expectations of future events.

When development is carried out in conjunction with a customer project a judgement is required in determining the allocation between capitalised development expenditure and customer specific costs.. Customer specific costs are expensed as a contract cost in line with revenue recognition policies.

During the year, management recognised internally-generated intangible assets totalling $3,064,000 (2010: $628,000).

Management reconsidered the recoverability of the internally-generated intangible asset arising from the Capitalisation of development costs which is included in the consolidated balance sheet (refer Note 13) at $4,329,000 (2010: $1,502,000).

The review of recoverability encompasses consideration of changes to the expected cashflows and margins to be generated by these assets and the expected period over which future benefits are likely to be derived. The outcome of the review supports the expectation that future revenues and profits will be derived from the intellectual property assets developed by the Group.

Expected revenues and margins generated by these assets will continue to be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

Estimated impairment of intangible assets, goodwill and property, plant and equipment

The Group annually tests whether the intangible assets and property, plant and equipment have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The calculation of value in use is based on a discounted cash flow, which requires a number of assumptions including future growth rates, estimated cash flows and discount rates. The cash flow projections were based on a 12-month forecast and extrapolations using a terminal growth rate factor in line with long term market growth rates and discounted at a pre-tax weighted average cost of capital.

Income tax and other taxes

The Group is subject to income and other tax in the UK, USA, Australia, Japan and other countries. Significant judgement is required in determining the provision for income and other taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

Deferred tax assets are recognised relating to tax losses to the extent that it is probable future taxable profits will arise in that jurisdiction.

4. REVENUE

An analysis of the Group's revenue is as follows:

	2011 Group $'000	2010 Group $'000
Product sales	5,814	12,966
Software royalties, licences and Other	8,590	4,115
Grant receipts	110	112
	14,514	17,193

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Managing Director to allocate resources and to assess performance. The Group is operational in geographical locations including the United Kingdom, United States, Japan, Singapore and Australia. The Group operates and reports as one business segment and is not analysed by management in either separate functions or geographical regions, as due to the nature of the work and complexity of the software, there is a large degree of collaboration and integration across the countries for any given project.

Revenue from external customers by country	2011 Group $'000	2010 Group $'000
Country of domicile (UK)	13,162	16,923
United States of America	454	252
Australia	546	-
Other countries	352	18
	14,514	17,193

Revenues from a single customer amounting to more than 10 percent of group revenue	2011 $'000	2010 $'000
Customer A	3,601	12,966
Customer B	6,937	-
	10,538	12,966

Revenues from customers which do not amount to more than 10% of Group revenue in a particular period are not disclosed.

Non-current assets by country	2011 $'000	2010 $'000
Country of domicile (UK)	4,346	708
United States of America	5	64
Australia	1,127	1,046
Other countries	154	64
	5,632	1,882

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is shown after charging/(crediting):

	2011 Group $'000	2010 Group $'000
Depreciation of property, plant and machinery	239	169
Operating lease costs	517	314
Amortisation of internally generated intangible assets	263	25
Amortisation of acquired customer relationships	62	-
Staff costs (see note 8)	6,444	4,881
Loss on disposal of property, plant and equipment	-	(23)
Foreign exchange – third party	(66)	216
Foreign exchange – intercompany	(221)	(175)

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

7. AUDITORS' REMUNERATION

The analysis of auditors' remuneration is as follows:

	2011 Group $'000	2010 Group $'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	171	77
Total audit fees	171	77
- Tax services	-	-
- Other services	113	-
Total non-audit fees	113	-

8. STAFF COSTS

	2011 Group $'000	2011 Company $'000	2010 Group $'000	2010 Company $'000
Wages and salaries	6,052	2,211	4,449	1,172
Social security costs	392	65	432	145
	6,444	2,276	4,881	1,317

Average monthly number of persons employed (including directors)	2011 Group Number	2011 Company Number	2010 Group Number	2010 Company Number
Directors	3	3	3	3
Engineering	48	16	43	14
Management, sales & administrative	9	3	8	2
	60	22	54	19

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

9. DIRECTORS' REMUNERATION

	2011 Group $'000	2010 Group $'000
Emoluments (including pension contributions)	481	435

	2011 Number	2010 Number
The number of directors who are:		
Members of a money purchase pension scheme	1	1

	2011 $'000	2010 $'000
Remuneration of the highest paid director:		
Emoluments	285	232
Company contributions to money purchase schemes	-	-
	285	232

10. INVESTMENT REVENUE

	2011 Group $'000	2010 Group $'000
Bank deposits	1	-

11. FINANCE COSTS

	2011 Group $'000	2010 Group $'000
Interest on bank overdrafts and loans	32	26

12. TAX

	2011 Group $'000	2010 Group $'000
Current tax expense:		
UK corporation tax and income tax	516	13
Foreign tax	63	262
	579	275

Corporation tax is calculated at 26.5% (2010: 28.0%) of the estimated taxable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended Group 2011 S'000	Year ended Group 2011 %	Year ended Group 2010 S'000	Year ended Group 2010 %
Profit before tax on continuing operations	4,567		1,332	
Tax at the UK corporation tax rate of 26.5% (2010: 28.0%)	1,210	26	372	28
Tax effect of expenses that are not deductible in determining taxable profit	1	-	34	2
Tax effect of income not taxable in determining taxable profit	-	-	-	-
Tax effect of utilisation of tax losses not previously recognised	(422)	(9)	(253)	(16)
Effect of capital allowances in excess of depreciation	43	1	(35)	(11)
Effect of enhanced R&D tax relief	(285)	(6)	-	-
Effect of difference in overseas tax rates	27	1	10	-
Prior year adjustment	5	-	147	-
Tax expense and effective tax rate for the year	579	13	275	3

No deferred tax asset has been recognised in respect of losses carried forward as it is not considered probable that these will reverse in the near future. No deferred tax liability is recognised on temporary differences relating to the unremitting earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences.

13. INTANGIBLE ASSETS

Group	Capitalisation of development costs S'000	Acquired customer relationships S'000	Total S'000
Cost			
At 1 January 2010	1,061	-	1,061
Additions	628	-	628
Exchange differences	(37)	-	(37)
At 31 December 2010	1,652	-	1,652
Additions	3,064	1,122	4,186
Exchange differences	26	-	26
At 31 December 2011	4,742	1,122	5,864
Accumulated amortisation			
At 1 January 2011	150	-	-
Charge for the year	263	62	325
At 31 December 2011	413	62	475
Carrying amount			
At 31 December 2011	4,329	1,060	5,389
At 31 December 2010	1,502	-	1,502

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

	Capitalisation of development costs $'000
Company	
Cost	
At 1 January 2010	358
Additions	84
Exchange differences	(10)
At 31 December 2010	432
Additions	4,004
Exchange differences	-
At 31 December 2011	4,436
Accumulated amortisation	
At 1 January 2011	-
Charge for the year	238
At 31 December 2011	238
Carrying amount	
At 31 December 2011	4,198
At 31 December 2010	432

Intangible assets comprise internal and external costs incurred on the development of specific products that meet the criteria under IAS 38 Intangible assets. The amortisation period for development costs incurred on the Group's software development is 6 years or over the estimated delivery model, whichever is shorter. Amortisation does not take place until the asset is fully completed such that it can be deployed to customers and available for deployment. Patents and trademarks are amortised over their estimated useful lives, which is on average 5 years. The underlying core Intellectual Property is being amortised over ten years.

The intangible asset represented by Acquired Customer relationships is amortised over 6 years.

14. INVESTMENTS

	2011		2010	
	Group $'000	Company $'000	Group $'000	Company $'000
Subsidiary undertakings	-	159	-	159

The Company's investments at the balance sheet date in the share capital of other companies include the following:

Subsidiary undertakings	Holding	Class of share	Country of incorporation
Etherstack Limited	100%	Ordinary	British Virgin Isles
Indian Pacific Nederland BV *	100%	Ordinary	Netherlands
Etherstack Inc.	100%	Ordinary	USA
Etherstack Pty Limited *	100%	Ordinary	Australia
Auria Wireless Pty Limited*	100%	Ordinary	Australia
Etherstack Japan Limited *	100%	Ordinary	Japan
Etherstack Pte Limited *	100%	Ordinary	Singapore

* These companies are owned via another Group entity.

All of the companies in the Group develop and sell wireless software products.

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

15. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property $'000	Furniture and equipment $'000	Engineering software $'000	Computer equipment $'000	Total $'000
Cost					
At 1 January 2011	97	148	3	601	849
Additions	-	11	10	81	102
Exchange differences	-	-	-	-	-
At 31 December 2011	97	159	13	682	951
Accumulated depreciation					
At 1 January 2011	56	106	3	304	469
Charge for the year	15	29	5	190	239
Exchange differences	-	-	-	-	-
At 31 December 2011	71	135	8	494	708
Carrying amount					
At 31 December 2011	26	19	5	188	243
At 31 December 2010	41	42	-	297	380

Company	Leasehold property $'000	Furniture and equipment $'000	Engineering software $'000	Computer equipment $'000	Total $'000
Cost					
At 1 January 2011	40	35	-	420	495
Additions	-	-	-	34	34
Disposals	-	-	-	-	-
Exchange differences	-	-	-	-	-
At 31 December 2011	40	35	-	454	529
Accumulated depreciation					
At 1 January 2011	30	23	-	166	219
Charge for the year	10	10	-	119	139
Exchange differences	-	-	-	-	-
At 31 December 2011	40	33	-	285	358
Carrying amount					
At 31 December 2011	-	2	-	169	171
At 31 December 2010	10	12	-	254	276

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

16. INVENTORIES

	Group 2011 S'000	Company 2010 S'000	Group 2011 S'000	Company 2010 S'000
Finished goods and work in progress	202	202	735	627

17. TRADE AND OTHER RECEIVABLES

	2011		2010	
	Group S'000	Company S'000	Group S'000	Company S'000
Trade debtors	715	291	739	732
Accrued income from contracts in progress	1,940	1,047	725	373
Work in progress	-	-	609	-
Other debtors	756	528	643	484
Amounts owed from group undertakings	-	1,757	-	2,562
	3,411	3,623	2,716	4,151

Accrued income represents unbilled fees and licence income derived from projects and contracts in progress at the end of the period.

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period taken on sales of goods is 21 days (2010: 30). No interest is charged on the receivables for the first 30 days from the date of the invoice. Thereafter, the Group reserves its right to charge interest at various rates on the outstanding balance. The Group recognises, where appropriate, an allowance for doubtful debts of 100% against certain receivables over 180 days historical experience has been that receivables that are past due beyond 180 days they tend not to be recoverable.

Due to the nature of the Group's business, potential customers tend to be well-funded international companies of sound credit status. Before accepting a new customer, the Group assesses, on an informal basis, the likely credit risk of the potential customer principally by reference against the complexity and nature of the project. There are eight (2010: four) customers who each represent more than 5 per cent of the total balance of trade receivables.

Trade receivables disclosed above (see below for aged analysis) include amounts which are past due at the reporting date, but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty. The average age of these receivables is 65 days (2010: 61 days).

Ageing of past due but not impaired receivables

	2011 Group S'000	2010 Group S'000
30-60 days	84	277
60-90 days	-	2
90-120 days	67	40
Total	151	319

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

18. TRADE AND OTHER PAYABLES

	2011		2010	
	Group $'000	Company $'000	Group $'000	Company $'000
Trade creditors and accruals	1,002	730	1,661	1,533
Other creditors	430	209	371	251
Other taxes and social security costs	10	(78)	13	(74)
Amounts owed to group undertakings	-	287	-	-
Directors' loan accounts	468	-	376	469
	1,910	1,148	2,421	2,179

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 60 days (2010: 52). For most suppliers no interest is charged on the trade payables for the first 45 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables, unless they are subject to dispute, are paid within the pre-agreed credit terms.

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

19. CALLED UP SHARE CAPITAL

Group

	2011 Number	2010 Number
Authorised		
Ordinary shares of £0.10 each	2,500,000	2,500,000
	2,500,000	2,500,000

	2011 $'000	2010 $'000
Called up, allotted and fully paid		
1,184,327 ordinary shares of £0.10 each (2010: 1,117,750 ordinary shares of £0.10 each)	226	222
	226	222

Company

	2011 Number	2010 Number
Authorised		
Ordinary shares of £0.10 each (2010: £0.10 each)	2,500,000	2,500,000
	2,500,000	2,500,000

	2011 $'000	2010 $'000
Called up, allotted and fully paid		
1,184,327 ordinary shares of £0.10 each (2010: 1,117,750 ordinary shares of £0.10 each)	226	222
	226	222

At 31 December 2011, there were 10,414 (2010: 52,289) share warrants outstanding with an exercise price of £0.01 per warrant, that had yet to be exercised.

The Company has one class of ordinary shares which carry no right to fixed income.

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

20. RESERVES

Group	Merger reserve $'000	Share Premium $'000	Profit & loss $'000
At 1 January 2011	(191)	2,799	1,670
Profit for the year	-	-	3,988
Loss arising on translation of operations to presentational currency	-	-	(76)
Issue of ordinary shares	-	844	-
Cancellation of ordinary shares	-	(124)	-
At 31 December 2011	(191)	3,519	5,582

Company	Share premium $'000	Profit and Loss $'000
At 1 January 2011	2,799	1,213
Profit for the year	-	3,691
Loss arising on translation of operation to presentational currency	-	(144)
Issue of ordinary shares	844	-
Cancellation of ordinary shares	(124)	-
At 31 December 2011	3,519	4,760

In accordance with s131 of the Companies Act, the ordinary share capital consideration for Etherstack Limited, a company incorporated in the British Virgin Isles, has been shown at nominal value in the Company's Balance Sheet.

21. OWN SHARES

	Own Shares $'000
Balance at 1 January 2011	124
Acquired in the period	-
Cancelled in the period	(124)
Balance at 31 December 2011	-

The own shares reserve represented the cost of shares in Etherstack London Limited purchased by the company. The number of ordinary shares held by the company at 31 December 2011 was nil (2010: 3,033).

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

22. NOTES TO THE CASH FLOW STATEMENT

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Operating profit	4,598	1,358	4,208	940
Adjustments for:				
Depreciation of property, plant and equipment	239	169	139	103
Amortisation of intangible assets	325	25	238	-
Loss on disposal of fixed assets	-	23	-	23
Operating cash flows before movements in working capital	5,162	1,575	4,585	1,066
Decrease/ (increase) in inventories	533	(652)	425	(627)
Decrease/(increase) in receivables	(398)	3,340	528	(274)
Increase/(decrease) in payables	(764)	456	(562)	1,069
Cash generated by operations	4,533	4,719	4,976	1,234
Income taxes paid	(62)	(166)	-	(100)
Interest paid	(32)	(26)	-	-
Net cash (used in) / from operating activities	4,439	4,527	4,976	1,134

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

23. OPERATING LEASE ARRANGEMENTS

	2011 Land and buildings $'000	2010 Land and buildings $'000
Minimum lease payments under operating leases Recognised as an expense in the year	611	314

At 31 December 2011 the Group had total commitments under non-cancellable operating leases as set out below:

	2011 Land and buildings $'000	2010 Land and buildings $'000
Operating leases which expire		
Within 1 year	70	314
In the second to fifth years inclusive	926	813
After five years	-	-
	996	1,127

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

24. SHARE BASED PAYMENTS

The Company has an equity-settled share option scheme for all employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is up to three years. If the options remain unexercised after a period of five years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest. Details of the share options outstanding during the year are as follows.

	Number of share options	2011 Weighted average exercise price (in £)	Number of share Options	2010 Weighted average exercise price (in £)
Outstanding at beginning of period	13,135	24	23,605	15
Granted during the period	18,458	25	730	22
Forfeited during the period	(1,395)	15	(11,200)	15
Exercised during the period	-	-	-	-
Outstanding at the end of the period	30,198		13,135	
Exercisable at the end of the period	30,198		13,135	

No share options were exercised during the period. The options outstanding at 31 December 2011 had a weighted average exercise price of £21, and a weighted average remaining contractual life of 3 years. In 2011, options were granted on 31 August and 12 and 30 September and 31 December 2011 (2010: 1 and 25 August 2010). The aggregate of the estimated fair values of the options granted on those dates is $120,020 (2010: $1,400).

The inputs into the Black-Scholes model are as follows:

	2011
Weighted average share price	25
Weighted average exercise price	25
Expected volatility	50%
Expected life	3 years
Risk-free rate	2.5%
Expected dividend yields	8%

Expected volatility was determined by calculating the historical volatility of the Group's estimated share price over the previous 3 years. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

The Group recognized total expenses of $33,170 and $1,449 relating to equity-settled share-based payment transactions in 2011 and 2010, respectively.

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

25. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders. The Group has no third party debt and has funded itself through share issues and cash generation from the business. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained profits as disclosed in note 20 and the Statement of Changes in Equity.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Categories of financial instruments

	Carrying value	
	2011	2010
	Group	Group
	$'000	$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	4,130	3,106
Financial liabilities		
Amortised cost	1,910	2,421

Financial risk management objectives

The Group's central management monitors and manages the financial risks relating to the operations of the Group through internal risk evaluations which analyse exposure by degree and magnitude of risks. These risks include market risk, including currency risk, credit risk and liquidity risk.

The Group may use derivative financial instruments to hedge these risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

Credit risk management

Credit risk refers to the risk a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure is continuously monitored.

Trade receivables consist of a number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities.

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking (cash) facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities

26. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in these financial statements.

Purchase of Auria Wireless Pty Limited

On 1 September 2011, the Group, through a controlled entity, acquired 100% of the issued capital of Auria Wireless Pty Limited. Auria Wireless is a radio systems solution provider and was acquired in order that the combined products and skillsets of Auria Wireless and Etherstack would assist Auria Wireless win a major project with an Australian electricity distribution company. Auria Wireless and the Etherstack Group are considered related parties as a consequence of the shareholdings in Auria Wireless and Etherstack London Limited of Mr David Deacon and Mr Paul Barnes. Notwithstanding, the purchase transaction is considered by the Directors to have been conducted on arms- length terms and conditions.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.	$
Net working capital balances	136,000
Identifiable intangible assets – acquired customer relationships (Note 13)	1,122,000
Total identifiable assets	1,258,000
Satisfied by:	
Cash consideration	1,258,000
Net cash outflow arising on acquisition	1,258,000

Trading transactions

During the year, Group Companies entered into the following transactions with Auria Wireless prior to the acquisition of Auria Wireless by the Group:

	Purchase of goods and services	
	2011	2010
	$'000	$'000
Auria Wireless Pty Limited	-	235

Purchases of goods to related parties were made at the Group's usual list prices. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Brixlam Trading Limited is a related party. During the year a $33,000 royalty was accrued as a liability to Brixlam Trading Limited. The liability offsets amounts due from Brixlam Trading Limited to the Group.

NOTES TO THE ACCOUNTS (CONTINUED)
For the year ended 31 December 2011

Remuneration of key management personnel

The remuneration of the directors, plus the Chief Operating Officer and Chief Financial Officer, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2011 $'000	2010 $'000
Short-term employee benefits	565	428
Post-employment benefits	25	7
	580	435

Directors' transactions

Dividends totalling nil (2010: $1,613,348) were paid in the year in respect of ordinary shares held by the Company's directors.

27. LOANS TO/FROM RELATED PARTIES

Auria Wireless Pty Limited was a related party as at 31 December 2010 and owed the Group $21,000 at that date. In 2011 Auria Wireless Pty Limited was acquired by the Group and all transaction after that date and balances at 31 December have been eliminated on consolidation. The Group has provided its subsidiaries with short-term loans at rates comparable to the average commercial rate of interest.

Mr. Paul Barnes, a director of the Company, is owed $nil by the Group at 31 December 2011 (31 December 2010: $13,586).

Mr. David Deacon, a director of the Company, is owed $467,544 by the Group at 31 December 2011 (31 December 2010: $362,051).

Brixlam Trading Limited is a related party as a consequence of common shareholders with Etherstack London Limited. At 31 December 2011, the Group had a receivable of $154,412 from Brixlam Trading Limited (31 December 2010: $179,526).

28. CONTINGENT LIABILITIES

In common with other companies that hold intellectual property rights, from time to time, Etherstack receives, challenges to its rights from third parties. The Directors do not believe any claim to have foundation and hence have not provided for any liability in the accounts.

29. ULTIMATE CONTROLLING PARTY

The Ultimate Controlling party is Mr David Deacon. The Group has no immediate parent company.

30. POST BALANCE DATE EVENTS

To effect a corporate re-organisation of the Company, a new company MMS5698 PLC was incorporated on 15 February 2012 which has subsequently been renamed Etherstack plc. On 13th April 2012 this company, Etherstack plc, became the ultimate holding company of the group as a result of a 1 for 1 share exchange whereby the shareholders in Etherstack Limited exchanged their shares in Etherstack Limited for shares in Etherstack plc. As a result the outstanding warrants at 31 December 2011 were exchanged for warrants over Etherstack plc shares.

Etherstack Limited changed its name to Etherstack London Limited on 4 May 2012.