

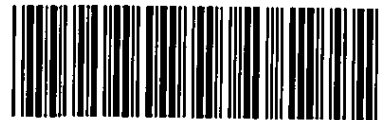
Company's Registered Number: 5459678

**SOFTWARE RADIO TECHNOLOGY PLC**

**ANNUAL REPORT AND ACCOUNTS  
FOR THE YEAR ENDED**

**31 MARCH 2007**

TUESDAY



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COMPANIES HOUSE

# SOFTWARE RADIO TECHNOLOGY PLC

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# SOFTWARE RADIO TECHNOLOGY PLC

## DIRECTORS AND ADVISERS

<b>Directors</b>	Shamus Kelly (resigned 6/12/06) Simon Tucker Matthew Rogers Neil Peniket (appointed 20/6/07) Simon Rogers Andrew Lapping Richard Moon Nick Jolliffe (appointed 1/11/06)
<b>Secretary</b>	Matthew Rogers
<b>Registered Office</b>	Wireless House Westfield Industrial Estate Midsomer Norton Bath BA3 4BS
<b>Bankers</b>	Royal Bank of Scotland 10 Gordon Street Glasgow G1 3PL
<b>Auditors</b>	Nexia Smith & Williamson Chartered Accountants 25 Moorgate London EC2R 6AY
<b>Tax Advisers</b>	Smith & Williamson Chartered Accountants 25 Moorgate London EC2R 6AY
<b>Solicitors</b>	CMS Cameron McKenna Mitre House 160 Aldersgate Street London EC1A 4DD
<b>Nominated Adviser &amp; Broker</b>	Hanson Westhouse One Angel Court London EC2R 7HJ
<b>Registrars</b>	Computershare Investor Services Plc PO Box 82 The Pavilions Bridgewater Road Bristol BS99 7MH
<b>Company's registered number</b>	5459678

[www.softwarerad.com](http://www.softwarerad.com)

# SOFTWARE RADIO TECHNOLOGY PLC

## SUMMARY

### FOR THE YEAR ENDED 31 MARCH 2007

#### Summary

#### Highlights

- Completion of the core TETRA technology product and commencement of live network field testing and volume production planning
- Development capabilities across Marine and TETRA business expanded and additional technology assets developed
- SRT's low cost Marine Automatic Identification System (AIS) Class B device has now entered production and is being shipped to end users
- EU and US Coast Guard approval obtained for AIS Class B
- Winner of AIM Best Technology Award 2006
- Board strengthened with the appointment of Simon Tucker as Group Managing Director and Nick Jolliffe as an independent Non-Executive Director
- A further placing of £4m (before expenses) completed in April 2007 specifically to provide funding to take advantage of opportunities in SRT's chosen market places

# SOFTWARE RADIO TECHNOLOGY PLC

## CHAIRMAN'S STATEMENT

### Financial Review

Turnover for the year was £1.82 million (2006 £3.13 million), which resulted in a loss for the year of £2.59 million (2006 £0.83 million) before an exceptional item, in line with revised market expectations. The primary reason for the reduction in turnover was a delay to the expected date of the commencement of production by the Group's TETRA customers, which was announced on 7 December 2006.

Costs were higher than the prior year due to an increased level of development expenditure. However, since December 2006, action has been taken to reduce the ongoing cost base significantly.

### Operations

#### SRT PMR Technology

##### TETRA

In December 2006, we announced that there would be a delay in the ability of the Group's customers to enter volume production of TETRA handsets due to certain software-related issues, which had arisen during extreme field testing by customers. A plan to resolve the issues and to test and verify the resolution was implemented and I am pleased to report that this has been successfully completed.

Our first customers are now actively planning the production of handsets and we expect our other customers to commit to production progressively during the coming year. The current focus of our engineering teams therefore is the provision of support to the customers to enable them to commence production and deploy handsets into the field.

Our development teams have continued to improve our core TETRA technology in terms of features and functions. We have also commenced the development of our own range of TETRA products, which will include our own TETRA handset. We expect that these will be sold to OEMs within the EU, where encryption issues hinder non-EU handset manufacturers from entering the market.

Demand in the TETRA market continues to grow as networks in over 80 countries expand capacity, providing a growing market for the anticipated launch of TETRA products from our customers. Within the next 12 months, we expect that SRT will be providing the core technology for eight TETRA handset manufacturers worldwide.

##### *Other Digital PMR standards*

The migration from analogue to digital PMR systems has involved the development of a number of other standards in addition to TETRA. We are working on the evolution of our existing TETRA platform into a generic platform, which can be software-configured for other digital PMR standards, particularly those that address the less stringent requirements of non-mission critical user groups. Feasibility work has commenced on this next generation development.

# **SOFTWARE RADIO TECHNOLOGY PLC**

## **CHAIRMAN'S STATEMENT - continued**

### **SRT Marine Technology – AIS**

During the year, we made strong progress developing our marine business. We have continued to build our international customer base of leading marine electronics companies and now have agreements in place with over 20 companies.

In addition to the existing Class A AIS transceiver, we have successfully launched our low cost Class B AIS transceiver, which is targeted at smaller vessels and an AIS Aids to Navigation (“AtoN”) product for use primarily on buoys.

Our Class B transceiver received approval from the US Coast Guard. Having received approval from the US Federal Communications Commission (“FCC”) in error, we have made an application under the FCC’s waiver approval process. Whilst we await final FCC approval, we understand this is proceeding.

In anticipation of the conclusion of this process, we are expanding our sales and marketing support functions in order to take full advantage of the sales opportunities generated by our customers.

As awareness and availability of competitively priced AIS products grows, we have noted that the increasing levels of interest from Homeland Security agencies, such as the US Coast Guard, which views AIS as a high priority.

### **Placing**

On 29 March 2007, SRT announced a fundraising of £4 million (before expenses) through a placing of 9,523,810 Ordinary shares at 42p per share.

### **Board**

In November 2006, the Board was pleased to welcome Nick Jolliffe as a Non-Executive Director. This appointment increased the number of independent directors and strengthens the corporate governance of the Company. We also appointed Neil Peniket, the Managing Director of SRT Marine Technology Limited, to the Board in June 2007.

In December 2006, Shamus Kelly, Managing Director, left the Company. Simon Tucker was appointed interim Managing Director at that time. I am pleased to report that this appointment has now been made permanent.

### **Outlook**

Our first customers are actively planning production of TETRA PMR handsets utilising SRT’s technology. We expect our other customers to commit to production progressively during the year.

As investment in homeland security continues around the world, we expect to see substantial revenue growth during the coming years as our technology solutions gain traction in our chosen markets.

Having raised additional funds in April 2007, the Group is now well financed to complete the development of existing products and to consider investment in new products. We therefore look forward to the future with confidence.

**Richard Moon**  
**Chairman**

# SOFTWARE RADIO TECHNOLOGY PLC

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2007

The directors present their report and the audited financial statements for the year ended 31 March 2007

#### **Activities:**

The principal activity of the group is the development and licensing of wireless communication technologies in the form of complete reference design product solutions targeting specific niches within the global homeland security market place

#### **Operational Review:**

During the last year the Software Radio Technology Group (SRT) has made the critical and difficult step of transforming itself from a pure technology Research & Development company into a business with a worldwide customer base manufacturing and selling products containing SRT's Marine and TETRA technologies into growing Homeland Security markets

Certain software related issues were identified in our TETRA technology in December 2006, which resulted in a delay to the commencement of production and a delay in the expected royalty revenues

However, we are pleased to report that these issues have been resolved and the first TETRA customers are actively planning production

In December 2006, Shamus Kelly left SRT plc as Managing Director (MD) and was replaced by Simon Tucker as Group MD

Both TETRA and Marine are now distinct self contained businesses within the SRT Group In line with the commencement of production and deployment of product into the field we have also begun to expand our customer support resources to ensure a high level of customer service is maintained in the face of high volumes These actions have created highly focused and efficient business units capable of delivering against their operational, market and financial objectives

#### ***Marine - AIS:***

SRT Marine has now entered the production phase with its technology solutions SRT's Class A, Class B and AtoN AIS technologies are now being shipped within customer products to end users During this process the technologies have obtain various approvals including US Coast Guard and EU Approvals This has enabled our growing customer base of over 20 Marine Electronics companies to commence the sale of AIS products through their extensive sales and distribution channels However, as yet the vast US market of over 12 million vessels is not addressable by our customers due to the absence of FCC approval The granting of FCC approval is expected later this year and will mark the opening of this significant market for our customers

# SOFTWARE RADIO TECHNOLOGY PLC

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2007 – continued

National network rollouts continue as a prelude to support the expected future mandates for the use of such technology by marine traffic. As expected the market for AIS continues to develop as authorities and vessel owners respond positively to the diverse range of AIS products arriving onto the market from our customers.

The exact timing and ramp-up of the market remains a relative unknown, but we expect this to become clearer as the year progresses. We are also investigating the use of AIS technology for land based applications.

With more contracts under negotiation, successful production and delivery underway coupled with a significant and increasingly active target market we are very optimistic for the future.

#### *Professional Mobile Radio – TETRA:*

In December 2006, extensive pre-production field testing of our TETRA solutions uncovered certain unexpected software related issues. The issues were quantified and a plan put in place to resolve and retest the issues. However, the resolution, test and verification of the issue caused a delay to our customers being able to enter production.

The issues identified in December 2006 have now been resolved and customers are actively planning production.

Despite these issues, and as part of the refocusing and restructuring during the last quarter of the year under review, we continue to deploy our TETRA development team on adding value to our technology. This has included the development of additional features, cost reduction and a unique user customisable handset menu interface.

This has been a difficult period for our TETRA business, but we are rapidly arriving at the exciting point of royalty generation and production ramp-up.

The market for TETRA products continues to grow strongly as networks are rolled out in over 80 countries and latent demand for locally produced handsets continues to build. As with our Marine business the exact ramp-up will become apparent as products are deployed by our customers during the course of this year.

Despite having five Asian and three European TETRA customers, we are continuing to look for new customers and are now in active discussions with potential new license customers and a range of distributors for our forthcoming SRT OEM handset.

#### **Summary:**

This year has seen a dramatic change to SRT in terms of its internal operations and the state of its technology products. The commencement of production by customers using its technologies, firstly in Marine and shortly in TETRA mark the start of royalty earnings, which we expect to steadily increase in the future as customer sales channels are fully exploited and the target markets continue to grow. The challenge now for SRT is to continue to make the right decisions for the continued development of its IPR portfolio into the next generation of technology products and the continued support of its customers with the current range of products. We believe SRT is well structured and positioned to do this.

# SOFTWARE RADIO TECHNOLOGY PLC

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2007 - continued

#### Results for the Year and Dividends

The loss for the year after taxation and an exceptional item was £2,962,646 (2006 £1,114,870) The directors do not recommend the payment of a dividend

An exceptional non-cash accounting charge of £376,030 (2006 £489,171) in respect of share options has been charged to the profit & loss account as detailed in note 3

Given the change in SRT's operations from a pure technology research & development company into a company selling products, the Company's directors do not believe that analysis using KPI's is necessary for an understanding of the nature of development, performance or position of the business

#### Risk Management

Details of the Group's financial instruments and its policies with regard to financial risk management are given in note 27 to the financial statements

The directors acknowledge that the Group's ability to attract and retain employees with appropriate expertise and skills cannot be guaranteed and difficulties experienced in this area could affect the trading performance of the Group

Due to the Group's size and limited resources it may not be able to detect and prevent infringement of its IPR The directors believe that although adequate steps have been taken to protect its IPR such measures may be inadequate to prevent the misappropriation of its proprietary information or other intellectual property rights

#### Post Balance Sheet Events

During April 2007, the Company completed a placing of 9,523,810 shares at 42p raising £4,000,000 before costs

In May 2007, the name of Software Radio Technology Trading Limited was changed to SRT PMR Technology Limited and the name of Software Radio Technology (Marine Technology) Limited was changed to SRT Marine Technology Limited

In June 2007 Neil Peniket was appointed to the SRT plc board

# SOFTWARE RADIO TECHNOLOGY PLC

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2007 - continued

#### Directors and their Interests

The directors who served during the year and their interests in the share capital of the Company as at 31 March 2007 and at 31 March 2006 were

	2007	2006
	Ordinary	Ordinary
	0 1p	0 1p
	Shares	shares
<b><u>Non Executives</u></b>		
Simon Rogers	14,241,400	14,241,400
Andrew Lapping	1,081,080	1,081,080
Richard Moon	-	-
Nick Jolliffe	-	-
<b><u>Executives</u></b>		
Shamus Kelly	-	-
Simon Tucker	-	-
Matthew Rogers	-	-

Dates of appointment and resignation are as shown on page 2

All directors benefit from the provision of directors' personal indemnity insurance policies

Share options have been granted to one non-executive director and all of the executive directors. All are detailed in note 4 to the accounts. No directors have any interest in warrants issued by the Company on flotation.

#### Payments of creditors

The Group's policy for all suppliers is to abide by the supplier's terms of payment when entering into a business transaction. At 31 March 2007, the number of day's trade creditors was 99 (2006: 50 days). This has increased significantly upon last year due to some significant stock purchases (£450k) during March 2007, which remained unpaid at the year end.

#### Disclosure of information to the auditors

Each director of the Company has confirmed that in fulfilling their duties as a director they have

- taken all the necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information
- so far as they are aware, there is no relevant audit information of which the auditors have not been made aware

**SOFTWARE RADIO TECHNOLOGY PLC**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 MARCH 2007 - continued**

**Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Nexia Smith & Williamson be reappointed as auditors of the Company will be put to the Annual General Meeting

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

A handwritten signature in black ink, appearing to be 'S. Tucker', written over a horizontal line.

**S Tucker  
Director**

4 July 2007

## **SOFTWARE RADIO TECHNOLOGY PLC**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts for each financial year, which 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 year. In preparing those accounts, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the accounts
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

# **SOFTWARE RADIO TECHNOLOGY PLC**

## **CORPORATE GOVERNANCE REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2007**

The directors recognise the importance of, and are committed to, high standards of corporate governance. Whilst under the AIM rules full compliance with the Combined Code is not required, the directors believe that the Company applies the recommendations insofar as is practicable and appropriate for a public company of its size.

#### **The Board of Directors**

The Board of Directors at the date of this report consists of three executive and four non-executive directors who qualify as independent non-executive directors as defined in the Combined Code.

The Board believes that the composition and breadth of experience of the Board are appropriate for the Company. The Board meets at least ten times throughout the year and through its chairman and executive directors in particular, maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

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

#### **Audit Committee**

The Audit Committee comprises Nick Jolliffe (Chairman) and Andrew Lapping two of the independent non-executive directors. Its terms of reference indicate at least two regular meetings per year and the meeting, to review and consider the scope of the 2007 audit, took place on 7 March 2007. This meeting was attended by the Chairman of the Audit Committee, the Managing Director and the Finance Director as well as two representatives from Nexia Smith & Williamson. The meeting to review feedback from the 2007 audit took place on 21 June 2007. This meeting was attended by the Chairman of the Audit Committee, the Finance Director as well as two representatives from Nexia Smith & Williamson. The Finance Director and a representative of the external auditors are normally invited to attend meetings. Other directors or staff may be invited to attend, as considered beneficial by the committee.

The Audit Committee's primary responsibilities are to review the effectiveness of the Company's systems of internal control, to review with the external auditors the nature and scope of their audit and the results of that audit, and to evaluate and select external auditors.

#### **Remuneration Committee**

The Remuneration Committee plans to meet at least twice per year. It has met three times during the year under review. Its members are Nick Jolliffe (Chairman), Simon Rogers and Richard Moon.

The Remuneration Committee's principal objective is to attract and retain executives and provide them with appropriate incentives to encourage enhanced performance and ensure that, in a fair and responsible manner, they are rewarded for their individual contributions to the success of the Company. Non-executive fees are considered and agreed by the Board as a whole.

# **SOFTWARE RADIO TECHNOLOGY PLC**

## **CORPORATE GOVERNANCE REPORT**

**FOR THE YEAR ENDED 31 MARCH 2007**

### **Nomination Committee**

Richard Moon (Chairman), Simon Rogers, Andrew Lapping and Nick Jolliffe are the members of the Nomination Committee. The Committee has yet to meet and until the company becomes substantially larger, the directors are of the opinion that the Nomination Committee would only need to be convened in unusual circumstances.

### **Going Concern**

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

# Nexia Smith & Williamson

## Independent auditors' report to the shareholders of Software Radio Technology Plc

We have audited the Company and Group accounts of Software Radio Technology Plc for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Company and Group Balance Sheets, the Cash Flow Statement, and the related notes 1 to 29. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We state in our report whether in our opinion the information given in the Directors' Report is consistent with the accounts. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

### Basis of audit opinion

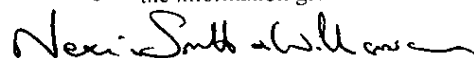
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and group's affairs as at 31 March 2007 and of the group's loss for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the accounts.



Nexia Smith & Williamson  
Chartered Accountants  
Registered Auditors

25 Moorgate  
London  
EC2R 6AY

Date

4 July 2007

# SOFTWARE RADIO TECHNOLOGY PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 MARCH 2007

	Notes	Stated before exceptional items 2007 £	Exceptional 2007 £	Total 2007 £	2006 £ As restated
<b>Turnover</b>	2	1,817,588	-	1,817,588	3,125,270
Cost of sales		(1,628,531)	-	(1,628,531)	(1,569,125)
<b>Gross profit</b>		189,057	-	189,057	1,556,145
Administrative expenses	3	(2,861,464)	(376,030)	(3,237,494)	(2,879,077)
<b>Operating Loss</b>		(2,672,407)	(376,030)	(3,048,437)	(1,322,932)
Interest receivable		85,791	-	85,791	35,243
Interest payable	6	-	-	-	(18,616)
<b>Loss on ordinary activities before taxation</b>	7	(2,586,616)	(376,030)	(2,962,646)	(1,306,305)
Tax on loss on ordinary activities	8	-	-	-	191,435
<b>Loss for the financial year</b>	18	(2,586,616)	(376,030)	(2,962,646)	(1,114,870)
<b>Loss per share (basic and diluted)</b>	25			(3 83)p	(1 93)p

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

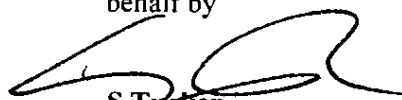
There were no gains or losses in either year other than those included in the above profit and loss account

# SOFTWARE RADIO TECHNOLOGY PLC

## CONSOLIDATED BALANCE SHEET as at 31 MARCH 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Intangible assets	10	4,883,768	2,860,875
Tangible assets	11	522,485	324,199
		<hr/>	<hr/>
		5,406,253	3,185,074
<b>Current assets</b>			
Stocks	13	161,938	290,091
Debtors	14	2,971,612	1,903,977
Cash at bank and in hand		317,005	1,233,431
		<hr/>	<hr/>
		3,450,555	3,427,499
<b>Creditors: amounts falling due within one year</b>	15	(1,589,170)	(890,347)
		<hr/>	<hr/>
<b>Net current assets</b>		1,861,385	2,537,152
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		7,267,638	5,722,226
		<hr/>	<hr/>
<b>Net assets</b>		7,267,638	5,722,226
		<hr/>	<hr/>
<b>Shareholders' funds</b>			
Called up share capital	16	78,288	69,045
Share premium account	18	7,787,787	3,659,873
Profit and loss account	18	(6,317,820)	(3,731,204)
Other reserves	18	5,719,383	5,724,512
		<hr/>	<hr/>
		7,267,638	5,722,226
		<hr/>	<hr/>

The accounts were approved by the Board of Directors on 4 July 2007 and were signed on its behalf by

  
S Tucker  
Director

# SOFTWARE RADIO TECHNOLOGY PLC

## COMPANY BALANCE SHEET as at 31 MARCH 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Investments	12	11,306,180	11,306,180
		<hr/>	<hr/>
		11,306,180	11,306,180
<b>Current assets</b>			
Debtors	14	7,412,448	3,482,583
		<hr/>	<hr/>
		7,412,448	3,482,583
<b>Creditors: amounts falling due within one year</b>			
	15	(10,909,549)	(10,880,041)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(3,497,101)	(7,397,458)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		7,809,079	3,908,722
		<hr/>	<hr/>
<b>Net assets</b>		7,809,079	3,908,722
		<hr/>	<hr/>
<b>Shareholders' funds</b>			
Called up share capital	16	78,288	69,045
Share premium account	18	7,787,787	3,659,873
Profit and loss account	18	(348,183)	(116,512)
Other reserves	18	291,187	296,316
		<hr/>	<hr/>
		7,809,079	3,908,722
		<hr/>	<hr/>

The accounts were approved by the Board of Directors on 4 July 2007 and were signed on its behalf by



S Tucker  
Director

# SOFTWARE RADIO TECHNOLOGY PLC

## CASH FLOW STATEMENT for the year ended 31 MARCH 2007

	Notes	2007 £	2006 £
Net cash outflow from operating activities	22	(2,503,430)	(1,878,024)
<b>Returns on investments and servicing of finance</b>			
Interest received		85,791	35,243
Interest paid		-	(18,616)
<b>Net cash outflow from returns on investments and servicing of finance</b>			
		85,791	16,627
<b>Taxation</b>			
Corporation tax received		-	191,435
<b>Capital expenditure</b>			
Payments to acquire intangible fixed assets		(2,218,164)	(1,455,418)
Payments to acquire tangible fixed assets		(412,651)	(293,850)
<b>Net cash outflow for capital expenditure and financial investment</b>			
		(2,630,815)	(1,749,268)
<b>Cash outflow before financing</b>			
		(5,048,454)	(3,419,230)
<b>Financing</b>			
Issue of ordinary share capital		4,330,000	4,093,497
Issue cost of ordinary shares issued		(197,972)	(518,486)
New long-term loans		-	10,000
<b>Net cash inflow from financing</b>			
		4,132,028	3,585,011
<b>(Decrease)/Increase in cash in the year</b>	23	<b>(916,426)</b>	<b>165,781</b>

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007

### 1 Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice. A summary of the more important accounting policies adopted are described below.

#### **Basis of accounting**

The accounts have been prepared under the historical cost convention.

#### **Basis of consolidation**

On 19 October 2005, the Company acquired the entire issued share capital of Software Radio Technology (UK) Limited by means of a share for share exchange. On the same date, Software Radio Technology (UK) Limited transferred its investment in Software Radio Technology Trading Limited (formerly Software Radio Technology Limited) to the Company. Both transactions have been accounted for as group reconstructions under FRS 6 "Acquisitions and mergers" using merger accounting. The transfer of Software Radio Technology Trading Limited to the Company does not meet all the criteria for a group reorganisation in FRS 6 because the fair value of any non-equity consideration exceeded 10% of the nominal value of the shares issued. However, the directors consider that the alternative approach of acquisition accounting, with restatement of separable assets and liabilities to fair values, the creation of goodwill and inclusion of post-reorganisation results only, would not give a true and fair view of the Group's results and financial position. The substance of the transaction was not the acquisition of a business but a group reconstruction under which an existing subsidiary has been transferred between two group companies.

The adoption of merger accounting presents Software Radio Technology plc as if it had always been the parent undertaking of the group.

The results included in the profit and loss account for the period ended 31 March 2006 consolidate the results of the parent undertaking from the date of incorporation to the 31 March 2006 and the results of its subsidiary undertakings for the full year to 31 March 2006.

From 1 April 2006, the consolidated profit and loss account and balance sheet include the accounts of the company and its subsidiary undertakings made up to 31 March 2007. The results of the subsidiaries acquired or sold are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

#### **Goodwill**

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

#### **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 Company is expected to benefit, currently considered to be five years.

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

#### **Investments**

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

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 *(Continued)*

### 1 Accounting policies *(continued)*

#### Fixed assets

Depreciation is provided on cost or revalued amounts in equal annual instalments over the estimated useful lives of the assets concerned. The following annual rates are used:

Plant and machinery - 2 - 10 years

#### Deferred taxation

Deferred tax is provided for on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Any assets and liabilities recognised have not been discounted.

#### Pension costs

Contributions to defined contribution schemes are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

#### Leases

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

#### Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the profit and loss account.

#### Stocks

Stocks are stated at the lower of cost and net realisable value.

#### Share based payments

In determining the fair value of equity settled share based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgment must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model, which is dependant on further estimates, including the Group's future dividend policy, employee turnover, the timing with which options will be exercised and the future volatility in the price of the Group's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Group could materially affect the reported value of share based payments.

#### Taxation

Corporation tax recoverable in respect of research and development expenditure is accounted for on a cash basis.

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 (Continued)

### 1 Accounting policies (continued)

#### Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at 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.

#### Turnover

Turnover 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.

Sales of goods are recognised when goods are delivered and title has passed.

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.

2	<b>Turnover</b>	<b>2007</b>	<b>2006</b>
	<b>Segmental analysis by geographical destination:</b>	<b>£</b>	<b>£</b>
	UK	208,158	50,224
	Europe	719,292	637,453
	Asia	728,600	2,437,593
	Other	161,538	-
		<hr/>	<hr/>
		1,817,588	3,125,270
		<hr/>	<hr/>
	<b>Segmental analysis by class of business</b>	<b>PMR</b>	<b>Marine</b>
		<b>£</b>	<b>£</b>
	Turnover	1,015,151	802,437
	(Loss)/profit	(2,350,401)	64,877
	Net (liabilities)/assets	(4,959,174)	64,878

All turnover is derived from external customers and originated in the UK.

### 3 Exceptional item

Included in the profit and loss account is an exceptional charge of £376,030 (2006 £489,171), calculated in accordance with FRS 20, arising on the grant of share options to executive and non executive directors primarily on admission to AIM.

FRS 20 has been applied for the first time in 2007, the charge arising in respect of share options having previously been accounted for in accordance with UITF 17. In accordance with the transitional provisions of FRS 20, the comparatives have been restated to reflect the charge of £489,171 that would have been recorded in the accounts for the period ended 31 March 2006 had FRS 20 been adopted early. The UITF 17 charge of £675,820 previously recognised has been reversed.

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 *(continued)*

4	Directors' emoluments	2007 £	2006 £
	<i>Executive</i>		
	S Kelly	77,333	94,332
	S Tucker	140,300	131,500
	M Rogers	72,000	60,687
	<i>Non Executive</i>		
	R Moon	40,000	16,667
	S Rogers	15,000	6,250
	A Lapping	15,000	6,250
	N Jolliffe	6,250	-
	Total emoluments	<b>365,883</b>	<b>315,686</b>

Included in total directors' emoluments above are amounts paid to consultancy companies controlled by directors as disclosed in note 21

### **Pension contributions to money purchase schemes**

S Kelly	47,012	4,417
M Rogers	3,600	1,971
	<b>50,612</b>	<b>6,388</b>

The contract of S Kelly was terminated during the period and under the terms of his agreement a payment of £43,429 was made to his pension fund

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 *(continued)*

### 4 Directors emoluments – continued

#### Share Options

<i>Executive</i>	<i>Total under option</i>	<i>Exercise price</i>	<i>Exercise date</i>	<i>Expiry date</i>
S Kelly	740,000	0 1p	2 November 2006	2 November 2015
	493,333	35p	2 November 2007	2 November 2015
	493,333	35p	2 November 2008	2 November 2015
	493,334	35p	2 November 2009	2 November 2015

Under the terms of an agreement dated 10 January 2007, options granted to S Kelly that had not vested have lapsed 740,000 options of 0 1p and 493,333 options of 35p that had vested at this date are exercisable anytime until 31 December 2007

S Tucker	940,000	0 1p	2 November 2006	2 November 2015
	733,333	35p	2 November 2007	2 November 2015
	733,333	35p	2 November 2008	2 November 2015
	733,334	35p	2 November 2009	2 November 2015
M Rogers	100,000	0 1p	2 November 2006	2 November 2015
	106,666	35p	2 November 2007	2 November 2015
	106,666	35p	2 November 2008	2 November 2015
	106,667	35p	2 November 2009	2 November 2015

<i>Non Executive</i>	<i>Total under option</i>	<i>Exercise price</i>	<i>Exercise date</i>	<i>Expiry date</i>
R Moon	1,040,000	24 5p	2 November 2006	2 November 2015

An insurance premium of £2,779 (2006 £2,779) was paid in respect of directors and officers liability

Retirement benefits are accruing to one (2006 two) directors under the money purchase pension scheme

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 *(continued)*

### 5 Employee information

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

	2007 Number	2006 Number
Technical	49	31
Administration and sales	13	12
	62	43

	£	£ As restated
Staff costs for the above persons were		
Wages and salaries	1,468,589	1,862,420
Social security costs	273,179	110,538
Pension costs – defined contribution schemes	68,495	30,219
	1,810,263	2,003,177

Total wages & salaries, as stated above, exclude costs capitalised and included within deferred development expenditure amounting to £1,587,637 (2006 £938,940)

Wages and salaries also include £376,030 (2006 £489,171) in respect of share options as detailed in note 3

6 Interest payable and similar charges	2007 £	2006 £
Bank loans and overdrafts	-	3,304
Debentures and other loans	-	15,312
	-	18,616

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 (continued)

<b>7</b>	<b>Loss on ordinary activities before taxation is stated after charging/(crediting)</b>	<b>£</b>	<b>£</b>
	Amortisation		
	- intangible assets	195,271	146,286
	Depreciation	214,365	132,154
	Auditors' remuneration		
	- audit (including £11,000 (2006 £11,000) in respect of the parent company)	27,522	26,000
	- taxation	7,560	10,265
	Exchange loss/(profit)	42,527	2,876
	Operating lease rentals – land & buildings	113,105	53,477
	Operating lease rentals – other	3,200	3,200

In addition to the fees paid by the Group to the auditor in respect of other services, £nil (2006 £76,000) in relation to admission to AIM has been charged to the share premium account

<b>8</b>	<b>Tax on profit on ordinary activities</b>	<b>£</b>	<b>£</b>
(a)	UK corporation tax at 30% (2006 30%)		
	Current	-	-
	Over-provision in respect of prior years	-	(191,435)
		-	(191,435)
(b)	Factors affecting tax charge for year		
		<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
			<b>As restated</b>
	Loss on ordinary activities before tax	(2,962,646)	(1,306,305)
	Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2006 30%)	(888,794)	(391,892)
	Effects of		
	Expenses not deductible for tax purposes	8,256	10,222
	Exceptional item (note 3)	-	146,752
	Depreciation in excess of capital allowances	43,503	24,573
	Losses carried forward	837,035	210,345
	Adjustments to previous periods – R&D tax credit	-	(191,435)
	Current tax credit for year	-	(191,435)

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 (continued)

### 8 Tax on profit on ordinary activities - continued

The group has estimated losses of £15,720,994 (2006 £12,389,237) available for carry forward against future trading profits

No provision has been made in the accounts for a potential net deferred tax asset of £4,716,298 (2006 £3,716,771) resulting from the excess of depreciation over accelerated 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 disposal of the asset

### 9 Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The loss for the year is £607,701 (2006 £605,683)

10 Intangible fixed assets – Group	Goodwill £	Development Costs £	Total £
<b>Cost or valuation</b>			
At 1 April 2006	336,478	2,847,455	3,183,933
Additions	-	2,218,164	2,218,164
	336,478	5,065,619	5,402,097
<b>Depreciation</b>			
At 1 April 2006	224,320	98,738	323,058
Charge for the year	67,296	127,975	195,271
	291,616	226,713	518,329
<b>Net book value</b>			
At 31 March 2007	44,862	4,838,906	4,883,768
At 31 March 2006	112,158	2,748,717	2,860,875

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 (continued)

11	<b>Tangible fixed assets – Group</b>	<b>Plant and machinery £</b>
	<b>Cost</b>	
	At 1 April 2006	2,050,596
	Additions	412,651
		2,463,247
	<b>At 31 March 2007</b>	<b>2,463,247</b>
	<b>Depreciation</b>	
	At 1 April 2006	1,726,397
	Charge for the year	214,365
		1,940,762
	<b>At 31 March 2007</b>	<b>1,940,762</b>
	<b>Net book value</b>	
	At 31 March 2007	522,485
		522,485
	<b>At 31 March 2006</b>	<b>324,199</b>
		<b>324,199</b>
		<b>Shares in group undertakings £</b>
12	<b>Fixed asset investments – Company</b>	
	Cost as at 1 April 2006	11,306,180
		11,306,180
	<b>Cost as at 31 March 2007</b>	<b>11,306,180</b>
		<b>11,306,180</b>

### Holdings of more than 20%

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

Company	Country of incorporation	Shares held	
Subsidiary undertakings		Class	%
Software Radio Technology (UK) Limited	England	Ordinary	100
SRT PMR Technology Limited (formerly Software Radio Technology Trading Limited)	England	Ordinary	100
SRT Marine Technology Limited (formerly Software Radio Technology (Marine Technology) Limited)	England	Ordinary	100

## SOFTWARE RADIO TECHNOLOGY PLC

### NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 *(continued)*

#### 12 Fixed asset investments – Company – continued

The principal activity of these undertakings for the last relevant financial year was as follows

	<b>Principal activity</b>
Software Radio Technology (UK) Limited	Non-trading
SRT PMR Technology Limited (formerly Software Radio Technology Trading Limited)	Electronic hardware and software engineering and licensing of technology reference designs
SRT Marine Technology Limited (formerly Software Radio Technology (Marine Technology) Limited)	Electronic hardware and software engineering and licensing of technology reference designs

#### 13 Stocks – Group

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Raw materials and consumables	58,502	84,307
Finished goods	103,436	205,784
	<hr/>	<hr/>
	161,938	290,091
	<hr/>	<hr/>

#### 14 Debtors – Group

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Trade debtors	1,390,541	703,001
Amounts recoverable on contracts	1,107,206	984,547
Other debtors	363,553	136,124
Prepayments and accrued income	110,312	80,305
	<hr/>	<hr/>
	2,971,612	1,903,977
	<hr/>	<hr/>

Amounts falling due after more than one year and included within trade debtors above amount to £nil (2006 £107,143)

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 (continued)

### Debtors – Company

	£	£
Amounts owed by group company	7,400,448	3,472,473
Other debtors	12,000	10,110
	<hr/>	<hr/>
	7,412,448	3,482,583
	<hr/>	<hr/>

The inter-company balances are unsecured, interest free and have no fixed dates for repayment and are not expected to be repaid within 12 months

15	<b>Creditors: amounts falling due within one year – Group</b>	£	£
	Payments received on account	-	7,102
	Trade creditors	1,178,763	427,503
	Other taxation and social security	92,345	60,161
	Other creditors	2,711	19,224
	Accruals and deferred income	315,351	376,357
		<hr/>	<hr/>
		1,589,170	890,347
		<hr/>	<hr/>

£12,726 (2006 £16,974) has been included in “creditors” and charged to the profit & loss account for pension contributions to defined contribution pension schemes to be paid by the Company

	<b>Creditors: amounts falling due within one year – Company</b>	£	£
	Amounts owed to group undertakings	10,815,957	10,815,957
	Accruals and deferred income	93,592	64,084
		<hr/>	<hr/>
		10,909,549	10,880,041
		<hr/>	<hr/>

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 *(continued)*

	2007 £	2006 £
<b>16 Called up share capital</b>		
<b>Authorised</b>		
120,000,000 Ordinary shares of 0 1p each (2006 120,000,000 Ordinary shares of 0 1p each)	120,000	120,000
	<hr/>	<hr/>
	120,000	120,000
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
78,287,082 Ordinary shares of 0 1p each (2006 69,044,530 Ordinary shares of 0 1p each)	78,288	69,045
	<hr/>	<hr/>
	78,288	69,045
	<hr/>	<hr/>

### Share Capital

On 19 May 2006, the Company undertook a placing of 9,042,552 0 1p Ordinary shares with an aggregate nominal value of £9,043 for total cash consideration of £4,250,000

On 10 January 2007, the Company issued and allotted 31,165 new Ordinary shares of 0 1p with an aggregate nominal value of £31 for total cash consideration of £12,466 This transaction represented conversion of some of the warrants issued upon the Company's listing to AIM

On 21 February 2007, the Company issued and allotted 168,835 new Ordinary shares of 0 1p with an aggregate nominal value of £169 for total cash consideration of £67,534 This transaction represented conversion of some of the warrants issued upon the Company's listing to AIM

Following the transactions on the 10 January & 21 February 2007 there remained 11,352,850 additional Ordinary shares to be issued assuming all existing warrants were exercised and a total number of 78,087,082 Ordinary shares in issue

## SOFTWARE RADIO TECHNOLOGY PLC

### NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 (continued)

#### 17 Share Based Payment

The Company operates an Enterprise Management Incentive share option scheme for directors and employees. An award has also been made to the Company's Chairman, Mr R Moon.

The general terms of the scheme are that awards are made once an employee has completed a minimum of six months service with the Company. The awards made to employees are at the discretion of the Management Team and those to the directors at the discretion of the Remuneration Committee.

The options generally vest over a three year period and the maximum exercise period for the options is ten years.

Details of the share options outstanding during the year are as follows -

	Number of share options	Weighted average exercise price
Outstanding at beginning of year	8,270,445	26 2p
Granted during the year	1,485,000	52 3p
Forfeited during the year	2,190,000	36 5p
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	7,565,445	28 3p
Exercisable at the end of the year	2,300,000	5 6p

The value of the options has been measured by using the Monte Carlo pricing model for the grant to the Chairman and the binomial pricing model for all other grants.

For share options granted during the year the inputs into the binomial model were as follows -

Share price at grant	50p
Exercise price	52p
Volatility	40%
Expected life	5 years
Risk free rate	4.71%
Expected dividend yield	0%

Expected volatility was determined by referencing historical data for similar sized companies over the previous five years.

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 (continued)

17	Share Based Payment – continued			
	For share options outstanding at the year end, vesting and expiry dates are as set out below			
	Vesting date	Number issued	Exercise price	Expiry date
	2 November 2005	1,780,000	0 1p	2 <sup>nd</sup> November 2015
	2 November 2006*	1,040,000	24 5p	2 <sup>nd</sup> November 2015
	2 November 2006	906,666	35p	2 <sup>nd</sup> November 2015
	2 November 2007	906,667	35p	2 <sup>nd</sup> November 2015
	2 November 2008	906,667	35p	2 <sup>nd</sup> November 2015
	2 November 2006	230,148	35p	2 <sup>nd</sup> November 2010
	2 November 2007	230,148	35p	2 <sup>nd</sup> November 2010
	2 November 2008	230,149	35p	2 <sup>nd</sup> November 2010
	31 March 2007	170,000	57p	1 <sup>st</sup> April 2016
	31 March 2008	170,000	57p	1 <sup>st</sup> April 2016
	31 March 2009	170,000	57p	1 <sup>st</sup> April 2016
	30 June 2007	16,666	51 5p	1 <sup>st</sup> July 2016
	30 June 2008	16,667	51 5p	1 <sup>st</sup> July 2016
	30 June 2009	16,667	51 5p	1 <sup>st</sup> July 2016
	31 July 2007	33,333	51 5p	1 <sup>st</sup> August 2016
	31 July 2008	33,333	51 5p	1 <sup>st</sup> August 2016
	31 July 2009	33,334	51 5p	1 <sup>st</sup> August 2016
	28 February 2008	225,000	48p	1 <sup>st</sup> March 2017
	28 February 2009	225,000	48p	1 <sup>st</sup> March 2017
	28 February 2010	225,000	48p	1 <sup>st</sup> March 2017

\* Subject to market related performance criteria

18	Reserves – Group	Other reserves £	Profit and loss account £	Share premium account £	Total £
	At 1 April 2006	5,724,512	(3,731,204)	3,659,873	5,653,181
	Loss for the financial year	-	(2,962,646)	-	(2,962,646)
	Premium on shares issued in year (net)	-	-	4,122,785	4,122,785
	Exercise of warrants (net)	(5,129)	-	5,129	-
	Share options to be exercised	-	376,030	-	376,030
	At 31 March 2007	5,719,383	(6,317,820)	7,787,787	7,189,350

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 *(continued)*

### 18 Reserves – Group - continued

Other reserves	Capital redemption reserve £	Warrants £	Merger £	Total £
At 1 April 2006	2,857	296,316	5,425,339	5,724,512
Exercise of warrants (net)	-	(5,129)	-	(5,129)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2007	2,857	291,187	5,425,339	5,719,383
	<hr/>	<hr/>	<hr/>	<hr/>

### Reserves – Company

	Other reserves £	Profit and loss account £	Share premium account £
At 1 April 2006	296,316	(116,512)	3,659,873
Loss for the financial year	-	(607,701)	-
Premium on shares issued in year (net)	-	-	4,122,785
Exercise of warrants in the year (net)	(5,129)	-	5,129
Share options to be issued	-	376,030	-
	<hr/>	<hr/>	<hr/>
At 31 March 2007	291,187	(348,183)	7,787,787
	<hr/>	<hr/>	<hr/>

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 *(continued)*

	2007	2006
	£	As restated £
<b>19 Reconciliation of movements in Shareholders' funds – Group</b>		
Loss for the financial year	(2,962,646)	(1,114,870)
Proceeds from issue of shares	4,250,000	4,288,452
Costs of share issue	(197,972)	(560,016)
Proceeds from exercise of warrants	80,000	340,039
Costs of warrants issued	-	(43,723)
Share options to be exercised	376,030	489,171
	<hr/>	<hr/>
Opening shareholder's funds	1,545,412	3,399,053
	5,722,226	2,323,173
	<hr/>	<hr/>
Closing shareholders' funds	7,267,638	5,722,226
	<hr/>	<hr/>
<b>Reconciliation of movements in Shareholders' funds – Company</b>		
	2007	2006
	£	As restated £
Loss for the financial year	(607,701)	(605,683)
Proceeds from issue of shares	4,250,000	4,288,934
Cost of share issue	(197,972)	(560,016)
Proceeds from exercise of warrants	80,000	340,039
Cost of warrants issued	-	(43,723)
Share options to be exercised	376,030	489,171
	<hr/>	<hr/>
Opening shareholder's funds	3,900,357	3,908,722
	3,908,722	-
	<hr/>	<hr/>
Closing shareholders' funds	7,809,079	3,908,722
	<hr/>	<hr/>

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 (continued)

### 20 Operating lease commitments

At 31 March 2007 the Group had annual commitments under operating leases as follows

	2007		2006	
	Land and buildings £	Other £	Land and buildings £	Other £
For leases expiring				
Within one year	9,585	-	-	-
Between two and five years	-	3,200	-	3,200
After five years	74,786	-	51,630	-
	<u>84,371</u>	<u>3,200</u>	<u>51,630</u>	<u>3,200</u>

### 21 Transactions with directors

During the year the company purchased office furniture to the value of £3,000 from NetInfo Ltd a company of which Shamus Kelly was a director

Each of the Non-Executive Directors invoices the Company for their services through their respective consultancy businesses. During the year an amount of £15,000 (2006 £6,250) was payable to Andrew Lapping, an amount of £15,000 (2006 £6,250) was payable to Newton Court Partnership for services provided by Simon Rogers, an amount of £40,000 (2006 £23,333) was payable to Synergie Business Limited for services provided by Richard Moon and an amount of £6,250 (2006 £nil) was payable to Skaana Ltd for services provided by Nick Jolliffe. As at the period end £nil (2006 £2,500) was owed to Andrew Lapping, £9,999 (2006 £6,666) was owed to Synergie Business Limited and £2,500 (2006 £nil) was owed to Skaana Ltd. There were no amounts due to Newton Court Partnership in either year.

22 Reconciliation of operating loss to net cash outflow from operating activities	2007 £	2006 £
		<b>As restated</b>
Operating loss	(3,048,437)	(1,322,932)
Depreciation	214,365	132,154
Amortisation	195,271	146,286
Exceptional item – share option charge	376,030	489,171
Decrease/(Increase) in stocks	128,153	(155,354)
Increase in debtors	(1,067,635)	(1,268,113)
Increase in creditors	698,823	100,764
	<u>(2,503,430)</u>	<u>(1,878,024)</u>

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 *(continued)*

23	<b>Reconciliation of net cash flow to movement in net debt</b>		<b>2007</b>	<b>2006</b>
			<b>£</b>	<b>£</b>
	(Decrease)/Increase in cash in the year		(916,426)	165,781
	Change in net funds resulting from cash flows		(916,426)	165,781
	<b>Movement in net funds in the year</b>		(916,426)	165,781
	Net funds at 1 April 2006		1,233,431	1,067,650
	<b>Net funds at 31 March 2007</b>		<b>317,005</b>	<b>1,233,431</b>
24	<b>Analysis of net funds</b>	<b>At 1 April 2006</b>	<b>Cash flow</b>	<b>At 31 March 2007</b>
		<b>£</b>	<b>£</b>	<b>£</b>
	Cash in hand, at bank	1,233,431	(916,426)	317,005
	<b>Total</b>	<b>1,233,431</b>	<b>(916,426)</b>	<b>317,005</b>

### 25 Earnings per share

The basic earnings per share has been calculated on the loss on Ordinary activities after taxation of £2,962,646 (2006 £1,114,870) divided by the weighted number of Ordinary shares in issue of 77,355,397 (2006 57,786,194). The weighted average number of shares in issue has been adjusted to reflect the placing in May 2006 and the conversion of warrants in January 2007 & February 2007.

In accordance with Financial Reporting Standard Number 22, the warrants in issue and share options issued during the year were not considered dilutive as their inclusion would increase the loss per share. For this reason the diluted earnings per share calculation is not required.

# SOFTWARE RADIO TECHNOLOGY PLC

## NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 (continued)

### 26 Post balance sheet events

In April 2007 the Company completed a placing of 9,523,810 shares at 42p raising £4,000,000 before costs

In May 2007 the name of Software Radio Technology Trading Limited was changed to SRT PMR Technology Limited and the name of Software Radio Technology (Marine Technology) Limited was changed to SRT Marine Technology Limited

In June 2007, Neil Peniket was appointed to the SRT plc Board

### 27 Financial instruments

At the balance sheet date, the activities of the Company are funded out of working capital and do not include the use of derivatives or financial instruments other than cash. The Company has financial instruments in the form of long and short term debtors and short term creditors which arise in the normal course of business and are not discounted or offered as security in any way.

The main risks arising from the Company's financial instruments are credit risk, interest risk and foreign currency risk. Operations during the period were financed through cash resources derived from shareholder subscriptions, debtors and creditors.

The Company's currency exposure comprises monetary assets and liabilities that are denoted in currencies other than sterling, principally those denominated in US Dollars. Such transactions give rise to net currency gains and losses recognised in the profit and loss account. At the year end this exposure comprised £1,220,715 (2006 £648,224) of assets denominated in US Dollars, £155,873 (2006 £50,665) of assets denominated in Euros and £148,609 (2006 £145,831) of liabilities denominated in Euros and £43,837 (2006 £24,368) of liabilities denominated in US Dollars.

	2007	2006
	£	£
Cash at bank	<u>317,005</u>	<u>1,233,431</u>

The Company earns interest on such balances payable quarterly in arrears with reference to the sterling LIBOR.

### 28 Guarantee

Under a guarantee dated 9 November 2005, Software Radio Technology plc has granted security against bank borrowings in the name of Software Radio Technology Trading Limited up to a maximum amount of £500,000. At 31 March 2007, the outstanding balance due to the bank was £nil.

Any such borrowings are secured by an all monies debenture granted by Software Radio Technology Trading Limited dated 6 January 2006.

## SOFTWARE RADIO TECHNOLOGY PLC

### NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2007 *(continued)*

#### 29 Financial commitments

On 7 February 2007 Software Radio Technology Limited (SRT) entered into an agreement with Tianjin Communication & Broadcasting Corporation (TCB) of China for the manufacture test & assembly of 7,500 units of SRT's Automatic Identification System Class B transponder. The total value of this commitment \$1,132,600 (£572k) and as at the balance sheet date SRT had paid TCB a deposit of \$339,780 (£170k) and this amount is included as part of Debtors.