

Sarantel Group PLC
Financial statements
For the year ended 30 September 2010

Company Registration No 05299925

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Company Information

Company registration number	05299925
Registered office	Unit 2 Ryle Drive Park Farm Industry Wellingborough Northants NN8 6BA
Directors	G Shingles D Wither O Leisten J Uttley P David
Secretary	D Wither
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditor Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK9 1LW

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Chairman's Statement

Sarantel has once again increased and diversified its revenues, cutting costs and reducing operating losses for the fourth year running. Total group revenues grew to £2.9m (2009: £2.8m) and the military market continues to grow. Revenues from products such as military antennas increased during the year by 28%.

Operating loss before depreciation and amortisation has reduced by 3% to £1.85m (2009: £1.9m). Net cash outflow before financing was £2.2m (2009: £2.2m).

On 30 December 2010 Sarantel successfully closed a placing to raise £1.375m before expenses, to fund working capital needs as we continue to see increasing design activity in our markets.

Trends in the consumer GPS markets indicate that the importance of accurate and reliable GPS antennas is increasingly being recognised as critical to a satisfying user experience, particularly with the latest generation of phones capable of running "apps" such as Facebook Places and Foursquare. Location-based advertising, in particular, will require a higher degree of accuracy that we do not believe is possible with conventional antenna technologies.

As with any new technology it is very difficult to predict the exact timing of the take up by the market but the trend towards more demanding applications is clearly driving the need for improved antenna performance.

Momentum continues to build in the military market. During the year Sarantel received development funding for a high performance, military specification, dual frequency GPS antenna. The company successfully executed on the development of this very challenging product and we expect sales from this newly developed product to contribute materially to revenues in 2011 and beyond. The development of this antenna was undertaken with the US based market leader in the field of tactical military radio systems and Sarantel displaced an entrenched US based competitor to win the business.

Progress in this market continued during the year with the successful development of the company's second generation Iridium antenna for NAL, as well as the development of a number of ruggedized GPS antennas for a wide variety of military customers. Based on indications from other customers in this market we expect the momentum to build in 2011.

We were disappointed that one of our larger customers chose to source antennas from a rival supplier during the second half of 2010, but believe the technical superiority of our antennas will prevail.

Against this backdrop of growing markets, driven by an increasing use of navigation in everyday life, we remain confident that Sarantel's innovative technology can continue to increase market share as users demand ever-higher performance from navigation and other mobile devices.

Chief Executive's Statement

Financial Review

Despite continuing challenges in the economy, Sarantel's GPS business recovered during the year with revenues increasing by 34% and unit volumes increasing by 34%. Total group revenues grew to £2.9m (2009: £2.8m).

Despite the loss of revenues expected from a large customer, the fact that the business still achieved growth indicates an increasingly firm foundation and a more diversified customer base. During 2010 we shipped antennas to more than 400 new customers, mainly as a result of significant efforts to build out and expand our global distribution network. Although we have yet to see the full fruits of this labour, we believe these efforts will lead to future sales growth and revenue diversification.

During the year Sarantel was engaged in a major military antenna development with a leading US based supplier of military radio systems. This collaboration has enabled Sarantel to develop significant new technical capabilities that we believe can be leveraged for future military programs with a wider range of customers.

Total operating costs reduced by 4% due to a combination of efficiencies and cost reductions. Research and development costs increased by 3% as we develop new antennas for the military markets. Selling and distribution costs fell by 12%.

The operating loss before depreciation and amortisation reduced to £1.85m (2009: £1.9m), benefitting from slightly higher revenues.

The Group's loss per share reduced to 1.0p (2009: 1.5p).

Cash utilisation

Net cash outflow from operating activities increased slightly by 2.5% to £1.8m (2009: £1.7m).

Net cash outflow before financing was £2.2m (2009: £2.2m). On 30 December 2010 we completed a placing to raise £1.375m (before expenses) to continue taking advantage of opportunities arising.

Sarantel sales are in US\$ whilst most of our costs are in sterling. The dollar fluctuated significantly during the year, with first half revenues benefiting from a strong US\$ which reversed during the second half resulting in a net currency loss of £0.02m to Group revenue.

Markets for Sarantel's products

Niche GPS

The broader GPS market remains very dynamic and Sarantel continues to track a large number of opportunities across a wide variety of applications. The trend to include GPS in an ever increasing number of products is accelerating as the total system cost continues to drop and more end user applications are developed.

Sarantel's typical customer in this market is an innovative smaller company working to exploit emerging market opportunities. Invariably these opportunities are difficult to forecast and programs are frequently delayed for technical or market reasons. One area of this market where Sarantel has been very successful is the golf range-finder market which requires very accurate GPS solutions. Specifically, our business with SkyGolf, the market leader in this area, experienced a significant recovery during the year and we are hopeful that as the economy recovers this sales momentum will continue.

High-volume GPS

In mid-2009 the Cellular Telecommunications Industry Association (CTIA) released a new testing standard stipulating that GPS antennas should be measured in the presence of the human body to ensure the performance levels were adequate to meet the needs of the industry

This development, together with an explosion of new location based service (LBS) applications from companies like Facebook, Google and Apple, highlights the need for better GPS performance in consumer applications

Sarantel has conducted extensive testing of its GPS antennas using the CTIA standard and the performance uplift offered by our technology is compelling. While dramatically improved performance is no guarantee of success, it is encouraging to see the high-volume consumer market recognising fundamental antenna performance problems that Sarantel's technology directly addresses

Mobile social networking and advertising, via platforms like Facebook, as well as geotagging of photos are examples of the most exciting developments in the handheld consumer GPS market. Within the last year Apple, Google and Facebook have all made significant investments in these areas. Although exciting and potentially very useful for the consumer, Sarantel believes that the success of these applications will require an accurate and reliable GPS receiver and we maintain our belief that incumbent antenna technologies lack the required reliability and accuracy, thus providing an exciting opportunity for Sarantel's technology

Military market

The Military market is a large and rapidly growing opportunity for Sarantel and one in which we have worked to build and strengthen relationships with a broad range of potential customers. The US government continues to invest in tactical communications systems to enhance the military's technological advantages. In March 2010 Sarantel signed an agreement with a major US defence contractor to develop a customised dual-frequency antenna solution for portable military GPS. This development has now been successfully completed and production shipments are expected to contribute materially to revenues in FY2011

Sarantel has benefited significantly from its experience of collaborating on this project and believes it will open up and benefit new collaborations with other customers in the market. We believe that Sarantel will be able to build on the momentum it has created and increase its market share

Mobile Satellite Services ("MSS")

The Mobile Satellite Services market is important for Sarantel and customers in this market play a significant role in the Group's diversification strategy. In satellite telephony, antenna quality is a key determinant of call quality, and therefore of customer satisfaction with the system

Sarantel recently announced production orders for its second-generation Iridium antenna to equip the new SHOUT nano from NAL Research Corporation (NAL). This development was partially funded by the customer and Sarantel was able to reduce the size of our first generation Iridium antenna by 30% while improving the performance. Sarantel believes that this antenna and its derivatives will be very attractive to a wide range of Iridium VAM/VAR partners

Business Review

Consumer GPS

Design activity in the consumer GPS market remained healthy during the year and we added more than 400 new customers. The recent announcement of the design win with Ricoh on the G700SE camera provides an example of the types of applications that are now adding GPS. Additionally, significant efforts were made to complete the build out of a global sales and distribution network and we believe that it is now easier than ever for Sarantel's customers to gain access to our technology

We believe the efforts we have made to expand the sales network over the past two years will pay significant dividends in the future

Military GPS

The solid progress we made in this market last year continued. As announced on 17 November 2010, Sarantel received production orders for a dual frequency military GPS antenna which it successfully developed during the year. This antenna opens up an existing and large market. We have also had good success in converting a number of our existing military customers from using our standard, lower value, GPS antennas to our higher-value ruggedized antennas. Sarantel has proven on multiple occasions that it can displace entrenched US based competitors and we expect this momentum to continue to build in FY2011 as we pursue a number of promising new opportunities.

Mobile Satellite Services ("MSS")

In March 2010 Sarantel was informed by a large customer that it had taken the decision to qualify a second source of supply for the antenna on its 9555 satellite phone. This resulted in Sarantel losing a significant revenue opportunity that had been expected for the second half of the year. We have evaluated the technology on offer from the second source and believe our technology to be far superior. Because antenna performance is crucial to the performance of the customers' service, we remain optimistic that our antenna solution will remain their most attractive option.

On 6 November 2010 Sarantel announced production orders for its second-generation Iridium antenna, which is 30% smaller in volume and is higher performance, to equip the new SHOUT nano from NAL Research Corporation (NAL). The SHOUT nano is a handheld, global, two-way satellite messaging and personal tracking device and it utilizes Iridium's short burst data (SBD) service to provide location information, text messaging, and emergency e-mail alert notifications. It is anticipated that the SHOUT nano will be used for a wide variety of military, government and commercial tracking applications. The SBD device market continues to be a significant growth area for Iridium.

Research and development

We continue to develop and extend our antenna technology by investing in research and development. During the year we increased our spend by 3% and filed a number of new patent applications. We are also becoming more engaged with prospective customers in the military and high value markets with a view to developing customer specific antennas.

Manufacturing

The transfer of 'back-end' assembly processes to Elcoteq has been successfully completed. Production moves of this scale can be extremely challenging and we are very pleased that this key project has not only been completed on time and budget but the first products are now being delivered to our customers.

This transfer will enable Sarantel to focus its internal production resources on its uniquely valuable 3D photolithography production process, while significantly reducing both fixed and variable costs by an estimated £0.5m per annum.

We look forward to leveraging the new capabilities we gain through this relationship with Elcoteq and improvements to the 'back-end' process are already being discussed which promise to drive further cost reduction and yield improvements. The partnership with Elcoteq also simplifies Sarantel's day-to-day operations and provides us with the opportunity to lever Elcoteq's sourcing capabilities to reduce our BOM (bill-of-material) costs. Finally, Elcoteq provides Sarantel with a credible volume production partner who will provide the scale of operations the company will require as increased volumes for the technology develop.

Summary and outlook

The Group has visibility on a large number of opportunities in the GPS and military markets. The Board believes that the outlook for Sarantel remains very positive and on 30 December 2010 we successfully closed a placing to raise £1.375m before expenses providing further funding to continue business operations and capitalise on recent successes and future opportunities.

Directors

FOR THE YEAR ENDED 30 SEPTEMBER 2010

1 Geoff Shingles

Chairman

Geoff was previously Executive Chairman of Digital Equipment Co Limited, where he served for 29 years in the UK, US and Continental Europe. Geoff is also Chairman of Imagination Technologies Group plc and a Non-Executive Director of a number of private companies.

2 David Wither

Chief Executive Officer

Prior to joining Sarantel, David was a Director at RF Micro Devices Inc with responsibility for European sales and the Bluetooth product line. He holds a Master of Science degree in Engineering Management and spent seven years as an officer with the US Army Corps of Engineers.

3 Sitkow Yeung

Chief Financial Officer – resigned 30 June 2010

Sitkow worked for over 12 years for Ericsson, the telecommunications group, where he held a number of senior finance positions in UK, Europe and the Asia Pacific region. He has also been the CFO of a number of venture capital backed technology companies. He is a member of the Institute of Chartered Accountants in England and Wales.

4 Dr Oliver Leisten

Chief Technology Officer and founder

Oliver has over 25 years' experience in the radio communications industry. He was responsible for the development of a portfolio of patents for miniature dielectric loaded antennas, which form the intellectual property rights owned by Sarantel. Previously, Oliver was Chief Technologist at Symmetricom Limited, responsible for leading a team of specialist radio systems and design engineers.

5 John Uttley*#

Non-executive Director

Until 1997 John served as Finance Director of National Grid Group. John has held and still holds a wide portfolio of non-executive chairmanships and directorships of companies at both start-up and growth phases including companies in the telecoms sector. John is Chairman of the Audit Committee.

6 Ernie Richardson*#

Non-executive Director – resigned 8 October 2010

Ernie is a venture partner at MTI, the private equity firm, where until recently he was managing partner. He is a graduate Chemical Engineer and Chartered Management Accountant. Ernie is also active in a number of industry bodies including membership of the Council of the BVCA, and serves on the investment committee at NESTA. Ernie is Chairman of the Remuneration and Nominations Committee.

Directors

7 Philip David *#

Non-executive Director – appointed 19 August 2010

Philip is General Counsel at ARM Holdings, the world's leading designer of microprocessors for portable devices, and a member of its executive committee. He has nearly 20 years experience in the field of intellectual property (IP) law and helped ARM develop its IP protection and exploitation strategies. Philip is Chairman of the Remuneration and Nominations Committee.

* Member of the Audit Committee

Member of Remuneration and Nominations Committee

Corporate Governance Report

Introduction

The Board recognises its accountability to shareholders and is committed to maintaining high standards of corporate governance. Although as a listed company on AIM, it is not required to comply with the Combined Code on Corporate Governance ("the Code"), the Group nevertheless supports the principles set out in the Code and intends to comply wherever possible, given both its size and resources available. Details are provided below of how the Group applies the Code.

The Board

The Board of Directors comprises two Executive Directors and three Non-Executive Directors, one of whom is the Chairman.

The Board generally meets monthly and receives a Board pack comprising reports from the Executive Directors together with any other material deemed necessary for the Board to discharge its duties. It is the Board's responsibility to formulate, review and approve the Group's strategy, budgets, material transactions, acquisitions and management structure and appointments.

Board Independence and Conflicts of Interest

The Directors are aware of their duty to avoid conflicts of interest under the Companies Act 2006 and the Board has adopted a process to deal with such conflicts as they arise, including the authorisation of these conflicts in advance by the non-conflicted Directors, as permitted by the Company's Articles of Association.

Board Committees

The Board has established two committees: the Audit Committee and the Remuneration and Nominations Committee.

Audit Committee

The Audit Committee comprises two Non-Executive Directors and meets at least twice a year with the Chief Executive Officer and the Group Financial Controller in attendance. The Audit Committee assists the Board in the discharge of its duties concerning the announcements of results, the Annual Report and Accounts and the maintenance of proper internal controls. It reviews the scope and planning of the audit and the auditor's findings and considers Group accounting policies and the compliance of those policies with applicable legal and accounting standards.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee comprises two Non-Executive Directors and meets at least twice a year. It is this Committee's role to establish a formal and transparent policy on executive remuneration and to set remuneration packages for individual Executive Directors. The committee also meets as required to formulate and review proposals for the appointment of Directors and make recommendations thereon to the Board.

Internal Control and Risk Management

The Board is responsible for the system of internal control and for reviewing its effectiveness. The Group maintains a system of internal control consistent with a Group at its stage of development and, as it grows, the Board intends to continue to enhance its processes to identify risks facing the business and implement procedures to monitor, eliminate and mitigate those risks.

The Group maintains appropriate insurance cover against risks to the assets of the company, legal actions against the Directors and against material loss or claims against the Group and reviews the adequacy of the cover regularly.

Corporate Governance Report

Shareholder Relations

The Group values the views of shareholders and recognises their interests in the Group's strategy and performance

Overall responsibility for ensuring that there is effective communication with investors and that the Board understands the views of major shareholders rests with the Chairman, who makes himself available to meet shareholders for this purpose. The Chairman, Chief Executive Officer and the Group Financial Controller meet with institutional shareholders on a regular basis, following interim and annual results, to provide an update on trading and to obtain feedback. The Group also regularly organises tours of its manufacturing facility for institutional shareholders.

Sarantel is committed to maintaining a good dialogue with shareholders. All shareholders are encouraged to attend the Group's Annual General Meeting, at which the Chairman gives an account of the progress of the business over the year and provides the opportunity for shareholders to ask questions. The Board attends the meeting and is available to answer questions from shareholders attending.

Information relevant to shareholders is posted on the Group's web site, www.sarantel.com, which contains a comprehensive Investor Relations section.

Environment

Sarantel Limited, the main operating company, is ISO9001 certified and aims to maintain this level of certification for its manufacturing facility and to comply at all times with all relevant environmental and other legislation. With regard to the WEEE (Waste Electrical and Electronic Equipment) and RoHS (Restriction on the use of certain Hazardous Substances) directives, Sarantel only ships compliant products and the requirements of these directives are incorporated in its product/technology development roadmaps.

Report of the Remuneration and Nominations Committee

UNAUDITED INFORMATION

Introduction

Companies trading on AIM are not required to provide a formal remuneration report. However, in line with current best practice this report provides information to enable shareholders to obtain a greater level of understanding as to how Directors' remuneration is determined.

The Remuneration and Nominations Committee is responsible for considering Directors' remuneration packages and makes its recommendations to the Board.

Remuneration Policy

Remuneration packages are prudently designed to be competitive and to attract and retain the high calibre of staff required to achieve the objectives of the Group. Executive Directors receive a salary and a car allowance, benefits in kind such as death in service benefit and medical cover, as well as annual bonuses, and are eligible to participate in the Group's share option arrangements.

Service Contracts

The Executive Directors have service agreements with Sarantel Limited, the wholly-owned subsidiary of the Group, which are subject to termination upon between six and twelve months' notice being given by either party. Their appointments to the Board of Sarantel Group PLC are terminable at the will of the parties so that either party can terminate the appointment at any time without giving notice or a payment in lieu of notice.

Pensions

The Group operates a group personal pension plan (a money purchase arrangement) for the benefit of its employees.

The assets of the scheme are administered by trustees in a fund independent from those of the Group.

Performance Incentives

In view of the financial situation of the Group during the year, the annual cash bonus scheme was suspended during that period.

The Group operates a number of share incentive schemes under which tax-favoured Enterprise Management Incentive ("EMI") options may be granted together with non-tax favoured unapproved options as well as a Save-As-You-Earn scheme (SAYE). Main terms of these schemes are set out in Note 26.

- The Sarantel 2000 Unapproved Share Option Scheme was established prior to the flotation of Sarantel Group PLC and all options granted became vested at flotation. No further grants have been made under this scheme following flotation.
- The Sarantel 2005 Unapproved Share Option Scheme was established on 22 February 2005. Options granted under this scheme to date have been granted on a time-vesting basis, with one-third of the options becoming exercisable on each anniversary of the grant.
- The Sarantel 2009 Unapproved Share Option Scheme was established on 8 December 2009 in order to re-grant existing options under the 2000 and 2005 Schemes. Options granted under this scheme have been granted on a time-vesting basis, with one-third of the options becoming exercisable on each anniversary of the grant.
- The Sarantel Long-Term Incentive Plan ("LTIP") was established following the passing of the appropriate resolution at the 2007 Annual General Meeting. Awards under the LTIP may be granted in the form of (i) nil or nominal cost options, or (ii) contingent rights to receive shares, or (iii) executive shared ownership awards.
- The first Sarantel SAYE scheme was launched in June 2006 and Executive Directors are eligible to participate in the Scheme. A second Sarantel SAYE scheme was launched on 30 July 2008.

Report of the Remuneration and Nominations Committee

Performance Incentives (continued)

The following options have been granted pursuant to the schemes to the following Directors

Name	Option Type	01-Oct-09	Granted	Repriced/ (Eliminated)	30-Sep-10	Exercise Price (p)	Expiry Date
Geoff Shingles	2005 Unapproved	2,105,263		(2,105,263)	-	4 75	27/04/2018
Geoff Shingles	2009 Unapproved	-	3,105,263		3,105,263	2 59	07/12/2019
David Wither	2000 Unapproved	833,333		(833,333)	-	7 00	04/08/2014
David Wither	2000 Unapproved	515,146		(515,146)	-	7 00	04/08/2014
David Wither	2000 Unapproved	711,739		(711,739)	-	7 00	05/08/2014
David Wither	2005 Unapproved	250,000		(250,000)	-	7 00	01/03/2016
David Wither	2008 SAYE	313,333		(313,333)	-	3 00	17/02/2012
David Wither	2005 Unapproved	2,526,211		(2,526,211)	-	4 75	28/04/2018
David Wither	2005 Unapproved	873,789		(873,789)	-	4 75	28/04/2018
David Wither	2009 Unapproved	-	472,218		472,218	2 59	07/12/2019
David Wither	2009 EMI	-	5,238,000		5,238,000	2 59	07/12/2019
David Wither	LTIP 2008	3,200,000			3,200,000	1 00	11/12/2018
David Wither	LTIP 2009	-	4,500,000		4,500,000	1 00	08/12/2019
Oliver Leisten	2000 Unapproved	5,675		(5,675)	-	7 00	26/02/2013
Oliver Leisten	2000 Unapproved	369,500		(369,500)	-	7 00	26/02/2013
Oliver Leisten	2000 Unapproved	51,036		(51,036)	-	7 00	04/08/2014
Oliver Leisten	2000 Unapproved	782,289		(782,289)	-	7 00	04/08/2014
Oliver Leisten	2000 Unapproved	75,351		(75,351)	-	7 00	05/08/2014
Oliver Leisten	2005 Unapproved	150,000		(150,000)	-	7 00	01/03/2016
Oliver Leisten	2005 Unapproved	2,100,000		(2,100,000)	-	4 75	28/04/2018
Oliver Leisten	2009 EMI	-	5,238,000		5,238,000	2 59	07/12/2019
Oliver Leisten	LTIP 2008	1,750,000			1,750,000	1 00	11/12/2018
Oliver Leisten	LTIP 2009	-	795,851		7795,851	1 00	08/12/2019
Total		16,612,665	19,349,332	(11,662,665)	24,299,332		

John Uttley and Philip David were not granted nor held any share options during the year

Non-Executive Directors

All the Non-Executive Directors have specific terms of engagement provided in formal letters of appointment and their remuneration is determined by the Board based on independent surveys of fees paid to Non-Executive Directors of similar companies. The details of the appointment of the Non-Executive Directors are set out below. The services of Mr Geoff Shingles as Chairman of the Board are provided by the Geoff Shingles Partnership. The Non-Executive Directors are not entitled to participate in the Group's annual bonus scheme, nor except for the Chairman, are they eligible for any option grants under the Group's share option schemes. They are entitled to be reimbursed expenses in accordance with the Group's travel and expenses policy.

Name of Director	Date of letter of appointment	Duration of appointment	Notice period
Geoff Shingles	20/6/2006	Indefinite	3 months
John Uttley	7/6/2005	Indefinite	3 months
Philip David	29/6/2010	Indefinite	3 months

Report of the Remuneration and Nominations Committee

AUDITED INFORMATION

Directors' Remuneration

Details of Directors' remuneration are set out below

	Total salaries £'000	Benefits £'000	Total £'000	Pensions £'000	2010 £'000	2009 £'000
Executive Directors						
David Wither	158	20	178	17	195	189
Oliver Leisten	95	8	103	5	108	105
Sitkow Yeung *	82	7	89	-	89	106
Non-executive Directors						
Geoff Shingles	30	-	30	-	30	30
John Uttley	15	-	15	-	15	15
Ernie Richardson **	10	-	10	-	10	-
Philip David	2	-	2	-	2	-
Total	392	35	427	22	449	445

* Until 30 June 2010

** Payments in respect of services provided by Ernie Richardson from 1 February 2010 were made to Eastwood Langley Limited

Philip David was appointed to the Board on 19 August 2010 and Ernie Richardson stepped down on 8 October 2010

Report of the Directors

The Directors submit their report and the audited financial statements of Sarantel Group PLC for the year ended 30 September 2010

Principal Activity and Business Review

The principal activity of the Company is that of a holding company. The principal activities of the Group are the design, manufacture and sale of patented ceramic filtering antennas for use in portable wireless devices.

A detailed review of the Group's operations during the year and of its plans for the future is given in the Chairman's statement and the Chief Executive's statement. These statements include comments on the Group's key performance indicators, which the directors consider to be revenues, margin and delivery performance.

Results and Dividends

The Group's consolidated results are set out on pages 20 to 45. The Directors do not recommend the payment of a dividend (2009 £nil). The Group has no plans to adopt a dividend policy in the immediate future and all funds generated by the Group will be invested in the further development of the business, as is normal for a company at this stage of its development.

Principal Risks and Uncertainties

There are a number of risks and uncertainties which could impact the Group's performance. The board regularly reviews business risks, which it seeks to manage or mitigate. The Corporate governance report contains further information about the internal control and risk management system adopted by the board.

The principal risk to the Group is that revenues do not grow sufficiently to fund its operations. The Group currently generates a loss from business and relies on funding from its shareholders and debt whenever possible, to fund these losses. The Group has mitigated the risk by adopting a strategy that focuses on increasing revenues from those market sectors that need the higher performance of the Sarantel antenna. The Group also continues to seek other sources of funding such as debt.

The Group operates in markets that already use antennas based on other technologies. Whilst the Group continues to gain market share, there is a risk that these other antenna solutions will be improved to a level to match the Sarantel antenna. There is also a risk that work-around solutions to poor antenna performance will be created to obviate the need for a high-performance antenna.

The Group is also exposed to financial risks and the management policies adopted to mitigate these risks are detailed in Note 24 to the financial statements.

Research and Development

The Group has continued to invest in Research and Development with expenditure of £1.26m in the year (2009 £1.22m). Resources were allocated to develop new products and improve manufacturing processes in association with its new outsourcing partner, Elcoteq SA, in order to reduce costs and improve quality. During the year the Group continued to file new patents to extend or enhance its technology and introduced a number of new antennas for both the GPS and high value markets.

Post Balance Sheet Events

In October 2010, the group signed an agreement with Elcoteq SE, based in Estonia, to outsource its assembly test and supply chain processes. The transfer was successfully completed and will enable the group to reduce both fixed and variable costs by an estimated £0.5m per annum.

In December 2010, the Group announced a successful placing to raise £1.375m (before expenses).

Going Concern

These financial statements have been prepared under the going concern basis. Note 3 to these financial statements contains an explanation of why the directors consider it appropriate to adopt this basis.

Report of the Directors

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union. The Directors have elected to prepare the Company accounts in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, 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 IFRS or UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Statement as to Disclosure of information to the Auditor

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Substantial Shareholdings

The Company was aware or had been notified in accordance with chapter 5 of the Disclosures and Transparency rules, of the following voting rights as a shareholder in the Company as at the date of this report

	Number of Ordinary Shares	Holding %
Legal & General Investment Management Limited	40,474,359	10.1%
Hawk Investment Holdings	40,100,000	10.0%
Foresight Group	39,114,845	9.8%
MTI Nominees Limited	33,640,646	8.4%
BT Pension Scheme Trustees Limited	24,205,334	6.0%
Mr W S C Richards OBE DL	16,016,700	4.0%

Payment Policy

It is the Group's policy to pay suppliers in accordance with agreed terms, provided the supplier has also complied with agreed terms and conditions. At 30 September 2010, the trade creditors of the Company and of the Group represented 61 days of purchases (2009: 60 days)

Report of the Directors

Auditor

A resolution to reappoint Grant Thornton UK LLP as auditor will be proposed at the forthcoming Annual General Meeting ("AGM")

By order of the Board

A handwritten signature in black ink, appearing to be 'D. Wither', with a long horizontal flourish extending to the right.

David Wither
Secretary

25 February 2011

Independent auditor's report to the members of Sarantel Group PLC

We have audited the financial statements of Sarantel Group plc for the year ended 30 September 2010 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 16, 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 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2010 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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.

Independent auditor's report to the members of Sarantel Group PLC

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

Grant Thornton UK LLP

Malcolm Gomersall
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes

25 February 2011

Consolidated Statement of Comprehensive Income for the year ended 30 September 2010

	Note	2010 £'000	2009 £'000
Revenue	7	2,889	2,811
Cost of sales		1,840	1,616
Gross profit		1,049	1,195
Research and development costs		1,258	1,220
Selling and distribution costs		527	600
Administration costs		2,163	2,285
Total operating costs		3,948	4,105
Operating loss	5	(2,899)	(2,910)
<i>Operating loss before , depreciation and amortisation</i>		(1,854)	(1,908)
<i>Depreciation and amortisation</i>	13,14	(1,045)	(1,002)
Finance and other income	8	12	91
Finance and other costs	9	(78)	(161)
Loss before tax		(2,965)	(2,980)
Tax	10	227	195
Loss for the year		(2,738)	(2,785)
Other comprehensive income		-	-
Total comprehensive loss for the period		(2,738)	(2,785)
Basic and diluted loss per share	12	(1 0)p	(1 5)p

All the activities of the Group are classed as continuing

Consolidated Balance Sheet

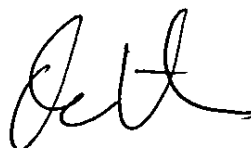
as at 30 September 2010

	Note	2010 £'000	2009 £'000
Assets			
Non-current			
Intangible assets	13	1,601	1,477
Property, plant and equipment	14	677	1,382
Total non-current assets		2,278	2,859
Current			
Inventories	16	308	225
Trade and other receivables	17	821	455
Current tax	18	160	196
Cash and cash equivalents	19	629	876
Total current assets		1,918	1,752
Total assets		4,196	4,611
Current liabilities			
Trade and other payables	20	831	723
Amounts due under finance leases and HP agreements	21	211	185
Amounts due under invoice financing facility	22	299	137
Total current liabilities		1,341	1,045
Non-current liabilities			
Amounts due under finance lease and HP agreements	21	134	345
Total liabilities		1,475	1,390
Equity			
Share capital	26	9,789	8,789
Share premium	27	17,234	16,165
Share scheme reserve	27	669	500
Warrant reserve	27	76	76
Merger reserve	27	13,390	13,390
Retained loss	27	(38,437)	(35,699)
Total equity		2,721	3,221
Total liabilities and equity		4,196	4,611

The financial statements were approved by the Board of Directors and authorised for issue on 25 February 2011
They were signed on its behalf by



David Wither
Director



Oliver Leisten
Director

Consolidated Statement of Changes in Equity for the year ended 30 September 2010

	Share capital £'000	Share premium £'000	Share scheme reserve £'000	Warrant reserve £'000	Merger reserve £'000	Retained loss £'000	Total equity £'000
At 1 October 2008	8,789	16,165	334	76	13,390	(32,914)	5,840
Loss after tax	-	-	-	-	-	(2,785)	(2,785)
Total comprehensive income for year	-	-	-	-	-	(2,785)	(2,785)
Share based payments	-	-	166	-	-	-	166
Transactions with owners	-	-	166	-	-	-	166
At 30 September 2009	8,789	16,165	500	76	13,390	(35,699)	3,221
At 1 October 2009	8,789	16,165	500	76	13,390	(35,699)	3,221
Loss after tax	-	-	-	-	-	(2,738)	(2,738)
Total comprehensive income for year	-	-	-	-	-	(2,738)	(2,738)
Share based payments	-	-	169	-	-	-	169
Share issued	1,000	1,250	-	-	-	-	2,250
Cost of share issue	-	(181)	-	-	-	-	(181)
Transactions with owners	1,000	1,069	169	-	-	-	2,238
At 30 September 2010	9,789	17,234	669	76	13,390	(38,437)	2,721

Consolidated Cash Flow Statement

for the year ended 30 September 2010

	Note	2010 £'000	2009 £'000
Operating activities			
Loss before tax		(2,965)	(2,980)
Adjustments for non-cash items			
Depreciation and amortisation		970	932
Depreciation absorbed to cost of sales		75	70
Investment revenue		(12)	(42)
Finance lease interest		54	74
Grants received		-	(8)
Change in fair value of derivative financial instruments		-	(41)
Share based payment		169	166
(Increase)/decrease in inventories		(83)	120
Increase in trade and other receivables		(365)	(9)
Increase/(decrease) in trade and other payables		108	(232)
Taxation received		262	207
Net cash outflow from operating activities		(1,787)	(1,743)
Investing activities			
Interest received and similar income		12	42
Payments to acquire intangible assets		(339)	(382)
Payments to acquire property, plant and equipment		(125)	(154)
Net cash used in investing activities		(452)	(494)
Cash outflow before financing		(2,239)	(2,237)
Financing activities			
Finance lease interest paid		(54)	(74)
Grants received		-	8
Issue of shares		2,250	-
Expenses paid in connection with issue of shares		(181)	-
Cash received for new finance leases		-	314
Capital element of finance lease rentals		(185)	(230)
Net cash inflow from financing activities		1,830	18
Net decrease in cash and cash equivalents		(409)	(2,219)
Cash and cash equivalents at start of period		739	2,958
Cash and cash equivalents at end of period	19	330	739

The accompanying accounting policies and notes form an integral part of these financial statements

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

1 General information

Sarantel Group PLC ("the Company") is a public limited company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is Unit 2, Wendel Point, Park Farm South, Wellingborough, Northamptonshire, NN8 6BA, England. The Company's shares are listed on AIM, a market operated by the London Stock Exchange.

Sarantel Group PLC and its subsidiaries (together "the Group") design and manufacture high-performance miniature antennas for portable wireless applications including hand-held navigation, GPS tracking, satellite radio, satellite phones and laptop computers.

2 International Financial Reporting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning 1 October 2009.

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 October 2009 are

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- Group Cash-settled Share-based Payment Transactions - Amendment to IFRS 2 (effective 1 January 2010)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)
- Disclosures - Transfers of Financial Assets - Amendments to IFRS 7 (effective 1 July 2011)
- Deferred Tax Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)

As of 30 September 2010, the following standards and interpretations are in issue but not yet adopted by the EU

- Improvements to IFRSs (effective 1 July 2010 and 1 January 2011, as appropriate)
- IFRS 7 Disclosures - Transfers of Financial Assets (effective 1 July 2011)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

3 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements are prepared on the historical cost basis except that derivatives are stated at fair value in accordance with IAS 39. They are presented in accordance with IAS 1 Presentation of Financial Statements (Revised 2007). The Group has elected to present the "Statement of Comprehensive Income" in one statement. The "Statement of Changes in Equity" is presented as a primary statement. IAS 1 Presentation of Financial Statements (Revised 2007) requires presentation of a comparative balance sheet at the beginning of the first comparative period in some circumstances. Management considers that this is not necessary this year because the 2008 balance sheet is the same as previously published.

IFRS 8 Operating Segments has been implemented during the year, and has resulted in certain additional entity-wide disclosures.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

The policies set out below have been consistently applied to all the years presented with the exception of that relating to share-based payments where the Group adopted the amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations in 2010. The amendment clarified that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specified that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption of this amendment has not had any material impact on the Group financial statements.

Going concern

The directors have prepared a business plan which formed the basis on which they are satisfied that the Group has adequate financial resources to continue to operate at least for the next twelve months from the date of approval of these financial statements. The business plan assumes a certain level of sales, which the directors believe to be both achievable and the best estimate of the Group's future activities. Whilst the achievement of these sales is a key uncertainty, and sales to date have been slower than expected, the directors are confident that performance over the remainder of the financial year will be in line with forecasts. The directors believe their forecasts are prudent and show sufficient headroom for twelve months, however any further material shortfall in those forecasts may result in the need to embark on further cost cutting measures or the raising of new funds.

Following the Group's successful fundraise referred to below, the directors have made considerable cost reductions to ensure that the Group is able to continue to operate for at least the next twelve months. At 30 September 2010 the Group had gross cash balances of £0.6m, and in December 2010, announced a successful placing to raise £1.375m (before expenses).

Consequently, the directors consider it appropriate that these financial statements should be prepared on a going concern basis.

Segmental reporting

The Group's activities are neither organised to report separate businesses nor geographical segments. Management of the business is performed by considering the financial and operational performance of the group as a whole.

The Group derives revenues from both the sale of antennas and the sale of services ahead of sale of antennas, such as feasibility studies and prototyping. These services are commonly referred to as Non-Recurring Engineering ("NRE"). An analysis of the revenues between sale of antennas and NRE is shown in Note 7. The costs associated with NRE revenues are included in Research and Development costs and have not been analysed separately.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all Group subsidiary undertakings made up to 30 September 2010. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Revenue

Revenue is measured by reference to the fair value of consideration received by the Group for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon performance of services or transfer of risks to the customer and where the costs incurred or to be incurred for the transaction can be measured reliably.

Revenue from the sale of antennas is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, which is generally when the goods have been despatched and the collectability of the related receivables is reasonably assured.

NRE revenue is recognised on acceptance by the customer and the amount of revenue and associated costs can be reliably measured.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount

Intangible assets

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

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied

- Completion of the intangible asset is technically feasible so that it will be available for use or sale,
- The Group intends to complete the intangible asset and use or sell it,
- The Group has the ability to use or sell the intangible asset,
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the product from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits,
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- The expenditure attributable to the intangible asset during its development can be measured reliably

Development costs not meeting the criteria for capitalisation are expensed as incurred

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management

Patents are included at cost, representing third party costs of registering, net of amortisation

Amortisation

Amortisation is calculated on a straight line basis so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Patents	ten years from year following acquisition
Development costs	Product - two years from the date the product starts shipping to customers Plant and equipment – in line with the asset of that class from the date the asset is available for use

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment

Depreciation

Depreciation is calculated on a straight line basis so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Leasehold improvements	10 per cent
Plant and machinery	20 per cent – 33 per cent from date asset is put into use

Material residual value estimates are reviewed annually

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions

Government grants relating to costs are deferred and recognised in profit and loss over the period necessary to match them with the costs that they are intended to compensate

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit and loss on a straight line basis over the expected lives of the related assets

Impairment testing of intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Inventories

Inventories are valued on a FIFO basis at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes material, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. Net realisable value represents the estimated selling price less all estimated costs of completion, marketing, selling and distribution.

Leased assets

Property, plant and equipment which are the subject of finance leases are dealt with in the financial statements as tangible assets and equivalent liabilities at what would otherwise have been the cost of outright purchase.

Rentals are apportioned between reductions of the respective liabilities and finance charges calculated by reference to the rates of interest implicit in the leases. The finance charges are dealt with under interest payable in the Statement of Comprehensive Income.

Leased assets are depreciated in accordance with the depreciation accounting policy applying to that category of asset.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Taxation

Current tax is the tax currently recoverable based on taxable loss for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Statement of Comprehensive Income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences arising on the settlement of transactions or retranslation at the balance sheet date are recognised in profit and loss.

Employee benefits

Defined contribution pension scheme

The Group operates a Group personal pension plan (a money purchase arrangement) for the benefit of certain Directors and employees. Pension costs are charged to the profit and loss in the period to which they relate.

Share-based payments

The Group operates a Group share option scheme, a Long Term Incentive Plan and a Save As You Earn scheme (SAYE) under which certain employees and Directors of the Company and its subsidiaries have been granted options to subscribe for shares in Sarantel Group PLC. The Company has also issued warrants.

In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 October 2006.

Where employees are rewarded using share based payments, the fair value of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. 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 shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. This policy also applies to warrants that give the right to subscribe for shares at an agreed price, which have been granted in return for services rendered or to be rendered by third parties.

Fair value is measured by use of the Cox Rubenstein binomial model. 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 behavioural considerations.

All equity share based payments are ultimately recognised as an expense in profit and loss with a corresponding credit to "share scheme reserve" or "warrant reserve".

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

Where modifications to the terms and conditions on which equity instruments were granted lead to an increase in the fair value of the unvested share-based payment arrangement, the difference in the fair value immediately before the modification and immediately after the modification are charged to profit and loss over the remaining vesting period.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

Financial liabilities and equity 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

Financial assets

Management have determined that the only financial assets held by the Group are loans and receivables

Financial assets are recognised when the group becomes a part to the contractual provisions of the instrument. A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for de-recognition

A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for de-recognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset

The Group's loans and receivables are as follows

Trade receivables

Trade receivables are initially recognised at fair value, and subsequently at amortised cost

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. An assessment for impairment is undertaken at least at each balance sheet date

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets. All financial liabilities are recorded initially at fair value, net of direct issue costs

Financial liabilities are divided into the following categories: borrowings and other payables at amortised cost and liabilities held at fair value through profit and loss

The group's financial liabilities include trade payables, invoice financing facility and other creditors. These are classified as financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are recognised initially at fair values net of direct issue costs. Finance charges are charged to profit and loss, where applicable, on an accruals basis using the effective method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arose

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires

The cost of operating leases in respect of land and buildings and other assets is expensed on a straight line basis

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. The costs of raising equity are written off against the share premium account where permitted by Companies Legislation.

Equity

Equity comprises the following:

“Share capital” represents the nominal value of equity shares,

“Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue,

“Share scheme reserve” represents the fair value of the employee equity settled share option scheme as accrued at balance sheet date,

“Merger reserve” results from the application of merger accounting on the acquisition of Sarantel Limited on 23 February 2005,

“Warrant reserve” represents the fair value of equity settled warrants as accrued at the balance sheet date.

4 Critical accounting estimates and judgements

Critical judgements in applying the group's accounting policies

There were no critical judgments required apart from those involving estimations (which are dealt with separately below), 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 these financial statements.

Key sources of estimation uncertainty

- **Impairment of patents, property, plant and equipment**

In the review of impairment of patents, property, plant and equipment, the Directors made estimates of future demand for the Company's products in order to assess the recoverability of the investment in production capacity and in patents. The Directors believe these estimates to be reasonable but there is the risk that future demand may be lower than estimated, giving rise to further impairment to the carrying value of the patents, property, plant and equipment. A reduction in the future demand for 2011 by 10% would result in no impairment in the patents, property, plant and equipment.

- **Going concern**

These financial statements have been prepared under the going concern basis. Note 3 to these financial statements contains an explanation of why the directors consider it appropriate to adopt this basis.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

5 Operating loss

Operating loss is stated after charging

	2010 £'000	2009 £'000
Amortisation of intangible assets	215	176
Depreciation of property, plant and equipment	830	827
- of which, depreciation included in cost of sales	75	70
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of these financial statements	14	13
Fees payable to the Company's auditor and its associates for other services		
Audit of the financial statements of subsidiaries pursuant to legislation	13	13
Other services relating to taxation	6	5
All other services	7	7
	40	38
Operating lease rentals – land and buildings	135	135
Inventory written off against prior year provision	-	(33)
Write down of inventories	-	12

6 Directors and employees

Average number of persons employed (including Directors)

	Group	
	2010 No	2009 No
Average no of people employed		
Non-executive directors	1	1
Management	1	1
Technical	9	9
Finance and administration	5	4
Sales and marketing	3	3
Operations	31	30
Total	50	48

Staff costs (including Directors)

	Group	
	2010 £'000	2009 £'000
Staff costs (including directors)		
Wages and salaries	1,827	1,848
Social security costs	186	183
Pension costs	37	38
Share based payments	169	166
	2,219	2,235

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

Remuneration in respect of Directors, who are the key management personnel, was as follows

	Group	
	2010	2009
	£'000	£'000
Short-term employee benefits	370	378
Other long-term benefits	22	22
Share based payments	155	126
Payment to third parties for directors' services	57	45
	604	571

The amounts set out above include remuneration in respect of the highest paid Director as follows

	2010	2009
	£'000	£'000
Emoluments	178	172
Pension contributions to money purchase pension scheme	17	17
Share based payments	77	59
	272	248

During the year no Director (2009 nil) exercised any share options

During the year 2 Directors (2009 2) participated in money purchase pension schemes

Details of individual director's remuneration are given in the Report of the Remuneration and Nominations Committee

The Group makes payments into a Group personal pension scheme for certain employees and Directors. The assets of the scheme are administered by trustees in a fund independent from those of the Group

7 Revenue

	2010	2009
	£'000	£'000
Sales of antennas	2,739	2,708
Sale of Non-Recurring Engineering services (NRE)	150	103
Total revenue	2,889	2,811

All revenue originates from the UK

The Group had 4 customers during the year (2009 2) with sales of more than 10% of revenues

	2010	2009
	£'000	£'000
Sales of antennas	468	350
Sales of antennas	391	1039
Sales of antennas	362	-
Sales of antennas	304	-

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

8 Finance and other income

	2010 £'000	2009 £'000
Investment Revenue		
Interest receivable	12	42
Fair value movement on derivatives	-	41
Other income		
Government grant received	-	8
Total finance and other income	12	91

The Selective Finance for Investment in England (SFIE), which is part of the Department of Trade and Industry, has provided grant facilities to assist with a project to manufacture miniature antennas. The amount received represents the full amount the Group is entitled to on achieving agreed milestones and the related expenditure. There are no other government grants.

9 Finance and other costs

	2010 £'000	2009 £'000
Finance costs		
Finance lease and hire purchase interest	54	74
Foreign exchange losses	24	87
Total finance costs	78	161

10 Tax

	2010 £'000	2009 £'000
UK corporation tax based on the results for the year at 21% (2009 21%)	160	196
Adjustment in respect of prior year	67	(1)
Total tax credit	227	195

The taxation credit arises in respect of research and development expenditure and is subject to agreement with HM Revenue & Customs.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

The standard rate of tax for the year based on the UK standard rate of corporation tax is 21% (2009 21%) The actual tax credit for the year differs from the standard rate for the reasons set out in the following reconciliation

	2010 £'000	2009 £'000
Loss before tax	(2,965)	(2,980)
multiplied by rate of tax	21%	21%
Loss multiplied by rate of tax	(623)	(626)
Expenses not deductible for tax	184	216
Depreciation in excess of capital allowances	171	166
Other temporary differences	1	(5)
Tax losses carried forward	267	249
R&D tax credit	(160)	(196)
Prior year (under)/over provision	(67)	1
Total tax	(227)	(195)

Tax losses available, subject to agreement with HM Revenue and Customs, to offset future taxable trading income amount to approximately £22.2m (2009 £20.4m)

A deferred tax asset, calculated using a tax rate of 28% (2009 28%), amounting to approximately £8.2m (2009 £7.5m) arising from taxable trading losses has not been recognised on the grounds that at the current time there is insufficient evidence that the asset will be recoverable in the foreseeable future

11 Loss of Parent Company

The Parent Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own Statement of Comprehensive Income in these financial statements. The Parent Company's loss for the year was £2,965k (2009 loss £2,980k)

12 Loss per Share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year

	2010 £'000	2009 £'000
Loss for the financial year	(2,738)	(2,785)
Weighted average number of shares	2,737	1,909
Basic and diluted loss per share*	(1.0)p	(1.5)p

* The effect of options and warrants are anti-dilutive

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

13 Intangible Assets

The Group	Patents £'000	Development costs £'000	Total £'000
Cost			
At 1 October 2008	1,784	21	1,805
Additions	382	-	382
At 1 October 2009	2,166	21	2,187
Additions	339	-	339
At 30 September 2010	2,505	21	2,526
Amortisation			
At 1 October 2008	534	-	534
Charge for the year	166	10	176
At 1 October 2009	700	10	710
Charge for the year	204	11	215
At 30 September 2010	904	21	925
Carrying amount			
At 30 September 2010	1,601	-	1,601
At 30 September 2009	1,466	11	1,477

The amortisation charge for both Patents and Development costs for the year has been included in Research and development costs in profit and loss

The Group carried out an impairment review of intangible assets in conjunction with that of property, plant and equipment as described in Note 14. It was determined that no impairment of intangible assets was required.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

14 Property, plant and equipment

The Group

	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 October 2008	197	9,494	9,691
Additions	-	154	154
Disposals	-	(8)	(8)
At 1 October 2009	197	9,640	9,837
Additions	-	125	125
Disposals	-	(3)	(3)
At 30 September 2010	197	9,762	9,959
Depreciation			
At 1 October 2008	127	7,509	7,636
Charge for the year	19	807	826
Disposals	-	(7)	(7)
At 1 October 2009	146	8,309	8,455
Charge for the year	19	811	830
Disposals	-	(3)	(3)
At 30 September 2010	165	9,117	9,282
Carrying amount			
At 30 September 2010	32	645	677
At 30 September 2009	51	1,331	1,382

The Group carried out an impairment review of property, plant and equipment as at the end of the year, as part of the annual review cycle and in view of the deteriorating economic conditions, it was determined that no impairment of property, plant and equipment was required (2009 Nil)

Capital Commitments

	2010 £'000	2009 £'000
Amounts contracted for but not provided in the financial statements	54	21

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

15 Investments

At 30 September 2010, the Company held more than 20% of a class of the allotted share capital of the following

	Country of incorporation	Class of share held	Proportion held	Nature of business
Sarantel Limited	England and Wales	Ordinary shares	100%	Design and manufacture of antennas
Sarantel USA Inc*	USA	Ordinary shares	100%	Marketing support services
Sarantel Asia Pacific Pte Ltd*	Singapore	Ordinary shares	100%	Marketing support services

* Owned by Sarantel Limited

16 Inventories

	2010 £'000	2009 £'000
Raw materials	237	131
Work in progress	29	11
Finished goods	42	83
	308	225

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £864k (2009 £826k)

17 Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	554	215
Other receivables	121	99
Prepayments and accrued income	146	141
	821	455

The Directors consider that the carrying value of trade and other receivables approximates to their fair values. There remains for the year a provision of £90k for impairment of receivables (2009 £90k). The maximum credit exposure at the balance sheet date equates to the carrying value of trade receivables. There is no concentration of credit risk.

Reconciliation of bad debt provision	2010 £'000	2009 £'000
Opening provision	90	90
Bad debt provision	-	-
Amount written off against provision	-	-
Closing bad debt provision	90	90

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

Trade receivables that are less than three months old are not considered impaired. As at 30 September 2010, trade receivables of £11k were past due but not considered impaired (2009 Nil). The ageing of these past due but not impaired receivables was more than 3 months but less than 6 months.

The average credit period during the year was 43 days (2009 40 days). The Group does not hold any collateral over these balances.

18 Current tax

	2010	2009
	£'000	£'000
Corporation tax recoverable	160	196

19 Cash and cash equivalents

	Group	
	2010	2009
	£'000	£'000
Cash and cash equivalents	629	876

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The Directors consider that the carrying amount of these assets approximates to their fair value. There is no collateral on the above amounts.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group	
	2010	2009
	£'000	£'000
Cash and cash equivalents	629	876
Amounts due under invoice financing facility (see Note 22)	(299)	(137)
Cash and cash equivalents	330	739

20 Trade and other payables

	Group	
	2010	2009
	£'000	£'000
Current liabilities		
Trade payables	486	301
Other payables	17	16
Other taxation and social security	52	55
Accruals and deferred income	276	351
	831	723

The average creditors period during the year was 61 days (2009 60 days). Current liabilities fall due within one year. The Directors consider that the carrying amount of trade payables approximates to their fair value.

At balance sheet date the Group has at its disposal £101k (2009 Nil) of an undrawn invoice financing facility. The Group's assets are pledged as security for this facility.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

21 Amounts due under finance leases and hire purchase agreements

Amounts are repayable as follows

	2010 £'000	2009 £'000
Within one year	211	185
After one year and within two years	134	211
After two years and within five years	-	134
	345	530

Finance lease liabilities

Finance lease liabilities	Minimum lease payments		Present value of minimum lease payments	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Within one year	239	239	211	185
After one year and within two years	139	239	134	211
After two years and within five years	-	139	-	134
	378	617	345	530

	2010 £'000	2009 £'000
Reconciliation		
Total Minimum lease payments	378	617
Less future finance charges	(33)	(87)
Present Value of minimum lease payments	345	530

It is the Group's policy to lease certain of its plant and equipment under finance leases where possible. The average lease term is 36 months at an interest rate fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The group's obligations under finance leases are secured by the lessors' rights over the leased assets.

22 Amounts due under invoice financing facility

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Total	299	137	-	-

The Group has in place a revolving invoice financing facility of up to £400k. Amounts outstanding under this facility are secured by a fixed and floating charge over the assets of the Group.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

23 Operating lease commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

Land and buildings	2010 £'000	2009 £'000
Within one year	110	120
After one year and within five years	368	473
	478	593

The operating lease commitments relate to rents payable under a rent agreement for the office and factory premises in Wellingborough. The term of the lease is 15 years commencing March 2000 and the agreement contains a break clause at year 10, which was not exercised. A final rent review on an Open Market Rent basis was undertaken in 2010 with no adjustment made.

24 Financial instruments

Categories of financial instruments

	2010 £'000	2009 £'000
Financial assets		
Loans and receivables		
Trade and other receivables	627	289
Cash and cash equivalents	629	876
	1,256	1,165
Non financial assets		
Prepayments	146	141
VAT recoverable	48	25
Corporation tax recoverable	160	196
	354	362
	1,610	1,527
	2010 £'000	2009 £'000
Financial liabilities		
Borrowings and other financial liabilities at amortised cost		
Trade and other payables	498	317
Accruals and deferred income	276	351
Amounts due under invoice financing facility	299	137
	1,073	805
Non financial liabilities		
Other taxation and Social security	52	55
Amounts due under finance leases & hire purchase agreements	345	530
	397	585
	1,470	1,390

The non financial assets and non financial liabilities are not within the scope of IAS 39

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

Capital risk management

The Group manages its cash and cash equivalents to ensure that entities in the Group will be able to continue as going concerns as it pursues its business objectives. Where possible, given its size and financial strength, the Group seeks to add debt instruments to augment its financial resources and balance its debt/equity ratio.

Externally imposed capital requirement

The Group is not exposed to externally imposed capital requirements.

Financial risk management

The Group's finance function provides services to the business, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk), credit risk, and liquidity risk and are reported on a regular basis to the Group's board.

Currency risk

The Group's activities expose it primarily to the financial risks of changes in the US Dollar exchange rate as the majority of sales are denominated in that currency, whilst the majority of costs are denominated in its functional currency, the UK sterling.

It is estimated that a general increase of ten percentage points in the value of US dollars against other currencies would have improved the Group's loss before tax by approximately £300k for year ended 30 September 2010 (2009 £300k).

A summary of foreign currency financial assets at the year end with a sensitivity analysis showing the effect of a 10% change in rate with UK sterling is shown below. There were no material financial liabilities denominated in foreign currency at the end of the year (2009 nil).

	2010 £'000	2009 £'000
Trade receivables and cash and cash equivalents denominated in US Dollars	1,004	551
Sensitivity analysis +10% improvement in US\$ exchange rate	112	61
Sensitivity analysis -10% deterioration in US\$ exchange rate	(91)	(50)

Credit risk

The Group's exposure to credit risk is limited to the carrying value of financial asset at the balance sheet date, summarised as follows:

	2010 £'000	2009 £'000
Trade receivables (net of provisions)	554	215
Cash and cash equivalents	629	876

The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from trade receivables.

The Group manages the credit risk associated with trade receivables by ensuring that limits on credit accounts are set based on payment history and credit references where possible.

The maturity of overdue debts is set out in Note 17.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

Liquidity risk

Responsibility for liquidity risk management rests with the Board of Directors, which regularly monitors the Group's short, medium and long-term funding and liquidity management requirements. The Group seeks to ensure financial liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is also available through invoice financing agreements in place.

The Group's financial liabilities consist of trade and other payables and sale and leaseback liabilities as shown in the balance sheet. Except for the Group's finance lease liabilities, which are disclosed in Note 21 all the trade and other payables do not attract interest and all amounts are due within 3 months.

Going concern

The liquidity risk relating to going concern is explained in more detail in Note 3.

Fair value of financial instruments

Carrying amounts of financial instruments are a reasonable approximation of the fair values of those instruments.

25 Related Party transactions

Under an agreement dated 24 February 2005 between the Company and MTI Partners Limited ("MTI"), MTI provides an authorised representative to serve as a non-executive Director of the Company for a fee of £20,000 per annum payable quarterly. From 8 May 2007, MTI agreed to waive their fee until such time as the company is trading satisfactorily. The agreement between the Company and MTI ceased on 31 January 2010 and fees for Ernie Richardson were invoiced through Eastwood Langley Limited ("ELL"). During the year, the total amount payable to ELL was £10k (2009 nil) and the amount outstanding at 30 September 2010 was £5k (2009 nil).

The Chairman, Geoff Shingles, invoices his fees through Geoff Shingles Partnership ("GSP"). From 8 May 2007, GSP agreed to reduce their fee until such time as the company is trading satisfactorily. During the year, the total amount payable to GSP was £30k (2009 £30k) and the amount outstanding at 30 September 2010 was £3k (2009 £9k).

26 Share capital

Authorised share capital

	2010		2009	
	Number	£'000	Number	£'000
A ordinary shares of £0.01 each	501,407,281	5,014	501,407,281	5,014
B ordinary shares of £0.01 each	10,672,940	107	10,672,940	107
	512,080,221	5,121	512,080,221	5,121

Allotted, called-up and fully paid

	2010		2009	
	Number	£'000	Number	£'000
A ordinary shares of £0.01 each	289,899,991	2,899	189,899,991	1,899
B ordinary shares of £0.01 each	1,036,340	11	1,036,340	11
Deferred shares of £0.09 each	76,435,531	6,879	76,435,531	6,879
	367,371,862	9,789	267,371,862	8,789

During the year the company issued 100,000,000 A ordinary shares at a price of 2.25 pence per share.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

The Company has two classes of ordinary shares and one class of deferred shares, none of which carry any right to fixed income. There are no restrictions on distribution of dividends or repayment of capital on the ordinary shares.

The A ordinary shares and B ordinary shares rank pari passu in all respects except that the holders of B ordinary shares are only entitled to receive 10 clear days notice from the directors requiring payment of any moneys unpaid on their shares, whereas the holder of A ordinary shares are entitled to 14 clear days' notice. On the first transfer, assignment or other disposal, a B ordinary share is automatically re-designated and becomes an A ordinary share and ranks pari passu in all respects with the existing A ordinary shares in the share capital of the company.

In December 2010, the Group announced a successful placing to raise £1 375m (before expenses)

Deferred shares

The deferred shares have

- No voting rights
- No entitlement to attend general meetings of the Company
- Not been admitted to AIM or any other market
- Only a priority right to participate in any return of capital to the extent of £1 in aggregate over the class
- Only a priority to participate in any dividend or other distribution to the extent of £1 in aggregate over the class

Warrants

No warrants were issued during the year. On 28 April 2008, warrants to subscribe for 1,776,029 Ordinary Shares were granted to John East and Partners as part payment for services rendered. These warrants are exercisable at a subscription price of 3 pence at any time up to five years from the date of grant.

Equity-settled share option scheme

The Company operates the following option schemes for all employees of the Group

Share option scheme

Options are exercisable at a price at least equal to the average quoted market price of the Company's shares on the date of grant. The vesting conditions of these grants are 3 years service. Options are forfeited if the employee leaves the Group before the options vest.

Long-Term Incentive Plan

Options are exercisable at a price equal to the par value of the shares. The vesting conditions of these grants are 3 years service and options are forfeited if the employee leaves the Group before the options vest.

SAYE

Under the SAYE scheme, employees are allowed to subscribe to a monthly savings amount for a period of 3 years. At the end of that period, the employee is allowed to either receive their saved amount plus interest and a bonus or purchase shares in the Company at a price based on the average share price on the three days prior to the contract invitation date. This scheme is open to all employees subject to Inland Revenue approved limits on total investment.

Exercise of options

There were no share options exercised during the year (2009 nil)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

Share options

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

	2010		2009	
	No of share options	Weighted average exercise price (p)	No of share options	Weighted average exercise price (p)
Number of share options at beginning of year	27,048,075	4.1	18,572,407	5.1
Options granted during the year	32,339,881	2.3	9,164,000	1.9
Options lapsed and eliminated	(22,737,212)	0.4	(688,332)	3.8
Balance at end of the year	36,650,744	2.2	27,048,075	4.1

The weighted average fair value per option for options granted during the year was 0.014p (2009 0.03p)

The options outstanding at 30 September 2010 had a weighted average remaining contractual life of 9.1 years (2009 8.1 years)

The number of fully vested, exercisable options at 30 September 2010 was nil (2009 4,377,868), with a weighted average exercise price of nil pence each (2009 7.0p)

Share options at 30 September 2010 are exercisable as follows

Date of grant	No of share options	Exercise price (p)	Last date for exercise
12/08/2008	2,487,861	3.00	01/03/2012
11/12/2008	4,950,000	3.00	10/12/2018
08/12/2009	29,212,883	2.59	07/12/2019
	36,650,744		

Details of the share options granted to the Directors are shown in the report of the Remuneration Committee

The inputs into the Cox Rubenstein binomial model are as follows

	2010	2009
Weighted average share price	2.3p	1.5p
Weighted average exercise price	1.9p	3.0p
Weighted Average expected volatility	8%	16%
Expected life	3.5 years	10 years
Weighted average risk free rate	3.8%	3.6%
Expected dividend yield	0%	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price since floatation against the historical volatility of the AIM – Technology Index. 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 behavioural considerations

The Group recognised total expenses of £169k (2009 £166k) related to equity settled share based payment transactions

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

27 Reserves

Group

	Share scheme reserve £'000	Warrant reserve £'000	Merger reserve £'000	Total other reserves £'000	Share premium account £'000	Retained loss £'000
At 1 October 2009	500	76	13,390	13,966	16,165	(35,699)
Loss for the year	-	-	-	-	-	(2,738)
Issue of new shares	-	-	-	-	1,250	-
Cost of share issue	-	-	-	-	(181)	-
Increase in employee share scheme reserve	169	-	-	169	-	-
At 30 September 2010	669	76	13,390	14,135	17,234	(38,437)

The share scheme reserve represents the value of the employee equity settled share option scheme as accrued at the balance sheet date

The warrant reserve represents the value of equity settled warrants as accrued at the balance sheet date

The merger reserve results from the application of merger accounting on the acquisition of Sarantel Limited on 23 February 2005

28 Post balance sheet events

In October 2010, the group signed an agreement with Elcoteq SE, based in Estonia, to outsource its assembly test and supply chain processes. The transfer was successfully completed and will enable the group to reduce both fixed and variable costs by an estimated £0.5m per annum.

In December 2010, the Group announced a successful placing to raise £1.375m (before expenses)

Company Balance Sheet

AS AT 30 SEPTEMBER 2010

	Note	2010 £'000	2009 £'000
Assets			
Investment in subsidiary undertaking	3	3,750	3,581
Current assets			
Debtors – due after more than one year	4	13,722	14,684
Cash at bank		240	173
Total current assets		13,962	14,857
Current liabilities			
Creditors	5	(3)	(2)
Net current assets		13,959	14,855
Net assets		17,709	18,436
Capital and reserves			
Share capital	6	9,789	8,789
Share premium	7	17,234	16,165
Share scheme reserve	7	669	500
Warrant reserve	7	76	76
Retained losses	7	(10,059)	(7,094)
Equity shareholders' funds	8	17,709	18,436

The financial statements were approved by the Board of Directors and signed on 25 February 2011. They were signed on its behalf by



David Wither
Director



Oliver Leisten
Director

Company Registration No 05299925

Notes to the Company Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

1 Parent company accounting policies

The parent company financial statements present information about the Company as a separate entity and not about the Group. The financial statements have been prepared in accordance with applicable UK Accounting Standards and under the historical accounting rules. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The parent company financial statements have been prepared on a going concern basis.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company made a loss for the year of £2,965k (2009 loss £2,980k).

Investments

Investments are included at cost less amounts written off.

Share based payments

As the Company grants options over its own shares to the employees of its subsidiaries it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity settled share based payment charge recognised in its subsidiary's financial statement with the corresponding credit being recognised directly in equity.

Deferred Taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Related parties

The Company has a related party relationship with its subsidiaries and with its Board of Directors (see the Remuneration and Nominations Committee Report).

2 Employees

The Company employs the services of 2 non-executive Directors (2009: 1).

Details of Directors' remuneration are set out in Note 6 (Directors and employees) of the consolidated financial statements.

Notes to the Company Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

3 Investments

At 30 September 2010, the Company held more than 20% of a class of the allotted share capital of the following

	Country of incorporation	Class of share held	Proportion held	Nature of business
Sarantel Limited	England and Wales	Ordinary shares	100%	Design and manufacture of antennas
Sarantel USA Inc*	USA	Ordinary shares	100%	Marketing support services
Sarantel Asia Pacific Pte Ltd*	Singapore	Ordinary shares	100%	Marketing support services

* Owned by Sarantel Limited

Shares in subsidiary undertakings

	2010 £'000	2009 £'000
Cost and net book amount		
At 1 October 2009	3,581	3,415
Increase in share scheme reserve	169	166
At 30 September 2010	3,750	3,581

4 Debtors

	2010 £'000	2009 £'000
Amounts owed by group undertakings	13,722	14,684

Amounts due from Group undertakings will not be repayable until they are trading satisfactorily

5 Creditors

Creditors represent other taxation and social security

Notes to the Company Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

6 Share capital

Authorised share capital

	2010		2009	
	Number	£'000	Number	£'000
A ordinary shares of £0.01 each	501,407,281	5,014	501,407,281	5,014
B ordinary shares of £0.01 each	10,672,940	107	10,672,940	107
	512,080,221	5,121	512,080,221	5,121

Allotted, called-up and fully paid

	2010		2009	
	Number	£'000	Number	£'000
A ordinary shares of £0.01 each	289,899,991	2,899	189,899,991	1,899
B ordinary shares of £0.01 each	1,036,340	11	1,036,340	11
Deferred shares of £0.09 each	76,435,531	6,879	76,435,531	6,879
	367,371,862	9,789	267,371,862	8,789

During the year the company issued 100,000,000 A ordinary shares at a price of 2.25 pence per share

The Company has two classes of ordinary shares and one class of deferred shares, none of which carry any right to fixed income. There are no restrictions on distribution of dividends or repayment of capital on the ordinary shares.

The A ordinary shares and B ordinary shares rank *pari passu* in all respects except that the holders of B ordinary shares are only entitled to receive 10 clear days notice from the directors requiring payment of any moneys unpaid on their shares, whereas the holder of A ordinary shares are entitled to 14 clear days' notice. On the first transfer, assignment or other disposal, a B ordinary share is automatically re-designated and becomes an A ordinary share and ranks *pari passu* in all respects with the existing A ordinary shares in the share capital of the company.

In December 2010, the Group announced a successful placing to raise £1.375m (before expenses)

Deferred shares

The deferred shares have

- No voting rights
- No entitlement to attend general meetings of the Company
- Not been admitted to AIM or any other market
- Only a priority right to participate in any return of capital to the extent of £1 in aggregate over the class
- Only a priority to participate in any dividend or other distribution to the extent of £1 in aggregate over the class

Warrants

No warrants were issued during the year. On 28 April 2008, warrants to subscribe for 1,776,029 Ordinary Shares were granted to John East and Partners as part payment for services rendered. These warrants are exercisable at a subscription price of 3 pence at any time up to five years from the date of grant.

Equity-settled share option scheme

The Company operates the following option schemes for all employees of the Group

Share option scheme

Options are exercisable at a price at least equal to the average quoted market price of the Company's shares on the date of grant. The vesting conditions of these grants are 3 years service. Options are forfeited if the employee leaves the Group before the options vest.

Notes to the Company Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

Long-Term Incentive Plan

Options are exercisable at a price equal to the par value of the shares. The vesting conditions of these grants are 3 years service and options are forfeited if the employee leaves the Group before the options vest.

SAYE

Under the SAYE scheme, employees are allowed to subscribe to a monthly savings amount for a period of 3 years. At the end of that period, the employee is allowed to either receive their saved amount plus interest and a bonus or purchase shares in the Company at a price based on the average share price on the three days prior to the contract invitation date. This scheme is open to all employees subject to Inland Revenue approved limits on total investment.

Exercise of options

There were no share options exercised during the year (2009 nil).

Share options

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

	2010		2009	
	No of share options	Weighted average exercise price (p)	No of share options	Weighted average exercise price (p)
Number of share options at beginning of year	27,048,075	4.1	18,572,407	5.1
Options granted during the year	32,339,881	2.3	9,164,000	1.9
Options lapsed and eliminated	(22,737,212)	0.4	(688,332)	3.8
Balance at end of the year	36,650,744	2.2	27,048,075	4.1

The weighted average fair value per option for options granted during the year was 0.014p (2009 0.03p).

The options outstanding at 30 September 2010 had a weighted average remaining contractual life of 9.1 years (2009 8.1 years).

The number of fully vested, exercisable options at 30 September 2010 was nil (2009 4,377,868), with a weighted average exercise price of nil pence each (2009 7.0p).

Share options at 30 September 2010 are exercisable as follows:

Date of grant	No of share options	Exercise price p	Last date for exercise
12/08/2008	2,487,861	3.00	01/03/2012
11/12/2008	4,950,000	3.00	10/12/2018
08/12/2009	29,212,883	2.59	07/12/2019
	36,650,744		

Details of the share options granted to the Directors are shown in the report of the Remuneration Committee.

Notes to the Company Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2010

The inputs into the Cox Rubenstein binomial model are as follows

	2010	2009
Weighted average share price	£0 023	£0 015
Weighted average exercise price	£0 019	£0 030
Weighted Average expected volatility	8%	16%
Expected life	3 5 years	10 years
Weighted average risk free rate	3 8%	3 6%
Expected dividend yield	0%	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price since floatation against the historical volatility of the AIM – Technology Index. 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 behavioural considerations.

The Group recognised total expenses of £169k (2009 £166k) related to equity settled share based payment transactions.

7 Reserves

	Warrant reserve £'000	Share scheme reserve £'000	Share premium account £'000	Retained loss £'000
At 1 October 2009	76	500	16,165	(7,094)
Loss for the year	-	-	-	(9)
Write off of inter-company loss in Ltd	-	-	-	(2,956)
Issue of new shares	-	-	1,250	-
Expenses incurred re shares issued	-	-	(181)	-
Increase in employee share scheme reserve	-	169	-	-
At 30 September 2010	76	669	17,234	(10,059)

8 Reconciliation of movements in equity shareholders' funds

	2010 £'000	2009 £'000
Loss for the year	(2,965)	(2,980)
Issue of new shares net of expenses	2,069	-
Employee share scheme reserve	169	166
Decrease in shareholders' funds	(727)	(2,814)
Opening shareholders' equity funds	18,436	21,250
Closing shareholders' equity funds	17,709	18,436

9 Post Balance Sheet Events

In December 2010, the Company announced a successful placing to raise £1 375m (before expenses)