SOFTWARE RADIO TECHNOLOGY PLC
("SRT" or the "Group")

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

SRT, the AIM-quoted developer and supplier of maritime identification and tracking technologies, announces its unaudited interim results for the six months ended 30 September 2012.

Results

For the six months ended 30 September 2012, revenue and profit after tax were £3.47 million and £0.15 million respectively. As at 30 September 2012, the Group had cash of £1.55 million and no borrowings. Both profit after tax and cash benefited from the receipt of a R&D tax credit of £0.32 million.

The gross profit margin for the period was 42% due to the unusually high revenue weighting of our lower margin products, coupled with a provision against surplus components used in products which have been replaced by our new ranges. Given that our product margins range from 30% to 80%, there will be variations in our overall margin, but we remain comfortable with our target long term gross profit margin of 50%.

Administrative expenses increased by 21% over the comparable prior period, primarily due to the amortisation of development expenditure as sales of new products commenced.

Stock and work in progress of £3.59 million reflected our build-up of stock to meet expected orders from multiple markets, in particularly the EU Inland Waterway, EU Fisheries, Russian and Asian markets. With a larger product range, more markets and poor demand timing visibility, coupled with an average six month production lead time for all our products due to individual component lead times, we expect our stock and WIP levels will continue to fluctuate significantly going forward.

During the first half we continued to provide Class A units to customers addressing the EU Inland Waterway and the first phase of the EU Fisheries market. The Inland Waterway mandate has a completion deadline of 31 December 2012 and we expect the remainder of the applicable vessels not yet fitted to comply with the regulations either immediately before the deadline or within a few months thereafter when enforced by inspection.

The deadline for the first phase of the EU Fisheries mandate was 31 May 2012 and we saw demand for Class A devices over a period of five months straddling that date. We expect a similar pattern for the next phase which has a deadline of 31 May 2013, resulting in the majority of revenue for this market falling into our next financial year.

We have a significant number of Class A devices in stock and due for delivery and so can react quickly to order flow. However, timescales are not under our, or our customers' control, and the outcome for the full year, both in terms of revenue and overall margin, will be dependent on the timing and rate of orders, particularly in respect of the Inland Waterway mandate.

Products and Markets

During the first six months SRT continued its planned new product development investment programme. Both the 'Search And Rescue Transponder' (SART) and 'Aids To Navigation' (AtoN) products are nearing completion, with SART expected to commence first deliveries in December and AtoN during the first quarter of 2013. In addition to our core product developments we have undertaken various customer-specific modifications to products, such as the integration of GLONASS into our Class A and Class B products for the Russian market, the completion of a number of custom OEM products based on our modules and supporting various customers to integrate our modules into their own target enclosures and products.

SRT now has a global customer base of over 70 customers, purchasing a variety of AIS modules and OEM products. Of these we estimate that 40 are addressing the growing non-mandated 'core' AIS market where owners of commercial and leisure vessels choose to purchase AIS devices without any regulatory requirement. During the first half we continued to work closely with our customers to complete and expand their AIS product offerings and expect this work to continue through the second half. I am pleased to report that we have started to see the benefits of this investment as revenues from our core market customers have grown steadily during the first half. As our customers complete the integration of our new devices into their product portfolios and AIS becomes more mainstream and a standard fit on larger leisure and commercial vessels in years to come, we expect to see continuing and accelerating revenue growth in this segment with regular orders from customers addressing these large and diverse markets.

We have seen maritime domain awareness (MDA) become increasingly important, with AIS being adopted as a critical element of next generation MDA projects worldwide. These projects are in various stages of implementation and range in size from a few to many hundreds of thousands of vessels. In the last few years, we have seen mandates come into effect in Europe, Russia, China and Mexico creating substantial markets that SRT, in partnership with our customers, has begun to address.

In 2011 Russia announced a national commercial mandate and in September this year we commenced the supply of GLONASS enabled Class A and Class B devices to our Russian customer who placed orders totalling $1.6m during the first half. We expect this market to be a significant opportunity for SRT over the next three years.

After a five year gestation period, the AIS mandate in Mexico commenced, resulting in an order worth $3.8m for our Identifier product. Our strategic stock of Identifier components purchased in November 2011, enabled us to manufacture and ship half of the order during the period, and by working with our component suppliers and manufacturing partner, we will ship the balance during December 2012. We understand that up to a further $16m of Identifiers will be required to complete the programme over the next two years.

Over the last six months we have actively supported our customers to conduct a range of demonstrations and trials in Asia, India, Middle East and S. America. These trials are a significant investment for the authorities, SRT and our customers and are often indicative of a project moving towards its implementation phase and therefore the commencement of orders for SRT. Based upon current information we expect to see one or two of these projects entering their implementation phase during our second half and therefore generating some initial small orders, with further increasingly substantial orders to follow.

In September 2012, we commenced the soft launch of our new Aids to Navigation (AtoN) module and product solutions. This is a complex, high value device deployed on buoys and other navigation markers to provide electronic warnings and other environmental information to authorities and mariners. This product range benefits from our latest generation core technology which has resulted in a very small device with an exceptionally low power consumption which is the critical factor for this product. Initial market reaction to our soft launch was very positive. We are now in discussions with a range of potential customers and expect formal contracts to be signed during the second half and first deliveries of product to commence during the first half of the next financial year. We believe that a substantial market exists for this product.

Summary

I am pleased to be reporting solid progress against our long term strategic plan to be a global leader in maritime domain awareness technologies and product solutions. Our next generation product development programme is nearing completion and we have made excellent progress integrating our new products into an expanded customer base, thus positioning SRT to benefit from the growing core markets and the wide number of project opportunities which are now active or pending.

Simon Rogers
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

		Six months ended 30 Sep 2012 Unaudited	Six months ended 30 Sep 2011 Unaudited	Year ended 31 Mar 2012 Audited
			£	£
Revenue		3,476,488	4,659,714	6,171,697
Cost of sales		(2,002,431)	(2,100,848)	(3,029,270)
Gross profit		**1,474,057**	**2,558,866**	**3,142,427**
Administrative expenses		(1,651,594)	(1,369,775)	(2,989,779)
Operating (loss) / profit		(177,537)	1,189,091	152,648
Investment revenues		6,351	12,783	21,995
(Loss)/ profit before income tax		**(171,186)**	**1,201,874**	**174,643**
Income tax credit	2	316,686	-	-
Profit for the period		**145,500**	**1,201,874**	**174,643**
Total comprehensive profit for the period		**145,500**	**1,201,874**	**174,643**
Earnings per share:				
Basic	3	0.13p	1.14p	0.2p
Diluted	3	0.12p	1.10p	0.2p

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2012

	Notes	As at 30 Sep 2012 Unaudited £	As at 30 Sep 2011 Unaudited £	As at 31 Mar 2012 Audited £
Assets				
Non-current assets				
Intangible assets		4,024,381	2,713,081	3,568,959
Property, plant and equipment		155,593	165,492	153,989
Total non-current assets		**4,179,974**	**2,878,573**	**3,722,948**
Current assets				
Inventories		3,585,617	1,256,515	3,495,650
Trade and other receivables		2,312,641	2,680,884	1,536,701
Cash and cash equivalents		1,554,209	2,886,647	646,202
Total current assets		**7,452,467**	**6,824,046**	**5,678,553**
Liabilities				
Current liabilities				
Trade and other payables		(1,535,293)	(1,261,055)	(1,945,163)
Net current assets		**5,917,174**	**5,562,991**	**3,733,390**
Net assets		**10,097,148**	**8,441,564**	**7,456,338**
Shareholders' equity				
Ordinary shares	4	115,750	105,924	106,190
Share premium		2,467,041	17,823,312	8,484
Other reserves	6	5,490,596	5,490,596	5,490,596
Retained earnings		2,023,761	(14,978,268)	1,851,068
Total shareholders' equity		**10,097,148**	**8,441,564**	**7,456,338**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Share Capital	Share Premium	Retained Earnings	Other Reserves	Total
	£	£	£	£	£
Balance at 31 March 2011	**105,864**	**17,819,772**	**(16,225,035)**	**5,490,596**	**7,191,197**
Comprehensive income for the period	-	-	1,201,874	-	1,201,874
Share options exercised	60	3,540	-	-	3,600
Share options to be exercised	-	-	44,893	-	44,893
Balance at 30 September 2011	**105,924**	**17,823,312**	**(14,978,268)**	**5,490,596**	**8,441,564**
Comprehensive loss for the period	-	-	(1,027,231)	-	(1,027,231)
Capital reduction	-	(17,823,312)	17,823,312	-	-
Share options exercised	266	8,484	-	-	8,750
Share options to be exercised	-	-	33,255	-	33,255
Balance at March 31 2012	**106,190**	**8,484**	**1,851,068**	**5,490,596**	**7,456,338**
Comprehensive income for the period	-	-	145,500	-	145,500
Issue of equity share capital	9,500	2,555,500	-	-	2,565,000
Cost of issue of equity share capital	-	(100,615)	-	-	(100,615)
Shares cancelled during the period	(93)	-	-	-	(93)
Share options exercised	153	3,672	-	-	3,825
Share options to be exercised	-	-	27,193	-	27,193
Balance at September 30 2012	**115,750**	**2,467,041**	**2,023,761**	**5,490,596**	**10,097,148**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Notes	Six months ended 30 Sep 2012 Unaudited £	Six months ended 30 Sep 2011 Unaudited £	Year ended 31 Mar 2012 Audited £
Net cash (used in) / generated from operating activities	5	(1,001,135)	870,893	(268,945)
Corporation tax received		316,686	-	-
Net cash (used in) / generated from operating activities		**(684,449)**	**870,893**	**(268,945)**
Investing activities				
Expenditure on product development		(830,966)	(979,662)	(2,063,160)
Purchase of property, plant and equipment		(51,045)	(46,415)	(81,486)
Interest received		6,351	12,783	21,995
Net cash used in investing activities		**(875,660)**	**(1,013,294)**	**(2,122,651)**
Cash outflow before financing		**(1,560,109)**	**(142,401)**	**(2,391,596)**
Financing activities				
Net proceeds from issue of ordinary share capital		2,468,116	3,600	12,350
Net increase / (decrease) in cash and cash equivalents		**908,007**	**(138,801)**	**(2,379,246)**
Cash and cash equivalents at beginning of period		646,202	3,025,448	3,025,448
Cash and cash equivalents at end of period		**1,554,209**	**2,886,647**	**646,202**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Accounting Policies

Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 March 2013.

Non-statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). The statutory accounts for the year ended 31 March 2012 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

The financial information for the 6 months ended 30 September 2012 and 30 September 2011 is unaudited.

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

Accounting policies

The accounting policies in applied by the group are the same as those applied by the Group in the consolidated financial statements for the year ended 31 March 2012.

2. Income tax credit

During the period, the Group received an income tax credit of £316,686 in respect of its Research and Development activities.

3. Earnings per share

The basic earnings per share have been calculated using the profit for the period of £145,500 (six months ended 30 September, 2011 – £1,201,874; year ended 31 March, 2012 £174,643) divided by the weighted average number of ordinary shares in issue of 115,041,340 (six months ended 30 September, 2011, 105,878,479 and year ended 31 March, 2012 – 105,950,771). The diluted earnings per share for the period have been calculated using weighted diluted shares of 117,826,342 (six months ended 30 September, 2011 -109,516,311, year ended 31 March, 2012 109,733,497).

NOTES TO THE INTERIM FINANCIAL STATEMENTS – continued

4. Called up share capital

	30 Sep 2012 Unaudited £	30 Sep 2011 Unaudited £	31 Mar 2012 Audited £
Allotted: (Ordinary shares of 0.1p each):	115,750	105,924	106,190

Share capital reconciliation:	Number
Shares outstanding at 30 September 2011	105,924,107
Exercise of options	266,000
Shares outstanding at 31 March 2012	106,190,107
Placing April 2012	9,500,000
Other exercise of options	153,000
Cancellation of shares	(93,333)
Shares outstanding at 30th September 2012	**115,749,774**

a) The placing in April 2012 took place at 27p per share raising gross proceeds of £2,565,000 before costs of £100,615.

b) The other exercise of options was by employees of the Group at various dates. The exercise price was 2.5p.

c) The Company cancelled 93,333 shares that it had previously issued pursuant to an employee share option plan

5. Cash from operations

	Six months ended 30 Sep 2012 Unaudited £	Six months ended 30 Sep 2011 Unaudited £	Year ended 31 Mar 2012 Audited £
Operating (loss) / profit	**(177,537)**	**1,189,091**	**152,648**
Depreciation of property, plant and equipment	49,442	40,540	87,114
Amortisation of intangible fixed assets	375,544	166,053	434,813
Share-based payment charge	27,193	44,893	78,148
(Increase) / decrease in inventories	(89,967)	654,303	(1,584,832)
(Increase) / decrease in trade and other receivables	(775,940)	(942,058)	202,125
(Decrease) / increase in trade and other liabilities	(409,870)	(281,929)	361,039
Net cash (used in) / generated from operations	**(1,001,135)**	**870,893**	**(268,945)**

NOTES TO THE INTERIM FINANCIAL STATEMENTS – continued

6. Statement of movement in shareholders’ equity

Other reserves consist of: Capital Redemption Reserve £2,857 (2011: £2,857), Warrants Reserve £62,400 (2011: £62,400) and Merger Reserve £5,425,339 (2011: £5,425,339). There were no movements during the period.

On December 14, 2011, the Court approved the Company’s application for the cancellation of its share premium account, resulting in a transfer of £17,823,312 from this account to its retained earnings. This will enable it to make distributions to shareholders in the future.