

Sarantel Group PLC
Financial statements
For the year ended 30 September 2011

Company Registration No 05299925



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 N Malyon J Uttley P David
Secretary	N Malyon
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

Overall, 2011 was a challenging year for Sarantel, owing to the impact of issues faced by some of the Group's major customers. Nevertheless, the Group was able to secure a number of significant supply agreements throughout the year and these are expected to bear fruit during 2012 and beyond.

Sarantel experienced a significant set-back during the first half of the year when its largest customer failed to place orders due to a technical problem unrelated to Sarantel's technology. A major defence customer then delayed production orders for a different custom antenna product. This resulted in a contraction in revenues to £2.2m (2010: £2.9m). At this stage in the Group's development it relies heavily on revenues from a relatively small number of customers which makes it vulnerable to these types of events. Because it is very difficult to predict the exact timing and quantum of future revenues the Group, as a matter of policy, does not currently provide specific market guidance on prospective annual financial results. Despite these set-backs the Group's technology continued to build momentum in the military market with a number of major new contracts. Customer funded product development revenues, an indication of future revenues, increased significantly by 141%.

Operating loss before depreciation and amortisation increased by 23% to £2.27m (2010: £1.85m). Net cash outflow before financing was £2.3m (2010: £2.2m).

On 8 February 2012, Sarantel announced the receipt of a very substantial order from a leading military radio manufacturer for a range of different Sarantel antenna products, which forms part of a multi-year supply contract. This is the largest order received to date and will have a significant impact on the Group's revenues and cashflow for 2012. To enable Sarantel to service this order and give the Group sufficient working capital facilities for the immediate future Sarantel has agreed a £2m secured loan facility with HSBC Bank plc.

Sarantel also secured a number of very significant deals in the military market during 2011. Each of these deals is the result of years of effort and they will make a significant contribution to the Group's revenues in 2012 and beyond. Momentum in the military market is continuing to build as the Group develops relationships with an increasing number of customers.

During the year the Group received development funding from a major US defence contractor and from the US Government to develop high performance GPS antennas as well as compact, high performance antennas for the Globalstar network. This has helped Sarantel expand the reach of its technology and establish key partnerships which it intends to leverage to increase future sales.

Trends in the consumer GPS markets continue to indicate that improved GPS performance will be needed across a wide range of applications that will require a higher degree of reliability and accuracy than is possible with conventional antenna technologies. In consumer products, the GPS antenna is a critical component in determining the device performance and user experience.

The backdrop of growing markets, driven by an increasing use of location and navigation in everyday life, is accelerating. These market trends mean that Sarantel's opportunities will continue to increase. The Board remains confident that Sarantel's innovative technology has a bright future as users demand ever-higher performance from navigation and other mobile devices.

Chief Executive's Statement

Financial Review

Whilst 2011 was challenging for Sarantel, the Group secured a number of significant supply contracts throughout the year and recently announced the receipt of its largest ever order from a leading military radio manufacturer. With support from a major customer and the Group's Bank, Sarantel has been able to obtain a low rate, interest only £2m secured loan facility to provide additional working capital.

The set-back in sales for 2011 was due to very specific customer related issues and is not indicative of a loss of sales traction in the market. These issues were contained to the first half of the year and during the second half the business recovered.

During the year Sarantel also developed a number of new antennas after receiving funding from customers. These developments include a high performance GPS antenna which was funded by the US Military, and two different compact, high performance Globalstar antennas, which were funded by major US defence contractors, increasing development revenues by 141%.

Total operating costs reduced by 12% as a result of efficiencies and cost reductions related to the outsourcing of part of the manufacturing process. Research and development costs increased by 0.8% as new antennas are developed for the military markets. Sales and distribution costs rose by 19% as the sales and marketing efforts in Japan were strengthened.

The operating loss before depreciation and amortisation increased to £2.27m (2010: £1.85m), due to the fall in revenues and gross margins.

The Group's loss per share reduced to 0.6p (2010: 1.0p).

Cash utilisation

Net cash outflow from operating activities increased by 8.7% to £1.9m (2010: £1.8m). This number has remained relatively flat despite the contraction in sales, due to the cost reductions achieved by outsourcing a significant part of the production process.

Net cash outflow before financing was £2.3m (2010: £2.2m). On 30 December 2010 Sarantel successfully closed a placing to raise £1.375m before expenses and on 1 July 2011 a further placing was closed, raising £2.148m before expenses. The proceeds of both placings were used to fund working capital needs, product design and innovation in line with the increasing pace of activity in the Group's core GPS markets.

Sarantel sales are in US dollars whilst most of the costs are in Sterling. The dollar fluctuated favourably during the year and resulted in a net currency gain of £0.008m to Group revenue.

Review of operations and markets

The broader GPS market remains very dynamic and continues to grow at a rapid pace as GPS technology is incorporated into an ever increasing number of applications. This broader market trend creates a number of new opportunities for Sarantel as more of these applications require small, high performance antenna solutions. Sarantel, through its distribution partners, continues to track a large number of active sales opportunities across a wide variety of applications. During the year Sarantel sold its GPS antenna products to more than 400 different customers.

Military market

Despite headlines about cuts in defence spending, the market for military electronics, which includes communications equipment, is projected to grow. The US Military is beginning a major roll out of new radio technologies to help soldiers communicate more effectively in conflict situations. This trend is also occurring in Europe and across the world.

Sarantel's GPS antenna technology has a very significant share of this market with leading military radio manufacturers relying on Sarantel's technology. This is a great endorsement of Sarantel's technology and the series of production orders announced recently and throughout 2011 will have a substantial impact on revenues in 2012 and beyond.

During the year, Sarantel developed a number of new antennas for this market. These antennas were funded by customers and will help Sarantel to maintain sales momentum and continue developing the necessary relationships and products to support this exciting market.

Mobile Satellite Services ("MSS")

The Mobile Satellite Services market remains an important part of Sarantel's diversification strategy. In satellite telephony or satellite tracking, antenna quality is the key determinant to quality of service and therefore customer satisfaction.

During the year, sales of Sarantel's second-generation Iridium antenna to NAL Research Corporation (NAL) accelerated while it added a number of new customers for this innovative product. Additionally, Sarantel received funding from two different US defence contractors for two different variants of a Globalstar antenna. In all cases Sarantel is free to sell these products to the broader market and anticipates that these products will help to further expand its customer base and future revenues.

Consumer GPS

Sarantel continues to believe that there is an enormous opportunity for its technology in a number of high volume consumer markets. During the year the Group invested a significant amount of sales and engineering resources into the Japanese camera market. Every major camera manufacturer is integrating GPS into cameras for 'geotagging' applications. The market trend to geotag photographs and share them on social networking sites such as Facebook is accelerating.

In October 2011 Sarantel was able to demonstrate the superiority of its technology to a major camera manufacturer in a series of field trials conducted in Tokyo. In these trials, Sarantel demonstrated clear advantages in a number of key performance metrics. This was a key milestone in developing a high volume consumer market for Sarantel's technology. If a demand for significant volumes is generated, this would enable the Group to dramatically reduce the cost of its technology, thus opening up much broader market opportunities in the future.

Research and development

Sarantel continues to develop its antenna technology by investing in research and development. During the year, research and development spend increased by 0.8% and a number of new patents were filed. A key focus is on developing multi-band variants of the Group's technology as well as reducing the cost and complexity of the antenna assembly process. These developments will help Sarantel to maintain its market leading advantage.

Manufacturing

The successful transfer of 'back-end' assembly processes has helped the Group to realise significant cost savings whilst dramatically simplifying the complexity of its operations. The Group's partnership with Elcoteq Tallinn has continued as normal despite the disruption encountered by Elcoteq's parent company following the announcement it had filed for bankruptcy. Since that announcement Elcoteq Tallinn has been acquired by Eolane, a French sub-contractor, as a going concern.

Sarantel maintained its core development engineering team which is now focused on improving the internal manufacturing process. A next generation assembly process is also being developed which promises to reduce further the cost and complexity of producing the technology in the future as well as reducing the complexity of integrating the Group's technology.

Summary and Outlook

Sarantel's technology has gained significant traction in the military market place and the Group is confident that it will maintain that momentum in this rapidly growing market as it develops new products and key customer relationships. There are also a large number of encouraging new opportunities in the broader GPS market and, having secured the £2m secured loan facility to provide additional working capital with support from a major customer and the Group's Bank, the outlook for Sarantel's technology remains very positive.

Directors

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 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.

4. Nicola Malyon

Chief Financial Officer – appointed 26 April 2011

Nicola joined Sarantel in March 2009 as Group Financial Controller and was appointed to the Board as CFO in April 2011. She has over 20 years' experience of working in both private practice and industry, and has adapted to a wide range of industry sectors including PCB manufacture, printing and publishing, private health and modular buildings.

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. Philip David *#

Non-executive Director

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 Group 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 provisions of the UK Corporate Governance Code 2010 ("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 three Executive Directors and three Non-Executive Directors, one of whom is the Chairman. The Board believes that the current composition of the Board is suitable for the size of the Company and benefits from the diversity of gender and background. Information about the members of the Board, and the roles of each Director are given in the biographical details of the Directors on page 8.

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 strategic aims, financial information, risk management, 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 or the Chief Financial Officer in attendance. The Audit Committee assists the Board in the discharge of its duties concerning the announcement of results, the Annual Report and Accounts, monitoring independence of Auditors and policy on non-audit services and the maintenance and review of 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.

Financial and Business Reporting

The Board presents a balanced and understandable assessment of the Company's position and prospects in all interim and price-sensitive reports and reports to Regulators, as well as in the information required to be presented by statute.

The Company's business model is to continue developing and producing high performance antennas and targeting key markets in order to trade through to profitability. The Group's strategy to achieving these objectives is to develop customer specific products that results in a wider commercial application in order to generate volume and drive down costs.

Corporate Governance Report

Internal Control and Risk Management

The Board is responsible for the system of internal control and reviews its effectiveness on a regular basis. 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.

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 Chief Financial Officer 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. Options granted under this plan have been granted on either (i) a time-vesting basis, with half of the options becoming exercisable immediately and half within a year of the grant date, or (ii) achieving certain financial performance targets.
- The Sarantel SAYE scheme was launched in July 2008 and Executive Directors are eligible to participate in the Scheme. The scheme reached its maturity date on 1 September 2011.

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	1 October 2010	Granted	Lapsed/ Surrendered	30 September 2011	Exercise Price (p)	Expiry Date
Geoff Shingles	2009 Unapproved	3,105,263		(3,105,263)	-	2 59	07/12/2019
Geoff Shingles	2009 Unapproved		465,789		465,789	1 10	29/03/2021
Geoff Shingles	2009 Unapproved		7,105,263		7,105,263	0 55	06/07/2021
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
David Wither	LTIP 2011		2,500,000		2,500,000	1 00	29/03/2021
David Wither	2009 Unapproved		1,028,233		1,028,233	0 55	06/07/2021
David Wither	2009 EMI		21,727,273		21,727,273	0 55	06/07/2021
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			795,851	1 00	08/12/2019
Oliver Leisten	LTIP 2011		1,500,000		1,500,000	1 00	29/03/2021
Oliver Leisten	2009 EMI		15,656,399		15,656,399	0 55	06/07/2021
Nicola Malyon	2009 EMI	300,000		(300,000)	-	2 59	07/12/2019
Nicola Malyon	2009 EMI		1,000,000		1,000,000	1 10	29/03/2021
Nicola Malyon	2009 EMI		1,500,000		1,500,000	0 55	06/07/2021
Total		24,599,332	52,482,957	(14,353,481)	62,728,808		

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	20/06/2006	Indefinite	3 months
John Uttley	07/06/2005	Indefinite	3 months
Philip David	29/06/2010	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	2011 £'000	2010 £'000
Executive Directors						
David Wither	161	20	181	17	198	195
Oliver Leisten	94	9	103	5	108	108
Nicola Malyon *	30	4	34	-	34	-
Non-executive Directors						
Geoff Shingles	30	-	30	-	30	30
John Uttley	15	-	15	-	15	15
Philip David	15	-	15	-	15	2
Ernie Richardson **	1	-	1	-	1	10
Total	346	33	379	22	401	360

* From 26 April 2011

** Until 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 2011

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 19 to 44. The Directors do not recommend the payment of a dividend (2010: £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 continues to maintain its portfolio of Intellectual Property to ensure that its unique design and improved performance, which gives Sarantel a market advantage, is protected.

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 £1.27m in the year (2010: £1.26m). Resources were allocated to develop new products and improve manufacturing processes in association with its new outsourcing partner 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

On 8 February 2012 the Group announced it had received a substantial order from a leading military radio manufacturer which forms part of a multi-year supply contract. To enable Sarantel to service this order a £2m secured loan facility with HSBC Bank plc to provide additional working capital was approved by the board on 1 March 2012.

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	164,474,359	19.8%
Hawk Investment Holdings	80,100,000	9.7%
Hargreave Hale Ltd	43,335,000	5.2%
Foresight Group	39,114,847	4.7%
MTI Nominees Limited	33,640,646	4.1%
A Mortazavi	32,500,000	3.9%
M Hennigan	31,500,000	3.8%

Report of the Directors

Directors' Shareholdings

The Directors' shareholdings in the Company as at the date of this report was as follows

	Number of Ordinary Shares	Holding %
Philip David	20,944,742	2.52%
Geoff Shingles	5,292,132	0.64%
David Wither	4,600,079	0.55%
John Uttley	2,661,876	0.32%
Nicola Malyon	880,000	0.11%
Oliver Leisten	342,692	0.04%

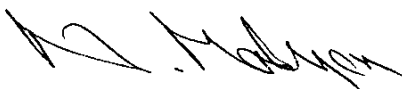
Payment Policy

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 2011, the trade creditors of the Company and of the Group represented 61 days of purchases (2010: 61 days).

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



Nicola Malyon
Secretary

1 March 2012

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 2011 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 notes to the consolidated financial statements, the company balance sheet and the notes to the company financial statements. 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 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 2011 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

1 March 2012

Consolidated Statement of Comprehensive Income for the year ended 30 September 2011

	Note	2011 £'000	2010 £'000
Revenue	7	2,195	2,889
Cost of sales		1,704	1,840
Gross profit		491	1,049
Research and development costs		1,268	1,258
Selling and distribution costs		625	527
Administration costs		1,592	2,163
Total operating costs		3,485	3,948
Operating loss	5	(2,994)	(2,899)
<i>Operating loss before depreciation and amortisation</i>		<i>(2,273)</i>	<i>(1,854)</i>
<i>Depreciation and amortisation</i>	<i>13, 14</i>	<i>(721)</i>	<i>(1,045)</i>
Finance and other income	8	5	12
Finance and other costs	9	(24)	(78)
Loss before tax		(3,013)	(2,965)
Tax	10	160	227
Loss for the year		(2,853)	(2,738)
Other comprehensive income		-	-
Total comprehensive loss for the period		(2,853)	(2,738)
Basic and diluted loss per share	12	(0.6)p	(1.0)p

All the activities of the Group are classed as continuing

Consolidated Balance Sheet

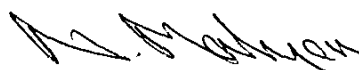
as at 30 September 2011

	Note	2011 £'000	2010 £'000
Assets			
Non-current			
Intangible assets	13	1,623	1,601
Property, plant and equipment	14	288	677
Total non-current assets		1,911	2,278
Current			
Inventories	16	346	308
Trade and other receivables	17	684	821
Current tax	18	154	160
Cash and cash equivalents	19	1,197	629
Total current assets		2,381	1,918
Total assets		4,292	4,196
Current liabilities			
Trade and other payables	20	832	831
Amounts due under finance leases and HP agreements	21	13	211
Amounts due under invoice financing facility	22	253	299
Total current liabilities		1,098	1,341
Non-current liabilities			
Amounts due under finance lease and HP agreements	21	-	134
Other payables	20	3	-
Total liabilities		1,101	1,475
Equity			
Share capital	26	11,318	9,789
Share premium	27	18,969	17,234
Share scheme reserve	27	728	669
Warrant reserve	27	76	76
Merger reserve	27	13,390	13,390
Retained loss	27	(41,290)	(38,437)
Total equity		3,191	2,721
Total liabilities and equity		4,292	4,196

The financial statements were approved by the Board of Directors and authorised for issue on 1 March 2012
They were signed on its behalf by



David Wither
Director



Nicola Malyon
Director

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

Consolidated Statement of Changes in Equity for the year ended 30 September 2011

	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 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
At 1 October 2010	9,789	17,234	669	76	13,390	(38,437)	2,721
Loss after tax	-	-	-	-	-	(2,853)	(2,853)
Total comprehensive income for year	-	-	-	-	-	(2,853)	(2,853)
Share based payments	-	-	59	-	-	-	59
Share issued	1,529	1,993	-	-	-	-	3,522
Cost of share issue	-	(258)	-	-	-	-	(258)
Transactions with owners	1,529	1,735	59	-	-	-	3,323
At 30 September 2011	11,318	18,969	728	76	13,390	(41,290)	3,191

Consolidated Cash Flow Statement for the year ended 30 September 2011

	Note	2011 £'000	2010 £'000
Operating activities			
Loss before tax		(3,013)	(2,965)
Adjustments for non-cash items			
Depreciation and amortisation		644	970
Depreciation absorbed to cost of sales		77	75
Investment revenue		(5)	(12)
Finance lease interest		32	54
Share based payment		59	169
(Increase) in inventories		(39)	(83)
Decrease/increase in trade and other receivables		138	(365)
(Decrease)/increase in trade and other payables		(2)	108
Taxation received		166	262
Net cash outflow from operating activities		(1,943)	(1,787)
Investing activities			
Interest received and similar income		5	12
Payments to acquire intangible assets		(253)	(339)
Payments to acquire property, plant and equipment		(101)	(125)
Net cash used in investing activities		(349)	(452)
Cash outflow before financing		(2,292)	(2,239)
Financing activities			
Finance lease interest paid		(32)	(54)
Loans received		7	-
Issue of shares		3,522	2,250
Expenses paid in connection with issue of shares		(258)	(181)
Capital element of finance lease rentals		(333)	(185)
Net cash inflow from financing activities		2,906	1,830
Net increase/(decrease) in cash and cash equivalents		614	(409)
Cash and cash equivalents at start of period		330	739
Cash and cash equivalents at end of period	19	944	330

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 2011

1 General information

Sarantel Group PLC ("the Company") is a public limited company incorporated in the United Kingdom under the Companies Act 2006. 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 2010.

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 October 2010 are:

- IFRS 9 Financial Instruments (effective 1 January 2015) *
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013) *
- IFRS 11 Joint Arrangements (effective 1 January 2013) *
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013) *
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013) *
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013) *
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013) *
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Improvements to IFRS issued May 2010 (Note: some changes are effective 1 July 2010, though not yet EU-adopted, 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) *
- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012) *
- Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014) *
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015) *

*As of 30 September 2011, these standards and interpretations are in issue but not yet adopted by the EU.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Going concern

The directors have prepared a business plan which forms 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 and includes the recently announced order from a leading military radio manufacturer, which the directors believe to be the best estimate of the Group's future activities. Whilst the achievement of sales has been a key uncertainty as sales to date have been slower than expected, the directors are confident that together with this order 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 further funding is required to fulfil this substantial order and the Group has secured a loan facility for this purpose.

Following the Group's successful fundraising in December 2010 and July 2011, which raised £3 523m (before expenses), the directors continue to ensure that cost reductions are maintained and the Group is able to continue to operate for at least the next twelve months from the date of approval of the financial statements. At 30 September 2011 the Group had gross cash balances of £1.2m, and in March 2012 announced that it had agreed a £2m secured loan facility with HSBC Bank PLC which, along with the Group's largest order to date, will give the necessary finance and sales pipeline for the Group to reach profitability.

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 are not 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 2011. 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, comprising customer funded product developments and application engineering services, is recognised on acceptance by the customer and the amount of revenue and associated costs can be reliably measured.

Revenue from the sale of consumables, which included the component parts required to assemble the 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 equipment	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 2011

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 assets which are the subject of finance leases are dealt with in the financial statements as property, plant and equipment 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.

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

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 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 other comprehensive income or equity in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 the statement of comprehensive income.

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 statement of comprehensive income 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 to subscribe for A Ordinary Shares in Sarantel Group PLC which are valid for an agreed term.

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 Black Scholes 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 the statement of comprehensive income 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 the statement of comprehensive income over the remaining vesting period.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 the statement of comprehensive income.

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 the statement of comprehensive income, 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.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 2012 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 2011

5 Operating loss

Operating loss is stated after charging

	2011 £'000	2010 £'000
Amortisation of intangible assets	231	215
Depreciation of property, plant and equipment	490	830
- of which, depreciation included in cost of sales	77	75
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of these financial statements	21	14
Fees payable to the Company's auditor and its associates for other services		
Audit of the financial statements of subsidiaries pursuant to legislation	15	13
Other services relating to taxation	5	6
All other services	7	7
	48	40
Operating lease rentals – land and buildings	135	135

6 Directors and employees

Average number of persons employed (including Directors)

	Group	
Average no of people employed	2011 No.	2010 No.
Non-executive directors	2	1
Management	1	1
Technical	9	9
Finance and administration	4	5
Sales and marketing	3	3
Operations	23	31
Total	42	50

Staff costs (including Directors)

	Group	
Staff costs (including directors)	2011 £'000	2010 £'000
Wages and salaries	1,701	1,827
Social security costs	154	186
Pension costs	38	37
Share based payments	59	169
	1,952	2,219

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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

	Group	
	2011	2010
	£'000	£'000
Short-term employee benefits	362	414
Other long-term benefits	22	22
Share based payments	40	155
Payment to third parties for directors' services	61	57
	485	648

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

	2011	2010
	£'000	£'000
Emoluments	181	178
Pension contributions to money purchase pension scheme	17	17
Share based payments	25	77
	223	272

During the year no Director (2010 nil) exercised any share options and 4 Directors (2010 3) were entitled to receive share options

During the year 2 Directors (2010 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

	2011	2010
	£'000	£'000
Sales of antennas	1,702	2,739
Sale of consumables	107	-
Sale of Non-Recurring Engineering services (NRE)	386	150
Total revenue	2,195	2,889

All revenue originates from the UK

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

The Group had 1 customer during the year (2010: 4) with sales of more than 10% of revenues

	2011 £'000	2010 £'000
Sales of antennas	-	468
Sales of antennas	-	391
Sales of antennas	-	362
Sales of antennas	430	304

8 Finance and other income

	2011 £'000	2010 £'000
Investment Revenue		
Interest receivable	5	12
Total finance and other income	5	12

9 Finance and other costs

	2011 £'000	2010 £'000
Finance costs		
Finance lease and hire purchase interest	32	54
Foreign exchange losses	(8)	24
Total finance costs	24	78

10. Tax

	2011 £'000	2010 £'000
UK corporation tax based on the results for the year at 28% (2010: 21%)	154	160
Adjustment in respect of prior year	6	67
Total tax credit	160	227

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 2011

The standard rate of tax for the year based on the UK standard rate of corporation tax is 20% (2010 21%) The actual tax credit for the year differs from the standard rate for the reasons set out in the following reconciliation

	2011 £'000	2010 £'000
Loss before tax	(3,013)	(2,965)
multiplied by rate of tax	20%	21%
Loss multiplied by rate of tax	(603)	(623)
Expenses not deductible for tax	152	184
Depreciation in excess of capital allowances	96	171
Other temporary differences	(15)	1
Tax losses carried forward	370	267
R&D tax credit	(154)	(160)
Adjustment in respect of prior year	(6)	(67)
Total tax	(160)	(227)

Tax losses available, subject to agreement with HM Revenue and Customs, to offset future taxable trading income amount to approximately £24 1m (2010 £22 2m)

A deferred tax asset, calculated using a tax rate of 26% (2010 28%), amounting to approximately £8 3m (2010 £8 2m) 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 profit and loss account in these financial statements The Parent Company's loss for the year was £3,013k (2010 loss £2,965k)

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

	2011 £'000	2010 £'000
Loss for the financial year	(2,853)	(2,738)
Weighted average number of shares	483,558,852	273,676,057
Basic and diluted loss per share*	(0 6)p	(1 0)p

* The effect of options and warrants are anti-dilutive

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

13 Intangible assets

The Group	Patents £'000	Development costs £'000	Total £'000
Cost			
At 1 October 2009	2,166	21	2,187
Additions	339	-	339
At 1 October 2010	2,505	21	2,526
Additions	253	-	253
At 30 September 2011	2,758	21	2,779
Amortisation			
At 1 October 2009	700	10	710
Charge for the year	204	11	215
At 1 October 2010	904	21	925
Charge for the year	231	-	231
At 30 September 2011	1,135	21	1,156
Carrying amount			
At 30 September 2011	1,623	-	1,623
At 30 September 2010	1,601	-	1,601

The amortisation charge for both Patents and Development costs for the year has been included in Research and development costs in the statement of comprehensive income

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 2011

14 Property, plant and equipment

The Group

	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 October 2009	197	9,640	9,837
Additions	-	125	125
Disposals	-	(3)	(3)
At 1 October 2010	197	9,762	9,959
Additions	-	101	101
Disposals	-	(6)	(6)
At 30 September 2011	197	9,857	10,054
Depreciation			
At 1 October 2009	146	8,309	8,455
Charge for the year	19	811	830
Disposals	-	(3)	(3)
At 1 October 2010	165	9,117	9,282
Charge for the year	20	470	490
Disposals	-	(6)	(6)
At 30 September 2011	185	9,581	9,766
Carrying amount			
At 30 September 2011	12	276	288
At 30 September 2010	32	645	677

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 (2010 Nil)

Plant and equipment with a net book value of £94k (2010 £555k) are held under finance leases and hire purchase agreements

Capital commitments

	2011 £'000	2010 £'000
Amounts contracted for but not provided in the financial statements	43	54

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

15 Investments

At 30 September 2011, 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

	2011 £'000	2010 £'000
Raw materials	205	237
Work in progress	23	29
Finished goods	118	42
	346	308

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £850k (2010 £864k) The write-down of inventories recognised as an expense during the year amounted to £11k (2010 £1k) There was no reversal of any write-down recognised as a reduction in the amount of inventories recognised as an expense

17 Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	442	554
Other receivables	114	121
Prepayments and accrued income	128	146
	684	821

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 £41k for impairment of receivables (2010 £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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Reconciliation of bad debt provision

	2011 £'000	2010 £'000
Opening provision	90	90
Provision made in year	29	-
Release of opening provision	(78)	-
Closing provision	41	90

Trade receivables that are less than three months old are not considered impaired. As at 30 September 2011, trade receivables of £29k were past due but not considered impaired (2010 £11k). 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 59 days (2010 43 days). The Group does not hold any collateral over these balances.

18 Current tax

	2011 £'000	2010 £'000
Corporation tax recoverable	154	160

19 Cash and cash equivalents

	Group 2011 £'000	2010 £'000
Cash and cash equivalents	1,197	629

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 2011 £'000	2010 £'000
Cash and cash equivalents	1,197	629
Amounts due under invoice financing facility (see Note 22)	(253)	(299)
	944	330

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

20. Trade and other payables

	Group	
	2011	2010
	£'000	£'000
Current liabilities		
Trade payables	406	486
Other payables	15	17
Other taxation and social security	46	52
Accruals and deferred income	365	276
	832	831

The average creditors period during the year was 61 days (2010 61 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 £147k (2010 £101k) of an undrawn invoice financing facility The Group's assets are pledged as security for this facility

	Group	
	2011	2010
	£'000	£'000
Non-current liabilities		
Other payables	3	-

Included within other payables is an interest free loan from the Carbon Trust totalling £5k (2010 Nil) This is divided £2k due within one year and £3k due in more than one year

21. Amounts due under finance leases and hire purchase agreements

Amounts are repayable as follows

	2011	2010
	£'000	£'000
Within one year	13	211
After one year and within two years	-	134
After two years and within five years	-	-
	13	345

Finance lease liabilities

Finance lease liabilities	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Within one year	14	239	13	211
After one year and within two years	-	139	-	134
After two years and within five years	-	-	-	-
	14	378	13	345

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

	2011 £'000	2010 £'000
Reconciliation		
Total Minimum lease payments	14	378
Less future finance charges	(1)	(33)
Present Value of minimum lease payments	13	345

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	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Total	253	299	-	-

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.

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:

	2011 £'000	2010 £'000
Land and buildings		
Within one year	105	110
After one year and within five years	263	368
	368	478

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:

	2011 £'000	2010 £'000
Financial assets		
Loans and receivables		
Trade and other receivables	507	627
Cash and cash equivalents	1,197	629
	1,704	1,256

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Non financial assets		
Prepayments	128	146
VAT recoverable	49	48
Corporation tax recoverable	154	160
	331	354
	2,035	1,610
	2011	2010
	£'000	£'000
Financial liabilities		
Borrowings and other financial liabilities at amortised cost		
Trade and other payables	423	498
Accruals and deferred income	365	276
Amounts due under invoice financing facility	253	299
	1,041	1,073
Non financial liabilities		
Other taxation and Social security	46	52
Amounts due under finance leases & hire purchase agreements	13	345
	59	397
	1,100	1,470

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

Capital risk management

The Group manages its cash and cash equivalents to ensure that entities in the Group will be able to continue as a going concern 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 £400k for year ended 30 September 2011 (2010: £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 (2010: nil).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

	2011 £'000	2010 £'000
Trade receivables and cash and cash equivalents denominated in US Dollars	656	1,004
Sensitivity analysis +10% improvement in US\$ exchange rate	73	112
Sensitivity analysis -10% deterioration in US\$ exchange rate	(60)	(91)

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

	2011 £'000	2010 £'000
Trade receivables (net of provisions)	442	554
Cash and cash equivalents	1,197	629

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.

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 finance lease 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

Non Executive Director, Ernie Richardson, invoiced his fees through Eastwood Langley Limited ("ELL"). During the year, the total amount payable to ELL was £1k (2010: £10k). Ernie Richardson stepped down from office on 8 October 2010 with no amounts outstanding at 30 September 2011 (2010: £5k).

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 (2010: £30k) and the amount outstanding at 30 September 2011 was £6k (2010: £3k).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

26 Share capital

Allotted, called-up and fully paid

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

Allotted, called-up and fully paid

	2011	
	Number	£'000
A ordinary shares of £0.001 each	829,439,991	829
B ordinary shares of £0.001 each	1,036,340	1
Deferred shares of £0.001 each	10,487,624,769	10,488
	11,318,101,100	11,318

During the year the company issued 110,000,000 A ordinary shares at a price of 1.25 pence per share and 429,540,000 A ordinary shares at a price of 0.5 pence per share

A capital re-structure took place in June 2011, reducing the nominal value of all classes of shares as follows

- (a) each of the issued A Ordinary Shares of 1p were subdivided and redesignated into one New A Ordinary Share of 0.1p and nine New Deferred Shares of 0.1p,
- (b) each of the issued B Ordinary Shares of 1p were subdivided and redesignated into one New B Ordinary Share of 0.1p and nine New Deferred Shares of 0.1p, and
- (c) each of the issued Deferred Shares of 9p were subdivided and redesignated into ninety New Deferred Shares of 0.1p

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.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Warrants

On 14 June 2011, warrants to subscribe for 5,000,000 A Ordinary Shares were granted to Darwin Strategic Ltd in consideration of an Equity Financing facility. These warrants are exercisable at a subscription price of 1 pence at any time up to three years from date of grant.

The inputs into the Black Scholes model are as follows

	2011	2010
Weighted average share price	0.7p	-
Weighted average exercise price	0.6p	-
Weighted Average expected volatility	10%	-
Expected life	3 years	-
Weighted average risk free rate	3.0%	-
Expected dividend yield	0%	-

On 28 April 2008, warrants to subscribe for 1,776,029 A 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 (2010: nil)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Share options

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

	2011		2010	
	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	36,650,744	2.2	27,048,075	4.1
Options granted during the year	73,420,084	0.7	32,339,881	2.3
Options lapsed and surrendered	(24,355,698)	2.6	(22,737,212)	0.4
Balance at end of the year	85,715,130	0.8	36,650,744	2.2

The weighted average fair value per option for options granted during the year was 0.006p (2010 0.014p)

The options outstanding at 30 September 2011 had a weighted average remaining contractual life of 9.2 years (2010 9.1 years)

The number of fully vested, exercisable options at 30 September 2011 was nil (2010 nil), with a weighted average exercise price of nil pence each (2010 nil pence)

Share options at 30 September 2011 are exercisable as follows

Date of grant	No of share options	Exercise price (p)	Last date for exercise
12/08/2008	2,049,195	3.00	01/03/2012
11/12/2008	4,950,000	1.00	10/12/2018
08/12/2009	5,295,851	1.00	07/12/2019
29/03/2011	12,039,468	1.10	29/03/2021
29/03/2011	4,000,000	1.00	29/03/2021
06/07/2011	54,230,616	0.55	06/07/2021
25/08/2011	3,150,000	0.53	25/08/2021
	85,715,130		

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

The inputs into the Black Scholes model are as follows

	2011	2010
Weighted average share price	0.7p	2.3p
Weighted average exercise price	0.6p	1.9p
Weighted Average expected volatility	10%	8%
Expected life	10 years	3.5 years
Weighted average risk free rate	3.0%	3.8%
Expected dividend yield	0%	0%

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 £59k (2010: £169k) related to equity settled share based payment transactions.

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 2010	669	76	13,390	14,135	17,234	(38,437)
Loss for the year	-	-	-	-	-	(2,853)
Issue of new shares	-	-	-	-	1,993	-
Cost of share issue	-	-	-	-	(258)	-
Increase in employee share scheme reserve	59	-	-	59	-	-
At 30 September 2011	728	76	13,390	14,193	18,969	(41,290)

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

On 8 February 2012 the Group announced it had received a substantial order from a leading military radio manufacturer which forms part of a multi-year supply contract. To enable Sarantel to service this order a £2m secured loan facility with HSBC Bank plc to provide additional working capital was approved by the board on 1 March 2012.

Company Balance Sheet

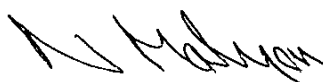
AS AT 30 SEPTEMBER 2011

	Note	2011 £'000	2010 £'000
Assets			
Investment in subsidiary undertaking	3	3,809	3,750
Current assets			
Debtors – due after more than one year	4	13,708	13,722
Cash at bank		506	240
Total current assets		14,214	13,962
Current liabilities			
Creditors	5	(4)	(3)
Net current assets		14,210	13,959
Net assets		18,019	17,709
Capital and reserves			
Share capital	6	11,318	9,789
Share premium	7	18,969	17,234
Share scheme reserve	7	728	669
Warrant reserve	7	76	76
Retained losses	7	(13,072)	(10,059)
Equity shareholders' funds	8	18,019	17,709

The financial statements were approved by the Board of Directors and signed on 1 March 2012. They were signed on its behalf by



David Wither
Director



Nicola Malyon
Director

Company Registration No 05299925

Notes to the Company Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 £3,013k (2010 loss £2,965k).

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.

The Company has also issued warrants to subscribe for A Ordinary Shares in Sarantel Group PLC which are valid for an agreed term.

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 (2010: 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 2011

3 Investments

At 30 September 2011, 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

	2011 £'000	2010 £'000
Cost and net book amount		
At 1 October 2010	3,750	3,581
Increase in share scheme reserve	59	169
At 30 September 2011	3,809	3,750

4 Debtors

	2011 £'000	2010 £'000
Amounts owed by group undertakings	13,708	13,722

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 2011

6. Share capital

Allotted, called-up and fully paid

	2010	
	Number	£'000
A ordinary shares of £0 01 each	289,899,991	2,899
B ordinary shares of £0 01 each	1,036,340	11
Deferred shares of £0 09 each	76,435,531	6,879
	367,371,862	9,789

Allotted, called-up and fully paid

	2011	
	Number	£'000
A ordinary shares of £0 001 each	829,439,991	829
B ordinary shares of £0 001 each	1,036,340	1
Deferred shares of £0 001 each	10,487,624,769	10,488
	11,318,101,100	11,318

During the year the Company issued 110,000,000 A ordinary shares at a price of 1 25 pence per share and 429,540,000 A ordinary shares at a price of 0 5 pence per share

A capital re-structure took place in June 2011, reducing the nominal value of all classes of shares as follows

- (a) each of the issued A Ordinary Shares of 1p were subdivided and redesignated into one New A Ordinary Share of 0 1p and nine New Deferred Shares of 0 1p,
- (b) each of the issued B Ordinary Shares of 1p were subdivided and redesignated into one New B Ordinary Share of 0 1p and nine New Deferred Shares of 0 1p, and
- (c) each of the issued Deferred Shares of 9p were subdivided and redesignated into ninety New Deferred Shares of 0 1p

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.

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

Notes to the Company Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Warrants

On 14 June 2011, warrants to subscribe for 5,000,000 A Ordinary Shares were granted to Darwin Strategic Ltd in consideration of an Equity Financing facility. These warrants are exercisable at a subscription price of 1 pence at any time up to three years from date of grant.

The inputs into the Black Scholes model are as follows

	2011	2010
Weighted average share price	0.7p	-
Weighted average exercise price	0.6p	-
Weighted Average expected volatility	10%	-
Expected life	3 years	-
Weighted average risk free rate	3.0%	-
Expected dividend yield	0%	-

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 (2010: nil)

Notes to the Company Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Share options

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

	2011		2010	
	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	36,650,744	2 2	27,048,075	4 1
Options granted during the year	73,420,084	0 7	32,339,881	2 3
Options lapsed and surrendered	(24,355,698)	2 6	(22,737,212)	0 4
Balance at end of the year	85,715,130	0 8	36,650,744	2 2

The weighted average fair value per option for options granted during the year was 0 006p (2010 0 014p)

The options outstanding at 30 September 2011 had a weighted average remaining contractual life of 9 2 years (2010 9 1 years)

The number of fully vested, exercisable options at 30 September 2011 was nil (2010 nil), with a weighted average exercise price of nil pence each (2010 nil pence)

Share options at 30 September 2011 are exercisable as follows

Date of grant	No of share options	Exercise price p	Last date for exercise
12/08/2008	2,049,195	3 00	01/03/2012
11/12/2008	4,950,000	1 00	10/12/2018
08/12/2009	5,295,851	1 00	07/12/2019
29/03/2011	12,039,468	1 10	29/03/2021
29/03/2011	4,000,000	1 00	29/03/2021
06/07/2011	54,230,616	0 55	06/07/2021
25/08/2011	3,150,000	0 53	25/08/2021
	85,715,130		

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

The inputs into the Black Scholes model are as follows

	2011	2010
Weighted average share price	0 7p	2 3p
Weighted average exercise price	0 6p	1 9p
Weighted Average expected volatility	10%	8%
Expected life	10 years	3 5 years
Weighted average risk free rate	3.0%	3 8%
Expected dividend yield	0%	0%

Notes to the Company Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 Company recognised total expenses of £59k (2010: £169k) 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 2010	76	669	17,234	(10,059)
Loss for the year	-	-	-	(3,013)
Issue of new shares	-	-	1,993	-
Expenses incurred re shares issued	-	-	(258)	-
Increase in employee share scheme reserve	-	59	-	-
At 30 September 2011	76	728	18,969	(13,072)

8 Reconciliation of movements in equity shareholders' funds

	2011 £'000	2010 £'000
Loss for the year	(3,013)	(2,965)
Issue of new shares net of expenses	3,264	2,069
Employee share scheme reserve	59	169
Increase/(decrease) in shareholders' funds	310	(727)
Opening shareholders' equity funds	17,709	18,436
Closing shareholders' equity funds	18,019	17,709

9 Post balance sheet events

On 8 February 2012 the Group announced it had received a substantial order from a leading military radio manufacturer which forms part of a multi-year supply contract. To enable Sarantel to service this order a £2m secured loan facility with HSBC Bank plc to provide additional working capital was approved by the board on 1 March 2012.

10 Related party transactions

The Company is exempt from the requirements of FRS 8 to disclose transactions with its wholly owned subsidiaries.