5299925

Sarantel Group PLC
Financial statements
For the year ended 30 September 2009

Company Information

Company registration number	05299925
Registered office	Unit 2 Ryle Drive Park Farm Industry Wellingborough NN8 6BA
Directors	G Shingles D Wither O Leisten E Richardson J Uttley S Yeung
Secretary	S Yeung
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

I am pleased to report that Sarantel successfully increased and diversified revenues in 2009, at the same time reducing losses for the third successive year. Group revenues grew by more than 50% with high-value markets generating around 40% of sales.

With improving gross margins and a focus on controlling operating costs, we reduced our operating loss before depreciation and amortisation by 32% to £1 9m (2008: £2.8m) Net cash outflow before financing fell to £2 2m (2008: £2.3m).

On 3 December 2009 Sarantel successfully closed a placing to raise £2.25m before expenses, to fund working capital needs as we see increasing design activity in our markets

We believe that macrotrends in the GPS market are converging towards our antenna technology As location-based services become enhanced with "Augmented Reality" applications on devices such as smartphones, it is becoming clearer that traditional GPS antennas cannot provide the degree of accuracy needed to make the best use of these applications This fact is increasingly being recognised by technology commentators and the GPS industry itself Along with this recognition, we believe that consumers will come to demand the higher performance that our GPS antenna solutions can deliver.

In the higher-value military and mobile satellite services (MSS) markets, we are seeing an increasing number and range of new design opportunities for which our antenna technology is being procured or evaluated.

For example, in May 2009, the US Navy signed a design and development contract with Sarantel to develop a dual-band GPS/Iridium antenna. Sarantel was recognised as the only supplier capable of producing an antenna to the Navy's demanding specifications – an impressive endorsement of the Group's technology and capabilities.

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

We recently announced the appointment of Seymour Pierce as our Nomad and Broker and we are pleased to have their support at this exciting time for the Group

Finally, my thanks go to our directors and employees for their hard work during these difficult economic times. As a board, our belief in Sarantel and its technology remains unabated and we are determined to continue our efforts to maximise its potential for the benefit of our shareholders.

Chief Executive's Statement

Financial Review

Despite a challenging economy that badly affected the consumer GPS sector, revenues grew more than 50% to £2.8m (2008: £1.8m) Although we experienced lower demand from our largest GPS buyers, our client base grew significantly and we shipped antennas to more than 300 customers This level of new customer activity has helped to diversify our revenue streams and establishes a portfolio of opportunities for future sales growth in a broad range of applications.

During the year, we began shipments of our antennas for Iridium and military applications, with sales to these markets accounting for approximately 40% of revenues, including £0.1m of non-recurring engineering revenues (2008: £0.2m).

Gross margins improved to 43% (2008 4%) because of the favourable product mix and continued improvements in our production processes. Gross margins in 2008 were hit by one-off under-recoveries and write-offs

Operating costs reduced by 14% due to a lower depreciation charge (included in Administration costs) and the one-off impairment loss on plant and machinery incurred in 2008 Research and development costs increased by 18% as we developed new antennas and invested to reduce our future production process costs. Selling and distribution costs increased by 49%, mainly because we recruited a new Director of Sales to focus on selling into new and significant markets.

The operating loss before impairment, depreciation and amortisation reduced to £1 9m (2008 £2.8m), benefitting from both higher revenues and improved gross margins

The Group's loss per share reduced to 1.5p (2008: 3.5p)

Cash utilisation

Net cash outflow from operating activities reduced by 8% to £1.7m (2008: £1 9m). Although we substantially reduced our loss before tax, improvements in inventory management in the prior year left us little scope to achieve the degree of working capital reductions we managed in 2008.

Net cash outflow before financing reduced to £2.2m (2008 £2 3m). On 3 December 2009 we completed a placing to raise £2.25m (before expenses) in order to take advantage of the many opportunities ahead

Sarantel sales are in US$ whilst most of our costs are in sterling. The dollar was highly volatile during the year, but because the strong first half revenues coincided with a period when the US$ was also strong, there was a net currency contribution of £0 1m to Group revenue.

Markets for Sarantel's products

Niche GPS

The GPS market is very dynamic with a large number of opportunities for Sarantel's technology across a wide variety of applications Increasingly, electronic devices are evolving to incorporate GPS and devices already equipped with GPS are themselves evolving through applications ("apps") that add functionality, improve performance and enhance consumer experience. A good example of this can be found within the outdoor sporting segment where GPS is being incorporated in watches and performance tracking devices that can be used to provide feedback on user performance.

High-volume GPS

There are a number of encouraging developments in the high-volume consumer market that indicate a clear trend to GPS integration in an increasing number of small, handheld devices that Sarantel believes will require better performance as these markets mature

Geotagging of photos and 'Augmented Reality' applications are among the most exciting developments in the handheld consumer market segments Augmented Reality applications have already been developed for the iPhone, Google Android-based phones and other devices Although exciting and useful for the consumer, the success of these applications requires an accurate and reliable GPS. Our view is that incumbent antenna technologies lack the required accuracy, thus providing an exciting opportunity for Sarantel's technology

Military market

The Military market is a large and rapidly growing opportunity for Sarantel. The US government is aggressively investing in tactical communications systems to enhance the military's technological advantages. Recent contracts awarded to General Dynamics, Thales and Harris for improved tactical communications equipment demonstrate the priority the US military is placing on modernization As a supplier to all three companies, we believe that Sarantel's antenna technology is very well placed to increase its market share.

Mobile Satellite Services ("MSS")

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

Established satellite phone operators such as Iridium, Inmarsat, Globalstar and Thuraya continue to experience growth and provide clear opportunities to further diversify our business and build revenues. Emerging MSS operators like SiriusXM, Skyterra, ICO, Solaris Mobile and TerreStar provide Sarantel with additional targets and the potential for significant future revenue growth. Sarantel's recently announced development contract with TerreStar is evidence that the Group continues to make progress in this important market segment.

Business Review

Niche Consumer GPS

Despite the difficult trading environment, design activity in the niche consumer GPS market remains healthy We were able to maintain the level of our revenues in this market and continued to build our customer base, finishing the year with more than 300 different customers. Our LBS Pro antenna, launched in September 2008, shipped in growing volumes during the year and we announced a number of design wins including the Sonim XP3 Quest rugged mobile phone and the G-Core Mini Caddy Golf GPS device.

Military GPS

We continue to make inroads in the military GPS market During the year, we won a design and development contract from the US Navy for a dual-band GPS/Iridium antenna, which the Group delivered on time We began initial shipments of rugged Sarantel antennas for the AN/PRC 154 Rifleman tactical radio and the MR-1 Go Book rugged portable computer, designed by General Dynamics for the US military We also began prototype deliveries of our new Iridium data antenna for Iridium's next-generation Shout device, which is a compact, handheld satellite communication platform. The device is primarily designed for government and military communications but consumer applications are also under consideration. There are a large number of new opportunities that we are exploring in this market where we believe that our antenna's unique size and performance properties are superior to existing antenna solutions

Mobile Satellite Services

During the year we began shipments of our antenna to Iridium for the new 9555 satellite phone, which was launched in November 2008. Initial production orders to fill channels ahead of the product launch generated more demand in the first half of 2009 than the second and since then, orders from Iridium have settled into a more stable pattern.

During the year we also introduced an Iridium data antenna aimed at the fast-growing data and M2M and Short-Burst Data segments of the Iridium network, which grew by 45 and 48% respectively in Iridium's third quarter. We received our first production orders for this antenna from Solara Data for its Field Tracker 2100, a real-time GPS tracking and user-messaging device that ensures two-way messaging and security for personnel working in remote locations We also announced prototype shipments of this antenna to NAL Research for Iridium's next-generation "Shout" device.

In December 2009 Sarantel announced an agreement with TerreStar Networks Inc to develop a new antenna solution to deliver the high performance and small size requirements of TerreStar's next-generation reference design platform The resulting platform will enable satellite connectivity to be embedded in a broad range of new conventionally-sized smartphones and machine-to-machine devices

TerreStar is an MSS operator in the US that has teamed up with AT&T to launch the first fully integrated 3G/satellite smartphone The service will allow users to access voice and data services in the United States, Puerto Rico, the U.S. Virgin Islands and offshore coastal waters over the AT&T cellular network or the TerreStar satellite network. The service is intended to work as a user's everyday cellular smartphone, with satellite access as a secondary option when needed

In the US, where cellular coverage outside cities is generally poor, there is an expectation that these hybrid smartphones will be popular if priced at the right level Sarantel's technology will play a critical role in the development of this market

Research and development

We continue to develop and extend our antenna technology by investing in research and development During the year we increased our spend by 18% and filed a number of new patent applications. We are also becoming more engaged with prospective customers in the high value markets with a view to developing customer specific antennas

Manufacturing

Sarantel now sells from a portfolio of eight antennas with others in development. Our manufacturing operations have a flexible manufacturing strategy to minimise stock levels and meet customer requirements

Summary and outlook

The Group has visibility of many opportunities developing in both the GPS and the high-value markets. The Board believes that the outlook for Sarantel remains very positive and is confident that further progress is achievable in 2010

Directors

FOR THE YEAR ENDED 30 SEPTEMBER 2009

1 Geoff Shingles

Chairman

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

2. David Wither

Chief Executive Officer

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

3 Sitkow Yeung

Chief Financial Officer

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

4 Dr Oliver Leisten

Chief Technology Officer and founder

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

5 John Uttley*#

Non-executive Director

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

6 Ernie Richardson*#

Non-executive Director

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

* Member of the Audit Committee

\# Member of Remuneration and Nominations Committee

Corporate Governance Report

Introduction

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

The Board

The Board of Directors comprises three Executive Directors and three Non-Executive Directors, one of whom is the Chairman MTI Partners Limited, a major shareholder, provides the services of one Non-Executive Director, Ernie Richardson

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

Board Independence and Conflicts of Interest

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

Board Committees

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

Audit Committee

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

Remuneration and Nominations Committee

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

Internal Control and Risk Management

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

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

Corporate Governance Report

Shareholder Relations

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

Overall responsibility for ensuring that there is effective communication with investors and that the Board understands the views of major shareholders rests with the Chairman, who makes himself available to meet shareholders for this purpose The Chairman, Chief Executive Officer and the 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

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 27

- 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 Long-Term Incentive Plan ("LTIP") was established following the passing of the appropriate resolution at the 2007 Annual General Meeting Awards under the LTIP may be granted in the form of (i) nil or nominal cost options, or (ii) contingent rights to receive shares, or (iii) executive shared ownership awards

- The first Sarantel SAYE scheme was launched in June 2006 and Executive Directors are eligible to participate in the Scheme A second Sarantel SAYE scheme was launched on 30 July 2008

Report of the Remuneration and Nominations Committee

Performance Incentives *(continued)*

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

Name	Option Type	01-Oct-08	Granted	Repriced/ (Eliminated)	30-Sep-09	Exercise Price (£)	Expiry Date
Geoff Shingles	2005 Unapproved	2,105,263			2,105,263	0 05	27/04/2018
David Wither	2000 Unapproved	833,333			833,333	0 07	04/08/2014
David Wither	2000 Unapproved	515,146			515,146	0 07	04/08/2014
David Wither	2000 Unapproved	711,739			711,739	0 07	05/08/2014
David Wither	2005 Unapproved	250,000			250,000	0 07	01/03/2016
David Wither	2008 SAYE	313,333			313,333	0 03	17/02/2012
David Wither	2005 Unapproved	2,526,211			2,526,211	0 05	28/04/2018
David Wither	2005 Unapproved	873,789			873,789	0 05	28/04/2018
David Wither	LTIP		3,200,000		3,200,000	0 01	11/12/2018
Oliver Leisten	2000 Unapproved	5,675			5,675	0 07	26/02/2013
Oliver Leisten	2000 Unapproved	369,500			369,500	0 07	26/02/2013
Oliver Leisten	2000 Unapproved	51,036			51,036	0 07	04/08/2014
Oliver Leisten	2000 Unapproved	782,289			782,289	0 07	04/08/2014
Oliver Leisten	2000 Unapproved	75,351			75,351	0 07	05/08/2014
Oliver Leisten	2005 Unapproved	150,000			150,000	0 07	01/03/2016
Oliver Leisten	2005 Unapproved	2,100,000			2,100,000	0 05	28/04/2018
Oliver Leisten	LTIP		1,750,000		1,750,000	0 01	11/12/2018
Sitkow Yeung	2000 Unapproved	150,000			150,000	0 07	03/08/2014
Sitkow Yeung	2000 Unapproved	75,000			75,000	0 07	03/08/2014
Sitkow Yeung	2005 Unapproved	75,000			75,000	0 07	07/02/2016
Sitkow Yeung	2005 Unapproved	75,000			75,000	0 07	28/02/2016
Sitkow Yeung	2005 Unapproved	575,000			575,000	0 05	27/04/2018
Sitkow Yeung	2005 Unapproved		1,700,000		1,700,000	0 03	11/12/2018
Total		12,612,665	6,650,000	-	19,262,665		

Ernie Richardson and John Uttley 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 and the services of Mr Ernie Richardson are provided by MTI Partners Limited The Non-Executive Directors are not entitled to participate in the Group's annual bonus scheme, nor except for the Chairman, are they eligible for any option grants under the Group's share option schemes They are entitled to be reimbursed expenses in accordance with the Group's travel and expenses policy

Name of Director	Date of letter of appointment	Duration of appointment	Notice period
Geoff Shingles	20/6/2006	Indefinite	3 months
John Uttley	7/6/2005	Indefinite	3 months
Ernie Richardson	4/2/2005	Indefinite	3 months

Report of the Remuneration and Nominations Committee

Directors' Remuneration

Details of Directors' remuneration are set out below

	Total salaries £	Benefits £	Total £	Pensions £	2009 £	2008 £
Executive Directors						
David Wither	150,896	20,554	171,450	17,190	188,640	178,862
Oliver Leisten	91,650	8,163	99,813	4,738	104,551	101,243
Sitkow Yeung	97,520	8,767	106,287	-	106,287	103,528
Non-executive Directors						
Geoff Shingles	30,000	-	30,000	-	30,000	32,500
John Uttley *	15,000	-	15,000	-	15,000	34,583
Ernie Richardson	-	-	-	-	-	-
Total	385,066	37,484	422,550	21,928	444,478	450,716

* Payments to John Uttley in 2008 include £15,800 deferred from the previous year

Report of the Directors

The Directors submit their report and the audited financial statements of Sarantel Group PLC for the year ended 30 September 2009

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 45 The Directors do not recommend the payment of a dividend (2008 £nil) The Group has no plans to adopt a dividend policy in the immediate future and all funds generated by the Group will be invested in the further development of the business, as is normal for a company at this stage of its development

Principal Risks and Uncertainties

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

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

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

The Group is also exposed to financial risks and the management policies adopted to mitigate these risks are detailed in Note 25 to the financial statements

Research and Development

The Group has continued to invest in Research and Development with expenditure increasing to £1 22m in the year (2008 £1 04m) Resources were allocated to develop new products and improve manufacturing processes to reduce costs 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

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

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

Report of the Directors

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 %
Foresight Group	39,114,845	13 4%
Legal & General Investment Management Limited	34,666,667	11 9%
MTI Nominees Limited	33,640,646	11 6%
Invesco Limited	32,579,829	11 2%
Hawk Investment Holdings	30,100,000	10 3%
BT Pension Scheme Trustees Limited	24,205,334	8 3%
Mr W S C Richards OBE DL	11,666,700	4 0%
Invesco English and International Trust	11,157,335	3 8%

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 2009, the trade creditors of the Company and of the Group represented 60 days of purchases (2008 61 days)

Auditor

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

Report of the Directors

By order of the Board

Sitkow Yeung
Secretary
8 February 2010

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 2009 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the company balance sheet and the related notes The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

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 2009 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
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes
8 February 2010

Consolidated Income Statement
for the year ended 30 September 2009

	Note	2009 £	2008 £
Revenue	7	**2,811,437**	1,858,463
Cost of sales		**1,616,228**	1,791,069
Gross profit		**1,195,209**	67,394
Research & development costs		**1,220,303**	1,037,317
Selling & distribution costs		**599,575**	401,696
Administration costs		**2,285,392**	3,357,492
Total operating costs		**4,105,270**	4,796,505
Operating loss	5	**(2,910,061)**	(4,729,111)
Operating loss before impairment, depreciation and amortisation		***(1,907,831)***	*(2,781,460)*
Impairment, depreciation and amortisation	*13,14*	***(1,002,230)***	*(1,947,651)*
Finance and other income	8	**90,802**	86,273
Finance and other costs	9	**160,759**	23,438
Loss before tax		**(2,980,018)**	(4,666,276)
Tax	10	**195,297**	198,171
Loss for the year		**(2,784,721)**	(4,468,105)
Basic and diluted loss per share	12	**(1 5)p**	(3 5)p

All the activities of the Group are classed as continuing

There are no gains or losses other than those reported in the Income Statement above

Consolidated Balance Sheet
as at 30 September 2009

	Note	2009 £	2008 £
Assets			
Non-current			
Intangible assets	13	**1,476,654**	1,270,515
Property, plant & equipment	14	**1,382,299**	2,055,483
Total non-current assets		**2,858,953**	3,325,998
Current			
Inventories	16	**224,525**	344,862
Trade & other receivables	17	**455,451**	446,386
Current tax	18	**195,667**	206,887
Cash & cash equivalents	19	**876,474**	2,957,626
Total current assets		**1,752,117**	3,955,761
Total assets		**4,611,070**	7,281,759
Current liabilities			
Trade and other payables	20	**722,950**	995,999
Amounts due under finance leases and HP agreements	21	**185,294**	242,534
Amounts due under invoice financing facility	22	**137,204**	-
Total current liabilities		**1,045,448**	1,238,533
Non-current liabilities			
Amounts due under finance lease and HP agreements	21	**344,941**	203,991
Total liabilities		**1,390,389**	1,442,524
Equity			
Share capital	27	**8,788,562**	8,788,562
Share premium	28	**16,165,487**	16,165,487
Share scheme reserve	28	**500,248**	334,081
Warrant reserve	28	**75,600**	75,600
Merger reserve	28	**13,389,536**	13,389,536
Retained loss	28	**(35,698,752)**	(32,914,031)
Total equity		**3,220,681**	5,839,235
Total liabilities & equity		**4,611,070**	7,281,759

The financial statements were approved by the Board of Directors and authorised for issue on 8 February 2010
They were signed on its behalf by

John Uttley
Director

Sitkow Yeung
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 2009

	Share capital	Share premium	Share scheme reserve	Warrant reserve	Merger reserve	Retained loss	Total equity
	£	£	£	£	£	£	£
At 1 October 2007	7,643,553	14,252,078	203,465	-	13,389,536	(28,445,926)	7,042,706
Loss after tax	-	-	-	-	-	(4,468,105)	(4,468,105)
Share based payments	-	-	130,616	-	-	-	130,616
Warrants issued	-	-	-	75,600	-	-	75,600
Shares issued	1,145,008	1,913,409	-	-	-	-	3,058,417
At 30 September 2008	8,788,562	16,165,487	334,081	75,600	13,389,536	(32,914,031)	5,839,235
At 1 October 2008	8,788,562	16,165,487	334,081	75,600	13,389,536	(32,914,031)	5,839,235
Loss after tax	-	-	-	-	-	(2,784,721)	(2,784,721)
Share based payments	-	-	166,167	-	-	-	166,167
At 30 September 2009	**8,788,562**	**16,165,487**	**500,248**	**75,600**	**13,389,536**	**(35,698,752)**	**3,220,681**

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

Consolidated Cash Flow Statement
for the year ended 30 September 2009

	Note	2009 £	2008 £
Loss before tax		**(2,980,018)**	(4,666,276)
Adjustments for non-cash items			
Depreciation and amortisation		**932,397**	1,345,418
Depreciation absorbed to cost of sales		**69,833**	89,414
Impairment loss on property, plant and equipment		**-**	512,819
Loss on disposal of property, plant and equipment		**153**	-
Investment revenue		**(41,902)**	(126,973)
Effect of foreign exchange rate changes		**(86,966)**	20,076
Finance costs		**160,759**	23,438
Grants received		**(8,200)**	-
Change in fair value of derivative financial instruments		**(40,700)**	40,700
Share based payment		**166,167**	130,616
Decrease in inventories		**120,337**	396,418
(Increase)/decrease in trade and other receivables		**(9,065)**	103,680
(Decrease)/increase in trade and other payables		**(232,349)**	105,597
Taxation paid		**(370)**	-
Taxation received		**206,887**	146,686
Net cash outflow from operating activities		**(1,743,037)**	(1,878,387)
Investing activities			
Interest received and similar income		**41,902**	126,973
Payments to acquire intangible assets		**(381,663)**	(311,868)
Payments to acquire property, plant and equipment		**(153,675)**	(327,346)
Disposal proceeds from sale of property, plant and equipment		**-**	-
Decrease in short term deposits		**-**	47,814
Net cash used in investing activities		**(493,436)**	(464,427)
Cash outflow before financing		**(2,236,473)**	(2,342,814)
Financing activities			
Interest paid and similar expense		**-**	(52)
Finance lease interest paid		**(73,793)**	(43,464)
Grants received		**8,200**	-
Issue of shares		-	3,435,022
Expenses paid in connection with issue of shares		-	(301,005)
Cash received for new finance leases		**314,058**	500,000
Capital element of finance lease rentals		**(230,348)**	(672,319)
Net cash inflow from financing activities		**18,117**	2,918,182
Net (decrease)/increase in cash and cash equivalents		**(2,218,356)**	575,368
Cash and cash equivalents at start of period		**2,957,626**	2,382,258
Cash and cash equivalents at end of period	19	**739,270**	2,957,626

Notes to the Financial Statements

1 General information

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

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

2 International Financial Reporting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning 1 October 2008

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 October 2008 are

- IFRS 8 Operating Segments (effective 1 January 2009)
- Amendment to IFRS 2 Vesting Conditions and Cancellations (effective 1 January 2009)
- Improvements to IFRS 2008 (various effective dates, mostly effective 1 January 2009 other than changes relating to business combinations)
- IAS 1 (Revised 2007) Presentation of Financial Statements (effective 1 January 2009)
- IAS 23 (Revised 2007) Borrowing Costs (effective 1 January 2009)
- Amendment to IAS 27 Consolidated and Separate Financial Statements (effective 1 January 2009)
- Amendment to IAS 32 Financial Instruments Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)
- Amendment to IFRS 7 Improving Disclosures about Financial Instruments (effective 1 January 2009)
- IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009)
- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IAS 39 Financial Instruments Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009)
- Group Cash-settled Share-based Payment Transactions - Amendment to IFRS 2 (effective 1 January 2010)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)

As of 31 December 2009, the following standards and interpretations are in issue but not yet adopted by the EU

- IFRS 9 Financial Instruments (effective 1 January 2013)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Improvements to IFRSs (Issued 16 April 2009)
- Group Cash-settled Share-based Payment Transactions - Amendment to IFRS 2 (effective 1 January 2010)
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)

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

3. Summary of significant accounting policies

Notes to the Financial Statements

Basis of accounting

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

Going concern

The directors have prepared a business plan which formed the basis on which they are satisfied that the Group has adequate financial resources to continue to operate at least for the next twelve months from the date of approval of these financial statements This business plan assumes a certain level of sales, which the directors believe to be both achievable and the best estimate of the Group's future activities Whilst the achievement of these sales is a key uncertainty, in the light of the successful fund raise referred to below, the directors have made cost reductions and will also consider other alternatives including further cost reductions, to ensure that the Group is able to continue to operate for at least the next twelve months At 30 September 2009 the Group had gross cash balances of £0 9m, and in December 2009, announced a successful placing to raise £2 25m (before expenses) Consequently, the directors consider it appropriate that these financial statements should be prepared on a going concern basis

Segmental reporting

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all Group subsidiary undertakings made up to 30 September 2009 All intra-Group transactions, balances, income and expenses are eliminated on consolidation

Revenue

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

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

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

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

Notes to the Financial Statements

Intangible assets

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

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

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

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

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

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

Amortisation

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

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

Property, plant and equipment

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

Depreciation

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

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

Material residual value estimates are reviewed annually

Government grants

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

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

Notes to the Financial Statements

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

Impairment testing of intangible assets and property, plant and equipment

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

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

Inventories

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

Leased assets

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

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

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

The cost of operating leases in respect of land and buildings and other assets is expensed as incurred

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 income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity

Notes to the Financial Statements

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 Income Statement

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 Income Statement in the period to which they relate

Share-based payments

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

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

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

Fair value is measured by use of the Cox Rubenstein binomial model The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

All equity share based payments are ultimately recognised as an expense in the income statement 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 Income statement 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

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

Notes to the Financial Statements

neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset

The Group's loans and receivables are as follows

Trade receivables

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

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

Cash and cash equivalents

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

Financial liabilities

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

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

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

Financial liabilities measured at amortised cost are recognized at fair values net of direct issue costs Finance charges are charged to the income statement, 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

Derivative financial instruments

Where appropriate the Group manages its exposure to foreign exchange risk through derivative financial instruments limited to foreign exchange forward contracts and foreign currency options

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date The resulting gain or loss is recognised in the Income Statement immediately The Group does not use hedge accounting

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months Other derivatives are presented as current assets or current liabilities

Equity

Equity comprises the following

"Share capital" represents the nominal value of equity shares,

Notes to the Financial Statements

"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

The following are the critical judgements, 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

- **Sale and leaseback of property, plant and equipment**

  As described in Note 14, the Group entered into a sale and leaseback agreement during the year The Directors considered the substance of the transaction and classified it as a finance lease No adjustment was made for the difference between the carrying amount of these assets and their fair value

  In arriving at this conclusion, the Directors took into account that the lease transferred substantially all the risks and rewards of the assets that were incidental to ownership In addition, the Directors recognised that the leased assets are of such a specialised nature that only the lessee can practically use them without modification

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

- **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 Financial Statements

5. Operating loss

Operating loss is stated after charging

	2009 £	2008 £
Amortisation of intangible assets	**175,524**	136,017
Depreciation of property, plant and equipment	**826,705**	1,298,814
- of which, depreciation included in cost of sales	**69,833**	89,414
Impairment of plant and equipment	**-**	512,819
Loss on disposal of tangible assets	**153**	-
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of these financial statements	**13,000**	13,700
Fees payable to the Company's auditor and its associates for other services		
Audit of the financial statements of subsidiaries pursuant to legislation	**13,000**	15,300
Other series relating to taxation	**4,920**	3,950
All other services	**6,700**	12,500
	37,620	45,450
Operating lease rentals – land and buildings	**135,000**	135,000
Inventory written off against prior year provision	**(32,915)**	(133,140)
Write down of inventories	**12,000**	38,260
Write down of receivables	**-**	2,000

6 Directors and employees

Average number of persons employed (including Directors)

	Group	
	2009	2008
Average no of people employed	**No.**	No
Non-executive directors	**1**	1
Management	**1**	1
Technical	**9**	8
Finance and administration	**4**	3
Sales and marketing	**3**	2
Operations	**30**	32
Total	**48**	47

Staff costs (including Directors)

	Group	
	2009	2008
Staff costs (including directors)	**£**	£
Wages & salaries	**1,848,194**	1,691,435
Social security costs	**182,930**	177,150
Pension costs	**38,071**	37,740
Share based payments	**166,167**	130,616
	2,235,362	2,036,941

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

Notes to the Financial Statements

	Group 2009	2008
	£	£
Short-term employee benefits	**377,550**	361,706
Other long-term benefits	**21,928**	21,928
Share based payments	**126,498**	97,504
Payment to third parties for directors' services	**45,000**	67,083
	570,976	548,221

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

	2009	2008
	£	£
Emoluments	**171,450**	161,671
Pension contributions to money purchase pension scheme	**17,190**	17,191
Share based payments	**59,020**	43,686
	247,660	222,548

During the year no Director (2008 nil) exercised any share options

During the year 2 Directors (2008 2) participated in money purchase pension schemes

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

	2009	2008
	£	£
Sales of antennas	**2,708,338**	1,621,436
Sale of Non-Recurring Engineering services (NRE)	**103,099**	237,027
Total revenue	**2,811,437**	1,858,463

8 Finance and other income

	2009	2008
	£	£
Investment Revenue		
Interest receivable	**41,902**	126,973
Fair value movement on derivatives	**40,700**	(40,700)
Other income		
Government grant received	**8,200**	-
Total finance and other income	**90,802**	86,273

The Selective Finance for Investment in England (SFIE), which is part of the Department of Trade and Industry, has provided grant facilities to assist with a project to manufacture miniature antennas The amount received represents the full amount the Group is entitled to on achieving agreed milestones and the related expenditure

There are no other government grants

9. Finance and other costs

	2009 £	2008 £
Finance costs		
Interest paid	-	50
Finance lease and Hire purchase interest	73,793	43,464
Foreign exchange losses/(gains)	86,966	(20,076)
Total finance costs	160,759	23,438

10 Tax

	2009 £	2008 £
UK corporation tax based on the results for the year at 21% (2008 20%)	195,667	206,871
Adjustment in respect of prior year	(370)	(8,700)
Total tax credit	195,297	198,171

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

The standard rate of tax for the year based on the UK standard rate of corporation tax is 21% (2008 20%) The actual tax credit for the year differs from the standard rate for the reasons set out in the following reconciliation

	2009 £	2008 £
Loss before tax	(2,980,018)	(4,666,275)
multiplied by rate of tax	21%	20%
Loss multiplied by rate of tax	(625,804)	(933,255)
Expenses not deductible for tax	215,614	236,570
Depreciation in excess of capital allowances	166,113	355,063
Other temporary differences	(4,475)	-
Tax losses carried forward	248,552	341,622
R&D tax credit	(195,667)	(206,871)
Prior year over provision	370	8,700
Total current tax	(195,297)	(198,171)

Tax losses available, subject to agreement with HM Revenue and Customs, to offset future taxable trading income amount to approximately £20 4m (2008 £20 0m)

A deferred tax asset, calculated using a tax rate of 28% (2008 28%), amounting to approximately £7 5m (2008 £5 0m) 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

Notes to the Financial Statements

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 income statement in these financial statements The parent company's loss for the year was £2,980,017 (2008 loss £4,637,765)

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

	2009	2008
	£	£
Loss for the financial year	**2,784,721**	4,468,105
Weighted average number of shares	**190,936,331**	126,313,962
Basic loss per share	**(1 5)p**	(3 5)p
Dilutive effect of weighted average options and warrants*	**10,468,522**	6,269,822

* The effect of options and warrants are anti-dilutive

13 Intangible Assets

The Group	Patents £	Development costs £	**Total** £
Cost			
At 1 October 2007	1,493,954	-	1,493,954
Additions	291,068	20,800	311,868
At 1 October 2008	1,785,022	20,800	1,805,822
Additions	381,663	-	381,663
At 30 September 2009	2,166,685	20,800	2,187,485
Amortisation			
At 1 October 2007	399,290	-	399,290
Charge for the year	136,017	-	136,017
At 1 October 2008	535,307	-	535,307
Charge for the year	165,124	10,400	175,524
At 30 September 2009	700,431	10,400	710,831
Carrying amount			
At 30 September 2009	**1,466,254**	**10,400**	**1,476,654**
At 30 September 2008	1,249,715	20,800	1,270,515

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

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 Financial Statements

14 Property, plant and equipment

The Group

	Leasehold improvements	Property, plant and equipment	Total
Cost	£	£	£
At 1 October 2007	196,646	9,166,517	9,363,163
Additions	-	327,345	327,345
At 1 October 2008	196,646	9,493,862	9,690,508
Additions	-	153,675	153,675
Disposals	-	(7,576)	(7,576)
At 30 September 2009	196,646	9,639,961	9,836,607
Depreciation			
At 1 October 2007	107,720	5,715,672	5,823,392
Charge for the year	19,437	1,279,377	1,298,814
Impairment	-	512,819	512,819
At 1 October 2008	127,157	7,507,868	7,635,025
Charge for the year	19,437	807,268	826,705
Disposals	-	(7,422)	(7,422)
At 30 September 2009	**146,594**	**8,307,714**	**8,454,308**
Carrying amount			
At 30 September 2009	**50,052**	**1,332,247**	**1,382,299**
At 30 September 2008	69,489	1,985,994	2,055,483

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 (2008 £512,819)

During the year, the Group signed an agreement for the sale and leaseback of all of its unencumbered property, plant and equipment comprising all plant and machinery, test and computer equipment to Close Leasing Limited for a total value of £600,000 At the same time, the Group settled a previous sale and leaseback agreement, so that the net effect was the realising of an additional £311,000 The principal terms of the new agreement are a 36 months term at a monthly rent of approximately £20,000 In common with similar agreements, the lessor may adjust the amounts payable by the Group if assumptions (principally UK taxation laws) underpinning their eventual net return, as calculated at inception, are materially incorrect At the end of the term and subject to meeting certain conditions, the Group is appointed as the agent of the lessor, to sell the goods to a third party for a minimal nominal sum

In accordance with IAS17 – Leases, the sale and leaseback transaction has been classified as a finance lease No adjustment has been made for the difference between the carrying value of the assets and the sale proceeds under the sale and leaseback agreement

Capital Commitments

	2009	2008
	£	£
Amounts contracted for but not provided in the financial statements	21,359	33,610

Notes to the Financial Statements

15 Investments

At 30 September 2009, 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

	2009 £	2008 £
Cost and net book amount		
At 1 October 2008	**3,414,429**	3,283,813
Increase in share scheme reserve	**166,167**	130,616
At 30 Sept 2009	**3,580,596**	3,414,429

16 Inventories

	Group 2009 £	2008 £
Raw materials	**130,709**	117,734
Work in progress	**10,523**	59,522
Finished goods	**83,293**	167,606
	224,525	344,862

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £826,101 (2008 £998,180)

17. Trade and other receivables

	Group 2009 £	2008 £
Trade receivables	**215,622**	121,960
Other receivables	**98,907**	114,210
Prepayments and accrued income	**140,922**	210,216
	455,451	446,386

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Amounts owed by group undertakings	**-**	-	**14,684,075**	15,678,336

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

Notes to the Financial Statements

The Directors consider that the carrying value of trade and other receivables approximates to their fair values There remains this year a provision of £89,996 for impairment of receivables (2008 £89,996) The maximum credit exposure at the balance sheet date equates to the fair value of trade receivables There is no concentration of credit risk

Reconciliation of bad debt provision	**2009**	2008
	£	£
Opening provision	**89,996**	87,996
Bad debt provision	**-**	36,000
Amount written off against provision	**-**	(34,000)
Closing bad debt provision	**89,996**	89,996

Trade receivables that are less than three months old are not considered impaired As at 30 September 2009, there were no trade receivables past due (2008 £186) The average credit period during the year was 40 days (2008 40 days) The Group does not hold any collateral over these balances

18 Current tax

	2009	2008
	£	£
Corporation tax recoverable	**195,667**	206,887

19 Cash and cash equivalents

	Group		**Company**	
	2009	2008	**2009**	2008
	£	£	**£**	£
Cash and cash equivalents	**876,474**	2,957,626	**173,196**	2,157,042

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		**Company**	
	2009	2008	**2009**	2008
	£	£	**£**	£
Cash and cash equivalents	**876,474**	2,957,626	**173,196**	2,157,042
Amounts due under invoice financing facility (see Note 22)	**(137,204)**	-	**-**	-
Cash and cash equivalents	**739,270**	2,957,626	**173,196**	2,157,042

Notes to the Financial Statements

20. Trade and other payables

	Group		Company	
	2009	2008	**2009**	2008
Current liabilities	**£**	£	**£**	£
Trade payables	**300,705**	467,684	**-**	14
Other payables	**15,555**	40,741	**-**	-
Other taxation & social security	**55,289**	48,639	**1,925**	-
Accruals & deferred income	**351,401**	398,235	**-**	-
Derivative financial instruments (Note 23)	**-**	40,700	**-**	-
	722,950	995,999	**1,925**	14

The average creditors period during the year was 60 days (2008 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 £nil (2008 £260k) of an undrawn invoice financing facility The Group's assets are pledged as security for this facility

21. Amounts due under finance leases and hire purchase agreements

Amounts are repayable as follows

	2009	2008
	£	£
Within one year	**185,294**	242,534
After one year and within two years	**210,505**	203,991
After two years and within five years	**134,436**	-
	530,235	446,525

Finance lease liabilities

Finance lease liabilities	**Minimum lease payments**		**Present value of minimum lease payments**	
	2009	2008	**2009**	2008
	£	£	**£**	£
Within one year	**238,867**	285,850	**185,294**	242,534
After one year and within two years	**238,867**	216,012	**210,505**	203,991
After two years and within five years	**139,339**	-	**134,436**	-
	617,073	501,862	**530,235**	446,525

Notes to the Financial Statements

Reconciliation	2009 £	2008 £
Total Minimum lease payments	617,073	501,862
Less future finance charges	(86,838)	(55,337)
Present Value of minimum lease payments	530,235	446,525

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 During the year, the Group entered into a Sale and Leaseback agreement which is described in Note14

22 Amounts due under invoice financing facility

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Total	137,204	-	-	-

The Group has in place a revolving invoice financing facility of up to £0 5m Amounts outstanding under this facility are secured by a fixed and floating charge over the assets of the Group

23. Derivative financial instruments

	Group		Company	
	2009	2008	2009	2008
Financial liabilities	£	£	£	£
Held for trading derivatives that are not designated in hedge accounting relationships				
Foreign currency hedging contracts	-	40,700	-	-

There were no derivative contracts in place at the year end

The fair values of financial assets and financial liabilities at 30 September 2008 were determined as follows

- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts

- Foreign currency options are measured using quoted forward exchange rates, yield curves derived from quoted interest rates matching maturities of the contracts and foreign currency volatilities derived from quoted prices for similar foreign currency options

Notes to the Financial Statements

24 Operating Lease commitments

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

Land and buildings	2009	2008
	£	£
Within one year	**120,000**	120,000
After one year and within five years	**472,500**	61,250
After five years	**-**	-
	592,500	181,250

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 is due in 2010 with upward adjustment only

25 Financial Instruments

Categories of financial instruments	2009	2008
	£	£
Financial assets		
Loans and receivables		
Trade and other receivables	**288,630**	194,968
Cash and cash equivalents	**876,474**	2,957,626
	1,165,104	3,152,594
Non financial assets		
Prepayments	**140,922**	210,216
VAT recoverable	**25,899**	41,202
Corporation tax recoverable	**195,667**	206,887
	362,488	458,305
	1,527,592	3,610,899

	2009	2008
	£	£
Financial liabilities		
Borrowings and other financial liabilities at amortised cost		
Trade and other payables	**316,260**	508,425
Amounts due under invoice financing facility	**137,204**	-
At fair value through profit and loss		
Held for trading derivatives that are not designated in hedge accounting relationships		
Foreign currency hedging contracts	**-**	40,700
	453,464	549,125
Non financial liabilities		
Other taxation and Social security	**55,289**	48,639
Accruals and deferred income	**351,401**	398,235
Amounts due under finance leases & hire purchase agreements	**530,235**	242,534
	936,925	689,408
	1,390,389	1,238,533

Notes to the Financial Statements

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

Capital risk management

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

Externally imposed capital requirement

The Group is not exposed to externally imposed capital requirements

Financial Risk Management

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

Market 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 These risks are managed within approved policy parameters utilising a combination of forward currency contracts and currency option contracts The percentage cover is determined by applying a risk-adjusted percentage to forecast monthly cash flows based on the expected timing and source of their receipt

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 £300,000 for year ended 30 September 2009 (2008 £200,000)

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 (2008 nil)

	2009	2008
	£	£
Trade receivables and cash and cash equivalents denominated in US Dollars	455,705	289,040
Sensitivity analysis +10% improvement in US$ exchange rate	61,229	52,161
Sensitivity analysis -10% deterioration in US$ exchange rate	(50,096)	(9,875)

Forward foreign exchange contracts

The Group may enter into forward foreign exchange contracts to minimise the risk associated with movements in foreign currencies in which its revenues are denominated These contracts are not designated in a hedge accounting relationship and are classified as held-for-trading

Notes to the Financial Statements

There were no outstanding forward foreign currency contracts at 30 September 2009 The following table details the contracts outstanding as at the previous year end

Outstanding contracts	Average exchange rate 2008	Foreign currency 2008	Contract value 2008 £	Fair value 2008 £
Forward exchange contracts				
Sell US dollars				
Less than 3 months	1 86	US$	52,517	51,065
3 to 6 months	1 85	US$	82,492	80,378
6 to 9 months	1 84	US$	78,816	76,865
9-12 months	1 83	US$	56,000	54,661
			269,825	262,969
Forward currency option contracts				
Sell US dollars				
Less than 3 months	1 94	US$	410,122	387,745
3 to 6 months	1 90	US$	213,687	212,312
6 to 9 months	1 88	US$	154,667	157,753
9-12 months	1 88	US$	109,333	111,905
			887,809	869,715

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

	2009 £	2008 £
Trade receivables (net of provisions)	215,622	121,960
Cash and cash equivalents	876,474	2,957,626

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

Going concern

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

Fair value of financial instruments

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

26 Related Party transactions

Under an agreement dated 24 February 2005 between the Company and MTI Partners Limited ("MTI"), MTI provides an authorised representative to serve as a non-executive Director of the Company for a fee of £20,000 per annum payable quarterly From 8 May 2007, MTI agreed to waive their fee until such time as the company is trading satisfactorily MTI controls 11 6% of the share capital of the Company At 30 September 2009, the amount outstanding to MTI was £nil (2008 £nil)

The Chairman, Geoff Shingles invoices his fees through Geoff Shingles Partnership ("GSP") From 8 May 2007, GSP agreed to reduce their fee until such time as the company is trading satisfactorily During the year, the total amount payable to GSP was £30,000 (2008 £32,500) and the amount outstanding at 30 September 2009 was £8,936 (2008 £nil)

27 Share capital

Authorised share capital

	2009		2008	
	Number	**£**	Number	£
A ordinary shares of £0 01 each	**501,407,281**	**5,014,073**	501,407,281	5,014,073
B ordinary shares of £0 01 each	**10,672,940**	**106,729**	10,672,940	106,729
	512,080,221	**5,120,802**	512,080,221	5,120,802

Allotted, called-up and fully paid

	2009		2008	
	Number	**£**	Number	£
A ordinary shares of £0 01 each	**189,899,991**	**1,899,000**	189,899,991	1,899,000
B ordinary shares of £0 01 each	**1,036,340**	**10,364**	1,036,340	10,364
Deferred shares of £0 09 each	**76,435,531**	**6,879,198**	76,435,531	6,879,198
	267,371,862	**8,788,562**	267,371,862	8,788,562

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 Financial Statements

Warrants

No warrants were ıssued dunng the year On 28 Apnl 2008, warrants to subscnbe for 1,776,029 Ordınary Shares were granted to John East and Partners as part payment for servıces rendered These warrants are exercısable at a subscnptıon pnce of 3 pence at any tıme up to five years from the date of grant

Equity-settled share option scheme

The Company operates the followıng optıon schemes for all employees of the Group

Share optıon scheme

Optıons are exercısable at a pnce at least equal to the average quoted market pnce of the Company's shares on the date of grant The vestıng condıtıons of these grants are 3 years servıce Optıons are forfeıted ıf the employee leaves the Group before the optıons vest

Long-Term Incentıve Plan

Optıons are exercısable at a pnce equal to the par value of the shares The vestıng condıtıons of these grants are 3 years servıce and optıons are forfeıted ıf the employee leaves the Group before the optıons vest

SAYE

Under the SAYE scheme, employees are allowed to subscnbe to a monthly savıngs amount for a penod of 3 years At the end of that penod, the employee ıs allowed to eıther receıve theır saved amount plus ınterest and a bonus or purchase shares ın the Company at a pnce based on the average share pnce on the three days pnor to the contract ınvıtatıon date Thıs scheme ıs open to all employees subject to Inland Revenue approved lımıts on total ınvestment

Exercıse of optıons

There were no share optıons exercısed dunng the year (2008 nıl)

Share optıons

Detaıls of the share optıons outstandıng dunng the year are as follows

	2009		2008	
	No of share optıons	**Weıghted average exercıse prıce (ın £)**	No of share optıons	Weıghted average exercıse pnce (ın £)
Number of share optıons at begınnıng of year	**18,572,407**	**0.051**	7,069,338	0 201
Optıons granted dunng the year	**9,164,000**	**0.019**	13,056,789	0 043
Optıons lapsed and elımınated	**(688,332)**	**0.038**	(1,553,720)	0 237
Balance at end of the year	**27,048,075**	**0 041**	18,572,407	0 051

The weıghted average faır value per optıon for optıons granted dunng the year was £0 003 (2008 £0 031)

The optıons outstandıng at 30 September 2009 had a weıghted average remaınıng contractual lıfe of 8 1 years (2008 7 4 years)

Notes to the Financial Statements

Share options at 30 September 2009 are exercisable as follows

Date of grant	No of share options	Exercise price £	Last date for exercise
26/02/2003	522,974	0 07	25/02/2013
04/08/2004	2,489,304	0 07	03/08/2014
05/08/2004	787,090	0 07	04/08/2014
17/02/2005	586,000	0 07	16/02/2015
17/01/2006	35,000	0 07	16/01/2016
07/02/2006	75,000	0 07	06/02/2016
01/03/2006	625,000	0 07	28/02/2016
28/11/2006	69,750	0 07	25/11/2016
30/07/2007	217,500	0 07	29/07/2017
28/04/2008	9,675,263	0 05	27/04/2018
18/08/2008	2,801,194	0 03	17/02/2012
11/12/2008	4,214,000	0 03	10/12/2018
11/12/2008	4,950,000	0 01	10/12/2018
	27,048,075		

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

The inputs into the Cox Rubenstein binomial model are as follows

	2009	2008
Weighted average share price	**£0 015**	£0 044
Weighted average exercise price	**£0.030**	£0 051
Weighted Average expected volatility	**16%**	124%
Expected life	**10 years**	10 years
Weighted average risk free rate	**3 60%**	4 76%
Expected dividend yield	**0%**	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price since floatation against the historical volatility of the AIM – Technology Index The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations

The Group recognised total expenses of £166,167 (2008, £130,616) related to equity-settled share-based payment transactions

28. Reserves

Group

	Share scheme reserve £	**Warrant reserve £**	**Merger reserve £**	**Total other reserves £**	**Share premium account £**	**Retained loss £**
At 1 October 2008	334,081	75,600	13,389,536	13,593,001	16,165,487	(32,914,031)
Loss for the year	-	-	-	-	-	(2,784,721)
Increase in employee share scheme reserve	166,167	-	-	166,167	-	-
At 30 September 2009	500,248	75,600	13,389,536	13,759,168	16,165,487	(35,698,752)

Other reserves result from the application of merger accounting on the acquisition of Sarantel Limited on 23 February 2005

Notes to the Financial Statements

Company

	Warrant reserve £	Share scheme reserve £	Share premium account £	Retained loss £
At 1 October 2008	75,600	334,081	16,165,487	(4,113,937)
Profit for the year	-	-	-	(2,980,017)
Issue of new shares	-	-	-	-
Expenses incurred re shares issued	-	-	-	-
Increase in employee share scheme reserve	-	166,167	-	-
At 30 September 2009	75,600	500,248	16,165,487	(7,093,954)

29 Post Balance Sheet Events

In December 2009, the Group announced a successful placing to raise £2 25m (before expenses)

Company Balance Sheet

AS AT 30 SEPTEMBER 2009

	Note	2009 £	2008 £
Assets			
Investment in subsidiary undertaking	32	3,580,596	3,414,429
Current assets			
Debtors – due after more than one year	33	14,684,076	15,678,336
Cash at bank	34	173,196	2,157,042
Total current assets		14,857,272	17,835,378
Current liabilities			
Creditors	35	(1,925)	(14)
Net current assets		14,855,347	17,835,364
Net assets		18,435,943	21,249,793
Capital and reserves			
Share capital	36	8,788,562	8,788,562
Share premium	37	16,165,487	16,165,487
Share scheme reserve	37	500,248	334,081
Warrant reserve	37	75,600	75,600
Retained losses	37	(7,093,954)	(4,113,937)
Equity shareholders' funds	38	18,435,943	21,249,793

The financial statements were approved by the Board of Directors and signed on 8 February 2010 on its behalf by

John Uttley
Director

Sitkow Yeung
Director

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

Notes to the Company Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

30. Parent Company accounting policies

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

Basis of preparation

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

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account The Company made a loss for the year of £2,980,017 (2008 loss £4,637,765)

Share based payments

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

Deferred Taxation

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

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

Related parties

The Company has a related party relationship with its subsidiaries (see Note 15) and with its Board of Directors (see the Remuneration Report)

31 Employees

The Company employs the services of 1 non-executive Director (2008 1)

Details of Directors' remuneration are set out in the Report of the Remuneration Committee and in Note 6 (Directors and employees) of the Group's accounts

32 Investments

Investments are included at cost Details of investments in subsidiaries are set out in Note 15 of the Group's accounts

33. Debtors

Details of debtors are set out in Note 17 (trade and other receivables) of the Group's accounts

34. Cash at bank

Details of cash balances are set out in Note 19 (cash and cash equivalents) of the Group's accounts

35. Creditors

Details of trade and other payables are set out in Note 20 of the Group's accounts

The Company has no amounts falling due after more than one year (2008 nil)

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Notes to the Company Financial Statements

36 Share capital

Details of share capital are set out in Note 27 of the Group's accounts

37 Reserves

Details of reserves are set out in Note 28 of the Group's accounts

38. Reconciliation of movements in equity shareholders' funds

Equity shareholders' funds	2009 £	2008 £
Loss for the year	(2,980,017)	(4,637,765)
Issue of new shares net of expenses	-	3,058,417
Employee share scheme reserve	166,167	130,616
Warrant reserve	-	75,600
(Decrease) in shareholders' funds	(2,813,850)	(1,373,132)
Opening shareholders' equity funds	21,249,793	22,622,925
Closing shareholders' equity funds	18,435,943	21,249,793