

SEPURA PLC
AUDITED PRELIMINARY RESULTS
FOR THE YEAR ENDED 31 MARCH 2010

Sapura plc (the "Company"), a leading global provider of TETRA digital radios, today announces its preliminary results for the year ended 31 March 2010.

A presentation of the preliminary results to analysts will be held today at 9.00 am at the offices of Goldman Sachs, Peterborough Court, 133 Fleet Street, London EC4A 2BB. The presentation will be available on the investor relations page of our web-site following the event at <http://investors.sepura.com>.

Strategic highlights

- Confirmed TETRA market-leadership in EMEA with 45% market share
- Market leadership maintained in UK and Germany
- Significant wins in Portugal and China
- New TETRA products launched
- Further strengthening of routes to market
- Strategic review completed and decision taken to expand into adjacent markets

Financial highlights

- 154,000 radios delivered as major European roll-outs gather pace
- 6% increase in revenues to £78.9m, continuing annual revenue growth since incorporation
- Gross margin of 46%, reflecting FX movements and changes in product and customer mix
- £2.3m reduction in cash operating costs ¹
- 2% increase in adjusted EPS ²
- Dividend held at 1.27p per share
- Balance sheet remains strong

Summary financial information	2010	2009	Change
	£'000	£'000	
Revenue	78,872	74,100	+ 6%
<i>Gross margin</i>	46.0%	52.5%	
Operating profit	9,609	10,505	- 9%
Diluted EPS	6.2p	6.3p	- 2%
Annual dividend	1.27p	1.27p	-
Adjusted operating profit ²	7,437	7,937	- 6%
Adjusted diluted EPS ²	5.1p	5.0p	+ 2%

¹ Cash operating costs comprise the gross spend on research and development, together with Selling, marketing and distribution costs and Administrative expenses

² Adjusted to exclude the impact of non-recurring costs incurred in 2009 of £2.5m, and the capitalisation of research and development costs (together with associated amortisation), the IFRS2 share option charge and other gains and losses arising on marking open foreign exchange contracts to market value.

Philip Nolan, Chairman of Sepura, commenting on the results for the year, said:

“We have delivered financial results in line with our forecasts by growing sales while carefully controlling costs.

We have increased our market share in EMEA, enhanced our TETRA product range and agreed a strategy to significantly expand our addressable market.”

The 2010 Annual Report will be distributed to Shareholders on 21 June 2010, together with the Notice of the Annual General Meeting to be held on Wednesday 21 July 2010.

For further information please contact:

Sepura

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CAUTIONARY STATEMENT:

This Preliminary Statement contains certain forward-looking statements with respect to the operations, performance and financial condition of Sepura. By their nature, future events and circumstances can cause results and developments to differ materially from those anticipated. No undertaking is given to update the forward-looking statements whether as a result of new information, future events or otherwise. Nothing in this Preliminary Results announcement should be construed as a profit forecast.

NOTES TO EDITORS:

About Sepura

Sepura is a global leader in the design, manufacture and supply of TETRA (TERrestrial Trunked RAdio) digital radios, which are used predominantly by the emergency services around the world and in the transport, utilities and commercial sectors.

Our products deliver mission critical communications.

Sepura offers one of the broadest ranges of TETRA products available, is often first to market with innovative products and features, and is a market leader in the supply of surveillance and other specialist TETRA radios and accessories. Founded in the UK in 2002, Sepura has expanded rapidly across the world with a network of regional partners that sell and provide local support for our market-leading products and is market leader in over 30 countries.

TETRA technology has now become the dominant digital Private Mobile Radio standard in the world. Our vision is to become the number one global supplier of TETRA radios and we are firmly on course to achieve this goal.

Based in Cambridge, England, and employing some 300 people across the business, the Company was admitted to the Official List of the London Stock Exchange on 3 August 2007.

For further information please visit www.seapura.com.

Chairman's Statement

Over the past year Sepura has delivered a strong performance in a challenging environment. Unit shipments have increased by 23% year on year, driving increased market share. In particular, we have been very successful in winning new business in Germany and further replacement business in the UK. Our installed base has grown to more than 600,000 radios.

Competitive bidding in certain large tenders and changes in customer and product mix has resulted in some margin pressure but we have delivered financial results in line with our forecasts.

During the year we enhanced our TETRA product range with new offerings including the handset based console, basic portable and colour console, in addition to introducing significant new software functionality.

Importantly the business conducted a thorough strategic review of the Private Mobile Radio market, resulting in us agreeing a strategy to enter the market for DMR, a digital standard that is adjacent to TETRA. We believe this will double the size of our addressable market, and work has begun on developing products based on our existing TETRA portfolio.

Our balance sheet remains strong and allows the board to declare a final dividend of 0.85p per share. This brings the total dividend for the year to 1.27p, the same as last year and in line with our stated policy of declaring a dividend of approximately 20% of earnings. In addition, the share buy-back facility approved by shareholders at the last AGM will be initiated if it is earnings enhancing. Renewal of this authority will be sought at the forthcoming AGM in July.

Despite the current economic uncertainty, the outlook for the coming year is for further revenue growth. Looking further ahead, we expect our expansion into adjacent markets to deliver a significant contribution to our future results.

Philip Nolan, Chairman

7 June 2010

Chief Executive's Business Review

Sepura has emerged from the global economic uncertainties of the last two years stronger than ever. We delivered 154,000 radios, 23% more than last year, as we increased our market share with major successes in both existing and emerging markets. We grew revenue, reduced cash operating expenditure by £2.3m, increased adjusted earnings per share and ended the year with a strong balance sheet. Strategically, we undertook a comprehensive review to identify emerging customer requirements and the products needed to meet them – including broadening our product portfolio beyond TETRA.

The result is that we enter the new year with an installed base of over 600,000 radios and a product pipeline from which we expect to deliver sustained growth for the long-term.

TETRA: The digital standard for public safety users

The migration of Private Mobile Radio ("PMR") users from analogue to digital communications has continued, as digital networks offer compelling economic incentives to switch. It is increasingly clear that TETRA has established itself as the most significant digital communication standard in the PMR market, representing over 55% of all digital radios currently in use around the globe. TETRA is now the standard of choice for public safety professionals, with recent estimates forecasting that 70% of TETRA radio shipments in 2010 will be delivered to this market segment. Sepura remains well placed to capitalise on this trend and we are now the preferred partner for many of these public safety agencies around the world, as demonstrated by our major contract wins over the past year.

The UK market: Validating our strategy

The UK is the longest established market for TETRA products and is maturing as expected. The first generation of users among UK police forces started refreshing their initial fleets of TETRA radios in 2007 and during this year we supplied over 21,000 radios as this process continues. It is a testament to the quality of our products and our reputation for excellent after-sales service that none of our customers chose an alternative supplier. Ten of our customers continued their refresh programmes with Sepura, and a further four chose to stay with Sepura as they started their refreshes. In addition, we were delighted that four other police forces chose to switch from their incumbent suppliers to the latest generation of Sepura terminals. We also sold over 10,000 radios to new users, who continue to join the Airwave network in the UK.

We have always believed that establishing an early presence in key markets by offering customers the solutions they require, combined with exceptional service, would secure a future annuity of replacement and accessory revenues, and the UK has validated this strategy.

Germany: Maintaining our market-leading position

Deployment of the German TETRA network commenced just 18 months ago, yet Germany has already become our largest market. We have delivered approximately 55,000 radios to German public safety users, 41,000 of which were delivered during the year. Our market leading position, created by a thorough understanding of customers' operational needs, has been reaffirmed by awards from the States of Nordrhein-Westphalia and Saarland during the second half of the year. The initial roll-out inevitably creates short-term peaks in demand – as we saw in Malaysia, which had limited follow-on business this year – but once the German market reaches maturity, with an estimated installed base at least twice that of the UK, we expect it to yield a corresponding annuity stream.

Portugal: Market dominance in new national roll-out

Portugal has become the latest country to introduce a national TETRA public-safety network, and earlier this year we announced that we had won a national framework contract to supply up to 40,000 terminals over the next three years. The first shipment under this contract, for a total of 17,000 radios, was delivered in March and our radios are already in use on the streets of Lisbon. Establishing this early position should secure follow-on business throughout the expected 15 year life of the network.

The rest of the world: Solid performance

Demand in other European markets held up well despite the economic backdrop. We supplied 2,500 radios to Lithuania as it launched its TETRA network, and volumes increased in Italy as the regional network roll-out resumed. Sweden, Denmark, France and Spain all generated revenues in excess of

£1m as further users either joined existing networks in these countries or installed smaller regional or municipal networks.

After several years of weaker demand outside Europe we have seen encouraging signs of increased demand for TETRA in emerging markets. We have extended our distribution network during the year to broaden our reach into geographies and market segments we think will grow significantly in the near future. We opened a sales office in Malaysia to support our partners in South East Asia, and recruited additional sales support resources in Latin America, Asia, and the Middle East to target these growth opportunities. We supplied 10,000 radios to Pakistan in the first half of the year, and secured our largest contracts to date in China, where we supplied over 9,000 radios during the year. A number of large city network tenders have been released in China over the last three months, and we are investing additional resource in this and other emerging markets to secure market share that can be converted into the long-term revenue streams we enjoy in Europe.

Delivering solutions

Much of our success is due to our ability to listen to customers and develop cost effective solutions that solve their specific problems. Our flexible and bespoke approach comes from having a thorough understanding of PMR customers and the detail of their day-to-day operations. Although Sepura was incorporated in 2002, many of our employees have up to 30 years' experience of the PMR market. Similarly, we have experienced engineers who helped to shape TETRA in its early days and who have mastered the technical challenges of TDMA-based systems which have made TETRA so difficult for other established PMR businesses to replicate.

To complement our offering the Sepura Partner Programme brings together a wide range of complementary expertise – software, data applications, vehicle installations, bespoke accessories – which can be brought to bear on specific challenges to offer the highest possible quality of service to our customers.

Capturing more of the market – Sepura's new strategy

Following the restructuring of the business last year I initiated a comprehensive strategic review, focused on answering three critical questions. Firstly, how we can maximise the return from our TETRA products and customers? Our successes during the year show how we have strengthened our TETRA business to respond to this challenge. Secondly, what are the longer term trends in the overall Private Mobile Radio market? Thirdly, how can we exploit our core competencies to capitalise on these emerging opportunities?

The clearest and most compelling opportunity to emerge from this review was for Sepura to replicate its success in the public safety market with users in commercial markets, who seek a simplified solution with less functionality and a correspondingly lower-cost – especially in relation to infrastructure.

In response, we have launched our mid-tier STP8100 and low-tier STP8200 radios. These have the same rugged chassis, power output and audio quality as our market-leading STP8000, but do not include hardware-enabled functionality and offer alternative displays and keypads so that commercial customers who simply want secure, clear audio transmission can purchase TETRA handsets that meet both their requirements and their budget.

Longer term, and more significantly, we have decided to look beyond TETRA and have commenced development of Digital Mobile Radio (“DMR”) handsets which are not dependent on TETRA as the communications bearer. These new products draw upon our deep expertise in digital communications, our established routes to market, and our efficient sourcing model to meet the commercial market's requirements. Our investment in this new area will be funded within our current development plans and we expect to have products available once the DMR industry has established formal interoperability processes and the DMR market starts to establish critical mass. We are particularly excited by the economies of scale which such products will generate through our supply chain, as we estimate that a significant proportion of our current components will be shared by these new products.

Conclusion

We are confident that the penetration of digital communications into PMR markets remains inevitable, if slower than originally projected, and that, with the roll-out of large national public safety networks, TETRA will remain the dominant digital standard in the years ahead. Sepura is already at the heart of this market in TETRA's core geographies in Europe, and is making significant inroads into emerging markets as global implementations continue.

At the same time, our strategic review identified opportunities for Sepura beyond TETRA. Accordingly, we have decided to draw upon our considerable expertise in the wider PMR market to develop DMR products which meet the needs of users in the commercial sector. Sepura has an unrivalled wealth of customer knowledge combined with a depth of technical expertise which goes far beyond TETRA itself which, combined with our strong brand recognition in PMR, make us extremely confident of being able to service our customers' needs – regardless of the infrastructure they select or the sector in which they operate.

Gordon Watling, Chief Executive Officer

7 June 2010

Financial Review

Introduction

Total revenues for the year increased by 6% to £78.9m from £74.1m. The stronger Euro contributed to this increase and on a constant currency basis revenues would have been 3% higher than 2009.

Overall terminal volumes increased by 23%, resulting in an ARPUS ("Average Revenue Per Unit Shipped") of £512, a decline of 13% on 2009 as a result of changing product and customer mix together with the impact of offering volume discounts to larger customers. On a constant currency basis the ARPUS would have reduced by 16% to £493. The STP range represented 37% of unit sales in the year, up from 12% in 2009.

Gross margin

As indicated at the interim stage, customer and product mix have impacted margins. For the year we saw gross margin at 46.0% (2009: 52.5%), similar to the first half of the year. On a constant currency basis this would have been 1% higher. We continue to source products from MELECS in Austria and TCB in China.

Research and development costs

Gross expenditure on R&D was down by 12% on 2009, from £15.3m (excluding non-recurring costs) to £13.5m, representing 17% of revenue (2009: 21%). It is anticipated that R&D spend will stabilise as a percentage of revenue around these levels as we invest in our next generation platform and expand our product portfolio.

The income statement charge reflects the timing of the capitalisation and subsequent amortisation of the development expenditure. In the year, this increased by 13% to £11.3m (2009: £10.0m) reflecting an increased amortisation charge relating to the development costs incurred on the STP range. This amortisation charge will increase further leading to a convergence in the medium term of gross expenditure and income statement charge. We capitalised 75% of research and development expenditure in 2010 (2009: 71%).

Selling, marketing, distribution and administrative expenses

Selling, marketing and distribution costs were 4% lower at £9.0m (2009: £9.4m excluding non-recurring items) following the restructuring during the year. It is anticipated that some incremental sales management resource will be added to selling and marketing costs to improve our coverage of certain territories and develop market share during the next year.

Administrative costs were 2% lower at £6.4m (2009: £6.5m excluding non-recurring items) as we maintained our tight control of cash operating costs.

Total selling, marketing, distribution and administrative costs reduced as a percentage of revenue to 19.5% (2009: 21%).

Operating profit

Operating profit for the year was £9.6m (2009: £13.0m excluding non-recurring items). Operating margin was 12% (2009: 18%).

EPS

Diluted earnings per share was 6.2p (2009: 6.3p and 7.6p excluding the impact of non-recurring items). Our earnings are impacted by the capitalisation and subsequent amortisation of our development expenditure; and adjusted diluted earnings per share, based on expensing our development costs as they are incurred and excluding both the impact of the IFRS 2 share option charge and the unrealised gain on marking our open foreign exchange contracts to market value, was 5.1p (2009: 5.0p).

Cashflows

Cash consumed in the year was £6.6m (2009: £0.2m generated); prior to loan repayments and dividend payments and the £1.1m paid in the first half relating to restructuring costs, cash consumed was £0.8m (2009: £5.1m generated). Cash generated by trading operations was £10.9m (2009: £19.4m). The closing cash position was adversely affected by administrative delay in the Finance Court approval for

payment under the Portuguese contract which was released after the year end. Working capital increased due to the high proportion of revenue invoiced in March while stock turn improved to 9 times (2009: 5 times).

Capital expenditure comprised:

£1.0m (2009: £1.8m) spent on property, plant and equipment, including £0.2m on test equipment to support our manufacturing capabilities;

£0.5m (2009: £1.2m) on intangible assets; and

£10.1m (2009: £10.9m) of capitalised R&D expenditure.

During the year we made net interest payments on our debt of £0.2m (2009: £0.5m), including interest received on cash balances.

No UK Corporation Tax was paid in the current year due to the availability of tax losses arising on the IPO (2009: £ Nil).

After allowing for these payments we reduced our net funds by £3.7m (2009: £3.4m increase). We made scheduled repayments of £3.0m (2009: £3.2m) of borrowings, and paid dividends totalling £1.7m (2009: £1.7m).

Treasury and taxation

1. Financing

At the end of the year the Group had net funds of £1.7m (2009: £5.4m) consisting of £9.1m of cash and cash equivalents, net of £7.4m of borrowings representing the outstanding balance on the initial £15m drawn down from our loan facility. All of the covenants associated with the loan were complied with during the year. The Group also has in place a further £15m of unused credit facilities. We propose to maintain this facility, which runs through to September 2012, as it provides additional flexibility while the macroeconomic environment remains uncertain. We will continue to review the position on a regular basis.

2. Tax

Our effective tax rate for the year was 9% (2009: 13%). This is lower than the standard rate of UK Corporation Tax as we benefit from additional relief on our research and development expenditure. This is currently set at 75%. We also continue to benefit from the taxable losses created on the exercise of employee share options immediately prior to listing, which means there is no UK tax payable in respect of 2010. We have a further £7.0m (net) of losses available for offset against future taxable profits (2009: £7.9m). We have also recognised deferred tax liabilities of £6.5m in relation to our development costs, which are capitalised under IFRS, which do not represent future tax cash payments and will be released to income as the related costs are amortised.

3. Treasury

The interest charge for the year was £0.3m (2009: £0.9m), giving interest cover of 32 times (2009: 14 times). Interest rates continue to be at post-war lows and we have in place an interest cap arrangement covering all our remaining loans to maturity, reducing our exposure to any future significant increases in LIBOR. Interest income was £0.1m (2009: £0.4m).

Our principal currency exposure is to the Euro as this is the currency in which we invoice the majority of our overseas customers. This exposure is partly hedged naturally as we also purchase products from our principal manufacturing partners in Euros. We have in place a programme to hedge residual major Euro exposures, with forward contracts in place through to the end of the current year. We are also indirectly exposed to the US dollar in those markets where the underlying market pricing is in this currency.

We continue to monitor our credit exposure in the current difficult economic environment, although our end users are largely Government organisations and hence our counterparty credit exposure is minimal. We mitigate the risk of default by distributors by use of advance payments and letters of credit where appropriate.

Balance sheet

Net assets were £43.3m (2009: £35.8m) including £9.1m (2009: £15.8m) of cash. The balance sheet remains strong enabling us to respond to opportunities as they arise.

Dividends

The Board has proposed a final dividend of 0.85p per Ordinary share in respect of the year (2009: 0.85p), payable on 13 August 2010 to shareholders on the register at the close of business on 16 July 2010, giving a total dividend of 1.27p per Ordinary share (2009: 1.27p). This reflects the Board's policy of distributing approximately 20% of the Group's annual profit.

Accounting policies

There have been no changes in accounting policies during the year, other than the implementation of IFRS 8 "Segmental Reporting", and we do not anticipate any material impact on earnings or net assets for the coming year as a result of the implementation of forthcoming accounting standards.

Stephen Mole, Chief Financial Officer

7 June 2010

Consolidated Statement of Comprehensive Income

		2010		2009	
	Note	£'000	Before non-recurring items £'000	Non-recurring items £'000	Total £'000
Revenue	3	78,872	74,100	–	74,100
Cost of sales		(42,603)	(35,214)	–	(35,214)
Gross profit		36,269	38,886	–	38,886
Selling, marketing and distribution costs		(8,971)	(9,352)	(397)	(9,749)
Research and development costs		(11,278)	(10,020)	(1,727)	(11,747)
Administrative expenses		(6,476)	(6,500)	(378)	(6,878)
Other gains (losses)		65	(7)	–	(7)
Operating profit		9,609	13,007	(2,502)	10,505
Financial income		72	364	–	364
Financial expense		(300)	(869)	–	(869)
Net financial expense		(228)	(505)	–	(505)
Profit before income tax		9,381	12,502	(2,502)	10,000
Income tax expense	4	(844)	(1,970)	701	(1,269)
Profit / total comprehensive income for the year attributable to equity holders		8,537	10,532	(1,801)	8,731
Earnings per share (p)					
Basic	5	6.3	7.7	(1.3)	6.4
Diluted	5	6.2	7.6	(1.3)	6.3

¹ Non-recurring items comprised restructuring costs and impairment charges.

The results above relate to continuing operations.

Consolidated Statement of Changes in Equity

	Note	Share capital £'000	Retained earnings £'000	Total £'000
At 1 April 2008		68	28,520	28,588
Profit / total comprehensive income for the year		–	8,731	8,731
Transactions with owners				
Excess tax on share option schemes		–	34	34
Employee share option schemes: value of employee services		–	209	209
Equity dividends paid		–	(1,733)	(1,733)
Total transactions with owners		–	(1,490)	(1,490)
At 31 March 2009		68	35,761	35,829
Profit / total comprehensive income for the year		–	8,537	8,537
Transactions with owners				
Excess tax on share option schemes		–	503	503
Employee share option schemes: value of employee services		–	125	125
Equity dividends paid	6	–	(1,733)	(1,733)
Total transactions with owners		–	(1,105)	(1,105)
At 31 March 2010		68	43,193	43,261

Consolidated Balance Sheet

	Note	2010 £'000	2009 £'000
Assets			
Non-current assets			
Intangible assets	7	24,940	22,747
Property, plant and equipment		3,205	4,208
Deferred tax asset		2,120	2,411
Total non-current assets		30,265	29,366
Current assets			
Inventories		6,638	10,196
Trade and other receivables		33,634	21,414
Derivative financial instruments		58	–
Cash and cash equivalents		9,126	15,771
Total current assets		49,456	47,381
Total assets		79,721	76,747
Liabilities			
Current liabilities			
Borrowings	8	(2,952)	(2,952)
Derivative financial instruments		–	(7)
Trade and other payables		(21,436)	(22,177)
Income tax payable		(496)	(479)
Provisions	9	(491)	(1,734)
Total current liabilities		(25,375)	(27,349)
Non-current liabilities			
Borrowings	8	(4,426)	(7,378)
Trade and other payables		(6,017)	(5,382)
Provisions	9	(642)	(809)
Total non-current liabilities		(11,085)	(13,569)
Total liabilities		(36,460)	(40,918)
Net assets		43,261	35,829
Shareholders' equity			
Ordinary share capital	10	68	68
Retained earnings		43,193	35,761
Total shareholders' equity		43,261	35,829

Consolidated Statement of Cash Flows

	Note	2010 £'000	2009 £'000
Cash generated from operations	11	9,863	19,343
Income taxes paid		(33)	–
Net cash generated from operating activities		9,830	19,343
Cash flow from investing activities			
Interest received		72	364
Purchase of property, plant and equipment		(971)	(1,755)
Capitalised development costs		(10,092)	(10,861)
Purchase of other intangible assets		(473)	(1,175)
Proceeds on disposal of property, plant and equipment		–	10
Net cash used in investing activities		(11,464)	(13,417)
Cash flow from financing activities			
Repayment of borrowings		(3,000)	(3,000)
Interest paid		(278)	(821)
Dividends paid to shareholders		(1,733)	(1,733)
Repayment of capital element of finance leases		–	(198)
Net cash used in financing activities		(5,011)	(5,752)
Net (decrease) increase in cash and cash equivalents		(6,645)	174
Cash and cash equivalents at 1 April		15,771	15,597
Cash and cash equivalents at 31 March	12	9,126	15,771

The accompanying notes are an integral part of these consolidated financial statements.

1. General information

Sepura plc ("the Company") is a public limited company incorporated and domiciled in England and Wales with the registered number 04353801, and whose Ordinary shares of £0.0005 each are traded on the Main Market of the London Stock Exchange. The Company's registered office is Radio House, St Andrew's Road, Cambridge, CB4 1GR, England.

The Board of Directors approved the preliminary announcement on 8 June 2010. Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of IFRS and does not constitute statutory accounts of the Company within the meaning of section 435 of the Companies Act 2006.

The auditors have reported on the results for the years ended 31 March 2010 and 31 March 2009. Their reports were not qualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the 2010 accounts nor a statement under section 237(2) or (3) of the Companies Act 1985 in respect of the 2009 accounts.

Statutory accounts for the year ended 31 March 2010 will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 21 July 2010. Details of the resolutions to be proposed at that meeting will be included in the notice of Annual General Meeting to be sent to shareholders. Further copies of the report will be available from the Company Secretary and on the Company's website at www.seapura.com.

2. Basis of preparation

This financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Financial Reporting Interpretations Committee ("IFRIC") recommendations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. For the purposes of the preparation of the consolidated financial information, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 April 2009.

The following new standards and amendments to published standards are effective for accounting periods beginning on or after 1 January 2009 and have been adopted during the current year:

- IAS 1 (Revised) "Presentation of Financial Statements";
- IAS 23 (Revised) "Borrowing Costs"
- IAS 32 (Amended) "Financial Instruments: Presentation";
- IFRS 2 (Amended) "Share-based Payment";
- IFRS 7 (Amended) "Financial instruments: Disclosures"; and
- IFRS 8 "Operating Segments"

IAS 1 (Revised), IAS 23 (Revised), IAS 32 (Amended), IFRS 2 (Amended) and IFRS 7 (Amended) have had no impact on the reported results of the Group, while the impact of IFRS 8 is set out in Note 3 below.

3. Segment reporting

IFRS 8 defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Chief Operating Decision Maker to assess performance and determine the allocation of resources. IFRS 8 also sets out the process by which operating segments may be amalgamated into reportable segments because they share the same economic characteristics due to the nature of the products sold, the production processes used and the type of customer for the products.

In adopting IFRS 8 the Board has concluded that the Company has a single reportable segment, being the design, development and supply of TErrestrial Trunked RAdio ("TETRA") digital mobile radios. In reaching this conclusion the Board has considered the following:

- The Chief Operating Decision Maker is the Board, which reviews regular financial information on the performance of the Company, assesses the performance of the Company's executives and is responsible for resource allocation.
- Responsibility for world-wide sales falls under a single individual. During the period the Company restructured its operations, amalgamating previously separate management of UK and International customers, and separate financial information on the performance of the UK and International sales teams is therefore no longer reported to the Board. This change reflected increasing similarities between the Company's geographical markets, in terms of the products sold into these markets, the sourcing of those products from the Company's sub-contract manufacturers and the distribution channels used by end-customers.
- While the Board continues to assess the performance of individual Regional Directors responsible for developing opportunities in discrete territories, the financial data provided to the Board is eligible to be aggregated into a single reportable segment by virtue of the shared economic characteristics of the geographies and customers as set out above.

Revenues attributable to customers based in the Company's country of domicile, the United Kingdom, were £21,536,000 (2009: £28,108,000). Revenues from all other countries totalled £57,336,000 (2009: £45,992,000), of which £16,416,000 and £8,967,000 related to customers in Germany and Portugal respectively, being those countries representing more than 10% of the Group's revenues for the year. A significant percentage of the Group's revenue in each financial year is derived from orders from a small number of end-user organisations, the majority of which are governmental bodies; the Group is not reliant on any individual end-user organisations.

4. Income tax expense

The tax charge for both years is lower than the standard rate of corporation tax in the UK, which is 28% (2009: 28%). The differences are explained below:

	2010 £'000	2009 £'000
Tax reconciliation		
Profit before income tax	9,381	10,000
At standard rate of corporation tax in the UK	2,627	2,800
Effects of:		
Research and development enhanced expenditure	(1,844)	(1,601)
Expenses not deductible for tax purposes	55	62
Effect of overseas tax rates	6	8
Total tax charge (see above)	844	1,269
Effective tax rate	9%	13%

5. Earnings per share

Basic earnings per share has been calculated by dividing earnings attributable to ordinary shareholders by the weighted average number of shares of the Company for each period. For diluted earnings per share, the weighted average number of shares is adjusted to allow for the conversion of all dilutive equity instruments.

	2010	2009
Earnings attributable to ordinary shareholders (£'000)	8,537	8,731
<i>Number of shares</i>		
Basic weighted average number of shares ('000)	136,479	136,412
<i>Effect of dilutive securities:</i>		
Employee incentive plans ('000)	1,010	1,913
Diluted weighted average number of shares ('000)	137,489	138,325
Basic EPS (p)	6.3	6.4
Diluted EPS (p)	6.2	6.3

The Group presents adjusted earnings per share figures which exclude the impact of non-recurring costs incurred in the prior period. Adjusted earnings per share has been based on adjusted basic earnings for each financial period and on the same number of diluted weighted average shares in issue as the GAAP earnings per share calculation above.

	2010 £'000	2009 £'000
Earnings attributable to ordinary shareholders	8,537	8,731
Restructuring costs, net of tax	–	1,801
Earnings attributable to ordinary shareholders excluding restructuring costs	8,537	10,532
Adjusted basic EPS excluding restructuring costs (p)	6.3	7.7
Adjusted diluted EPS excluding restructuring costs (p)	6.2	7.6

The Group also presents an adjusted earnings per share figure which excludes the capitalisation of R&D costs (together with associated amortisation) and the IFRS 2 share-option charge and other gains and losses arising on marking open foreign exchange contracts to market value, all net of UK Corporation Tax at the standard rate. This adjusted earnings per share figure has been based on adjusted basic earnings for each financial period and on the same number of diluted weighted average shares in issue as the GAAP earnings per share calculation above.

	2010 £'000	2009 £'000
Earnings attributable to ordinary shareholders excluding restructuring costs	8,537	10,532
Reversal of capitalised R&D, associated amortisation, the IFRS 2 share-option charge and other gains and losses arising on marking open foreign exchange contracts to market value, all net of UK Corporation Tax at 28% (2009: 28%)	(1,564)	(3,650)
Adjusted earnings	6,973	6,882
Adjusted diluted EPS (p)	5.1	5.0

6. Dividends

The Directors have proposed a final dividend in respect of the financial year ended 31 March 2010 of 0.85p per Ordinary share, or £1,160,000 based on the Ordinary shares in issue at 31 March 2010. The proposed dividend, which is subject to approval by shareholders, has not been included as a liability in these financial statements and will be paid on 13 August 2010 to Shareholders registered on 16 July 2010. The ex-dividend date is 14 July 2010.

During the year the Company paid an interim dividend of 0.42p per Ordinary share, totalling £573,000, in respect of the financial year ended 31 March 2010 and a final dividend in respect of the financial year ended 31 March 2009 of 0.85p per Ordinary share, totalling £1,160,000.

7. Intangible assets

	Capitalisation of development costs £'000	Software and similar licences £'000	Total £'000
Cost			
At 1 April 2008	28,086	2,112	30,198
Additions	10,861	304	11,165
At 31 March 2009	38,947	2,416	41,363
Additions	10,092	473	10,565
At 31 March 2010	49,039	2,889	51,928
Amortisation			
At 1 April 2008	(11,173)	(263)	(11,436)
Charge for the year	(5,575)	(374)	(5,949)
Impairment	(1,231)	–	(1,231)
At 31 March 2009	(17,979)	(637)	(18,616)
Charge for the year	(7,860)	(512)	(8,372)
At 31 March 2010	(25,839)	(1,149)	(26,988)
Net book value			
At 31 March 2010	23,200	1,740	24,940
At 31 March 2009	20,968	1,779	22,747
At 31 March 2008	16,913	1,849	18,762

During the prior year the Group's annual review of its portfolio of development projects identified an alternative, more cost effective approach on some projects which resulted in an impairment charge of £1,231,000 relating to the spend on these projects which was no longer of value to the business.

8. Borrowings

On 27 October 2006 the Group entered into a £30,000,000 multi-currency term loan and revolving facilities agreement with a floating interest rate of 1.5% over LIBOR. £15,000,000 was drawn down against the facility on 27 October 2006, and is repayable in 20 equal quarterly instalments commencing in December 2007. The outstanding capital at 31 March 2010 was £7,500,000 (2008: £10,500,000), and unamortised issue costs were £122,000 (2008: £170,000).

The unused facility of £15,000,000 expires on 11 September 2012.

9. Provisions

	Restructuring £'000	Warranty £'000	Total £'000
At 1 April 2009	1,131	1,412	2,543
Charged to the income statement	–	403	403
Utilised in year	(1,131)	(682)	(1,813)
At 31 March 2010	–	1,133	1,133
Less: amounts due for settlement within 12 months (shown under current liabilities)	–	(491)	(491)
Amount due for settlement after 12 months	–	642	642

Restructuring provision

During the prior year the Group undertook a major review of its internal operations resulting in a restructuring to improve efficiency and streamline costs. A provision was made of £1.3m to cover redundancy and related costs, of which £140,000 was utilised during 2009 and the remainder during 2010.

Warranty provision

A warranty provision is made at the time of sale for the estimated cost of providing standard warranty cover which cannot be separated from the sale of the underlying goods. The provision is calculated based on historical information regarding the cost and frequency of repairs required to the Group's products. Warranty cover is typically provided over a period of one to five years. The Group also has back-to-back warranties of between twelve and fifteen months with the majority of its sub-contract manufacturers to limit risk on liabilities arising on manufacturing defects.

10. Share capital

At the end of the year the Company's issued share capital comprised 136,478,580 Ordinary shares of £0.0005 each (2009: 136,478,580). Subsequent to the end of the year the Company issued 840,000 Ordinary shares of £0.0005 each following the exercise of options under employee share option schemes.

11. Cash generated from operations

	2010 £'000	2009 £'000
Profit before income tax	9,381	10,000
<i>Adjustments for:</i>		
Depreciation charges	1,693	1,806
Amortisation charges	8,372	5,949
Impairment	-	1,231
Equity settled share based payment charge	125	209
Loss on disposal of fixed assets	-	1
(Gain) loss on derivative financial instruments	(65)	35
Financial income	(72)	(364)
Financial expense	300	869
<i>Cash generated from operations before movements in working capital</i>	19,734	19,736
Decrease (increase) in inventories	3,558	(1,699)
(Increase) in trade and other receivables	(12,220)	(5,355)
Increase in trade and other payables	201	5,053
(Decrease) increase in provisions	(1,410)	1,608
<i>Movements in working capital</i>	(9,871)	(393)
Cash generated from operations	9,863	19,343

12. Reconciliation of cash flows to movements in net funds

	2010 £'000	2009 £'000
Net (decrease) increase in cash and cash equivalents	(6,645)	174
Repayment of borrowings	3,000	3,000
Repayment of finance lease liabilities	-	198
Changes in net funds resulting from cash flows	(3,645)	3,372
Amortisation of debt issue costs	(48)	(48)
Loss on disposal and repurchase of financial assets amortised over the course of the finance lease	-	75
Net movements in net funds	(3,693)	3,399
Net funds at the beginning of the period	5,441	2,042
Net funds at the end of the period	1,748	5,441
Net funds comprises:		
Cash and cash equivalents	9,126	15,771
Borrowings	(7,378)	(10,330)
	1,748	5,441