

2 June 2010

Sarantel Group PLC

Interim results for the six months to 31 March 2010

Sarantel Group PLC, (AIM: SLG, "Sarantel"), a leading manufacturer of high-performance, miniature antennas for mobile and wireless devices, announces interim results for the six months to 31 March 2010.

Highlights:

- Revenues of £1.4m (H1 2009: £1.7m)
- GPS revenues up 8%
- Revenues from high-value military and satellite data applications continue to increase
- Adoption of GPS functionality accelerating in consumer electronics
- Significant progress in the military applications
- Cash balance of £1.6m with an additional £0.26m tax credit received after the half-year end
- Agreement to outsource manufacturing; £0.5m annual savings expected

Geoff Shingles, Chairman, said:

"Sarantel continues to make good progress, diversifying its client base and winning high-value customers such as the US military. As our target markets develop, the value of our antenna technology is increasingly being recognised by key manufacturers."

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About Sarantel www.sarantel.com

Sarantel is a leader in the design of high-performance miniature antennas for portable wireless applications. Sarantel's revolutionary ceramic filtering antennas offer dramatically improved performance over existing antenna designs, resulting in a clearer signal, better range and a 90 per cent reduction in the amount of signal radiation absorbed by the body. Because of their smaller size and higher capabilities, Sarantel's antennas enable manufacturers to create innovative wireless products for the GPS, WiMax, Satellite Radio and Satellite phone markets.

Interim Results

In the six months to 31 March 2010, Group revenues were £1.4 million (H1 2009: £1.7m), with GPS revenues growing 8% by value and 17% by unit volume. Revenues from high-value military and satellite data applications continue to increase as the benefits of Sarantel's technology gain increasing recognition amongst key manufacturers. Overall, high-value revenues were lower than last year because the first half of 2009 benefited from high pre-orders from Iridium in advance of a new handset launch.

Gross margins of 34% (H1 2009: 43.6%) were broadly in line with expectations, given the higher proportion of lower-margin GPS products in the revenue mix and lower capacity usage.

The Group continued to manage its cost base effectively, with operating costs excluding depreciation falling by 8.2% to £1.47 million, despite a small increase in R&D expenditure.

The Group's loss before depreciation, interest and tax was £1.0m.

At £0.9m, operating cash outflow was higher than in 2009 (H1 2009: £0.4m) as a result of high customer invoicing in March and a delay into the second half of an R&D tax credit.

The Group's cash position remains solid at £1.6m, following a placing of shares in December 2009 that raised £2.25m before expenses.

Development of Sarantel's markets

Sarantel designs and manufactures high-performance antennas for a wide number of applications. For the past few years, Sarantel has been active in consumer Global Positioning Systems ("GPS"), military GPS and communications and mobile satellite services.

It is clear that the adoption of GPS functionality is accelerating as the cost of GPS chipsets continues to fall. In consumer markets, smartphones are increasingly equipped with location-based services such as Layar and Foursquare. Augmented reality applications for smartphones are becoming increasingly popular, adding valuable commercial or consumer-generated content dependent on the user's location. Google and Nokia have recently added free mapping and navigation capabilities to mobile phones, competing with TomTom's iPhone application.

The addition of location status to Facebook and other social networking platforms indicates that the pace of new location-sensitive applications is starting to accelerate. Additionally, Google's acquisition of AdMob and Apple's acquisition of Quattro Wireless demonstrate the level of investment that market leaders are investing in location-based advertising or "GeoMarketing". The mobile services consultancy Berg Insight forecasts the global mobile advertising market to grow at a compound annual growth rate of 43 percent to € 8.7 billion in 2014.

All of these market drivers are encouraging for Sarantel, which is engaging with an increasing number of customers designing niche devices that incorporate GPS functionality. Such products include golf rangefinders, personal and pet tracking devices. Last year's decline in market activity as a result of the economic downturn has begun to reverse and demand for a number of niche GPS products with the Sarantel antenna has started to recover. In addition, the revamp of Sarantel's distribution network last year has opened up significant new markets including China.

High-volume GPS products

There is a clear trend to integrate GPS capabilities into digital cameras to enable automatic "geotagging" of pictures for use with services such as Flickr and Google Maps. Sarantel has already

begun to address this market in the belief that its antenna technology offers clear advantages over current antennas where poor performance and integration deliver inaccurate and frustrating results.

Similarly, in the high-volume mobile phone market, consumers are becoming increasingly frustrated by the poor performance of current GPS-enabled mobile phones. This frustration is being vented in public forums on the internet and driving mobile handset manufacturers to focus on improving the user's experience of the onboard GPS.

Military applications

The military market continues to grow, especially in the United States, and is developing in areas that the Board believes will benefit Sarantel in the medium term. Military expenditure continues to focus on tracking, tagging and locating applications for which Sarantel's antenna technology has unique advantages.

Mobile satellite Services ("MSS")

The MSS market is dynamic with key players such as Inmarsat, Iridium and Globalstar all continuing to experience growth in their satellite communications traffic and revenues. Companies in this market are key target customers for Sarantel's technology and the Group has already demonstrated success with its technology.

Business Review

Niche Consumer GPS

Sarantel is seeing a healthy number of new and innovative opportunities for its antenna technology in this market. In the first half of the year, niche consumer GPS revenues grew by 8% on a 17% increase in volumes. Deliveries of the latest generation GPS antenna (the LBS Pro) accounted for 33% of total GPS revenues, compared to 2% in the corresponding period last year, and 23% in the second half of 2009. Sarantel shipped products to more than 250 customers in the first half, compared with slightly more than 300 across the whole of 2009.

High-volume GPS

The Board is encouraged by efforts and ongoing discussions to establish Sarantel's antenna technology in the high-volume GPS markets of digital cameras and mobile phones. Field test results support the Group's belief that Sarantel's antenna technology negates many of the problems that consumers experience when they use GPS-equipped cameras and mobile phones.

Military

Sarantel made significant progress in the Military market, announcing in March an agreement with a large US defence contractor that has agreed to fund the development a customised dual-frequency antenna solution for portable military satellite communications.

During the period, Sarantel also underwent successful audits by two leading military contractors, which bring the group closer to becoming an approved supplier for high-value military antenna applications.

The Group continues to maintain dialogue with a number of departments in the US military to explore opportunities for its antenna technology.

Mobile satellite services

During the period, the Group announced first production orders for handheld two-way satellite communication devices from the US company, NAL Research. In this instance, Sarantel's antenna technology was crucial in enabling the customer reduce the size of the device, whilst maintaining robust two-way satellite communication and GPS performance in difficult environments.

The Group announced on 22 April that one of its largest clients had introduced a second supplier in the interest of supplier diversity. Whilst the Board fully understands the rationale for this dual-sourcing strategy, Sarantel remains confident that the technical superiority of its product will prevail in the long term.

Outsourced manufacturing

On 1 June 2010, the Group signed a Letter of Intent with Elcoteq SE to outsource its assembly, test and supply chain processes. The initiative is expected to generate annual production savings of approximately £0.5m and the transfer of these processes and associated equipment should be completed by the end of 2010, with little or no disruption to supplies. The exceptional costs arising on the consequent restructuring are approximately £50,000.

Outsourcing allows the Group to focus more effectively on its uniquely valuable production processes and increase resources for product development. At the same time, it will simplify day-to-day operations by reducing the number of direct suppliers to the Group's remaining operations, which will be consolidated from two sites into one. Sarantel will also benefit from Elcoteq's sourcing capabilities to reduce BOM (bill-of-material) costs and from its design-for-manufacturing experience, which will optimise and reduce the cost of the assembly process itself.

Outlook

The Board remains optimistic that market and consumer forces will drive demand for the improved performance that Sarantel's antennas deliver both in the GPS market and in the more near term, the military market. As previously announced, the Board expects growth to continue in 2010 with Group revenues for the full year expected to be approximately £3.1m to £3.3m.

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 MARCH 2010**

	Note	Six months to 31 March 2010	Six months to 31 March 2009	12 months to 30 September 2009
		£000	£000	£000
Revenue	2	1,387	1,662	2,811
Cost of sales		(911)	(937)	(1,616)
Gross profit		476	725	1,195
Research and development costs		(613)	(595)	(1,220)
Selling and distribution costs		(273)	(287)	(600)
Administration costs		(1,113)	(1,211)	(2,285)
Total operating costs		(1,999)	(2,093)	(4,105)
<i>Operating loss before depreciation and amortisation</i>		(997)	(878)	(1,908)
<i>Depreciation and other amounts written off property, plant and equipment and intangible assets</i>		(526)	(489)	(1,002)
Operating loss		(1,523)	(1,368)	(2,910)
Finance income		64	71	42
Other Income	3	-	8	8
Fair value movement on derivatives		(27)	(6)	41
Finance costs		(32)	(31)	(161)
Loss before tax		(1,518)	(1,326)	(2,980)
Tax	4	147	100	195
Loss for the period		(1,371)	(1,226)	(2,785)
Other comprehensive income		-	-	-
Total comprehensive income for the period		(1,371)	(1,226)	(2,785)
Basic and diluted loss per share	5	(0.5)p	(0.6)p	(1.5)p

All of the activities of the Group are classed as continuing.

**UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2010**

	Note	As at 31 March 2010 £000	As at 31 March 2009 £000	As at 30 September 2009 £000
Assets				
Non-current assets				
Intangible assets		1,574	1,313	1,477
Property, plant and equipment		1,001	1,751	1,382
Total non-current assets		2,575	3,064	2,859
Current assets				
Inventories		189	197	225
Trade and other receivables		641	432	455
Current Tax		379	151	196
Cash and cash equivalents		1,625	2,216	876
Total current assets		2,834	2,996	1,752
Total assets		5,409	6,060	4,611
Current liabilities				
Trade and other payables		877	1,013	723
Amounts due under finance leases and HP agreements		198	257	185
Amounts due under invoice financing facility		64	-	137
Total current liabilities		1,139	1,270	1,045
Non-current liabilities				
Amounts due under finance leases and HP agreements		243	72	345
Total liabilities		1,382	1,342	1,390
Equity				
Share capital	6,7	9,732	8,789	8,789
Share premium		17,290	16,165	16,165
Merger reserve		13,390	13,390	13,390
Warrant reserve		76	83	76
Share scheme reserve		609	431	500
Profit and loss account		(37,070)	(34,140)	(35,699)
Total equity		4,027	4,718	3,221
Total equity and liabilities		5,409	6,060	4,611

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2010**

	Six months to 31 March 2010	Six months to 31 March 2009	12 months to 30 September 2009
	£000	£000	£000
Cash flows from operating activities			
Loss before tax	(1,518)	(1,326)	(2,980)
<i>Adjustment for non cash items:</i>			
Depreciation and amortisation	493	455	932
Depreciation absorbed to cost of sales	33	34	70
Investment revenue	(5)	(42)	(42)
Government grants	-	(8)	(8)
Effect of foreign exchange rates	59	29	(87)
Finance costs	(29)	(1)	161
Share based payments	109	104	166
Taxation	-	207	207
Change in financial instruments provision	28	-	(41)
Decrease in inventories	36	148	120
Increase in receivables	(222)	(36)	(9)
Increase/(Decrease) in payables	127	16	(232)
Net cash outflow from operating activities	(889)	(420)	(1,743)
Investing activities			
Interest receivable	5	42	42
Payments to acquire intangible fixed assets	(204)	(130)	(382)
Payments to acquire tangible fixed assets	(38)	(97)	(154)
Net cash used in investing activities	(237)	(185)	(494)
Cash outflow before financing	(1,126)	(605)	(2,237)
Financing activities			
Interest paid and similar expense	-	(2)	-
Finance lease interest paid	(31)	(26)	(74)
Grants received	-	8	8
Issue of shares	2,068	-	-
Capital element of finance lease rentals	(89)	(117)	(230)
Cash received for new finance leases	-	-	314
Net cash inflow from financing activities	1,948	(137)	18
Net (decrease)/increase in cash and cash equivalents	822	(742)	(2,219)
Cash and cash equivalents at beginning of period	739	2,958	2,958
Cash and cash equivalents at end of period	1,561	2,216	739
Analysis			
Cash and cash equivalents	1,625	2,216	876
Amounts due under invoice financing facility	(64)	-	(137)
Net cash and cash equivalents	1,561	2,216	739

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 2010**

	Share capital	Share premium	Share scheme reserve	Warrant reserve	Merger reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
For the six months to 31 March 2010							
Balance at 1 October 2009	8,789	16,165	500	76	13,390	(35,699)	3,221
Shares issued	943	1,125	-	-	-	-	2,068
Share based payments	-	-	109	-	-	-	109
Transactions with owners	943	1,125	109	-	-	-	2,177
Net result for the period	-	-	-	-	-	(1,371)	(1,371)
Total comprehensive income for the period	-	-	-	-	-	(1,371)	(1,371)
Balance at 31 March 2010	9,732	17,290	609	76	13,390	(37,070)	4,027

For the six months to 31 March 2009

Balance at 1 October 2008	8,789	16,165	334	76	13,390	(32,914)	5,840
Share warrants issued	-	-	-	7	-	-	7
Share based payments	-	-	97	-	-	-	97
Transactions with owners	-	-	97	7	-	-	104
Net result for the period	-	-	-	-	-	(1,226)	(1,226)
Total comprehensive income for the period	-	-	-	-	-	(1,226)	(1,226)
Balance at 31 March 2009	8,789	16,165	431	83	13,390	(34,140)	4,718

For the 12 months to 30 September 2009

Balance at 1 October 2008	8,789	16,165	334	76	13,390	(32,914)	5,840
Share based payments	-	-	166	-	-	-	166
Transactions with owners	-	-	166	-	-	-	166
Net result for the period	-	-	-	-	-	(2,785)	(2,785)
Total comprehensive income for the period	-	-	-	-	-	(2,785)	(2,785)
Balance at 30 September 2009	8,789	16,165	500	76	13,390	(35,699)	3,221

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2010**

1 BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements of Sarantel Group PLC are for the six months ended 31 March 2010. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2009. The financial information for the year ended 30 September 2009 set out in these interim consolidated financial statements does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 September 2009 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 or section 237 (2) or (3) of the Companies Act 1985.

These interim consolidated financial statements have been prepared on the basis of the Group's accounting policies. These are set out in its Annual Report and Accounts for the year ended 30 September 2009 which is available on the Group's website (www.sarantel.com). As of 1 January 2009 the following new standards and interpretations apply to financial statements prepared in accordance with IFRS:

- (a) IAS 1 Presentation of Financial Statements (Revised 2007);
- (b) Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations; and
- (c) IFRS 8 Operating Segments.

The adoption of IAS1 (Revised 2007) does not affect the financial position or profits of the Group, but does give rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, however some items that were recognised direct in equity are now recognised in other comprehensive income, for example cash-flow hedges. IAS1 (Revised 2007) affects the presentation of owner changes in equity and introduces a 'Statement of Comprehensive Income'. Further, a 'Statement of Changes in Equity' is presented as a primary statement. The adoption of the amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations results in re-measurement of the grant date fair value of options including non-vesting conditions and changes to the income statement charge arising from cancellation of options but has not made any material difference. The adoption of IFRS 8 Operating Segments increases the amount of disclosure required.

2 REVENUE

	Six months to 31 March 2010 £000	Six months to 31 March 2009 £000	12 months to 30 September 2009 £000
Sale of antennas	1,315	1,626	2,708
Sale of Non-Recurring Engineering services	72	36	103
Total Revenues	1,387	1,662	2,811

3 OTHER INCOME

	Six months to 31 March 2010 £000	Six months to 31 March 2009 £000	12 months to 30 September 2009 £000
Regional development grant received	-	8	8

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2010**

4 TAX ON LOSS

	Six months to 31 March 2010 £000	Six months to 31 March 2009 £000	12 months to 30 September 2009 £000
Current tax:			
UK corporation tax based on the results for six months to 31 March 2010	(147)	(100)	(195)

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

A deferred tax asset, calculated using a tax rate of 28 per cent, amounting to approximately £5.5 million (2009: £5.5 million) 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.

5 LOSS PER SHARE

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

Reconciliations of the loss and weighted average number of shares used in the calculations are set out below.

	Six Months to 31 March 2010 £000	Six Months to 31 March 2009 £000	12 Months to 30 September 2009 £000
Losses	1,371	1,226	2,785
Weighted average number of shares	256,320,946	190,936,331	190,936,331
Per share amount pence (Basic and Diluted)*	(0.5)p	(0.6)p	(1.5)p

* The effect of options and warrants are anti-dilutive.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2010**

6 SHARE CAPITAL

	As at 31 March 2010	As at 31 March 2010	As at 31 March 2009	As at 31 March 2009	As at 30 September 2009	As at 30 September 2009
	Number	£000	Number	£000	Number	£000
Authorised share capital:						
A ordinary shares of £0.01 each	501,407,281	5,014	501,407,281	5,014	501,407,281	5,014
B ordinary shares of £0.01 each	10,672,940	107	10,672,940	107	10,672,940	107
	512,080,221	5,121	512,080,221	5,121	512,080,221	5,121
Allotted, called-up and fully paid:						
A ordinary shares of £0.01 each	289,899,991	2,842	189,899,991	1,899	189,899,991	1,899
B ordinary shares of £0.01 each	1,036,340	11	1,036,340	11	1,036,340	11
Deferred shares of £0.09 each	76,435,531	6,879	76,435,531	6,879	76,435,531	6,879
	367,371,862	9,732	267,371,862	8,789	267,371,862	8,789

In December 2009, a total of 100,000,000 ordinary shares were issued to fund working capital needs.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2010**

7 SHARE OPTIONS

	As at 31 March 2010	As at 31 March 2010	As at 31 March 2009	As at 31 March 2009	As at 30 September 2009	As at 30 September 2009
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Number of share options brought forward	27,048,075	0.041	18,572,407	0.051	18,572,407	0.051
Options granted	13,045,000	0.019	9,164,000	0.019	9,164,000	0.019
Options lapsed and eliminated	(2,000)	0.047	(623,666)	0.039	(688,332)	0.038
Number of share options carried forward	40,091,075	0.022	27,112,741	0.041	27,048,075	0.041