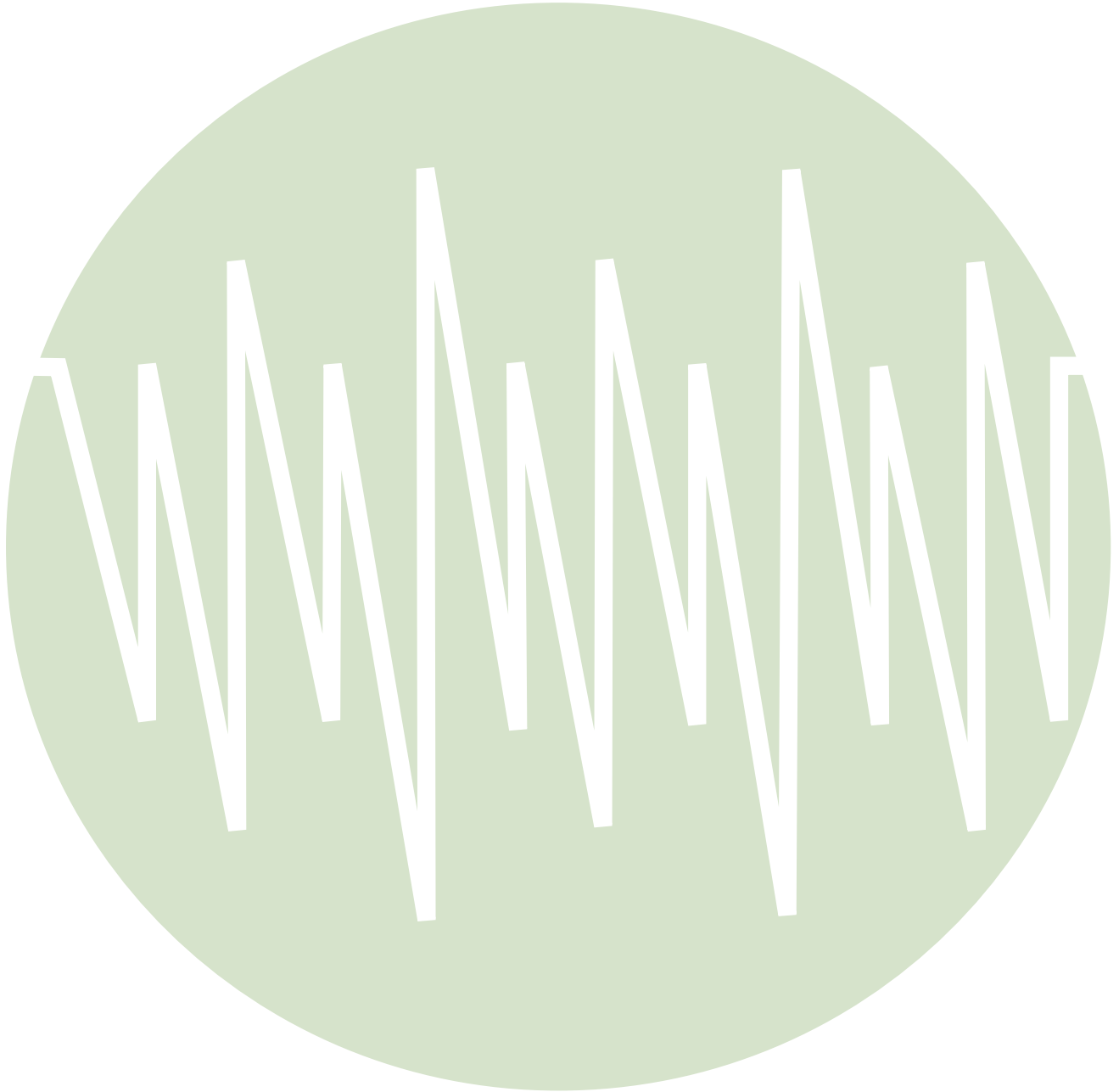




# **Transense Technologies plc**



**Report and Financial Statements  
For the Year Ended  
31 December, 2007**



## DIRECTORS AND ADVISERS

<b>Directors</b>	<p>§* D G Kleeman (<i>Chairman</i>) (appointed 10 December, 2007) * A B Baldry (resigned 10 December, 2007) G D Eves (resigned 7 February, 2008) R D Lohr (<i>Technical</i>) H G Pearl (resigned 31 March, 2008) J A H Perry (resigned 31 March, 2008) * J P Pither (resigned 1 April, 2007) M Segal (<i>Finance</i>) (appointed 10 December, 2007) §† G Storey (appointed 7 February, 2008) §†* R J Westhead (appointed 1 April, 2007) * P J Woods (resigned 10 December, 2007)</p> <p>* <i>Non-executive</i> † <i>Member of the Audit Committee</i> § <i>Member of the Remuneration Committee</i></p>
<b>Secretaries and Registered Office</b>	<p>Watlington Securities Limited 36 Elder Street London E1 6BT</p>
<b>Auditors</b>	<p>KPMG Audit Plc Arlington Business Park Theale Reading RG7 4SD</p>
<b>Bankers</b>	<p>HSBC Bank plc 1 Sheep Street Bicester Oxon OX26 7JA</p>
<b>Nominated Advisers and Brokers</b>	<p>Brewin Dolphin 12 Smithfield Street London EC1A 9BD</p>
<b>Registrars</b>	<p>Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA</p>
<b>Registration Number</b>	<p>1885075</p>



## CHAIRMAN'S STATEMENT

The last twelve months have probably been the most eventful in Transense's relatively short history. The proposed reverse takeover of the Bishop Technology Group was rejected by shareholders in November 2007, and in early 2008, during an extremely difficult time for Capital markets, a £4million fundraising was completed, bringing with it new institutional support.

Several Board changes have taken place following the rejection of the Bishop Group proposal. I believe the commercial experience and determination of the newly constituted Board, together with the strengthened balance sheet and shareholder support, puts the Company in a much improved position to commercialise its world leading surface acoustic wave (SAW) technology.

Our strategic review is ongoing and will not be finalised until a new Managing Director is in place.



David Kleeman,  
*Chairman*

### Results

In 2007, there was no repetition of any licence fee income from Honeywell, as the series of upfront payments agreed in the original licence agreement had already been paid and accounted for by 31 December 2006.

There has been modest growth of revenue from engineering support work, and we are seeking further opportunities to exploit our technical expertise from consultancy work. Revenue for the year was £145,000 (2006 – £604,000 which included a £500,000 licence fee). Pre-tax losses for the year increased to £2.683 million (2006 – £1.324 million), exacerbated by the significant abort costs from the failed Bishop transaction and the cost of the Board restructuring.

### The Board

Several Board changes have occurred subsequent to the rejection of the Bishop proposal at the EGM. My predecessor as Chairman, Peter Woods, and Tony Baldry retired immediately, followed shortly afterwards by Graham Eves, who resigned as Commercial Director. Howard Pearl, Finance Director, and Jim Perry, who was Chief Executive for 17 years, have also recently retired as Directors.

The Board now comprises Ray Lohr, who continues to give us the benefit of his excellent skills as Technical Director and Rodney Westhead, who was appointed as Non-Executive Director in 2007 and who brings to the company his substantial experience from within the automotive industry. The new members are Melvyn Segal and Graham Storey, who have been shareholders in Transense for several years. They have the commercial skills and determination required as Transense seeks to supplement its existing licensees and widen the applications for which its technology can be utilised.

The position of Managing Director has yet to be filled. We are currently finalising negotiations with a candidate whom we believe ideally fits our brief – an industry heavyweight with considerable experience in commercialising automotive intellectual property. We hope to complete these discussions in the near future.

### Future Strategy

In recent years, hopes had been raised that the Company's unique SAW technology for measuring torque, pressure and temperature, would be adopted by our licensees, particularly within the automotive industry, and that a consistent and growing flow of royalty, licensing, and consultancy income would have already been generated. Whilst this remains our stated goal, the timescales originally envisaged were unduly optimistic. In light of this, it has been one of our initial priorities to seek updates from our licensees with regards to timescales for commercialisation. A series of meetings are now ongoing for this purpose.



## CHAIRMAN'S STATEMENT *continued*

The existing licensing agreements, negotiated several years ago do not provide for any minimum annual payments. As a consequence, there is no income until such time as royalties become payable. This leaves Transense substantially dependent on our licensees to create the demand for the Company's technology and establish customers for it, thereby producing an income flow for Transense. The new Board has adopted a proactive approach, which involves widening the range of technical applications for the Company's SAW technology, achieving closer relationships with existing licensees and aggressively seeking new licence opportunities, with the intention of gaining more control over the scope and timing of revenues.

### **Research & Development (R&D)**

The technical advances made in the year from our ongoing partnerships continued apace.

The focus of the Company's 2007/8 R&D activity has been to develop the technology to meet customer specific applications. This has involved work across all of our engineering skills base – mechanical, electronic and software.

### **Business Update**

The new Board members were appointed on a mandate of openness and clarity. Whilst both confidentiality and commerciality will dictate what can and cannot be disclosed at any particular time, it is my intention to ensure that in future shareholders will be consistently updated.

I am encouraged that during my short tenure to date, the Company has received several serious enquiries about its technology. I am setting out below a summary of the more important projects upon which Transense is currently working:

#### Honeywell

Four members of the Transense team have recently returned from Minneapolis where they had two full days of meetings with senior members of the Honeywell team discussing ongoing and potential projects across a wide range of automotive and industrial applications.

#### Torque Driveline

Transense has been working with Honeywell on projects for two US Original Equipment Manufacturers to measure engine output torque on flexplates. The flexplate is an integral part of the power train system and, when implemented, the potential benefits to the engine will include smoother running and increased fuel efficiency, and to the transmission, smoother gear changes. This will be the first time any engine system has been able to measure torque 'live', enabling optimal control to be maintained throughout vehicle life. It is hoped that the technology will be implemented across a range of vehicles and engines.

Whilst we believe the outcome of our meetings with Honeywell to have been very positive, we are not currently budgeting for a meaningful flow of royalty income from the flexplate project before the 2013 models are in production, in the light of Honeywell's negotiations with automotive manufacturers.

#### Electronic Power Assisted Steering (EPAS)

We are in discussions for a joint development with a Canadian Tier 1 specialist automotive supplier, which is evaluating our electric power assisted steering EPAS torque sensor technology for two separate projects.



## CHAIRMAN'S STATEMENT *continued*

### Tyre Pressure Monitoring Systems (TPMS)

Transense is in early discussions with a UK based after-market TPMS supplier which has developed a vehicle management system providing “cradle to grave” tyre information – of a particular interest to the OTR (Off The Road) and truck markets. Their system incorporates a hand-held reader which reads a tyre patch radio frequency identification device (RFID) and measures tyre tread depth and pressure on a manual basis. They view the ability to check tyre pressure remotely as a significant advantage and we are currently working to incorporate SAW technology into their product.

### Motor Sports

We are working on potential projects linked to both Formula 1 and NASCAR which involves both TPMS and Torque. Whilst these projects, if confirmed, are capable of earning modest royalties, they are prestigious for Transense and represent an endorsement of our technologies operating in a very demanding environment.

### Non Automotive Applications

It is clear that there are many opportunities for torque and pressure sensors in non-automotive fields. Transense is currently in negotiations with Sensor Technology to extend our licence to incorporate non-Automotive applications. A successful conclusion to the negotiations will broaden the market for our technology in an area where the development and testing schedules are considerably shorter than those in automotive, and give us a quicker route to market.

### Others

For strategic reasons, Lear has not proceeded with the Transense batteryless TPMS and the agreement has been terminated.

There has been no meaningful progress to date with our arrangements with Michelin.

### **Conclusion**

We are busy at operational levels. We have an encouraging set of projects upon which we are working, but these projects are unlikely to generate a consistent and meaningful income flow in the short term, which means we need to develop our consultancy and engineering work for third parties. Nevertheless, Transense has adequate financial resources and a fresh and determined Board to guide the Company towards what we believe will be a more prosperous future.

David Kleeman  
*Chairman*

14 April 2008



## STATEMENT OF CORPORATE GOVERNANCE

The Company is quoted on the Alternative Investment Market (AIM) and is therefore not required to comply with the provisions of the Combined Code. Nevertheless, by continuous review, the Company ensures that proper standards of corporate governance are in operation and the principles of the Combined Code are followed so far as is practicable and appropriate to the size and nature of the Company.

A statement of the directors' responsibilities in respect of the financial statements is set out on Page 13. Below is a brief description of the role of the Board and its Committees.

### **The Board**

The Board, which presently consists of three executive and two non executive directors, meets regularly throughout the year and receives timely information in a form and of a quality appropriate to enable it to discharge its duties.

Non-executive directors are not appointed for specified terms nor have an automatic right of reappointment.

All directors are subject to election by shareholders at the first AGM after their appointment and to retirement by rotation and re-election by shareholders in accordance with the Articles of Association whereby one third of the directors retire every year or, where there is not a multiple of three, the number nearest to but not exceeding one third retire from office.

### **Audit and Risk Committee**

The Audit and Risk Committee is under the chairmanship of Rodney Westhead, with Graham Storey also sitting. They meet at least twice a year and have adopted terms of reference which give it responsibility for reviewing a wide range of financial matters. The Committee advises the Board on the appointment of external auditors and it discusses the nature and scope of their work.

### **Nomination Committee**

Given its relatively small size, the Board as a whole fulfills the function of the Nomination Committee.

### **Remuneration Committee**

The policy on Directors' remuneration is formulated by the Remuneration Committee, which consists of David Kleeman as Chairman plus Graham Storey and Rodney Westhead. The Committee is responsible for determining the contract terms, remuneration and other benefits of executive directors.

The report of the Remuneration Committee is set out on Pages 7 to 9 below.



## STATEMENT OF CORPORATE GOVERNANCE *continued*

### **Accountability, Internal Control and Risk Management**

The directors consider that these financial statements, reports and supplementary information present a fair and accurate assessment of the Company's position and prospects.

### **Going Concern**

After making enquiries the directors have formed a judgement at the time of approving these financial statements, that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's financial capability has been enhanced since 2007; see Note 25 to the financial statements on page 31. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### **Internal Financial Control**

Non-audit services provided by the auditors are reviewed by the Audit Committee to ensure that independence is maintained.

The Board is responsible for the Company's system of internal control including financial, operational and compliance controls and risk management, and for reviewing its effectiveness. The Board has introduced procedures designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the guidance provided by the Turnbull Committee. These procedures include an annual review of the significant risks faced by the Company and an assessment of their potential impact and likelihood of occurrence. The Board is satisfied with the effectiveness of internal controls but, by their very nature, these procedures can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the need for an internal audit function. The Board has decided that, given the nature of the Company's business and assets and the overall size of the Company, the systems and procedures currently employed provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is in place. An internal audit function is therefore considered unnecessary.



## REMUNERATION REPORT

### Remuneration Policy

The remuneration policy is to ensure that all staff, including executive directors, are adequately motivated and rewarded in relation to companies of similar size and type.

During this development period of the Company's growth and with limited turnover, the Remuneration Committee considers that it is not appropriate at the present time to augment salaries with annual bonuses. In addition the salaries paid are at the lower end of the range when compared to the salaries of directors and senior executives in public companies in similar development situations.

The Remuneration Committee can also grant options over ordinary shares under both the Company's Unapproved Discretionary Share Option Scheme (UDSOS) and its Enterprise Management Incentive Option Schemes (EMI) and options granted outside Company schemes, but approved by shareholders (see Note 25 to the accounts). These schemes potentially offer long term incentives to directors and key personnel.

The Remuneration Committee has appointed Marcussen Consultants, an independent consultancy, to advise them on the design of the Company's long term incentive and executive share option schemes. This firm also provides Corporation tax advice to the Company.

In addition to the vote to be held on this Remuneration Report, shareholders will be given the opportunity to question the Remuneration Committee Chairman, David Kleeman, on any aspect of the Company's remuneration policy.

The Board as a whole sets the remuneration of the non-executive directors, which consists of fees for their services in connection with Board and Board Committee meetings. Certain additional services are rewarded by way of extra fees from time to time. The non-executive directors are not eligible for pension scheme membership, but they do participate in the Company's UDSOS plus options specifically approved by shareholders.

Each element of remuneration paid to all directors is shown in detail below.

### Base Salary and Benefits

Base salaries for all executive directors are reviewed, but not necessarily increased, annually by the Remuneration Committee. In the present development stage of the Company, salary increases are generally restricted to or just above inflation rates. Salary increases based on performance will only be made when the Company's profitability allows.

In addition to base salary, the full time executive directors who served during 2007, Messrs, Eves, Lohr and Perry were also entitled to the following benefits: 25 days holiday per annum, Cash allowance in lieu of a Company car, Permanent Health insurance, Private medical cover for themselves, their spouse and minor children where relevant and Life assurance based on three times basic annual salary. Messrs Eves and Perry have since resigned, but Mr Lohr retains all his entitlements.

### Executive Share Option Schemes

The Committee considers that potential for share ownership and participation in the growing value of the Company increases the commitment and loyalty of directors and senior executives. Mr Lohr has been awarded options in both the Company's UDSOS and EMI schemes, the details of which are shown below. Mr Segal has been granted an option outside the schemes and approved by shareholders. Mr Kleeman has also been granted an option outside the schemes and approved by shareholders.

### Directors' Pension Policy

All full time executive directors are entitled to enter, and are members of, the Company's defined contribution pension scheme, to which the Company contributes the equivalent of 10% of their basic



## REMUNERATION REPORT *continued*

salary. Executive directors participate in the Company's pension scheme on the same basis as other full time employees.

### Service contracts

Directors have rolling service contracts, which are governed by the following policies, and will also be applied to any future Board appointment:

- The notice period required by either the Company or Mr Lohr to terminate his contract is 6 months.
- The notice period required by either the Company or Messrs Kleeman, Segal and Storey is one month, but only after an initial period of one year from 10 December, 2007, 10 December, 2007 and 7 February, 2008 respectively.
- There is no notice period with respect to Mr Westhead's contract.
- If the Company terminates without notice, the individual is entitled to a payment in lieu of notice being the value of the maximum notice period in his contract.
- In the event of termination for unsatisfactory performance (if necessary decided by an independent tribunal) or for reasons of misconduct, no compensation is payable.

### Directors' Emoluments

Information on directors' emoluments is as follows:

	<i>Basic salary</i>	<i>Fees</i>	<i>Benefits</i>	<i>Pension contri- butions</i>	<i>Total emoluments</i>	
	£	£	£	£	2007 £	2006 £
<b>Executive Directors</b>						
G D Eves <sup>(1)</sup>	55,200	–	7,529	5,520	68,249	66,709
R D Lohr	66,040	–	6,727	6,604	79,371	72,139
H G Pearl <sup>(1)</sup>	30,000	–	–	–	30,000	27,800
J A H Perry <sup>(1)</sup>	73,320	–	10,624	7,332	91,276	89,172
M Segal <sup>(2)</sup>	2,877	–	–	–	2,877	–
<b>Non-Executive Directors</b>						
A B Baldry <sup>(3)</sup>	–	12,000	–	–	12,000	12,000
D G Kleeman <sup>(2) &amp; (4)</sup>	–	2,877	–	–	2,877	–
J Pither <sup>(4) &amp; (5)</sup>	–	5,000	–	–	5,000	12,000
R J Westhead <sup>(6)</sup>	–	9,000	–	–	9,000	–
P J Woods <sup>(3)</sup>	–	20,000	–	–	20,000	20,000
Total 2007	<u>227,437</u>	<u>48,877</u>	<u>24,880</u>	<u>19,456</u>	<u>320,650</u>	
Total 2006	<u>212,600</u>	<u>44,000</u>	<u>24,740</u>	<u>18,480</u>		<u>299,820</u>

(1) Negotiations to terminate the contracts of Messrs Eves, Pearl and Perry commenced in December, 2007. Accordingly £150,000 has been provided in the 2007 financial statements to cover the cost of these terminations

(2) Messrs Kleeman and Segal were appointed on 10 December, 2007

(3) Messrs Baldry and Woods resigned on 10 December, 2007

(4) Messrs Kleeman and Pither's fees have been paid to businesses in which they have material interests.

(5) Mr Pither resigned on 1 April, 2007

(6) Mr Westhead was appointed on 1 April, 2007

This table excludes the fair value of directors' share options as defined by Financial Reporting Standard 20. Details of all options granted to directors are shown on Page 9.



## REMUNERATION REPORT *continued*

Under the 2005 UDSOS and the 2005 EMI Plan, certain directors were granted options on shares to be exercised at various prices, but only if the market price of the shares is at least double that at the date of exercise. On the date of the grants of shares at 100p, the market price was 98p per share. On the date of the grant of shares at 28p and 117<sup>3</sup>/<sub>4</sub>p the market prices were also 28p and 117<sup>3</sup>/<sub>4</sub>p per share respectively.

Directors' interests in the UDSOS were:

	<i>At 1 Jan 2007</i>	<i>At 31 Dec 2007</i>	<i>Earliest Exercise Date</i>	<i>Exercise Price per Share</i>
G D Eves	400,000	400,000	24.05.08	100p
R D Lohr	200,000	200,000	24.05.08	100p
	–	50,000	12.12.10	28p
H G Pearl	100,000	100,000	24.05.08	100p
J A H Perry	550,000	550,000	24.05.08	100p
R J Westhead	–	50,000	1.04.10	117 <sup>3</sup> / <sub>4</sub> p

Directors' interests in the EMI were:

	<i>At 1 Jan 2007</i>	<i>At 31 Dec 2007</i>	<i>Earliest Exercise Date</i>	<i>Exercise Price per Share</i>
G D Eves	90,000	90,000	24.05.08	100p
R D Lohr	90,000	90,000	24.05.08	100p
H G Pearl	90,000	90,000	24.05.08	100p
J A H Perry	90,000	90,000	24.05.08	100p

All options must be exercised by the second anniversary of the earliest exercise date.

Two further options, which are not governed by an existing Company Scheme, were approved at a General Meeting of shareholders on 4 January, 2008. David Kleeman was granted an option over 100,000 shares and Melvyn Segal was granted an option over 80,000 shares, both at 23p per share and exercisable any time for four years starting on 4 January, 2009. The share price at the date of grant was 27p per share.

### Share price performance

The share price performance is disclosed in The Directors' Report on page 11.

On behalf of the Board

David Kleeman  
Chairman, Remuneration Committee

14 April, 2008



## REPORT OF THE DIRECTORS

*For the year ended 31 December, 2007*

The directors present their annual report and audited financial statements for the year ended 31 December, 2007.

### **Business activities, review of the business and future developments**

The principal activities of the Company during the year were the continuing development of non-contact batteryless sensors and their electronic interrogation systems for measuring tyre pressure and temperature, non contact systems for measuring torque in drive shafts and electric power assisted steering, plus various other pressure, temperature and torque devices that utilise the Company's patented Surface Acoustic Wave Technology in automotive applications.

A review of the Company's business and research and development activities for the year together with developments since the year end and for the future is included in the Chairman's Statement on pages 2 to 4.

### **Results and Dividends**

The results for the year ended 31 December, 2007 show a loss of £2,570,000 (2006: £1,210,000). The directors do not recommend the payment of a dividend (2006: £nil).

### **Directors**

The present directors are listed on page 1. Rodney Westhead who was appointed a director on 1 April, 2007, David Kleeman and Melvyn Segal who were appointed directors on 10 December, 2007 and Graham Storey who was appointed a director on 7 February, 2008, all now retire in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election

Tony Baldry, who was appointed a director on 29 November, 1999 and Peter Woods, who was appointed a director on 1 November 2000, both resigned on 10 December, 2007. Graham Eves who was appointed a director on 23 September, 1998, resigned on 7 February, 2008. James Perry, who was appointed a director on 25 March 1985 and Howard Pearl who was appointed a director on 29 November, 1999, both resigned on 31 March, 2008.

The background of the Group's non-executive directors is as follows:

David Kleeman, Chairman, is also Chairman of Fayrewood plc and ComputerLinks AG which are listed on AIM and the Frankfurt Stock Exchange respectively. Previously he was a solicitor in private practice specialising in corporate finance, and thereafter has been a professional investor providing funds to a variety of companies in different industries. David has also held several Government appointments including Deputy Chairman of NHS Logistics, and a Board member of the Housing Corporation.

Rodney Westhead, a chartered accountant, is currently Chairman of Carter & Carter plc. He is also Chairman of the AEA Technology Audit Committee and the senior non executive director of Mouchelparkman plc. Previously he was a partner in Grant Thornton and then Group Chief Executive of Ricardo plc, the largest automotive consultancy company in Europe.

There are no contracts of significance in which the directors had a material interest during the year.



## REPORT OF THE DIRECTORS *continued*

### Substantial shareholdings

At the date of this report, the following substantial shareholdings of 3% or more of the Company's share capital have been notified to the Company:

	<i>Ordinary shares of 10p each</i>	<i>%</i>
P Lobbenberg and connected parties	8,017,262	10.6
Active Capital Trust	4,816,968	6.4
Henderson Global Investors Ltd	3,155,893	4.2
Curmi & Partners Ltd	2,600,000	3.4

### Directors' interests

The number of shares in the Company in which the current directors were deemed to be interested at the beginning and end of the year, all of which are beneficially held, were as follows:

	<i>Ordinary shares of 10p each</i>	
	<i>31 December 2007</i>	<i>1 January 2007*</i>
D G Kleeman	–	–
R D Lohr	20,000	–
M Segal	450,000	450,000
G Storey (appointed a director on 7 February, 2008)	740,000	not applicable
R J Westhead	5,000	–

\* Or date of appointment if later.

Messrs Segal and Storey participated in a Subscription Agreement, which was approved by shareholders on 4 January, 2008. Consequently Messrs Segal and Storey now hold interests in 700,000 and 1,174,782 shares respectively.

Otherwise there have been no changes in the above shareholdings between 31 December, 2007 and 14 April, 2008.

### Share price

The mid price of the shares in the Company at 31 December, 2007 was 27½p and the range during the year was 141½p to 23¾p.

### Share Option Schemes

The Remuneration Committee is responsible for the operation and administration of the Company's UDSOS and EMI Schemes. In an increasingly competitive market the Committee regards the provision of options as an important incentive for other members of staff as well as directors.

Details of options granted to directors are disclosed in the Remuneration Report on Page 9.

### Financial Instruments

The directors adopt a low risk financial objective. The Financial Instruments used are sterling deposits, and the Company does not trade in derivative instruments, see Note 21 to the financial statements.

### Indemnification of Directors

Qualifying third party indemnity provisions (as defined in Section 309B (1) of the Companies Act 1985) are in force for the benefit of the Directors who held office during 2007.



## **REPORT OF THE DIRECTORS** *continued*

### **Policy and practice on payment of suppliers**

The Company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and then abide by these terms. At 31 December, 2007 trade creditors represented under 45 days' purchases.

### **Disclosure of information to auditors**

The directors who hold office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**

KPMG Audit Plc have expressed their willingness to continue in office as auditors of the Company and, in accordance with Section 384 of the Companies Act 1985, a resolution proposing their reappointment will be submitted at the Annual General Meeting.

By Order of the Board

Watlington Securities Limited  
Company Secretaries  
36 Elder Street  
London E1 6BT

14 April, 2008



## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The financial statements are required by law to present fairly the financial position and the performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRANSENSE TECHNOLOGIES PLC

We have audited the financial statements of Transense Technologies plc for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 13.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Directors Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended;



- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

**KPMG Audit Plc**

Arlington Business Park  
Theale  
Reading  
RG7 4SD

*Chartered Accountants*  
*Registered Auditor*  
14 April 2008



## INCOME STATEMENT

For the year ended 31 December, 2007

	<i>Note</i>	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
<b>Continuing operations</b>			
Revenue	3	<b>145</b>	604
Cost of sales		<b>(45)</b>	(52)
<b>Gross profit</b>		<b>100</b>	552
Administrative expenses	4 & 5	<b>(2,854)</b>	(1,966)
<b>Operating loss</b>		<b>(2,754)</b>	(1,414)
Financial income	6 & 21	<b>71</b>	90
<b>Loss before taxation</b>	4	<b>(2,683)</b>	(1,324)
Taxation	7	<b>113</b>	114
<b>Loss from continuing operations</b>		<b>(2,570)</b>	(1,210)
<b>Basic loss per share</b>	20	<b>(4.5p)</b>	(2.1p)
<b>Fully diluted loss per share</b>	20	<b>(4.5p)</b>	(2.1p)



## BALANCE SHEET

As at 31 December, 2007 and 31 December, 2006

	Note	2007 £'000	2006 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8	14	23
Intangible assets	9	1,519	1,567
Available for sale investments	10	65	65
Loans receivable	11	25	25
		<u>1,623</u>	<u>1,680</u>
<b>Current assets</b>			
Trade and other receivables	13	235	639
Cash and cash equivalents	14	901	1,390
		<u>1,136</u>	<u>2,029</u>
<b>Total assets</b>		<u>2,759</u>	<u>3,709</u>
<b>Current liabilities</b>			
Trade and other payables	16	(1,199)	(267)
Current tax liabilities		(22)	(21)
		<u>(1,221)</u>	<u>(288)</u>
<b>Net assets</b>		<u>1,538</u>	<u>3,421</u>
<b>Equity</b>			
Called-up equity share capital	19	5,791	5,646
Share premium account		5,668	5,376
Accumulated loss		(9,921)	(7,601)
		<u>1,538</u>	<u>3,421</u>

D G Kleeman – *Chairman*

M Segal – *Director*



## CASH FLOW STATEMENT

For the year ended 31 December, 2007

	Note	2007 £'000	2006 £'000
<b>Loss before taxation</b>		<b>(2,683)</b>	(1,324)
<i>Adjustments for:</i>			
Financial income	6	(71)	(90)
Depreciation of property, plant and equipment	8	12	17
Amortisation of intangible assets	9	186	275
Equity settled share based payment	5(b)	250	244
<b>Operating cash flows before movements in working capital</b>		<b>(2,306)</b>	(878)
Decrease/(increase) in receivables		404	(66)
Increase in payables		933	–
<b>Cash used in operations</b>		<b>(969)</b>	(944)
Taxation recovered		113	114
<b>Net cash used in operations</b>		<b>(856)</b>	(830)
<b>Investing activities</b>			
Interest received	6	71	90
Acquisitions of property, plant and equipment		(3)	(2)
Acquisitions of intangible assets		(138)	(240)
Acquisitions of investments		–	(40)
<b>Net cash used in investing activities</b>		<b>(70)</b>	(192)
<b>Financing activities</b>			
Dividends paid		–	–
Proceeds from issue of equity share capital		145	5
Share premium on issue of equity share capital		292	8
<b>Net cash from financing activities</b>		<b>437</b>	13
<b>Net decrease in cash and cash equivalents</b>		<b>(489)</b>	(1,009)
<b>Cash and cash equivalents at beginning of years</b>		<b>1,390</b>	2,399
Effect of foreign exchange rate changes		–	–
<b>Cash and cash equivalents at end of years</b>		<b>901</b>	1,390



## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December, 2007

	<i>Issued share capital £'000</i>	<i>Share premium account £'000</i>	<i>Accumulated deficit £'000</i>	<i>Total equity £'000</i>
At 1 January, 2006	5,641	5,368	(6,635)	4,374
Loss for the year	–	–	(1,210)	(1,210)
Shares issued and share premium	5	8	–	13
Share based transactions	–	–	244	244
<b>At 31 December, 2006</b>	<b>5,646</b>	<b>5,376</b>	<b>(7,601)</b>	<b>3,421</b>
Loss for the year	–	–	(2,570)	(2,570)
Shares issued and share premium	145	292	–	437
Share based transactions	–	–	250	250
<b>At 31 December, 2007</b>	<b>5,791</b>	<b>5,668</b>	<b>(9,921)</b>	<b>1,538</b>



# NOTES TO THE FINANCIAL STATEMENTS

For year ended 31 December, 2007

## 1. General information

Transense Technologies plc is a company domiciled in the United Kingdom and registered in that country under the Companies Act 1985. The registered address of the company is included in the Directors and Advisers section on page 1. The nature of the company's operations and principal activities are set out in the Directors' Report and in the Segment Reporting note to the Financial Statements.

## 2. Significant accounting policies

### (a) Basis of accounting

The Company is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 26.

The financial statements have been prepared under the historical cost convention, using pounds sterling, which is both the presentation currency and the functional currency of the company. All figures shown have been rounded to the nearest thousand.

The significant accounting policies adopted are set out below. These have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January, 2006 for the purposes of the transition to IFRS.

### (b) Significant accounting judgements and sources of estimation uncertainty

In applying the company's accounting policies, management makes certain judgements and estimations:

- Judgements include classification of transactions between the income statement and balance sheet;
- Estimations focus on areas such as carrying values and estimated lives.

The accounting policy descriptions set out areas where judgement is exercised and in consequence might have a significant risk of causing material adjustment within the next financial year. In this regard, the key areas are intangible assets and share based compensation.

### (c) IFRS transitional arrangements

In terms of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, the date of transition for these 2007 financial statements is 1 January, 2006. IFRS 1 allows various exemptions from the full requirements of IFRSs to companies adopting IFRSs for the first time. The company has elected not to take advantage of the available exemptions.

### (d) Effect of transition to IFRS

Reconciliations of the Income Statement for the year ended 31 December, 2006 and the Balance Sheet as at 1 January, 2006 and 31 December, 2006 to the previously published UK GAAP information, together with explanations of the reconciling items, are given in Note 26 to the financial statements.

In addition to exempting companies from the requirement to restate comparatives for IAS 32 and IAS 39, IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemption has been taken in these financial statements:

- Share based payments – IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 1 January 2006 as permitted by the exemption granted under IFRS 1.25B.

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 company.



## NOTES TO THE FINANCIAL STATEMENTS *continued*

(e) *Group financial statements and basis of consolidation*

The financial statements present information about the company as an individual undertaking. The three subsidiaries existing at 1 January, 2007 have been dormant throughout the year and their assets are considered immaterial. Information about the company's subsidiaries is provided in Note 12 to the financial statements.

The company is exempt under Section 229(5) of the Companies Acts 1985 from the requirement to prepare consolidated financial statements as the directors consider that the company's subsidiaries may be excluded from consolidation as they are not material.

(f) *Revenue recognition*

Revenue is recognised to the extent that economic benefits will flow to the company and the revenue can be reliably measured:

- Royalty income is recognised in the period in which the royalties have been earned;
- Licence fee income, being remittances from third parties for access to the Company's intellectual property, is recognised at the time of invoicing. Where this involves an ongoing performance obligation, the revenue is recognised on a straight line basis over the period of the licence agreement.
- Engineering support income, being payments for support work to assist third parties in the development of the Company's technology for their own use, is recognised when the work is completed and invoiced.

Revenue represents sales to external customers at invoiced amounts net of VAT and other sales related taxes.

(g) *Segment reporting*

A business segment is a distinguishable component of the company that is engaged in providing goods and services that is subject to risks and returns that are different from other business segments.

A geographical segment is engaged in providing goods and services within a particular economic environment that is subject to risks and returns that are different from those segments operating in other economic environments.

The company uses business segments to define its primary reporting format as this reflects the dominant source and nature of the company's risks and returns.

(h) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment.

(i) *Depreciation of property, plant and equipment*

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Plant and Equipment 3 – 5 years
- Motor Vehicles 4 years

The assets' estimated residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(j) *Research and development*

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

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. All amounts deferred are stated at cost and amortised over the periods benefitting from the sale of the products or processes, beginning in the period in which commercial production commences, based on a maximum ten years' useful life on a systematic basis. In the event that commercial production has not commenced within five years of the start of a



## NOTES TO THE FINANCIAL STATEMENTS *continued*

development project, and is unlikely to do so in the foreseeable future, the costs associated with that project are written off in full on the fifth anniversary of the start of that project.

*(k) Patent fees*

Externally acquired patent fees are capitalised at cost and treated as an intangible asset. Amortisation is charged to income statement over the period to which the patent relates to a maximum of fifteen years.

In the event that a patent is superseded and the original intellectual property is embedded in a new patent, the costs of that patent and the later patents are regarded as the costs of the original patent and amortised accordingly.

Any impairment in value is recognised immediately in the income statement.

*(l) Impairment of tangible and intangible assets excluding goodwill*

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the asset does not generate cash flows that are largely independent from other assets, the recoverable amount is assessed by reference to the cash generating unit to which the asset belongs.

Whenever the carrying amount of an asset, or its cash generating unit, exceeds its recoverable amount, an impairment loss is recognised as an expense in the income statement.

*(m) Non-current asset investments*

Investments classified as available for sale are measured at the lower of carrying amount and fair value.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit and loss. If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit and loss.

*(n) Pension costs*

Contributions to the company's defined contribution scheme are charged to income statement in the year to which they relate.

*(o) Operating lease agreements*

Rental payments under operating leases are charged to the income statement on a straight line basis over the term of the lease.

*(p) Current taxation*

The tax currently payable is based on taxable profit for the year. Taxable profit may differ from the net profit shown in the income statement because it excludes income or expenses that are taxable or deductible in other years and furthermore it might exclude other items that are never taxable or deductible.

Current tax is provided at amounts expected to be paid or recovered using tax rates and laws enacted or substantially enacted at the balance sheet date.

*(q) Deferred taxation*

Deferred tax is provided in full, using the liability method. It represents the tax payable on temporary differences between the carrying amounts of assets and liabilities in the financial statements as compared to corresponding tax values used in the computation of taxable profit.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are measured using tax rates enacted or substantially enacted at the balance sheet date.



## NOTES TO THE FINANCIAL STATEMENTS *continued*

*(r) Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purposes only of the statement of cash flows.

*(s) Foreign currencies*

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are recognised in the income statement.

*(t) Share-based payment transactions*

In accordance with the transitional provisions, IFRS 2 has been applied to all grants of shares or share options made after 7 November, 2002 that were unvested as at 1 January, 2006.

The Company issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value so determined is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The level of vesting is reviewed annually, and the charge is adjusted to reflect actual and estimated levels of vesting.

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options. The estimate of the fair value of the services received is measured based on the Black-Scholes Option Pricing Model. This model takes into account the following variables: exercise price, share price at date of grant, expected term, expected share price volatility, risk free interest rate and expected dividend yield. Expected volatility is estimated by considering historic average share price volatility.

*(u) Provisions*

Provisions are recognised when the company has a present obligation as result of a past event, and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure. Provisions are not discounted.

*(v) Trade receivables*

Trade receivables are recorded at their nominal amount less an allowance for any doubtful debts.

*(w) Trade payables*

Trade payables are stated at their nominal value.

*(x) Loans receivable*

Loans receivable are stated at their nominal value, less any impairment if the loan is not considered fully recoverable.



## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 3. Segment analysis

The company's primary reporting segment is business divisions, which correspond with the way the operating businesses are organised and managed within the company. The secondary segment is geographic origin.

Segment results, assets and liabilities comprise those items directly attributable to particular segments, as well as items which can reasonably be allocated to those segments. Inter-segment transactions are entered into applying commercial terms that would be available to third parties.

Unallocated items comprise mainly corporate assets, expenses, loans and borrowings together with the elimination of inter-segment transactions

The following table analyses revenue and operating profit accordingly:

#### (a) Business segments

	<i>Tyre pressure monitoring</i>		<i>Torque measurement</i>		<i>Total</i>	
	<i>Year</i>	<i>Year</i>	<i>Year</i>	<i>Year</i>	<i>Year</i>	<i>Year</i>
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
External revenues	35	531	110	73		
Total revenue					145	604
Segment loss	(364)	(77)	(647)	(585)	(1,011)	(662)
Unallocated expenses					(1,743)	(752)
Operating loss					(2,754)	(1,414)
Net finance income					71	90
Taxation recovered					113	114
Loss for the years					(2,570)	(1,210)
Segment assets	644	1,369	889	797	1,533	2,166
Unallocated corporate assets					1,226	1,543
					2,759	3,709
Segment liabilities	55	69	30	63	85	132
Unallocated corporate liabilities					1,136	156
					1,221	288
Capital expenditures	44	116	97	126	141	242
Depreciation	4	8	8	9	12	17
Amortisation of intangible assets	94	132	92	143	186	275

#### (b) Geographic segments

The analysis of revenue from external customers is based on the geographical location of the customers. The carrying amount of segment assets and capital additions are analysed by the geographical area in which the assets are located.

	<i>Revenue from external customers</i>		<i>Carrying amount of segment assets</i>		<i>Capital additions</i>	
	<i>Year</i>	<i>Year</i>	<i>Year</i>	<i>Year</i>	<i>Year</i>	<i>Year</i>
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
USA	134	543	–	–	–	–
United Kingdom	–	–	1,533	2,166	141	242
Rest of the World	11	61	–	–	–	–
	145	604	1,533	2,166	141	242



## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 4. Expenses and auditor's remuneration

The loss before taxation includes the following

	<i>Note</i>	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Staff costs (including £150,000 termination benefits (2006: £nil))	5	1,306	1,156
Depreciation of property, plant and equipment	8	12	17
Amortisation of intangible assets	9	186	275
Cost of aborted acquisition		836	–
Operating lease rentals payable – property, plant and equipment	17	41	41
Auditor's remuneration			
Audit		33	23
Other services (included in aborted acquisition costs above)		207	–

### 5. Staff numbers and costs

(a) The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	<i>Number of employees</i>	
	<i>2007</i>	<i>2006</i>
Management and technical	14	15
Administration	4	4
Non executive directors	3	3
	21	22

The costs incurred in respect of these employees were:

	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Wages and salaries	772	775
Social security costs	85	85
Pension contributions	41	40
Life assurance plan	8	12
Termination benefits	150	–
Share option scheme charge	250	244
	1,306	1,156

(b) The share option scheme charge has been calculated in accordance with IFRS 2 Share-based payment.

The fair value of services rendered in return for share options granted is measured by reference to the fair value of those share options. The estimate of the fair value of services received is measured based on the Black-Scholes Options Pricing Model. The model takes into account the exercise price, share price at grant date, expected term, expected share price volatility which is estimated to be 66%, risk free interest rate of 4¾% and expected dividend yield of nil pence. The key variable is share price volatility.

### 6. Financial income

	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Interest income	71	90



## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 7. Taxation

	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
<b>(a) Recognised in the income statement</b>		
<i>Current tax income:</i>		
Adjustment for prior years	<u>113</u>	<u>114</u>
<b>Reconciliation of effective tax rate</b>		
Loss before taxation	<u>2,683</u>	<u>1,324</u>
Tax credit using UK corporation tax rate of 30% (2006: 30%)	805	397
Non-deductible expenses	(65)	(41)
Capital allowances for period less than depreciation	(4)	(5)
Current year losses for which no deferred tax asset was recognised	(736)	(351)
Research and development credit	<u>113</u>	<u>114</u>
Total tax in income statement	<u>113</u>	<u>114</u>
 <b>(b) Deferred tax has not been recognised in respect of the following items:</b>		
	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Tax losses	2,400	1,800
Deductible temporary differences	22	20
Taxable temporary differences	<u>(157)</u>	<u>(167)</u>
	<u>2,265</u>	<u>1,653</u>

The company has tax losses, subject to agreement by HM Revenue and Customs, in the sum of £8.2 million (2006: £6.1 million), which are available for offset against future profits of the same trade. There is no expiry date for the tax losses. The deductible temporary differences relate to Property, Plant and Equipment and the taxable temporary differences relate to the Patent Rights.

An appropriate asset will be recognised when the Company can demonstrate a reasonable expectation of sufficient taxable profits to utilise the temporary differences.

### 8. Property, plant and equipment

	<i>Plant &amp; Equipment</i> <i>£'000</i>	<i>Motor Vehicles</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
<i>Cost</i>			
At 1 January, 2006	249	11	260
Additions	<u>2</u>	<u>–</u>	<u>2</u>
At 31 December, 2006 and 1 January, 2007	<u>251</u>	<u>11</u>	<u>262</u>
Additions	<u>3</u>	<u>–</u>	<u>3</u>
<b>At 31 December, 2007</b>	<u>254</u>	<u>11</u>	<u>265</u>
<i>Accumulated depreciation</i>			
At 1 January, 2006	211	11	222
Charge for the year	<u>17</u>	<u>–</u>	<u>17</u>
At 31 December, 2006 and 1 January, 2007	<u>228</u>	<u>11</u>	<u>239</u>
Charge for the year	<u>12</u>	<u>–</u>	<u>12</u>
<b>At 31 December, 2007</b>	<u>240</u>	<u>11</u>	<u>251</u>
<i>Net book value</i>			
At 1 January, 2006	38	–	38
At 31 December, 2006 and 1 January, 2007	<u>23</u>	<u>–</u>	<u>23</u>
<b>At 31 December, 2007</b>	<u>14</u>	<u>–</u>	<u>14</u>



## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 9. Intangible assets

	<i>Patent Rights £'000</i>	<i>Development Costs £'000</i>	<i>Total £'000</i>
<i>Cost</i>			
At 1 January, 2006	962	925	1,887
Additions	155	85	240
Disposals	(303)	–	(303)
<b>At 31 December, 2006 and 1 January, 2007</b>	<b>814</b>	<b>1,010</b>	<b>1,824</b>
Additions	138	–	138
Disposals	(133)	–	(133)
<b>At 31 December, 2007</b>	<b>819</b>	<b>1,010</b>	<b>1,829</b>
<i>Accumulated amortisation</i>			
At 1 January, 2006	285	–	285
Charge for the year	275	–	275
Disposals	(303)	–	(303)
<b>At 31 December, 2006 and 1 January, 2007</b>	<b>257</b>	<b>–</b>	<b>257</b>
Charge for the year	134	52	186
Disposals	(133)	–	(133)
<b>At 31 December, 2007</b>	<b>258</b>	<b>52</b>	<b>310</b>
<i>Net book value</i>			
At 1 January, 2006	677	925	1,602
<b>At 31 December, 2006 and 1 January, 2007</b>	<b>557</b>	<b>1,010</b>	<b>1,567</b>
<b>At 31 December, 2007</b>	<b>561</b>	<b>958</b>	<b>1,519</b>

### 10. Available for sale investments – Wheelsure Holdings plc

	<i>2007 £'000</i>	<i>2006 £'000</i>
<i>Cost</i>		
At start of year	65	25
Additions	–	40
At end of year	<b>65</b>	<b>65</b>

In February, 2006 the company participated in a rights issue funding exercise by Wheelsure Holdings plc. The Company paid £40,490 to the issue while its average cost per share increased to 3.6p. At the year end the Company held a 9% interest in Wheelsure Holdings plc (2006: 9%).

### 11. Loans receivable – Wheelsure Holdings plc

	<i>2007 £'000</i>	<i>2006 £'000</i>
9% Unsecured loan maturing in 2010	<b>25</b>	<b>25</b>

The Directors believe that the loan is fully recoverable and that no amounts are required to be set aside for impairment.



## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 12. Investments in subsidiaries

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>Proportion of ownership interest</i>	<i>Nature of business</i>
Transense Technology Research Limited	England	100%	Dormant
Transense Steering Limited	England	100%	Dormant
Piezotec Limited	England	100%	Dormant

The investments in the subsidiaries listed above are carried in the balance sheet at £nil (2006: £nil).

### 13. Trade and other receivables

	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Trade receivables	–	576
Other receivables	140	20
Prepayments and accrued income	95	43
	<u>235</u>	<u>639</u>

The above receivables are expected to be recovered within twelve months.

### 14. Cash and cash equivalents

	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Bank current account balances and cash	101	105
Fixed rate monthly deposits	800	1,285
	<u>901</u>	<u>1,390</u>

The carrying amount of these assets approximates to their fair value.

### 15. Credit risk

The company's principal financial assets are cash and cash equivalents, and trade and other receivables.

#### *Credit risk*

Cash is held only in highly rated UK-based banks.

The company offers trade credit to customers in the normal course of business. The company operates stringent credit control procedures on potential customers before allowing credit.

The 9% unsecured loan to Wheelsure Holdings plc is considered to be fully recoverable.

Trade receivables held at the prior year end were fully recovered in the current year.

#### *Concentrations of credit risk*

The company trades with well established major companies and there is no significant concentration of credit risk.

### 16. Trade and other payables

	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
Trade payables	162	132
Other payables	815	40
Accrued expenses	72	95
Termination benefits	150	–
	<u>1,199</u>	<u>267</u>

Trade and other payables are all expected to be settled within twelve months. Other payables in 2007 includes £754,000 (2006: £nil) payable for professional fees and similar costs in relation to the aborted acquisition.



## NOTES TO THE FINANCIAL STATEMENTS *continued*

### 17. Operating leases commitments

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as set out below:

	2007 £'000	2006 £'000
Amounts due in less than one year	41	41
Amounts due between one and two years	22	63
	<u>63</u>	<u>104</u>

The company leases its business premises under operating leases. Leases are negotiated for an average term of 4 years and rentals are fixed for an average of 4 years.

### 18. Related party transactions

*Transactions between related parties*

(a) There have been no transactions between the company and its subsidiaries or between the company and other related parties, except for the key management personnel compensation disclosed below.

(b) The remuneration of key management personnel during the year was as follows:

	2007 £'000	2006 £'000
Key management emoluments including social security costs	278	265
Company contributions to money purchase pension plans	19	18
Termination benefits	150	–
Share-option awards	163	191
	<u>610</u>	<u>474</u>

(c) An amount of £150,000 has been provided to cover redundancy payments to key management personnel in 2008.

(d) Emoluments of highest paid director:

	2007 £'000	2006 £'000
Emoluments	84	82
Charges on share option schemes	63	63
Termination benefit	50	–
	<u>197</u>	<u>145</u>
Amounts paid into the Company's defined contribution pension scheme	<u>7</u>	<u>7</u>

### 19. Share capital

	2007 £'000	2006 £'000
(a) <i>Authorised</i>		
70,000,000 ordinary shares of 10p each (2006: 70,000,000)	7,000	7,000
<i>Allotted, called up and issued</i>		
57,911,666 ordinary shares of 10p each (2006: 56,458,974)	<u>5,791</u>	<u>5,646</u>



## NOTES TO THE FINANCIAL STATEMENTS *continued*

- (b) At 31 December, 2007 the following share options remained outstanding under the Company's Unapproved Discretionary Share Option Scheme.

<i>Number of Options</i>	<i>Option Price</i>	<i>Date of Grant</i>	<i>Date of Exercise</i>	
			<i>First</i>	<i>Last</i>
1,650,000	100p	24.5.05	24.5.08	23.5.10
50,000	117.75p	1.4.07	1.4.10	31.3.12
50,000	28p	12.12.07	12.12.10	12.12.12

All options may only be exercised if the market price of the shares is at least double the grant price at the date of exercise. The share prices at the dates of grant were 98p, 117.75p and 28p respectively.

The share prices at the dates in April 2007, an option on 100,000 shares was exercised at 52p per share.

- (c) At 31 December, 2007, the following shares remained outstanding under an Enterprise Management Incentive Option Scheme.

<i>Number of Options</i>	<i>Option Price</i>	<i>Date of Grant</i>	<i>Date of Exercise</i>	
			<i>First</i>	<i>Last</i>
206,250	48p	1.4.04	1.4.07	31.3.09
357,600	50p	25.5.04	25.5.07	24.5.09
100,000	50p	16.6.04	16.6.07	15.6.09
25,000	89.5p	19.5.05	19.5.08	18.5.10
360,000	100p	24.5.08	24.5.08	23.5.10
15,000	90.5p	1.8.05	1.8.08	31.7.10
15,000	64p	16.10.06	16.10.09	15.10.11
830,000	26.5p	23.10.07	23.10.10	22.10.12

The options with a price of 100p may only be exercised if the market price of the shares is at least 200p at the date of the exercise. In every case the share price at the date of grant were the same as the option price, except for options granted at 100p, when the share price was 98p.

During the year options on the following number of shares were exercised: in April, 2007 on 25,000 shares at 21.5p per share and 10,000 shares at 23p per share; in May 2007 on 274,192 shares at 50p per share.

Options on 15,000 shares at 90.5p per share and 20,000 shares at 50p per share were cancelled on 6 January, 2007.

The Board's policy is to keep a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

### 20. Basic and fully diluted loss per share

Basic loss per share is calculated by dividing the loss after taxation of £2,570,000 (2006: £1,210,000) by the weighted average number of ordinary shares in issue during the year of 56,835,624 (2006: 56,446,782). Options over 2,828,850 ordinary shares (2006: 1,148,042) are not included in the calculation of diluted loss per share as their effect is anti-dilutive.

### 21. Financial Instruments

The company finances its operations by raising equity financing on the Alternative Investment Market. The company does not trade in derivative instruments. The fair value of financial instruments was not significantly different to book value.

At 31 December, 2007 the company's financial instruments comprised sterling cash of £800,000 on fixed rate monthly deposit (2006: £1,285,000) and the weighted average interest rate obtained for the year was 5<sup>11</sup>/<sub>16</sub>% (2006: 4<sup>5</sup>/<sub>8</sub>%).

Short term debtors and creditors are not treated as monetary assets or liabilities for the purposes of IAS 32 disclosures. There are no monetary assets or liabilities that are not denominated in the functional currency of the operations involved.



## NOTES TO THE FINANCIAL STATEMENTS *continued*

The directors consider that the Company's exposure to interest rate risk is currently low, as there is no borrowing and surplus cash is put into interest bearing deposits.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

### 22. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund (Note 5). There were no prepayments or accruals at the period end (2006: £nil).

### 23. Capital commitments

There were no contractual commitments for future capital expenditure as at 31 December, 2007 (2006: £nil).

### 24. Contingent liabilities

There were no contingent liabilities as at 31 December, 2007 (2006: £nil).

### 25. Events after balance sheet date

The following events occurred after the balance sheet date:

- (a) Following resolutions approved by shareholders in General Meeting on 4 January, 2008, 17,895,472 ordinary shares of 10p each were issued under a Subscription Agreement at 23p per share to raise just less than £4,116,000 gross. Expenses were £165,000 net of VAT giving net proceeds received of £3,951,000.

These funds, together with the £901,000 on hand at 31 December, 2007, but after deducting outstanding liabilities of £675,000 net of VAT with respect to an aborted corporate acquisition in 2007, leaves £4,177,000 available for general working capital purposes.

Assuming all such payments having been settled and proceeds received, a revised Balance Sheet to start 2008 would read:

	£'000	£'000
Non current assets		1,623
Current assets		
Trade and other receivables	235	
Cash	4,177	4,412
Total assets		6,035
Current liabilities		
Trade, tax and other payables		(546)
Net assets		£5,489
Equity		
Called up equity share capital		7,581
Share premium account		7,829
Accumulated loss		(9,921)
		£5,489

- (b) Options were granted to D G Kleeman over 100,000 shares and to M Segal over 80,000 shares, each at an exercise price of 23p per share. There are no conditions attached to the exercise of these Options, except that they are not exercisable until 12 months after the 4 January, 2008 grant date.



## NOTES TO THE FINANCIAL STATEMENTS *continued*

### **26. Explanation of transition to Adopted IFRSs (2007 Accounts basis)**

These are the company's first financial statements prepared in accordance with IFRSs. The last financial statements published under UK GAAP were for the year ended 31 December, 2006. The date of transition to IFRSs is 1 January, 2006.

The accounting policies set out in Note 2 have been consistently applied in preparing the financial statements for the year ended 31 December, 2007, the comparative information as at 31 December, 2006 and the opening IFRS balance sheet as at 1 January, 2006.

IFRS 1 requires an explanation of how the transition from UK GAAP to IFRSs has affected the company's reported financial position, financial performance and cash flows.

An explanation of how the transition from UK GAAP to IFRS has affected the company's income statement, balance sheet and net equity are summarised below. The conversion to IFRS has involved no impact on the income statement and cash flows of the Company although there are a number of presentational differences under IFRS.



## NOTES TO THE FINANCIAL STATEMENTS *continued*

	<i>1 January, 2006</i>			<i>31 December, 2006</i>		
	<i>Published UK GAAP £'000</i>	<i>IFRS adjustments £'000</i>	<i>Restated under IFRS £'000</i>	<i>Published UK GAAP £'000</i>	<i>IFRS adjustments £'000</i>	<i>Restated under IFRS £'000</i>
<b>Non-current assets</b>						
Property, plant and equipment	38	–	38	23	–	23
Intangible assets	1,602	–	1,602	1,567	–	1,567
Available for sale investments	25	–	25	65	–	65
Loans receivable	–	25	25	–	25	25
	<u>1,665</u>	<u>25</u>	<u>1,690</u>	<u>1,655</u>	<u>25</u>	<u>1,680</u>
<b>Current assets</b>						
Trade and other receivables	598	(25)	573	664	(25)	639
Cash and cash equivalents	2,399	–	2,399	1,390	–	1,390
	<u>2,997</u>	<u>(25)</u>	<u>2,972</u>	<u>2,054</u>	<u>(25)</u>	<u>2,029</u>
<b>Total assets</b>	<u>4,662</u>	<u>–</u>	<u>4,662</u>	<u>3,709</u>	<u>–</u>	<u>3,709</u>
<b>Current liabilities</b>						
Trade and other payables	(267)	–	(267)	(267)	–	(267)
Current tax liabilities	(21)	–	(21)	(21)	–	(21)
	<u>(288)</u>	<u>–</u>	<u>(288)</u>	<u>(288)</u>	<u>–</u>	<u>(288)</u>
<b>Non-current liabilities</b>						
Deferred tax liabilities	–	–	–	–	–	–
<b>Total liabilities</b>	<u>(288)</u>	<u>–</u>	<u>(288)</u>	<u>(288)</u>	<u>–</u>	<u>(288)</u>
<b>Net assets</b>	<u>4,374</u>	<u>–</u>	<u>4,374</u>	<u>3,421</u>	<u>–</u>	<u>3,421</u>
<b>Equity</b>						
Called-up equity share capital	5,641	–	5,641	5,646	–	5,646
Share premium account	5,368	–	5,368	5,376	–	5,376
Accumulated loss	(6,635)	–	(6,635)	(7,601)	–	(7,601)
<b>Total equity</b>	<u>4,374</u>	<u>–</u>	<u>4,374</u>	<u>3,421</u>	<u>–</u>	<u>3,421</u>

	<i>1 January, 2006 £'000</i>	<i>31 December, 2006 £'000</i>
Equity under UK GAAP	4,374	3,421
IFRS adjustments	–	–
Equity under IFRS	<u>4,374</u>	<u>3,421</u>

The following IFRS adjustments have been made in preparing the comparative figures as at 31 December, 2006 and the opening IFRS balance sheet as at 1 January, 2006:

- (i) Trade investments shown under UK GAAP have been re-designated as Available for Sale Investments under IFRS;
- (ii) Loans receivable of £25,000 maturing in 2010, shown within Trade and Other Receivables under UK GAAP have been reclassified as Non-current assets under IFRS.



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 12 Smithfield Street, London EC1A 9BD on 5 June, 2008 at 11.30 a.m. for the following purposes:

### ORDINARY RESOLUTIONS

1. To receive and adopt the report of the directors and the financial statements for the year ended 31 December, 2007.
2. To re-elect as a director D G Kleeman who retires in accordance with the Company's articles of association.
3. To re-elect as a director M Segal who retires in accordance with the Company's articles of association.
4. To re-elect as a director G Storey who retires in accordance with the Company's articles of association.
5. To re-elect as a director R J Westhead who retires in accordance with the Company's articles of association.
6. To receive and adopt the remuneration report contained within the annual report for the year ended 31 December, 2007.
7. To re-appoint KPMG Audit Plc as auditor and to authorise the directors to fix their remuneration.
8. That for the purposes of and pursuant to Section 80 of the Companies Act 1985 as amended ("the Act") and in substitution for all existing and unexercised authorities, the directors of the Company be and are hereby generally and unconditionally authorised to exercise all or any powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £1,226,833.40 to such persons, at such times and generally on such terms as the directors may determine provided that:
  - (a) this authority shall, unless previously revoked or varied by the Company in general meeting, expire on the date 15 months after the date of approval of this resolution or the conclusion of the next Annual General Meeting of the Company whichever first occurs; and
  - (b) this authority shall allow and enable the directors of the Company to make an offer or an agreement before the expiry of the period referred to in sub-paragraph (a) above which would or might require relevant securities to be allotted after such expiry of such period and the directors of the Company may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

### SPECIAL RESOLUTIONS

9. In substitution for all existing and unexercised authorities and subject to the passing of Resolution 8 above, the directors be and they are hereby generally authorised and empowered pursuant to Section 95 of the Act to allot relevant securities (as defined in Section 80(2) of the Act), pursuant to the authority conferred by Resolution 6 above, as if Section 89(1) of the Act did not apply to any such allotment provided that the power conferred by this resolution, unless previously revoked or varied by special resolution of the Company in general meeting shall be limited to:
  - (a) the allotment of equity securities in connection with a rights issue or other issue in favour of the holders of ordinary shares where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of shares being represented by the depositary receipts, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and
  - (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities for cash up to an aggregate nominal value of £379,035 (representing five per cent of the Company's issued ordinary share capital)

and shall expire on the date 15 months after the date of approval of this Resolution or the conclusion of the next Annual General Meeting of the Company, whichever first occurs, save that the directors may before the expiry of the authority conferred by this Resolution make offers or enter into agreements which would or might require relevant securities of the Company to be allotted after the expiry of such period and the directors may allot relevant securities in pursuance of any such offers or agreements as if the relevant authority hereby conferred had not expired.

10. Without prejudice to any existing authority pursuant to section 95 of the Act, the Directors be and are empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash, pursuant to the authority conferred on them to allot relevant securities (as defined in section 80 of the Act) by Resolution 8 above, as if section 89(1) and sub-sections (1) – (6) of section 90 of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to the grant of options to Mr G Storey to subscribe for, in aggregate, 80,000 Ordinary Shares at an exercise price of 23p per Ordinary Share and this power, unless renewed, varied or revoked, shall expire at the conclusion



of the next annual general meeting of the Company but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

There are to be no conditions on the exercise of these options save that they will not be capable of exercise within 12 months of the date of grant. The options will not lapse on Mr Storey ceasing to be a director of the Company. The option agreement will include standard anti-dilution provisions.

By Order of the Board

Watlington Securities Limited  
*Company Secretaries*

14 April, 2008

*Registered Office:* 36 Elder Street, London E1 6BT

*Notes:*

1. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company.
2. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he or she so wish.
3. A form of proxy is enclosed and to be valid must be completed and returned so as to reach the Registrars of the Company (together with a letter or power of attorney or other written authority, if any, under which it is signed or a notarially certified or office copy of such power or written authority) not less than forty eight hours before the time fixed for holding the meeting or any adjournment thereof.
4. Private shareholders may submit their proxy vote electronically via the registrar's website. Log onto [www.capitashareportal.com](http://www.capitashareportal.com) and follow the on screen instructions.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. Copies of the directors' service contracts and a statement of the directors' share interests and those of their families will be available for inspection at (i) the Registered Office of the Company during normal business hours on each business day from the date of this notice until the conclusion of the Annual General Meeting and (ii) at 12 Smithfield Street, London EC1A 9BD on 5 June, 2008.
7. In accordance with Regulation 34(1) of the Uncertificated Securities Regulations 1995, the Company specifies that only those shareholders registered in the Company's register of members at 11.30 a.m. on 3 June, 2008 (or in the case of adjournment 48 hours before the time of the adjourned meeting) will be entitled to attend or vote at the meeting.





# Transense Technologies plc

## FORM OF PROXY FOR ANNUAL GENERAL MEETING to be held on 5 June, 2008 at 11.30 a.m.

I/We .....

of .....  
(Block Capitals please)

being (a) member(s) of the above named company, and entitled to vote at general meetings of the company,

hereby appoint the Chairman of the Meeting (see note (iv) below) .....

as my/our proxy to vote for me/us and on my/our behalf in the manner indicated below at the Annual General Meeting of the Company to be held on 5 June, 2008 at 12 Smithfield Street, London EC1A 9BD at 11.30 a.m. and at any adjournment thereof.

Unless otherwise instructed the proxy will vote or abstain as he/she thinks fit on the Resolutions set out below, and on any other business arising at the Annual General Meeting and at any adjournment thereof.

Please indicate with an 'X' in the appropriate space opposite each resolution how you wish your vote to be cast.

<b>ORDINARY RESOLUTIONS</b>	<b>FOR</b>	<b>AGAINST</b>
1. To receive and adopt the report of the directors and the financial statements for the year ended 31 December, 2007.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as a director D G Kleeman who retires in accordance with the Company's articles of association.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a director M Segal who retires in accordance with the Company's articles of association.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a director G Storey who retires in accordance with the Company's articles of association.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect as a director R J Westhead who retires in accordance with the Company's articles of association.	<input type="checkbox"/>	<input type="checkbox"/>
6. To receive and adopt the remuneration report contained within the annual report for the year ended 31 December, 2007.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint KPMG Audit Plc as auditor and to authorise the directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
8. To approve the authority to allot the securities pursuant to Section 80 of the Companies Act 1985.	<input type="checkbox"/>	<input type="checkbox"/>
<b>SPECIAL RESOLUTION</b>		
9. To disapply the statutory pre-emption rights pursuant to Section 95 of the Companies Act 1985.	<input type="checkbox"/>	<input type="checkbox"/>
10. To grant options to G Storey pursuant to Section 95 of the Companies Act 1985.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... 2008

.....  
(Please sign here)

### Notes

- (i) To be effective, this form of proxy, duly completed, must be lodged by hand only to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or in accordance with the instructions printed thereon.
- (ii) In the case of a corporation, this form must be under its Common Seal, or under the hand of an officer or attorney duly appointed to sign the name.
- (iii) In the case of joint holders, the signature of one holder will suffice and the vote of the senior who tenders a vote will be accepted to the exclusion of the votes of the other joint holders. For these purposes seniority will be determined by the order of names standing on the register of members.
- (iv) If any other person is preferred as a proxy, strike out the words "the Chairman of the Meeting", insert the name of the proxy desired in the blank space and initial the alteration. A proxy need not be a member of the Company.
- (v) The return of this proxy will not prevent a member from attending the meeting or any adjournment thereof and voting in person if he so wishes.
- (vi) In accordance with Regulation 34 of the Uncertified Securities Regulations 1995, the Company specifies that only those members entered in the Company's register of members at 11.30 a.m. on 3 June, 2008 will be entitled to attend and vote at the meeting in respect of the number of Ordinary Shares in the capital of the Company registered in their name at that time. Changes to the entries on the register after this time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (vii) Any alteration to this form should be initialled.



Third Fold and Tuck in

BUSINESS REPLY SERVICE  
License No. RRHB-RSXJ-GKCY



**Capita Registrars  
Proxy Processing Department  
Telford Road  
Bicester  
Oxon OX26 4LD**

First Fold

Second Fold



