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## Directors and advisers

### Directors

D G Kleeman (Chairman) (1, 2, 3)  
G Storey (CEO)  
N A Smith (4 Resigned)  
M Segal (Finance) (5 Resigned)  
R J Westhead (1, 2, 3)  
D M Ford (1)

1 Non-executive

2 Member of the Audit Committee

3 Member of the Remuneration Committee

4 Resigned 15 September 2010

5 Resigned 30 June 2010

### Secretary and Registered Office

D M Ford  
66 Heyford Park  
Camp Road  
Upper Heyford  
Bicester OX25 5HD

### Auditors

KPMG Audit Plc  
Arlington Business Park  
Theale  
Reading RG7 4SD

### Bankers

HSBC Bank plc  
1 Sheep Street  
Bicester  
Oxon OX26 7JA

### Nominated Advisers

Brewin Dolphin  
12 Smithfield Street  
London EC1A 9BD

### Brokers

Hybridan  
29 Throgmorton Street  
London EC2N 2AT

### Registrars

Capita Registrars  
Northern House  
Woodsome Park Fenay Bridge  
Huddersfield  
West Yorkshire HD8 0LA  
Registration Number 1885075



# Chairman's statement

**It has been a year of considerable, if slower than expected, development. By December 2010, Transense was working on more active and customer-led projects than ever before in its history. The loss for the year was £1,454,000 (2009 – £1,472,000 loss).**

Included amongst the highlights for the year were:

- material growth in sales. In 2009 our work on the KERS (Kinetic Energy Recovery System) project accounted for more than 60% of revenues. We did not budget for, nor receive any income from this source in 2010, yet Group sales in 2010 nonetheless increased over 2009 levels, despite not having the one-off income from the KERS project.
- the successful £2m fundraising in June 2010;
- Translogik's product offering and customer interest expanded;
- the growth in the potential of the original Transense technology for the automotive industry and the increase in number of revenue earning projects, both of which continue; and
- the reorganisation of our staffing to reflect the change in our business model, and the consequent substantial reduction in costs.

Whilst the mid and long-term goal of generating significant recurring income from our licensees, for our patented torque, temperature and pressure sensors, continues to be our primary objective, these are currently insufficient to sustain the Company in the near-term.

Our strategy has been therefore to seek income from alternative sources to provide additional revenue streams in the meantime, and the creation of the Translogik business has been an important step in filling this gap. The development of Translogik's products has taken time, and this is reflected in sales for the first quarter of 2011. However, Translogik's range of tyre probes and RFID tags and patches has demonstrated significant savings to customers both in time and money, and in reductions in vehicle down-time.

For us to take advantage of this growing potential, additional sales and specialist engineering staff have been recruited in recent months, and the employment of high quality scientists and engineers remains important to the Company.

With these staff changes in place, the Board are now confident that we have overcome the issues that have delayed progress. We are also more confident than ever about the attractiveness of our technology to potential customers, however, this is tempered by the relatively long development cycles and the lack of sales visibility this brings. We look forward to updating you on developments over the coming months.



**David Kleeman**  
Chairman



# Chief Executive's Report

## Overview

**2010 was another year of progress for the Group. Transense has been extremely busy, with an increasing number of projects, both automotive and also, increasingly, non-automotive, and record levels of engineering consultancy work being undertaken in support of our licensees.**

A new Joint venture (JV) company was created, Bulldog Innovations, in partnership with Sengenuity, an existing licensee, to generate additional near term market opportunities for Transense's patented Surface Acoustic Wave (SAW) sensor technology.

Translogik, the wholly-owned subsidiary of Transense, established to provide near-term revenues for the Group in order to support the medium and long term strategic goals of the IP licensing business, has continued to develop into a global tyre management technology provider to the OTR (Off-the-Road) truck and bus markets, expanding its distribution and support networks, developing strategic relationships with major regional service providers, and expanding its range of products to meet the needs of its expanding customer base.

## Transense

Significant progress was made during the period in commercialising the Company's patented SAW sensor technology for the wireless, battery-less measurement of torque, temperature and pressure. Due to the increased level of activity, engineering consultancy income increased during the year, and is anticipated to grow further in 2011.

### Torque

A long-term project with a major US automotive OEM for drive-line torque sensing has continued to gather pace, and the Company is increasingly involved in supplying, paid for, development engineering to them as potential commercialisation approaches. In addition, three new transmission opportunities are currently under discussion with customers.

Since reporting last year about a surge of new interest in the application of SAW torque sensing technology in the Electrical Power Assisted Steering (EPAS) arena, the Company has now entered into development relationships with several leading players involved in EPAS torque sensing which have significant potential. Prototype shafts, paid for by the customers, have been built and shipped for evaluation.

Following Transense's decision last year to pursue non-automotive torque sensor projects, the Company is currently engaged in an electrical switchgear gearbox project a project using its sensors within the gearbox of a high-powered transformer tap-changer, an essential device in power-transmission systems, as well as in advanced discussions in relation to two separate wind turbine gearbox projects. Transense are now working with a group of companies that have applied for European funding to improve wind turbine reliability.

Two new projects to supply driveline/transmission torque sensors for electric vehicles are under discussion.

An additional potential new torque application for use in aircraft landing gear is under discussion with a major aircraft manufacturer.

### Temperature & Pressure

Mesnac is continuing to progress with its Truck TPMS (Tyre Pressure Monitoring System) project, and Transense is supplying SAW sensors for integration into Mesnac's tyre patches.

Stack, a licensee for TPMS in Motorsport, continues to deliver increasing quantities of its award-winning system based on Transense's patented IP.

A potential new application for Transense's Temperature & Pressure sensors in aircraft tyres is under discussion with a major aircraft manufacturer.

### Sengenuity & Bulldog Innovations

After working closely with Sengenuity, the sensor trading division of Vectron, as a licensee for Transense's temperature and pressure sensor technology since 2008, this relationship was developed further with the formation of a JV company, Bulldog Innovations Limited, in September 2010.

The JV provides for even closer cooperation between the two companies and was established to accelerate the development of new applications for Transense's existing sensor and sensor reader technologies both for specific applications and the markets in which they operate. As anticipated, royalty revenues from these agreements have started to grow and this growth is expected to continue in the coming years.

## Translogik

While having to cope with some slower than expected developments in terms of new product releases and product trials, Translogik managed to compensate for last year's loss of income from the KERS project. The Board remain optimistic that Translogik can fulfil its key role in generating near-term revenues in support of the Group's overall strategy.

### iTrack

Targeted primarily at the mining industry, the iTrack OTR TPMS allows real-time remote tracking of key tyre performance parameters, allowing the mining truck operators to maximise tyre life and performance, and subsequently increase the productivity and load-carrying ability of their truck fleets. The trucks used in these mines can weigh up to 600-tonnes fully laden, and each tyre can cost a hundred thousand dollars or more. Given the enormous running costs, having accurate tyre data is absolutely vital.

The Board believes that the business case for the iTrack system in terms of cost savings and ROI to mine operators is compelling, and that the Translogik system is currently the best available, and this belief has been borne out during discussions with various mine operators around the globe over the last year. Translogik has continued to develop and refine the system based on feedback from the various trials that have, and are continuing, to take place. However, the Company underestimated the barriers to entry for a new entrant to the marketplace and this has resulted in slower than anticipated adoption.

Lessons learned have resulted in some minor changes to the sales strategy and focus for iTrack, and the Company has developed closer relationships with local mine service providers in many of the key global mining regions in order to gain important local expertise and on-the-ground support to resolve technical and installation issues. Additionally, the nature of these huge mines is such that they are owned and run by some of the world's biggest multi-nationals, and consequently, the testing, trials and regulatory validation procedures for new products are both stringent and lengthy.

It is anticipated that within a few months iTrack pilots will be running in six mines, on three different continents, so while sales have been slower than anticipated to date, the Company remains hopeful that one of more of these will result in a successful conclusion and that Translogik will become a major profit centre in its own right.

### iProbe

Translogik recently launched the new 'iProbe' all-in-one tyre inspection tool. This new probe is a development of the existing Truck Tyre Inspection Probe, adding a UHF Radio Frequency Identification (RFID) reader and an optional Tyre Pressure Monitoring System (TPMS) reader, plus various other design improvements, providing a single, lightweight, hand-held device to the tyre inspection market.

By adding RFID and TPMS reader capabilities to the existing tread depth and direct pressure reading functionality, the iProbe brings the functionality previously only available by using multiple devices into a single convergent product. Developed in close cooperation with existing customers of the previous probe, this new version has been eagerly anticipated and the first batch has been sold to the world's three largest tyre manufacturers plus several fleet management companies.

The iProbe is designed to integrate with vendor's own software and to sit at the very hub of their tyre inspection and maintenance systems. The iProbe was originally intended for launch in Q4 of 2010, but slipped to Q2 of 2011 due to technical issues in achieving sufficient RFID tag read-range from such a small antenna. This delay has impacted sales but the Company believe the new iProbe is now the best tyre inspection device available and that sales will increase during the remainder of 2011.

### Operations

During the year Translogik has gained several new distribution partners in Europe, Africa, Asia, North America, Central America and Australia. Sales of the existing Truck and OTR Probe are continuing, as not all customers require the advanced features of the iProbe, and Translogik continues to work with various fleet service providers to integrate these existing products into to their tyre management systems.

A recent example of this has been a new order from our French partner, EDP, for the Michelin 'Euromaster' fleet service programme.

### Outlook

The road to full commercialisation of the Transense SAW IP patent portfolio continues. A growing pipeline of active new projects and encouraging acceleration of progress in drive-line torque provides grounds for optimism. Overall progress in 2010 has been somewhat below the Board's expectations due to delays from Translogik, but the causes for these have now been remedied and a successful conclusion to any of a number of on-going commercial negotiations would have a material impact on revenues. However, it remains difficult to predict the timing of agreements and subsequent revenue recognition with any certainty.

Senior members of the management team recently returned from a seven week trip encompassing visits to many of the Company's key partners around the globe, in an effort to cement existing relationships and drive new commercial activity. The Company remain confident in the quality of its technology, the strength of these relationships and value of its products to its customers.



**Graham Storey**  
CEO

# 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 given the size and nature of the Company.

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 14. Below is a brief description of the role of the Board and its Committees.

## The Board

The Board, which presently consists of one executive and three 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.

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 David Kleeman also sitting. The Committee meets at least twice a year and has 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 fulfils 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 and Rodney Westhead. The Committee is responsible for determining the contract terms, remuneration and other benefits of the executive Director. The non-executive directors' salaries are reviewed and set by the Board.

The report of the Remuneration Committee is set out on pages 9 to 11 below.

## 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. 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 Group'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 Group 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 Group 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 Group's business and assets and the overall size of the Group, the systems and procedures currently employed provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Group'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 the executive Director, are adequately motivated and rewarded in relation to companies of similar size and type.

During this development period of the Group'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 its Enterprise Management Incentive Option Schemes (EMI) and options granted outside Company schemes, but approved by shareholders. These schemes potentially offer long term incentives to Directors and key personnel.

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. The non-executive Directors are not eligible for pension scheme membership, but they do participate in the Company's Unapproved Directors Share Option Scheme (UDSOS) plus options specifically approved by shareholders.

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

## Base Salary and Benefits

The base salary for the executive Director is 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 Group's profitability allows.

The executive Director's salary continues to be frozen at the 2009 level and remains so throughout 2010 and 2011.

In addition to base salary, the full time executive Directors who served all or part of 2010, Messrs, Smith, Storey and Segal were also entitled to some or all of 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 Life assurance based on three times basic annual salary.

## Executive Share Option Schemes

The Committee considers that potential for share ownership and participation in the growing value of the Group increases the commitment and loyalty of Directors and senior executives.

## 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 salary. Executive Directors participate in the Company's pension scheme on the same basis as other full time employees, but did not choose to participate in the scheme during 2010.

## Service contracts

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

- The notice period required by either the Company or Mr Graham Storey to terminate his contract is 3 months;
- The notice period required by either the Company or Mr David Kleeman is one month;
- There is no notice period with respect to Mr Rodney Westhead's contract;
- There is no notice period with respect to Mr David Ford'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; and
- In the event of termination for unsatisfactory performance (if necessary decided by an independent tribunal) or for reasons of misconduct, no compensation is payable.

# Remuneration Report continued

## Director's Emoluments

This table excludes the fair value of Directors' share based payment options as defined by International Financial Reporting Standard (IFRS) 2. Details of all options granted to Directors are shown on page 13.

Information on directors' emoluments is as follows:

	Basic Salary £	Fees £	Benefits £	Pension £	Total Emoluments	
					2010 £	2009 £
<b>Executive Directors</b>						
G Storey	130,000		7,500		137,500	137,500
N Smith (1)	24,458				24,458	72,500
M Segal (2)	6,000				6,000	92,500
R Lohr (3)						20,130
<b>Non Executive Directors</b>						
D Kleeman		40,000			40,000	50,000
R Westhead	12,000				12,000	15,000
D Ford		73,548			73,548	20,000
<b>Total 2010</b>	<b>172,458</b>	<b>113,548</b>	<b>7,500</b>		<b>293,506</b>	
Total 2009	313,300	70,000	22,500	1,830	407,630	

(1) Resigned 15 September 2010

(2) Resigned 30 June 2010

(3) Resigned 3 April 2009

## Remuneration Report continued

Share based payment options have been granted under EMI for executive Directors and Unapproved Directors Share Option Scheme for Non Executives. The details of these are set out below:

	At 1 Jan 2010	At 31 Dec 2010	Earliest exercise date	Exercise price per share	Strike price per share
--	---------------	----------------	------------------------	--------------------------	------------------------

### Directors' interests in the UDSOS were:

DG Kleeman	100,000	100,000	04/01/09	23p	-
R Westhead	60,000	60,000	01/02/11	10p	40p

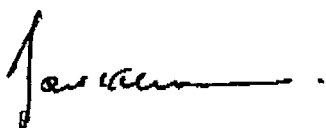
### Directors' interests in the EMI were:

G Storey	875,000	875,000	01/02/11	10p	40p
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### Share price performance

The share price performance is disclosed in the Directors' Report on page 13.

On behalf of the Board



**DG Kleeman**  
Chairman, Remuneration Committee

# Directors' report

The Directors present their annual report and audited financial statements for the year ended 31 December 2010.

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

The principal activities of the Company continue to be the development of non contact batteryless sensors and their electronic interrogation systems for measuring pressure, temperature and torque in automotive applications and extending that to various, non automotive, industrial applications with regards the electronic interrogation.

With the formation of Translogik Limited in April 2009 the principal activities of the Group were extended to include the provision of tyre management solutions for the truck and OTR markets.

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, and CEO's Statements on pages 5 to 7.

## Results and Dividends

The results for the year ended 31 December 2010 show a loss of £1,454,000 (2009: £1,472,000 loss). The Directors do not recommend the payment of a dividend (2009: £nil).

## Directors

The present Directors are listed on page 4.

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

## 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:

	Ordinary shares of 1p each	%
Octopus Investments Nominees Limited	15,555,556	11.77
John PeterLobbenberg ESQ	12,470,429	9.43
T D Waterhouse Nominees (Europe) Limited	8,133,864	6.15
Rock (Nominees) Limited	7,879,277	5.96
Chase Nominees Limited	6,839,941	5.17
Barclayshare Nominees Limited	4,389,225	3.32
HSDL Nominee Limited	5,429,676	4.11
L R Nominees Limited	4,542,184	3.44

## 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:

	Ordinary shares of 1p each	
	31 December 2010	1 January 2010*
D G Kleeman	2,016,666	350,000
G Storey	2,132,190	1,174,782
R J Westhead	116,111	5,000
D Ford	111,111	-
N A Smith (1)	-	320,000
M Segal (2)	-	700,000

\* Or date of appointment if later.

(1) Resigned 15 September 2010

(2) Resigned 30 June 2010

## Share price

The mid price of the shares in the Company at 31 December 2010 was 5.125p (2009: 9.5p) and the range during the year was 9.5p to 3p (2009: 20p to 4p).

## Share based payment 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 share based payment options granted to Directors are disclosed in the Remuneration Report on page 9.

## Financial Instruments

The Directors adopts a low risk financial objective. The financial instruments used are sterling deposits, and the Group does not trade in derivative instruments, see note 24 to the financial statements.

## Indemnification of Directors

Qualifying third party indemnity provisions (as defined in Section 413 of the Companies Act 2006) are in force for the benefit of the Directors who held office during 2010.

## Policy and practice on payment of suppliers

The Group'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 2010 trade creditors represented less than 45 days' purchases (2009: 45 days).

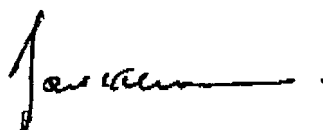
## Disclosure of information to auditors

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

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**D G Kleeman**  
Director

# Statement of directors' responsibilities

## in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Group and Parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether 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 Group and the Parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group 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 auditor's report to the members of Transense Technologies plc

We have audited the financial statements of Transense Technologies plc for the year ended 31 December 2010 set out on pages 16 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## D McAllan

(Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
Arlington Business Park  
Theale  
RG7 3DU  
May 2011

# Consolidated Statement of Comprehensive Income

## for the year ended 31 December 2010

	Note	2010 £000	2009 £000
<b>Continuing operations</b>			
Revenue	4	656	636
Cost of sales		(301)	(141)
Gross profit		355	495
Administrative expenses		(1,878)	(2,058)
Operating loss		(1,523)	(1,563)
Financial income	8	14	21
Financial expenses		-	-
Loss before taxation		(1,509)	(1,542)
Taxation	9	55	70
Loss from continuing operations		(1,454)	(1,472)
Basic loss per share (pence)	23	(1.39)	(2.0)
Fully diluted loss per share (pence)	23	(1.10)	(1.9)

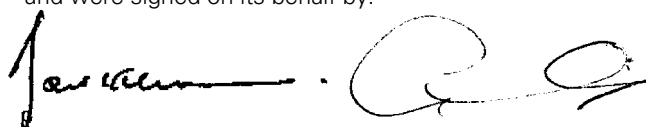
There are no other recognised income or expenses in either year.  
Notes to the financial statements are from pages 21 to 39.  
The activities are from continuing activities.

# Consolidated Balance Sheet

## at 31 December 2010

	Note	2010 £000	2010 £000	2009 £000	2009 £000
<b>Non current assets</b>					
Property, plant and equipment	10	114		151	
Intangible assets	12	1,420		1,494	
Available for sale assets	15	58		90	
			1,592		1,735
<b>Current assets</b>					
Inventories	16	41		33	
Corporation tax		55		169	
Trade and other receivables	17	400		137	
Cash and cash equivalents	18	2,066		1,277	
			2,562		1,616
<b>Total assets</b>			<b>4,154</b>		<b>3,351</b>
<b>Current liabilities</b>					
Trade and other payables	19	(367)		(491)	
Current tax liabilities		(23)		(32)	
<b>Total liabilities</b>			<b>(390)</b>		<b>(523)</b>
<b>Net assets</b>			<b>3,764</b>		<b>2,828</b>
<b>Equity</b>					
Issued share capital	21		8,145		7,580
Share premium			8,956		7,856
Warrant reserve	27		710		-
Accumulated loss			(14,047)		(12,608)
<b>Total equity</b>			<b>3,764</b>		<b>2,828</b>

These financial statements were approved by the board of directors on 25 May 2011 and were signed on its behalf by:



**D G Kleeman**  
Director

**G Storey**  
CEO

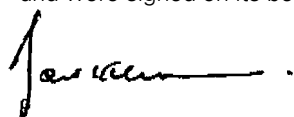
Company registered number: 1885075  
Notes to the financial statements are from pages 21 to 39.

# Company Balance Sheet

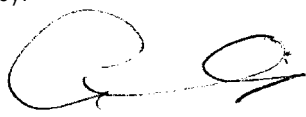
## at 31 December 2010

	Note	2010 £000	2010 £000	2009 £000	2009 £000
<b>Non current assets</b>					
Property, plant and equipment	11	41		53	
Intangible assets	13	1,213		1,394	
Available for sale assets	15	58		90	
Investment in subsidiary	14	5		5	
			1,317		1,542
<b>Current assets</b>					
Inventories	16	10		15	
Corporation tax		55		169	
Trade and other receivables	17	1,257		473	
Cash and cash equivalents	18	2,004		1,188	
			3,326		1,845
<b>Total assets</b>			<b>4,643</b>		<b>3,387</b>
<b>Current liabilities</b>					
Trade and other payables	19	(176)		(292)	
Current tax liabilities		(23)		(32)	
<b>Total liabilities</b>			<b>(199)</b>		<b>(324)</b>
<b>Net assets</b>			<b>4,444</b>		<b>3,063</b>
<b>Equity</b>					
Issued share capital	21		8,145		7,580
Share premium			8,956		7,856
Warrant reserve	27		710		-
Accumulated loss			(13,367)		(12,373)
<b>Total equity</b>			<b>4,444</b>		<b>3,063</b>

These financial statements were approved by the board of directors on 25 May 2011 and were signed on its behalf by:



**D G Kleeman**  
Director



**G Storey**  
CEO

Company registered number: 1885075

Notes to the financial statements are from pages 21 to 39.

# Statement of Changes in Equity

## Group

	Share capital £000	Share premium £000	Warrant reserve £000	Cumulative losses £000	Total equity £000
<b>Balance at 1 January 2009</b>	7,580	7,830	-	(11,197)	4,213
Loss for the year	-	-	-	(1,472)	(1,472)
Shares issued and share premium	-	26	-	-	26
Share based payments (note 20)	-	-	-	61	61
<b>As at 1 January 2010</b>	<b>7,580</b>	<b>7,856</b>	<b>-</b>	<b>(12,608)</b>	<b>2,828</b>
Loss for the year	-	-	-	(1,454)	(1,452)
Shares and warrants issued and share premium (note 21)	565	1,100	710	-	2,375
Share based payments (note 20)	-	-	-	15	15
<b>Balance at 31 December 2010</b>	<b>8,145</b>	<b>8,956</b>	<b>710</b>	<b>(14,047)</b>	<b>3,764</b>

## Company

	Share capital £000	Share premium £000	Warrant reserve £000	Cumulative losses £000	Total equity £000
<b>Balance at 1 January 2009</b>	7,580	7,830	-	(11,197)	4,213
Loss for the year	-	-	-	(1,237)	(1,237)
Shares issued and share premium	-	26	-	-	26
Share based payments (note 20)	-	-	-	61	61
<b>As at 1 January 2010</b>	<b>7,580</b>	<b>7,856</b>	<b>-</b>	<b>(12,373)</b>	<b>3,063</b>
Loss for the year	-	-	-	(1,009)	(1,038)
Shares and warrants issued and share premium (note 21)	565	1,100	710	-	2,375
Share based payments (note 20)	-	-	-	15	15
<b>Balance at 31 December 2010</b>	<b>8,145</b>	<b>8,956</b>	<b>710</b>	<b>(13,367)</b>	<b>4,444</b>

# Consolidated Cash Flow Statement

## for the year ended 31 December 2010

	Note	Group		Company	
		2010 £000	2009 £000	2010 £000	2009 £000
<b>Loss before taxation</b>		<b>(1,509)</b>	(1,542)	<b>(1,098)</b>	(1,308)
Adjustments for:					
Financial income	8	(14)	(21)	(14)	(21)
Depreciation	10,11	42	11	17	9
Amortisation of intangible assets	12,13	262	215	262	215
Share based payment	22	15	61	15	61
<b>Operating cash flows before movements in working capital</b>		<b>(1204)</b>	(1,276)	<b>(729)</b>	(1,044)
(Increase) in receivables	17	(263)	(62)	(839)	(398)
Increase/(decrease) in payables	19	(101)	289	(93)	88
(Increase)/decrease in inventories	16	(8)	(15)	5	3
<b>Cash used in operations</b>		<b>(1576)</b>	(1,064)	<b>(1,656)</b>	(1,351)
Taxation recovered		169	-	169	-
<b>Net cash used in operations</b>		<b>(1,407)</b>	(1,064)	<b>(1,487)</b>	(1,351)
<b>Investing activities</b>					
Interest received	9	14	21	14	18
Acquisitions of property, plant and equipment	10,11	(5)	(138)	(5)	(38)
Acquisitions of intangible assets	12,13	(188)	(263)	(81)	(162)
<b>Net cash used in investing activities</b>		<b>(179)</b>	(380)	<b>(72)</b>	(182)
<b>Financing activities</b>					
Proceeds from issue of equity share capital	21	565	-	565	-
Share premium on issue of equity share capital & warrants		1,810	26	1,810	26
Net cash from financing activities		2,375	26	2,375	26
Net increase/(decrease) in cash and cash equivalents		789	(1,418)	816	(1,507)
Cash and equivalents at the beginning of year		1,277	2,695	1,188	2,695
Cash and equivalents at the end of year		2,066	1,277	2,004	1,188

# Notes

## (forming part of the financial statements)

### 1 General Information

Transense Technologies plc ("the Company") is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The nature of the Group's operations and its principal activities are discussed in the business review on pages 5 to 8.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

### 2 Basis of preparation

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

### Going Concern

The Group meets its day to day working capital requirements through the utilisation of its cash reserves and does not have an overdraft facility. The current economic conditions create uncertainty particularly over:

- (a) the level of demand for the Group's products; and
- (b) the availability of bank finance in the foreseeable future.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate without an overdraft. The company will open negotiations with its bankers in due course if needed. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

### 3 Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

In these financial statements the following Adopted IFRSs which are effective for the first time, have had a material affect on the financial statements and so comparatives have been restated accordingly:

- Revised IFRS 3 'Business Combinations'
- Amendments to IAS 27 'Consolidated and Separate Financial Statements'
- Amendments to IFRS 2 'Group Cash-Settled Share-based payments transactions'
- Improvements to IFRSs (issued 16 April 2009)

The following amendment, which is effective for periods beginning or after 1 January 2011 will be adopted in the next financial year:

- Improvements to IFRSs (issued May 2010) Amendments to IAS 1 'Presentation of Financial Statements'. Clarification of the disclosure of Other Comprehensive income in the Statement of Changes in Equity.

#### **Significant accounting judgements and sources of estimation uncertainty**

The accounting policy descriptions set out areas where management make certain judgements and estimations. The key areas that might have a significant risk of causing material adjustment within the next financial year are as follows:

- Management have considered the basis of preparation as disclosed in note 2.
- Estimations focus on areas such as carrying values, values in use and estimated lives of intangible assets;
- Determining when intangible assets are impaired is a judgement which requires an estimate of the value in use of the asset based on management best estimate of the future cash flows that the assets are expected to generate. This requires significant judgement as there are limited historic cash flows to base the future cash flows on. Discussions are held within the Company between the relevant technical, commercial and finance employees on the expected future cash flows of patents in individual territories; and
- Judgement is applied when patent costs are reviewed in particular relating to patents in territories that were not integral to the future business plans.

# Notes continued

## **Measurement convention**

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

## **Basis of consolidation**

### **Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

## **Revenue recognition**

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

- Royalty income is recognised in the year in which the royalties have been earned;
- Licence fee income (including that from Bulldog Innovations), being remittances from third parties for access to the Group'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 Group's technology for their own use, is recognised when the work is completed and invoiced; and
- Product sales to customers are recognised on customer acceptance of the goods.

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

## **Segment reporting**

The Group has one reportable segment being the use of SAW technology to measure temperature, pressure and torque. This is the Group's principal focus and the operations are managed as one business unit because it encompasses one technology ie SAW and similar marketing strategies.

The business unit includes licence fees, royalties, engineering support and sale of product.

Information regarding the Group's single segment is included in the primary statements and notes to the financial statements. Revenue is the Group's key focus and in turn is the main performance measure adopted by management.

## **Property, plant and equipment**

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

## **Depreciation of property, plant and equipment**

Depreciation is charged to the statement of comprehensive income 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; and

Motor Vehicles 4 years

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

## **Research and development**

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

Expenditure on development activities is capitalised if the product or process is: technically and commercially feasible; the Group intends and has the technical ability and sufficient resources to complete development; and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. All amounts deferred are stated at cost and amortised after commercial production commences over the periods benefitting from the sale of the products or processes. Amortisation is recognized in administrative expenses in the statement of comprehensive income on a systematic basis.

## **Patent fees**

Externally acquired patent fees are capitalised at cost and treated as an intangible asset. Amortisation is charged to administrative expenses in the statement of comprehensive income over the period to which the patent relates which is 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 over the life of the new patent.

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

### ***Intangible assets and goodwill***

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and is the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

### ***Impairment of tangible and intangible assets excluding goodwill***

At each balance sheet date, the Group 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 statement of comprehensive income.

### ***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.

### ***Investments in subsidiary undertakings***

In the company's financial statements, investments in subsidiary undertakings are stated at cost unless, in the opinion of the directors, there has been an impairment to their value in which case they are immediately written down to their estimated recoverable amount.

### ***Pension costs***

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

### ***Operating lease agreements***

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

### ***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 statement of comprehensive income 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.

### ***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.

### ***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 Group's cash management are included as a component of cash and cash equivalents for the purposes only of the statement of cash flows.

### ***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 statement of comprehensive income.

## Notes continued

### Share-based payment transactions

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 amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for 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.

### Warrants

Fair value is measured using a Black-Scholes-Merton option pricing model. The key assumptions used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

### Provisions

Provisions are recognised when the Group has a present obligation as result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure. Provisions are discounted if the effect of doing so is material. A pre-tax rate that reflects risks specific to the liability is applied to the expected cash flows.

### Trade receivables

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

### Trade payables

Trade payables are stated at their nominal value.

### Loans receivable

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

## 4 Revenue and segmental reporting

The table below sets out information for the Group's operating segments.

	2010 £000	2009 £000
Sale of goods	635	596
Royalties	21	40
<b>Total revenues</b>	<b>656</b>	<b>636</b>

### Revenue from external customers

	2010 £000	2009 £000
North America	283	84
United Kingdom & Europe	17	484
Rest of the World	356	68
	<b>656</b>	<b>636</b>

During 2010 there was 1 (2009: 1) customer whose turnover accounted for more than 10% of the Group's total revenue as follows:

2010	Turnover £,000	Percentage of total
Customer A	166	28%
2009	Turnover £,000	Percentage of total
Customer B	390	61%

## 5 Expenses and auditors' remuneration

Included in the loss are the following:

	2010 £000	2009 £000
Depreciation of property, plant and equipment	42	9
Amortisation of intangible assets	262	215
Operating lease rentals payable – property, plant and equipment	30	32
Restructuring costs expensed as incurred – included in within administrative expenses	-	75

Auditors' remuneration:

	2010 £000	2009 £000
Audit of these financial statements	20	35
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	5	5
Other services relating to taxation	-	-

Amounts paid to the Group's auditors and their associates in respect of services to the Group, other than the audit of the Group's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

## 6 Staff numbers and costs

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

	Number of employees	
	2010	2009
Management and technical	16	16
Administration	2	4
Non-executive directors	3	3
	21	23

The aggregate payroll costs of these persons were as follows:

	2010 £000	2009 £000
Wages and salaries	654	972
Share based payments (note 20)	15	61
Social security costs	67	104
Contributions to defined contribution pension plans	19	31
Redundancy costs	-	75
	755	1,243

## Notes continued

### 7 Directors' remuneration

	2010 £000	2009 £000
Directors' emoluments	180	336
Company contributions to money purchase pension plans	-	2
Compensation for loss of office (cash settled)	-	25
Share based payments (note 20)	11	45
Fees payable for consulting services	113	70

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was still £137,500 (2009: £137,500). No company pension contributions were made to a money purchase scheme on his behalf (2009: nil). During the year, the highest paid director received share options awards and did not exercise share options under long term incentive schemes and no shares were received or receivable by the director in respect of qualifying services under a long term incentive scheme (2009: Nil).

#### Number of directors

	2010	2009
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	1
The number of directors who exercised share options was	-	-
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	-	5

### 8 Finance income and expense

#### Recognised in profit or loss

	2010 £000	2009 £000
Finance income		
Interest income on cash on deposit	14	21
<b>Total finance income</b>	<b>14</b>	<b>21</b>

	2010 £000	2009 £000
Finance expense	-	-
<b>Total finance expense</b>	<b>-</b>	<b>-</b>

### 9 Taxation

#### Recognised in the statement of comprehensive income

	2010 £000	2009 £000
Current tax expense		
Current year	55	70
<b>Tax credit in statement of comprehensive income</b>	<b>55</b>	<b>70</b>

## 9 Taxation (continued)

### Reconciliation of effective tax rate

	2010 £000	2009 £000
Loss for the year	(1,038)	(1,443)
Total tax credit	(55)	(96)
<b>Loss excluding taxation</b>	<b>(983)</b>	<b>(1,539)</b>
Tax using the UK corporation tax rate of 28 % (2009: 28 %)	275	431
Non-deductible expenses	(10)	(10)
Depreciation in excess of capital allowances	-	5
Current year losses for which no deferred tax asset was recognised	(265)	(426)
Research and development credit	55	70
<b>Total tax credit</b>	<b>55</b>	<b>70</b>

#### Deferred tax

A deferred tax asset has not been recognised in respect of the following items:

	2010 £000	2009 £000
Tax losses	2,483	2,495
Deductible temporary differences	-	(14)
	<b>2,484</b>	<b>2,481</b>

The Group has tax losses, subject to agreement by HM Revenue and Customs, in the sum of £9,723,000 (2009: £8,611,000), which are available for offset against future profits of the same trade. There is no expiry date for 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 Group can demonstrate a reasonable expectation of sufficient taxable profits to utilise the temporary differences.

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 27% with effect from 1 April 2011. This tax change became substantively enacted in July 2010 and therefore the effect of the rate reduction has impacted on recognised deferred tax balances as at 31 December 2010 (£nil).

On 23 March 2011 the Chancellor announced a further reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate would create an additional reduction in the unrecognised deferred tax asset of approximately £97,000. This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reductions from 27% to 23%, if these applied to the unrecognised deferred tax balance at 31 December 2010, would be to further reduce the unrecognised deferred tax asset by approximately £389,000.

## Notes continued

### 10 Property, plant and equipment – Group

	Plant and Equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>			
Balance at 1 January 2009	275	11	286
Acquisitions through business combinations	100	-	100
Additions	6	32	38
Balance at 31 December 2009	381	43	424
Balance at 1 January 2010	381	43	424
Additions	5	-	5
<b>Balance at 31 December 2010</b>	<b>386</b>	<b>43</b>	<b>429</b>
<b>Depreciation and impairment</b>			
Balance at 1 January 2009	251	11	262
Depreciation charge for the year	10	1	11
Balance at 31 December 2009	261	12	273
Balance at 1 January 2010	261	12	273
Depreciation charge for the year	34	8	42
<b>Balance at 31 December 2010</b>	<b>295</b>	<b>20</b>	<b>315</b>
<b>Net book value</b>			
At 1 January 2009	24	-	24
At 1 January 2010	120	31	151
<b>At 31 December 2010</b>	<b>91</b>	<b>23</b>	<b>114</b>

## 11 Property, plant and equipment – Company

	Plant and Equipment £000	Motor Vehicles £000	Total £000
<b>Cost</b>			
Balance at 1 January 2009	275	11	286
Additions	6	32	38
Balance at 31 December 2009	281	43	324
Balance at 1 January 2010	281	43	324
Additions	5	-	5
<b>Balance at 31 December 2010</b>	<b>286</b>	<b>43</b>	<b>329</b>
<b>Depreciation and impairment</b>			
Balance at 1 January 2009	251	11	262
Depreciation charge for the year	8	1	9
Balance at 31 December 2009	259	12	271
Balance at 1 January 2010	259	12	271
Depreciation charge for the year	9	8	17
<b>Balance at 31 December 2010</b>	<b>268</b>	<b>20</b>	<b>288</b>
<b>Net book value</b>			
At 1 January 2009	24	-	24
At 1 January 2010	22	31	53
<b>At 31 December 2010</b>	<b>18</b>	<b>23</b>	<b>41</b>

## Notes continued

### 12 Intangible assets – Group

	Goodwill £000	Patents rights and trademarks £000	Development costs £000	Total £000
<b>Cost</b>				
Balance at 1 January 2009	-	921	1,010	1,931
Additions	-	50	-	50
Acquisitions through business combinations	100	113	-	213
Balance at 31 December 2009	100	1,084	1,010	2,194
Balance at 1 January 2010	100	1,084	1,010	2,194
Additions	-	104	84	188
<b>Balance at 31 December 2010</b>	<b>100</b>	<b>1,188</b>	<b>1,094</b>	<b>2,382</b>
<b>Amortisation and impairment</b>				
Balance at 1 January 2009	-	357	128	485
Amortisation for the year	-	114	101	215
Balance at 31 December 2009	-	471	229	700
Balance at 1 January 2010	-	471	229	700
Amortisation for the year	-	149	113	262
<b>Balance at 31 December 2010</b>	<b>-</b>	<b>620</b>	<b>342</b>	<b>962</b>
<b>Net book value</b>				
At 1 January 2009	-	564	882	1,446
At 1 January 2010	100	613	781	1,494
<b>At 31 December 2010</b>	<b>100</b>	<b>568</b>	<b>752</b>	<b>1,420</b>

#### *Amortisation and impairment charge*

The amortisation is recognised in the following line items in the statement of comprehensive income:

	2010 £000	2009 £000
Administrative expenses	262	215
	<b>262</b>	<b>215</b>

## 12 Intangible assets – Group (continued)

### Impairment testing

Goodwill and indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

	Goodwill	
	2010 £000	2009 £000
Translogik Limited goodwill	100	100

## 13 Intangible assets – Company

	Patents rights £000	Development costs £000	Total £000
<b>Cost</b>			
Balance at 1 January 2009	921	1,010	1,931
Additions	50	-	50
Acquisitions through business combinations	113	-	113
Balance at 31 December 2009	1,084	1,010	2,094
Balance at 1 January 2010	1,084	1,010	2,094
Additions	100	31	131
Transfers out	(50)		(50)
<b>Balance at 31 December 2010</b>	<b>1,134</b>	<b>1,041</b>	<b>2,175</b>
<b>Amortisation and impairment</b>			
Balance at 1 January 2009	357	128	485
Amortisation for the year	114	101	215
Balance at 31 December 2009	471	229	700
Balance at 1 January 2010	471	229	700
Amortisation for the year	149	113	262
<b>Balance at 31 December 2010</b>	<b>620</b>	<b>342</b>	<b>962</b>
<b>Net book value</b>			
At 1 January 2009	564	882	1,446
At 1 January 2010	613	781	1,394
<b>At 31 December 2010</b>	<b>514</b>	<b>699</b>	<b>1,213</b>

## Notes continued

### 13 Intangible assets – Company (continued)

#### Amortisation and impairment charge

The amortisation and impairment charge is recognised in the following line items in the statement of comprehensive income:

	2010 £000	2009 £000
Other operating expenses	262	215
	<b>262</b>	<b>215</b>

### 14 Investments in subsidiaries

The Group and Company have the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership	
			2010	2009
Translogik Limited	England	Ordinary shares	100%	100%

The investment is included in the Company balance sheet at £5,000. (2009: £5,000)

### 15 Available for sale investments

#### Group and Company

	2010 £000	2009 £000
Cost of investment	90	90
Impairment	(32)	-
Wheelsure Holdings Plc equity investment	58	90

The impairment was based upon the post balance sheet sale of the investment in March 2011.

### 16 Inventories

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Finished goods	41	33	10	15
	<b>41</b>	<b>33</b>	<b>10</b>	<b>15</b>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £301,000 (2009: £38,000). The write-down of inventories to net realisable value amounted to £nil (2009: £nil).

## 17 Trade and other receivables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Trade receivables	218	96	140	64
Intercompany amounts receivable	-	-	981	367
Other receivables	91	18	41	18
Prepayments	91	23	95	24
	<b>400</b>	<b>137</b>	<b>1,257</b>	<b>473</b>

Included within trade and other receivables is £nil (2009: £nil) for the Group and Company expected to be recovered in more than 12 months.

## 18 Cash and cash equivalents

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Cash and cash equivalents per balance sheet	2,066	1,277	2,004	1,188
Cash and cash equivalents per cash flow statements	2,066	1,277	2,004	1,188

## 19 Trade and other payables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
<b>Current</b>				
Trade payables	131	97	131	97
Non-trade payables and accrued expenses	236	394	45	195
	<b>367</b>	<b>491</b>	<b>176</b>	<b>292</b>

All trade and other payables are current.

## 20 Employee benefits

### Defined contribution plans

The Group operates a defined contribution pension plan. The total expense relating to these plans in the current year was £16,000 (2009: £25,000).

### Share-based payments – Group and Company

The Group and Company has two share option plans, the Unapproved Discretionary Share Option Scheme and Enterprise Management Share Option scheme the principal provisions of which are summarised below:

Options to subscribe for Ordinary Shares of the Company may be granted (at the discretion of the Board) to selected employees or directors of the Company. No consideration is payable for the grant of an option. Options are not transferable or assignable.

## Notes continued

### 20 Employee benefits (continued)

The fair value of share options granted is recognised as an employee expense, within administrative expenses, with a corresponding increase in reserves. All options are settled by the physical delivery of shares.

The fair value of services rendered in return for share-based payments granted is measured by reference to the fair value of those share-based payments. The estimate of the fair value of services received is measured with reference to the Black-Scholes options pricing model. The Black-Scholes model takes into account the exercise price, share price at grant date, expected term, expected share price volatility which is estimated to be 58% (2009:70%), risk free interest rate of 3.8% (2009:3%) and expected dividend yield of nil pence (2009:£nil). The key variable is share price volatility.

There is a charge of £15,000 (2009: £61,000) for the new options granted in the year. The charge included in administrative expenses is not chargeable to corporation tax and is currently a permanent timing difference as the options are "under water".

The Share Re-organisation (see note 21) was a disqualifying event for the purposes of EMI options granted by the Company. Holders of EMI options surrendered their options and were re-granted EMI options by the Company at an exercise price which was identical to the existing EMI options. All other terms of the EMI options remained unchanged. Unapproved options, including the exercise price, were unaffected by the Share Re-organisation save that the Ordinary Shares that were issued on the exercise of such options had a nominal value of 1 pence rather than 10 pence following the Share Re-organisation.

### Unapproved Discretionary Share Option Scheme

At 31 December, 2010 the following share options remained outstanding under the Company's Unapproved Discretionary Share Option Scheme.

1 Jan 2010	Number of Options		31 Dec 2010	Option Price	Date of Grant	Date of Exercise	
	Granted	Cancelled				First	Last
100,000	-	-	100,000	23.00p	12.12.07	04.01.09	03.01.13
60,000	-	-	60,000	10.00p	01.02.09	01.02.11	31.01.14
0	2,530,000	-	2,530,000	14.00p	27.10.10	27.10.11	31.01.14

The assumptions used in the valuation of the share options are as follows:

Date of grant	Estimated fair value	Share price	Option price	Expected volatility %	Expected Life	Risk free rate %	Expected dividends %
01.04.07	£0.6952	£1.1775	£1.1775	66.00%	5 years	4.75	Nil
05.01.08	£0.0239	£0.0650	£0.1000	66.00%	5 years	4.75	Nil
27.10.10	£0.059	£0.0400	£0.1400	58.23%	5 years	3.75	Nil

### Enterprise Management Incentive Option Scheme

At 31 December, 2010, the following shares remained outstanding under an Enterprise Management Incentive Option Scheme.

1 Jan 2010	Number of Options		31 Dec 2010	Option Price	Date of Grant	Date of Exercise	
	Granted	Cancelled				First	Last
1,595,000	-	1,595,000	-	-	-	-	-
375,000	-	-	375,000	11.00p	16.09.08	01.01.09 - 01.01.11	31.12.12 - 31.12.15
1,750,000	-	675,000	1,075,000	10.00p	02.02.09	02.02.11	01.02.14

## 20 Employee benefits (continued)

The assumptions used in the valuation of the share options are as follows:

Date of grant	Estimated fair value	Share price	Option price	Expected volatility %	Expected Life	Risk free rate %	Expected dividends %
16.09.08	£0.0239	£0.0875	£0.1000	70.00%	5 Years	3.00	Nil
16.09.08	£0.0239	£0.0875	£0.1100	70.00%	5 Years	3.00	Nil
02.02.09	£0.0239	£0.0650	£0.1000	70.00%	5 Years	3.00	Nil

### Previous directors

As at 31 December, 2010, the following options remained outstanding in respect of previous Board Members who have retired or resigned but were allowed to retain some options. These options had to be exercised by 23 May 2010 and at a strike price of £2.00.

Number of Options		Option Price		Date of Grant		Date of Exercise	
1 Jan 2010	Granted	Cancelled	31 Dec 2010	1 Jan 2010	Granted	Cancelled	31 Dec 2010
1,020,000	0	0	1,020,000	100.00p	24.05.05	24.05.08	23.05.10
250,000	0	0	250,000	10.00p	23.12.08	23.12.10	22.12.13

The assumptions used in the valuation of the share options are as follows:

Date of grant	Estimated fair value	Share price	Option price	Expected volatility %	Expected Life	Risk free rate %	Expected dividends %
24.05.05	£0.5754	£0.9800	£1.0000	66.00%	5 Years	4.75	Nil
23.12.08	£0.0239	£0.0400	£0.1000	70.00%	5 Years	3.00	Nil

## 21 Capital and reserves

In thousands of shares	Ordinary shares of 1 pence		Deferred shares of 9 pence	
	2010	2009	2010	2009
On issue at 1 January 2010	<b>75,807,138</b>	75,807,138	-	-
Issued for cash Ordinary Shares at £0.01 on 1 July 2010	<b>56,399,998</b>	-	-	-
Deferred Shares at £0.09 created on 1 July 2010	-	-	<b>75,807,138</b>	-
<b>On issue at 31 December 2010 – fully paid</b>	<b>132,207,136</b>	75,807,138	<b>75,807,138</b>	-

## Notes continued

### 21 Capital and reserves (continued)

	2010 £000	2009 £000
Allotted, called up and fully paid		
Ordinary shares of £0.01 each	1,322	7,580
Deferred shares of £0.09 each	6,823	-
	<b>8,145</b>	<b>7,580</b>
Shares classified as liabilities	-	-
Shares classified in shareholders' funds	8,145	7,580
	<b>8,145</b>	<b>7,580</b>

In July 2010 the Company raised net funds of £2.3million with 56,399,998 new share capital attached to each was a warrant for one ordinary share with a subscription period of up to 30 June 2014 was attached at no further cost to the subscriber issue.

As part of this issue a share re-organisation occurred and 56,399,998 warrants were issued (see note 26). The nominal value of the Existing Ordinary Shares was 10 pence per share prior to the sub-division into one Ordinary Share of 1 pence each and one Deferred Share of 9 pence each. This affected the entire existing authorised share capital, both issued and to be issued. 75,807,138 Ordinary Shares of 10 pence each were sub-divided into 75,807,138 Ordinary Shares of 1 pence each and 75,807,138 Deferred Shares of 9 pence each.

Each Ordinary Share resulting from the Share Re-organisation has the same rights (including voting and dividend rights and rights on a return of capital) as each Existing Ordinary Share except that they have a nominal value of 1 pence each.

The Deferred Shares, as their name suggests, have very limited rights which are deferred to the Ordinary Shares and effectively carry no value as a result. Accordingly, the holders of the Deferred Shares are not entitled to receive notice of, attend or vote at general meetings of the Company, nor are they entitled to receive any dividends or any payment on a return of capital until at least £10,000,000 has been paid on each Ordinary Share. No application was made for the Deferred Shares to be admitted to trading on AIM. The Company was given power to arrange for all the Deferred Shares to be transferred to a custodian or to be purchased for nominal consideration only without the prior sanction of the holders of the Deferred Shares. No share certificates for the Deferred Shares were issued.

### 22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

Group and Company		
	2010 £000	2009 £000
Less than one year	30	30
Between one and five years	-	-
More than five years	-	-
	<b>30</b>	<b>30</b>

The operating lease relates to the property which is used by the Group and Company which has an annual break clause. During the year £30,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2009: £30,000).

## 23 Basic and fully diluted loss per share

Basic loss per share is calculated by dividing the loss after taxation of £1,454,000 (2009: £1,472,000) by the weighted average number of ordinary shares in issue during the year of 104,162,082 (2009: 75,408,000). Options over the ordinary shares are not included in the calculation of diluted loss per share as their effect is anti-dilutive.

## 24 Financial instruments

### *Financial risk management overview*

The company has exposure to the following risks, to varying degrees, from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Company's exposure to liquidity and market risks, the companies' objectives, policies and processes for measuring and managing risk, and the companies' management of capital.

### **Liquidity risk**

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.

The Company has a cash balances at year end totalling £2,066,000 (2010: £1,277,000) and as such liquidity is not currently seen as a risk for the Company in 2011.

The Company has no external borrowing and finances its operations by raising equity finance on the Alternative Investment Market (AIM).

### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity price and interest rate risk will affect the Company's income or the value of its holdings of financial instruments.

Foreign exchange rate risk is insignificant as substantially all sales are denominated in sterling the Company's functional currency.

The available-for-sale investment in Wheelsure Holdings plc is a financial instrument that subjects the Company to equity price risk. The investment was impaired to the post year end proceed amount, £58,000 (2009: £90,000).

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2010 £000	2009 £000
Variable rate instruments	197	100
Financial assets	1,869	1,177

The fair values of the Groups' financial instruments are measured using inputs other than quoted prices that are directly or indirectly observable.

### *Cash flow sensitivity analysis for variable rate instruments*

Due to the current unprecedented low rates of interest a change of 100 basis points in interest rates at the reporting date would not have created any material change in the profit or loss for 2010 or 2009.

The directors consider that the Company's exposure to interest rates is low (2009: low). Cash is invested in deposits with UK high street banks. Low and falling interest rates will reduce returns on these balances.

# Notes continued

## 24 Financial instruments (continued)

### Management of capital

The Board's policy is to maintain 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.

## 25 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial instruments that may subject the Company to credit risk consist of cash, cash equivalents, unsecured loan stock receivables and trade and other receivables. The maximum credit exposure was £137,000 (2008: £100,000) which is the respective carrying amounts (which is not significantly different to their fair value and contractual cash flow). There were no financial assets that were past due at the year end.

At 31 December 2010 the Company's cash was divided between current accounts £135,000 (2009: £197,000) and £1,931,000 in fixed rate monthly deposits (2009: £1,869,000) with a weighted average interest rate for the year of 1.9% (2008: 4.5%). Cash and cash equivalents are held only in high street banks.

The Company offers trade credit to customers, who are well established and major companies, in the normal course of business. The Company operates stringent credit control procedures on potential customers before allowing credit.

The Company continually monitors its position with, and the credit quality of, the financial institutions, which are counterparts to its financial instruments, and does not anticipate non-performance or that there is a concentration of credit risk. Credit risk is considered to be low given the cash position of the Company and that there is a low exposure level in the trade and other receivables.

## 26 Contingencies and commitments

### Group

The Group had £nil capital commitments and contingent liabilities (2009: £nil).

### Company

The Company has £nil capital commitments and contingencies (2009: £nil).

## 27 Warrants

On 1 July 2010 56,399,998 options were issued (2009: nil) as part of the share issue described in note 21.

The fair value of the warrants has been calculated using the Black Scholes Merton model. The inputs into the model were as follows:

	2010	2009
Weighted average share price	4.5p	n/a
Weighted average exercise price	4.5p	n/a
Expected volatility	45.37%	n/a
Risk free rate	3.37%	n/a
Expected dividend yield	Nil	n/a

Expected volatility was determined using as a base the share price movements recorded over a 12 month period and taking into account any specific factors impacting during the period. This has created a warrant reserve net of apportioned issue costs in equity of £710,000 (2009:£nil).

## 28 Related parties

### Group

Transactions with key management personnel who are defined as the Directors of the Company and their immediate relatives control 1 per cent of the voting shares of the Company.

The compensation of key management personnel (being the directors) is as follows:

	Group and Company	
	2010 £000	2009 £000
Key management emoluments including social security costs	137	336
Company contributions to money purchase pension plans	-	2
Compensation for loss of office	-	25
Share related awards	-	61
	<b>137</b>	<b>430</b>

### Company

Other related party transactions

	Sales to		Administrative expenses incurred from	
	2010 £000	2009 £000	2010 £000	2009 £000
Subsidiary company	380	282	380	282
	<b>380</b>	<b>282</b>	<b>380</b>	<b>282</b>

	Receivables outstanding		Payables outstanding	
	2010 £000	2009 £000	2010 £000	2009 £000
Subsidiary company	134	367	39	367
	<b>134</b>	<b>367</b>	<b>39</b>	<b>367</b>

# 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 29th June, 2011 at 10.30 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, 2010.
2. To re-elect as a Director R Westhead who retires in accordance with the Company's articles of association.
3. To receive and adopt the remuneration report contained within the annual report for the year ended 31 December, 2010.
4. To re-appoint KPMG Audit Plc as auditor and to authorise the Directors to fix their remuneration.

## By Order of the Board

6 June, 2011

David Ford, Company Secretary  
Registered Office, 66 Heyford Park,  
Upper Heyford, Bicester OX25 5HD

### 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 Euroclear'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 Euroclear 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 29 June, 2011.

In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the Company's register of members at 10.30 am noon on 27th June 2011 (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 29 June 2011 at 10.30 am.

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 29 June, 2011 at 12 Smithfield Street, London EC1A 9BD at 10.30 am 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, 2010.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as a Director R Westhead who retires in accordance with the Company's articles of association.	<input type="checkbox"/>	<input type="checkbox"/>
3. To receive and adopt the remuneration report contained within the annual report for the year ended 31 December, 2010	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint KPMG Audit Plc as auditor and to authorise the Directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... 2011

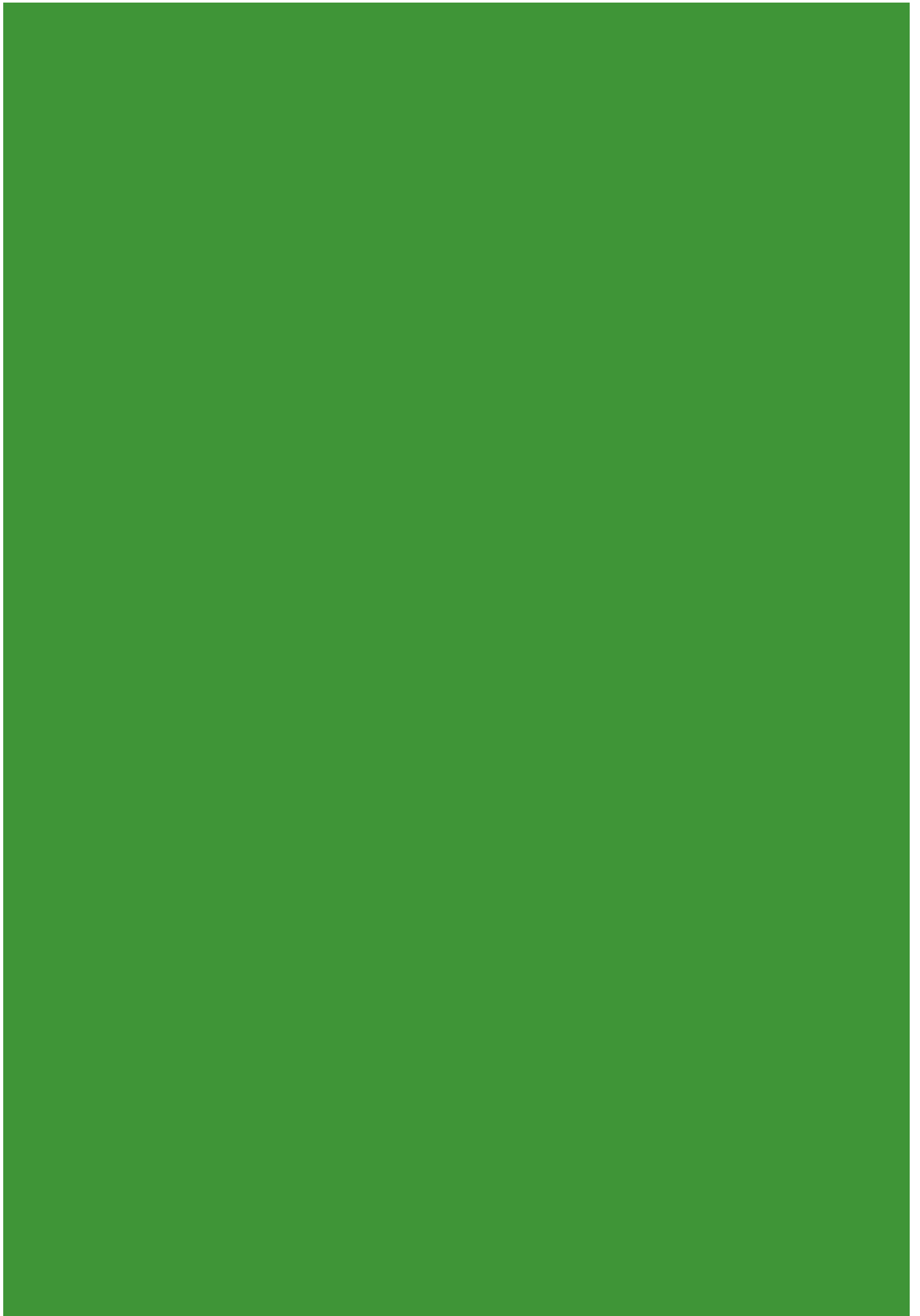
*(Please sign here)*

### Notes

- (i) To be effective, this form of proxy, duly completed, must be lodged by hand only to Capita Registrars PXS, 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 41 of the Uncertified Securities Regulations 2001, the Company specifies that only those members entered in the Company's register of members at 10.30 am on 27 June 2011 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.

**Please return the above completed form in the reply paid envelope.**

**Please return the completed form in the reply paid envelope.**





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