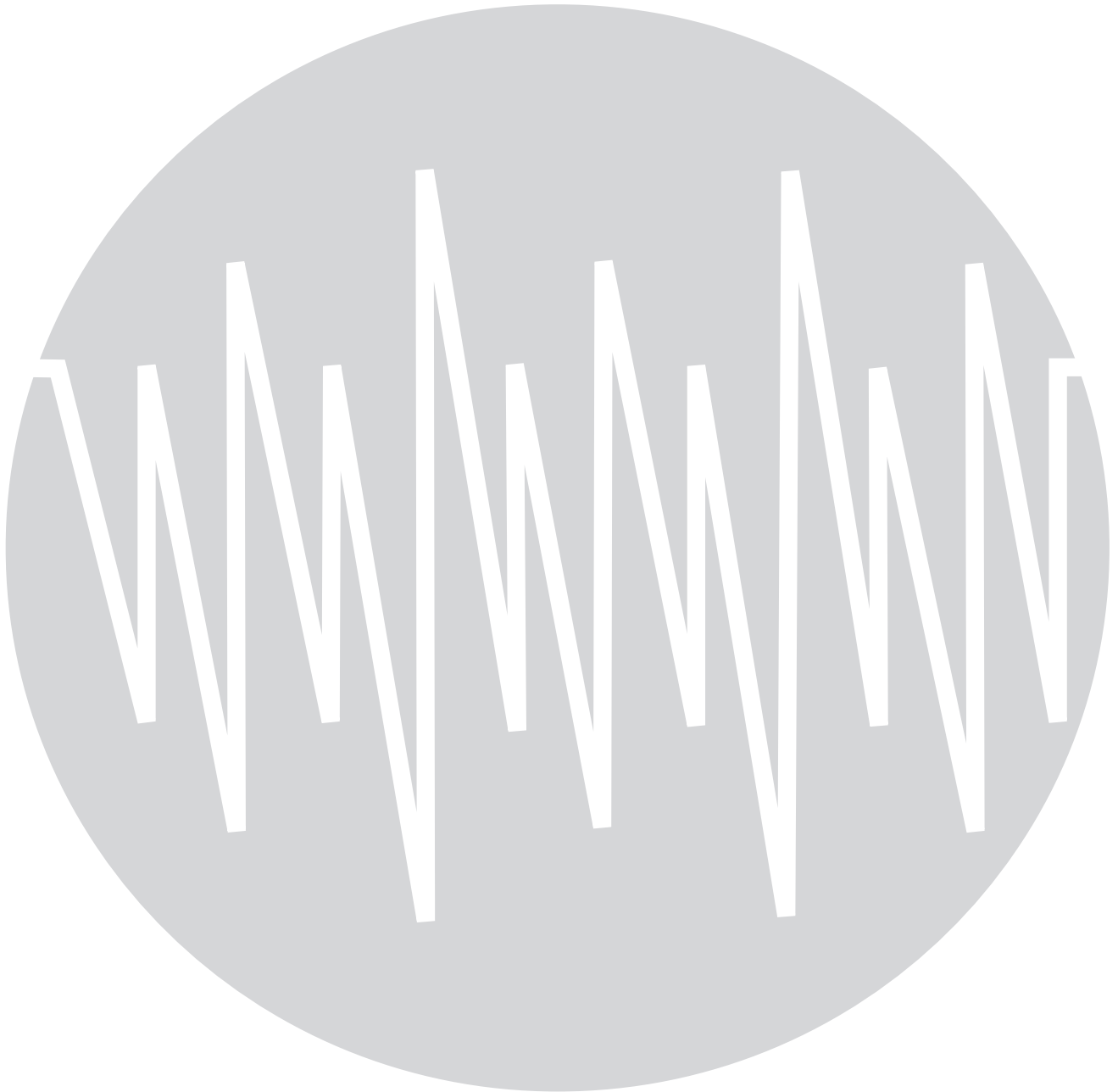




Transense Technologies plc



**Report and Accounts
For the Year Ended
31 December, 2003**



DIRECTORS AND ADVISERS

Directors	§†* P J Woods (<i>Chairman</i>) J A H Perry (<i>Chief Executive</i>) §†* A B Baldry G D Eves (<i>Commercial</i>) R D Lohr (<i>Technical</i>) A Lonsdale (<i>Advanced Research</i>) H G Pearl (<i>Finance</i>) §†* J Pither (<i>appointed 1 March, 2003</i>) § <i>Member of the Audit Committee</i> † <i>Member of the Remuneration Committee</i> * <i>Non-executive</i>
Secretaries and Registered Office	Watlington Securities Limited 36 Elder Street London E1 6BT
Auditors	BDO Stoy Hayward LLP Northside House 69 Tweedy Road Bromley Kent BR1 3WA
Bankers	HSBC Bank plc 1 Sheep Street Bicester Oxon OX6 7JA
Nominated Advisers and Brokers	Bridgewell Limited 128 Queen Victoria Street London EC4V 4BJ
Registrars	Capita IRG plc Balfour House 390/398 High Road Ilford Essex IG1 1NQ
Registration Number	1885075



CHAIRMAN'S STATEMENT

I am pleased to advise you that this has been an excellent development year for Transense, with a strengthening of the technology and a quickening of pace as we approach product programme start dates.

It is important to state at the outset that we are a technology research licensing company with only modest income at this stage in the development cycle. This income comes from engineering and license payments but the substantial royalties we foresee will not commence until our licensees bring their product to the market place. We continuously give commercial, engineering and technological support to encourage them forward with their specific product programmes.

This development phase of the cycle often seems very slow and frustrating but as I describe later we believe our two main projects are on target. The tyre pressure monitoring system "TPMS" should commence with trucks at the end 2004, with royalties due in 2005, and on cars for the 2006 Model Year, while the electric power assisted steering "EPAS" should commence in 2005. Many other applications for our surface acoustic wave "SAW" technology have the potential to succeed and I refer to some of these in the following review.

The year under review was one of increased activity in supplying engineering development services to our licensees, with increased turnover from £123,000 to £262,000. Though the loss of £1,077,000 was £183,000 lower than last year, we still have some considerable way to go before entering positive cash flow territory. Our staff numbers increased to 22 compared to 20 last year, but strict control was kept on overheads with cash control remaining a priority. At the end of December 2003 cash balances were £2.1 million, boosted by the 5% equity placing in August last, which raised £1.2 million. At the end of March this year they stand at £1.8 million.

We have made substantial progress in the last year. We signed two more significant manufacturing licence agreements during the course of the year. The first, with Temex in February, to make pressure SAW devices for us, and the other, with Melexis in November, to make the application specific integrated circuits "ASIC" needed to interrogate our SAW sensors.

Shareholders will recall that the previously announced licences with Sawtek and Atmel should have exploited these two very important manufacturing aspects of our business. Unfortunately, because of restructuring, both licensees failed to perform and this could have caused a severe setback for us. As it is, our remedial actions succeeded and the delays were not serious. The new manufacturing licensees are now supporting the on-going programmes of our application licensees in tyre pressure monitoring and electric power-assisted steering.

Our recent engineering and commercial files record a further eight projects for development while our existing total projects list already numbers 16 with revenue potential over the coming years.

The SAW devices for TPMS being produced by Temex have been under intensive testing for over two years and the performance now being achieved is exceptional. After manufacture, these devices are shipped to Honeywell for packaging into a sensor and then shipped on to our respective licensees. By the end of the year to December 2003, 3,000 devices had been shipped to Honeywell as part of the on going testing programme and this is expected to rise substantially through the current financial year. The ASIC design is now close to completion and product is anticipated to be ready for testing in the last quarter of this year. Meanwhile, our discrete component approach will allow us to cater for the initial volume sales.

One of the major break-throughs by our technical team has been to incorporate both the pressure and torque requirements into a single ASIC. In the past, two devices would have been required, but this new single ASIC gives us advantages in development speed, reduced complexity and cost/economy of scale. A number of other significant advances have been made for which we have filed patent applications. Last year, we reported a total of six granted patents and 25 applications. We now have 14 patents granted and 21 applications filed. The cost of maintaining and filing new applications was £164,000 (2002: £183,000). Overall, I am pleased to state that the development of our technological base and staff has continued to grow strongly, giving us renewed confidence for the future.

As our licensees' products with Transense's patented technology draw near to market launch, confidentiality strictures increase concerning their precise launch timing because of competitive pressures. Forever a difficulty of licensing development companies, this secrecy does not make it easy to be certain when the launch of these products will take place. However it is important, regardless of this, for our shareholders to be given a reasonable idea of when our licensees' products might be coming to market, and this can be summarised as follows:

- TPMS Proceeding well with three key routes to market over time. Our earlier statement on this programme referring initially to trucks was that volume production was unlikely to commence



CHAIRMAN'S STATEMENT *continued*

until late 2004, with cash receipts becoming due in early 2005. On cars, the indication was of 2006 Model Year start. At this point, we have no reason materially to change these timings.

- EPAS Proceeding well, our licensees are still on target for systems incorporating our technology to go into production during 2005.

I must caution against over-reliance on these timings. However, we feel confident that at least one of our licensees will announce its marketing intention publicly before the end of this year, adding to the momentum to market. If any confirmed material change occurs in these above timings, we will advise the market with an appropriate trading statement.

Last year Wheelsure was taking up too much of our technical time and we appointed a dedicated management team to spin out the Company as an independent concern. This was successfully accomplished. Shareholders of Transense were offered preferential rights to subscribe for shares in Wheelsure at 10p a share, which came down to 8p if you took EIS relief into consideration. Wheelsure is making good progress and as at March 26th the shares were changing hands with JP Jenkins Limited on a matched bargain basis of approximately 24p each. Under the terms of the transaction, Transense recovered its outlay, and also retained a 12% shareholding in the enlarged Company at nil cost.

In addition to discussions taking place to broaden our licensee base for TPMS and EPAS, we are pleased to announce that a funded, demonstration project is about to start with a major vehicle manufacturer to use our technology in torque systems for powertrain (engine & transmission), driveline and vehicle stability applications.

This is an important extension of our product licensing, since, for the first time, we now have a large original equipment manufacturer looking to integrate a series of our sensors into their vehicles. We have also received, from a senior level in another major vehicle manufacturer, a request to present our technologies for similar applications.

All companies need constantly to review the challenges facing them. Our key challenge is protecting our patent base and developing technological growth in depth. We are strong on this score. We need to track competitive technology offerings and evaluate any threats they might pose – and although new offerings can always surface, it was worthy of note that TPMS battery-less offerings of late have reduced rather than increased.

As we approach the market, we need to continue our search for strategic partners to strengthen our competence, broaden our product offering, reduce financial risk and improve revenue growth. We need to review our organisation structure and how it must be developed and strengthened, as well as our staff needs and rewards structure, in order to support this increase in growth.

Shareholders should note that there is a resolution in the 2004 AGM Agenda to change the exercise price on certain options available to our staff. In line with many technology companies, our share price has fallen sharply over the past three years, thus taking away much of the incentive that was given to our workforce when they joined Transense.

It is crucial to the future success of Transense that we retain our skilled team so we are proposing to reduce the exercise price available on existing options to our present staff to 50p per share, or the price at close of business on 21 May, 2004 whichever is the higher. This will enable the employees to participate more readily in the Company's future success and ensure that they are incentivised to remain at Transense. No Transense directors will participate in this proposed option price change.

On behalf of the Board, I would like to thank all in the developing Transense team for their dedication and hard work over the past year. We value their contribution highly and look forward with them to the exciting opportunities ahead as we drive our way to market. The market for Transense's broadening intellectual property rights remains very significant and highly attractive. I am confident that with our strong team, we will reach very successful outcomes as our development programmes reach fruition over the coming years.

P J Woods
Chairman

29 March, 2004



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 the Company is committed to ensuring that proper standards of corporate governance operate and has followed the principles of the Combined Code and the recommendations of the Higgs Review so far as is practicable and appropriate to the size and nature of the Company.

A statement of the directors' responsibilities in respect of the financial statements is set out on Page 12. Below is a brief description of the role of the Board and its Committees.

The Board

The Board, which consists of five 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. The Board believes that, because of the nature of the business, the contribution and independence of a non executive director is not diminished by long service but that a detailed knowledge of the Company and its activities is most beneficial.

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

Audit Committee

The Audit Committee comprises three non executive directors under the chairmanship of Peter Woods. They will meet at least twice a year and will have adopted terms of reference which give it responsibility for reviewing a wide range of financial matters. The Committee advises the Board on the appointment of external auditors and it discusses the nature and scope of their work.

Nomination Committee

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

Remuneration Committee

The policy on Directors' remuneration is formulated by the Remuneration Committee, which consists of three non executive directors of the Company with Peter Woods as Chairman. The Committee is responsible for determining the contract terms, remuneration and other benefits of executive directors. Peter Woods and Jon Pither are greatly experienced in these matters, both having served in senior executive capacities with major companies for a number of years.

The report of the Remuneration Committee is set out on Pages 6 to 9 below.



STATEMENT OF CORPORATE GOVERNANCE *continued*

Accountability, Internal Control and Risk Management

In preparing these accounts, reports and supplementary information the directors have had due regard to their responsibility to present a clear and balanced 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 accounts, 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

The directors acknowledge their responsibility for the Company's system of internal financial control. Every system of internal financial control can only provide reasonable and not absolute assurance against material financial misstatement or loss.

The Directors are satisfied that, given the size and current activities of the Company, the financial control procedures adopted and in place adequately meet its present needs and requirements.

The directors have also begun to undertake a review of the Company's risk profile in order to more closely identify the sources of risk and to enable these to be appropriately mitigated and managed.



REMUNERATION REPORT

Remuneration Policy

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

During this development period of the Company's growth and with limited turnover, the Remuneration Committee consider 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 on ordinary shares under the Company's Unapproved Discretionary Share Option Scheme (UDSOS) and the Company's Enterprise Management Incentive Option Agreement (EMI). These schemes potentially offer long term incentives to directors and key personnel.

The Remuneration Committee has appointed Marcussen Consultants, an independent consultancy, to advise them on the future design of the Company's long term incentive and executive share option schemes. This firm has provided no other services to the Company during the year.

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

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

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

Base Salary and Benefits

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

In addition to base salary certain executive directors are entitled to the following benefits:

- 25 days holiday per annum: all directors
- Cash allowance in lieu of a Company car: Messrs Eves, Lohr and Perry
- Permanent Health insurance: Messrs Eves, Lohr and Perry
- Private medical cover for themselves, their spouse and minor children where relevant: Messrs Eves, Lohr, Lonsdale and Perry
- Life assurance based on three times basic annual salary: Messrs Eves, Lohr, Lonsdale and Perry



REMUNERATION REPORT *continued*

Executive Share Option Schemes

The Committee considers that potential for share ownership and participation in the growing value of the Company increases the commitment and loyalty of directors and senior executives. All executive directors have been awarded options in both the Company's UDSOS and EMI schemes, the details of which are shown below.

Directors' Pension Policy

All full time executive directors are entitled to enter, and are members of, the Company's defined contribution pension scheme or a private pension scheme if requested, 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.

Service contracts

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

- The notice period required by either the Company or an executive director to terminate a contract is 6 months.
- There is no notice period with respect to non-executive directors' contracts.
- If the Company terminates without notice, the individual is entitled to a payment in lieu of notice being the value of the maximum notice period in his contract.
- In the event of termination for unsatisfactory performance (if necessary decided by an independent tribunal) or for reasons of misconduct, no compensation is payable.

In addition A Lonsdale and B Lonsdale entered into Consultancy Agreements with the Company dated 28 August 1991 (as varied by the agreements dated 22 August, 1994) under which they will each be entitled to commission on direct sales, and royalties from sub-licences, at the following rates:

<i>Annual turnover</i>	<i>Sales Commission</i>	<i>Royalties Commission</i>
Up to £5 million	1.25%	2.50%
Between £5-£10 million	0.75%	1.50%
Over £10 million	0.50%	1.00%

In the event of the death of either of the Lonsdales during their consultancy the survivor will be entitled to his brother's commissions in addition to his own.



REMUNERATION REPORT *continued*

Directors' Emoluments

Information on directors' emoluments is as follows:

	<i>Basic salary</i> £	<i>Fees</i> £	<i>Benefits</i> £	<i>Pension contri- butions</i> £	<i>Total emoluments</i>	
					2003 £	2002 £
Executive Directors						
S C Clarke (resigned 1 March, 2003)	13,215	–	290	1,322	14,827	47,355
G D Eves	49,800	–	7,529	4,980	62,309	60,879
R D Lohr	51,300	–	6,168	5,130	62,598	40,000
A Lonsdale	8,800	–	641	–	9,441	9,206
H G Pearl	25,700	–	–	–	25,700	22,067
J A H Perry	66,300	–	8,970	6,630	81,900	79,160
Non-Executive Directors						
A B Baldry	–	10,000	–	–	10,000	10,000
Sir N D Cadbury (resigned 23 May, 2003)	–	5,834	–	–	5,834	14,000
J Pither (appointed 1 March, 2003)	–	8,333	–	–	8,333	
P J Woods	–	12,333	–	–	12,333	10,000
Total 2003	<u>215,115</u>	<u>36,500</u>	<u>23,598</u>	<u>18,062</u>	<u>293,275</u>	
Total 2002	<u>220,150</u>	<u>34,000</u>	<u>19,568</u>	<u>18,949</u>		<u>292,667</u>

J Pither's fees are paid to a business in which he has a material interest. S C Clarke received a compensation payment of £79,125 in March, 2003 for loss of office.

Directors' interests in the UDSOS are:

	<i>At 1 Jan 2003</i>	<i>At 31 Dec 2003</i>	<i>Earliest Exercise Date</i>	<i>Exercise Price per Share</i>
A B Baldry	20,000	20,000	18.10.03	598.75p
G D Eves	400,000	400,000	16.03.03	352.5p
	120,000	120,000	18.10.03	598.75p
R D Lohr	–	100,000	09.01.06	52.0p
A Lonsdale	20,000	20,000	18.10.03	598.75p
H G Pearl	40,000	40,000	18.10.03	598.75p
J A H Perry	600,000	600,000	16.03.03	352.5p
J Pither	–	50,000	01.03.06	26.0p
P J Woods	200,000	200,000	02.10.03	546.875p

Under the Company's EMI dated 24 September, 2001 certain directors were granted options on shares at 212.5p per share which must be exercised within two years from 18 October, 2003. However, options may not be exercised in respect of any number of shares under this scheme unless and until the option holder has formally released the Company from its liability with respect to an equivalent number of shares on the UDSOS. Under the EMI Messrs Eves and Perry have been granted options on 47,056 shares each and Mr Pearl has been granted an option on 40,000 shares.



REMUNERATION REPORT *continued*

Mr Lohr has also been granted 48,780 shares at 205p each under the EMI, which must be exercised within two years from 1 May, 2005. In this case there is no requirement on Mr Lohr to release the Company from its liability with respect to any shares granted under the UDSOS.

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

Share price and performance graph

The share price and performance graph is disclosed in the Directors' Report on pages 11 and 12.

On behalf of the Board

P J Woods
Chairman, Remuneration Committee

29 March, 2004



REPORT OF THE DIRECTORS

For the year ended 31 December, 2003

The directors present their annual report and audited accounts for the year ended 31 December, 2003.

Business activities, review of the business and future developments.

The principal activities of the Company during the year were the continuing development of non contact sensors for tyre pressure monitoring and the development of tyre pressure interrogation systems as well as torque transducer sensors to enable electric power assisted steering and other automotive applications to be introduced into motor vehicles.

A review of the Company's business and research and development activities for the year together with developments since the year end and for the future is included in the Chairman's Statement on pages 2 and 3.

Results and Dividends

The results for the year ended 31 December 2003 show a loss of £1,077,000 (2002: loss £1,260,000). The directors do not recommend the payment of a dividend (2002: £nil).

On 4 July 2003 Wheelsure Holdings plc entered into an agreement with all shareholders of Wheelsure Limited (a 75% subsidiary undertaking of the Company at that time), to acquire the whole of the issued share capital of Wheelsure Limited for a consideration of £60,000, satisfied by the issue of 2 million ordinary shares. The Company therefore acquired 1,500,100 ordinary shares in this transaction. Wheelsure Holdings plc then raised further funds in August 2003 for the next stages of project development, which reduced the Company's holding to 12%.

As the Company no longer retains a controlling interest in Wheelsure Limited or Wheelsure Holdings plc, consolidated financial statements are no longer required to be reported. The 2002 comparative figures shown in the financial statements are also not consolidated.

Directors

The present directors are listed on page 1. Stephen Clarke resigned on 1 March, 2003 and Sir Dominic Cadbury resigned on 23 May, 2003. Jon Pither was appointed a director on 1 March, 2003 and was re-elected at the Annual General Meeting on 23 May, 2003. The directors retiring by rotation are Graham Eves and Anthony Lonsdale and, being eligible, they offer themselves for re-election.

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

Peter Woods OBE, Chairman, has comprehensive management experience in such positions as Chairman and Chief Executive of Rover Group Japan Ltd (BMW Rover Group), Rover Group Executive Regional Director of Japan, Australia and South Africa, Chairman of the European Business Community Japan, Consultant and Senior Adviser to the M D Mitsui UK Trading Co., Managing Director of Retainagroup UK and Senior Adviser to DTI/FCO (Japan Oil).

Antony Baldry is the Member of Parliament for Banbury and Barrister at Law and formerly a Minister for eight years in the last government.

Jon Pither has, over the last thirteen years, built up extensive interests and directorships in a portfolio of companies with particular emphasis on emerging businesses. He is Chairman of Active Capital Trust plc, a fund formed in July 2003 through a merger of The Aim Trust plc and 3PC Investment Trust plc, and managed by ISIS Asset Management PLC who are responsible for substantial shareholdings in Transense Technologies. Previously he was executive director of Glynwed International plc.

Contracts of significance in which the directors had a material interest are disclosed in Note 17.



REPORT OF THE DIRECTORS *continued*

Substantial shareholdings

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

	<i>Ordinary shares Of 10p each</i>	<i>%</i>
Active Capital Trust*	4,479,468	8.4
B Lonsdale	2,170,836	4.1
A J Ingham	1,722,936	3.2
The AIM VCT Trust*	1,603,168	3.0

*These holdings are part of a total of 7,857,225 ordinary shares (representing 14.8% of the issued share capital) held by Friends Provident group through client holdings.

Directors' interests

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

	<i>Ordinary shares of 10p each</i>	
	<i>31 December 2003</i>	<i>1 January 2003*</i>
A B Baldry**	91,200	91,200
G D Eves**	364,400	364,400
R D Lohr	–	–
A Lonsdale	2,592,836	2,592,836
H G Pearl**	222,400	222,400
J A H Perry**	2,229,252	2,229,252
J Pither	–	–
P J Woods**	8,796	8,796

*Or date of appointment if later.

**These directors' shareholdings include shares held by their wives.

In January 2004 Anthony Lonsdale transferred 200,000 shares to a charitable trust. Otherwise there have been no changes in the above shareholdings between 31 December, 2003 and 29 March, 2004.

Share price

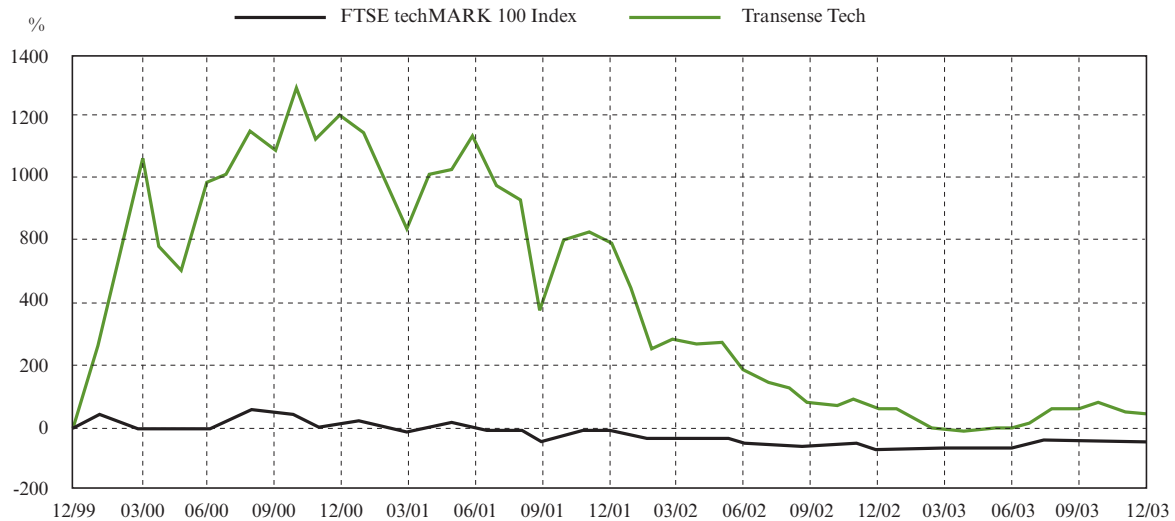
The mid price of the shares in the Company at 31 December, 2003 was 48p and the range during the year was 68³/₄p to 14¹/₂p.



REPORT OF THE DIRECTORS *continued*

Performance graph

The following graph compares the total return on the Company's shares with that of the TECHMARK index over the last four years. This benchmark is regarded as the most likely one that the majority of shareholders would want to assess their investment in a Company of our size.



This graph shows the Company's share price from flotation in November 1999 to the end of 2003 in percentage terms, adjusted for the 3 for 1 scrip issue in October 2001. The adjusted flotation price was 25p per share and the price at 31 December 2003 was 48p per share.

Share Option Schemes

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

Details of options granted to directors are disclosed in the Remuneration Report on pages 8 and 9.

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company and of the results of the Company for that year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



REPORT OF THE DIRECTORS *continued*

Policy and practice on payment of suppliers

The Company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and then abide by these terms. At 31 December, 2003 trade creditors represented 30 days purchases.

Auditors

On 31 December, 2003 BDO Stoy Hayward, the Company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next Annual General Meeting.

By Order of the Board

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

29 March, 2004



REPORT OF THE INDEPENDENT AUDITORS

Independent Auditors' Report to the Shareholders of Transense Technologies plc

We have audited the financial statements of Transense Technologies plc for the year ended 31 December, 2003 on pages 15 to 25 which have been prepared under the accounting policies set out on pages 19 and 20.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statement in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Remuneration Report, the Statement of Corporate Governance, the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 December, 2003 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

Registered Auditors

Chartered Accountants

Bromley

29 March, 2004



PROFIT AND LOSS ACCOUNT

For the year ended 31 December, 2003

	<i>Notes</i>	2003 £'000	2002 £'000
Turnover	2	262	123
Cost of sales		(45)	(27)
Gross profit		217	96
Administration expenses		(1,432)	(1,508)
Operating loss	5	(1,215)	(1,412)
Interest receivable and similar income	6	56	100
Loss on ordinary activities before taxation		(1,159)	(1,312)
Taxation	7	82	52
Loss on ordinary activities after taxation		(1,077)	(1,260)
Dividends		—	—
Loss for the year	14	(1,077)	(1,260)
Loss per share	15	(2.1p)	(2.5p)

The turnover and operating loss above are derived from continuing operations.

All recognised gains and losses of the current and preceding periods are included within the profit and loss account presented above.

There are no differences between the losses shown above and their historical cost equivalents.



BALANCE SHEET

as at 31 December, 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Intangible Assets	8	1,407	1,269
Tangible Assets	9	60	107
Investments	10	25	25
		<u>1,492</u>	<u>1,401</u>
Current assets			
Debtors	12	141	302
Investment		–	51
Cash at Bank and in Hand		2,071	1,849
		<u>2,212</u>	<u>2,202</u>
Creditors:			
Amounts falling due within one year			
Trade creditors		(51)	(102)
Other taxes and social security costs		(19)	(23)
Accruals		(42)	(50)
		<u>(112)</u>	<u>(175)</u>
Net current assets		<u>2,100</u>	<u>2,027</u>
Total assets less current liabilities		<u>3,592</u>	<u>3,428</u>
Capital and reserves			
Share capital	13	5,319	5,066
Share premium	14	3,351	2,363
Profit and loss account	14	(5,078)	(4,001)
Equity Shareholders' funds	16	<u>3,592</u>	<u>3,428</u>

Approved by the Board on 29 March, 2004

J A H Perry – *Director*

H G Pearl – *Director*



CASHFLOW STATEMENT

For the year ended 31 December, 2003

	<i>Notes</i>	2003	2002
		£'000	£'000
Net cash outflow from operating activities	A	(1,128)	(1,105)
Returns on investments and servicing of finance			
Interest received		56	100
Taxation			
Corporation tax received		134	20
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets		(220)	(281)
Payments to acquire tangible fixed assets		(3)	(62)
Sale of tangible fixed assets		1	—
		(222)	(343)
		(1,160)	(1,328)
Acquisitions and disposals		—	—
Equity dividends paid		—	—
Cash outflow before management of liquid resources and financing		(1,160)	(1,328)
Management of liquid resources			
(Payments to)/receipts from short term deposits		(250)	1,430
Proceeds from sale of current asset investment		91	1,430
		1,291	—
Financing			
Issue of new ordinary shares		1,291	—
(Decrease)/increase in cash in the year	C	(28)	102



NOTES TO THE CASHFLOW STATEMENT

For the year ended 31 December, 2003

A Reconciliation of operating loss to net cash outflow from operating activities

	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>
Operating loss	(1,215)	(1,412)
Depreciation and amortisation	132	84
Profits on disposal of fixed asset and current asset investment	(41)	–
Decrease in debtors	59	120
(Decrease)/increase in creditors	(63)	103
Net cash outflow from operating activities	(1,128)	(1,105)

B Reconciliation of net cash flow to movement in net funds

	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>
(Decrease)/increase in cash in the year	(28)	102
Increase/(decrease) in cash flow from liquid resources	159	(1,430)
Change in net funds resulting from cash flows	131	(1,328)
Gain on sale of current asset investment	40	–
Conversion of trade debtor into current asset investment	–	51
Movement in net funds in the year	171	(1,277)
Net funds at 1 January	1,900	3,177
Net funds at 31 December (Note C)	2,071	1,900

C Analysis of net funds

	<i>Liquid resources £'000</i>	<i>Cash £'000</i>	<i>Current asset investments £'000</i>	<i>Total £'000</i>
At 1 January	1,700	149	51	1,900
Cash flow	250	(28)	(91)	131
Non cash changes	–	–	40	40
At 31 December	1,950	121	–	2,071



NOTES TO THE ACCOUNTS

For the year ended 31 December, 2003

1. Accounting Policies

(a) Accounting Convention

The accounts are prepared in accordance with applicable accounting standards and under the historical cost convention.

(b) Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

(c) Depreciation

Depreciation is provided on all Tangible Fixed Assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, or lease period if shorter, as follows:

Plant and Equipment	20%-33% Straight line
Motor Vehicles	25% Straight line

(d) Deferred Taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

(e) Group accounts and basis of consolidation

The financial statements present information about the Company as an individual undertaking. Three of the four subsidiaries existing at 1 January 2003 have been dormant throughout the period and their assets are considered immaterial. The Company's interest in the fourth subsidiary reduced from 75% to 12% during the year following a public share offer. Information about the Company's subsidiaries is contained in Notes 10 and 11 to the accounts.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values, reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

The Company is exempt under Section 229(2) of The Companies Act 1985 from the requirement to prepare consolidated financial statements as the directors consider that the Company's subsidiaries may be excluded from consolidation for the reasons set out in Note 11.

(f) Research and Development

Expenditure on research is expensed as incurred.

Development expenditure in respect of the non-contact sensor technology meeting the criteria for capitalisation contained in SSAP13 "Accounting for Research and Development" is capitalised and treated as an intangible fixed asset. All amounts deferred are stated at cost and amortised over the periods benefiting from the sale of the products or processes, beginning in the period in which commercial production commences, based on a maximum ten years' useful life. In the event that commercial production has not commenced within five years of the start of a development project, and is unlikely to do so in the foreseeable future, the costs associated with that project are written off in full on the fifth anniversary of the start of that project.

Government grants received in respect of research expenditure are recognised in the profit and loss account when received.

Government grants received in respect of development expenditure which has been capitalised as an intangible fixed asset, are treated as deferred income and credited to the profit and loss account on a basis consistent with the amortisation of the related asset.

(g) Patent Fees

Externally acquired patent fees are capitalised and treated as an intangible fixed asset. These fees are amortised to the profit and loss account over the period to which the patent relates.

(h) Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment in value.



NOTES TO THE ACCOUNTS *continued*

(i) *Pension Costs*

Contributions to the Company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

(j) *Foreign Currency*

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the balance sheet dates. Any differences are taken to the profit and loss account.

(k) *Operating Leases*

All leases are treated as operating leases. Their annual rentals are charges to the profit and loss account on a straight line basis over the term of the lease.

(l) *Liquid Resources*

For the purposes of the cash flow statement, liquid resources are defined as short term deposits.

2. Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales, a geographical analysis of which is: United Kingdom £154,000 (2002: £27,000), Rest of Europe £3,000 (2002: £1,000), the United States of America £100,000 (2002: £95,000) and the Rest of the World £5,000 (2002: £nil).

All turnover and pre-tax losses originate in the UK and are attributable to one market and one activity, which is continuing.

All net assets are located in the United Kingdom.

3. Staff costs

The average monthly number of employees (including executive directors) during the year was 22 (2002: 20) made up as follows:

	2003	2002
Management and technical	17	15
Administration	5	5
	<u>22</u>	<u>20</u>
	£'000	£'000
Staff costs (for the above employees)		
Wages and salaries	664	627
Social security costs	71	64
Pension Contributions	38	37
	<u>773</u>	<u>728</u>

4. Directors' emoluments

(a) The emoluments of the directors of the Company were as follows:

	2003	2002
	£'000	£'000
Management remuneration	239	240
Fees as non-executive directors	36	34
Pension contributions	18	19
	<u>293</u>	<u>293</u>



NOTES TO THE ACCOUNTS *continued*

(b) Emoluments of highest paid director:

	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>
Emoluments	<u>75</u>	<u>73</u>
Amounts paid into the Company's defined contribution pension scheme	<u>7</u>	<u>7</u>

There are 3 (2002: 4) directors for whom retirement benefits are accruing under money purchase schemes.

Details of each director's total emoluments, share options and compensation for loss of office are given in the Remuneration Report on pages 6 to 9.

5. Operating loss

	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>
This is stated after (charging)/crediting:		
Amortisation of intangible fixed assets	(82)	(30)
Depreciation of tangible fixed assets	(50)	(54)
Profit on sale of investment and fixed assets	41	–
Directors' emoluments (including contributions to pension schemes)	(293)	(293)
Auditors' remuneration – for audit services	(17)	(16)
for non-audit services	(16)	(13)
Research	(150)	(39)
Government grants received	66	–
Recovery of/(provision for) bad debt on loan to a subsidiary undertaking	90	(90)

6. Interest receivable

	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>
Bank Interest	<u>56</u>	<u>100</u>

7. Taxation on loss on ordinary activities

	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>
<i>Current tax</i>		
Adjustment in respect of previous periods	<u>82</u>	<u>52</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>
Loss on ordinary activities before tax	<u>1,159</u>	<u>1,312</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002: 30%)	348	394
Effects of:		
Expenses not deductible for tax purposes	(27)	(30)
Capital allowances for period less than/(in excess of) depreciation	8	(5)
Tax losses to carry forward	(368)	(332)
Profit on sale of investments	12	–
Movement on provision for bad debt	27	(27)
Research and development credit	82	52
Current tax credit for period	<u>82</u>	<u>52</u>

Factors that may affect future tax charges

The company has tax losses, subject to agreement by HM Inspector of Taxes, in the sum of £4.9 million (2002: £3.9 million), which are available for offset against future profits of the same trade.



NOTES TO THE ACCOUNTS *continued*

8. Intangible fixed assets

	<i>Patent Rights £'000</i>	<i>Development Costs £'000</i>	<i>Total £'000</i>
<i>Cost</i>			
At 1 January, 2003	519	853	1,372
Additions	164	56	220
At 31 December, 2003	683	909	1,592
<i>Amortisation</i>			
At 1 January, 2003	103	–	103
Charge for the year	82	–	82
At 31 December, 2003	185	–	185
<i>Net book value</i>			
At 31 December, 2003	498	909	1,407
At 31 December, 2002	416	853	1,269

9. Tangible fixed assets

	<i>Plant & Equipment £'000</i>	<i>Motor Vehicles £'000</i>	<i>Total £'000</i>
<i>Cost</i>			
At 1 January, 2003	209	33	242
Additions	3	–	3
Disposals	–	(6)	(6)
At 31 December, 2003	212	27	239
<i>Depreciation</i>			
At 1 January, 2003	113	22	135
On disposals	–	(6)	(6)
Charge for the year	43	7	50
At 31 December, 2003	156	23	179
<i>Net book value</i>			
At 31 December, 2003	56	4	60
At 31 December, 2002	96	11	107

At 31 December, 2003 there were no capital commitments (2002: £nil)

10. Fixed Asset Investments

	<i>Group undertakings £'000</i>	<i>Investments £'000</i>	<i>Total £'000</i>
<i>(a) Cost</i>			
At 1 January, 2003	25	–	25
Reallocation of investment in Wheelsure Holdings plc (previously Wheelsure Limited) after completion of an offer for sale of new shares (Note 11)	(25)	25	–
	–	25	25

- (b) In the opinion of the directors, the market value of the Company's investment in Wheelsure Holdings plc, if based on the latest available matched bargain prices obtained up to 31 December 2003, would give the investment a value of £240,000, which is in excess of the cost shown in the financial statements. However, as that Company has no official Stock Exchange listing, no current valuation is available.



NOTES TO THE ACCOUNTS *continued*

11. Subsidiary undertakings

(a) The following were subsidiary undertakings at the end of the year:

<i>Name</i>	<i>Country of incorporation</i>	<i>Proportion of voting rights and ordinary share capital held</i>	<i>Nature of business</i>
Transense Technology Research Limited	England	100%	Dormant
Transense Steering Limited	England	100%	Dormant
Piezotec Limited	England	100%	Dormant

(b) Wheelsure Limited, a 75% owned operating subsidiary undertaking at the beginning of the year, was acquired by Wheelsure Holdings plc on an exchange of shares basis. After completion of an offer for sale in August 2003 by Wheelsure Holdings plc, the Company's investment reduced to 12%.

12. Debtors

	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>
Due within one year:		
Trade debtors	96	140
Other debtors	19	26
Corporation tax receivable	–	52
Called up share capital not paid at Balance Sheet date	–	50
Prepayments and accrued income	26	34
	141	302

13. Share capital

	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>
(a) <i>Authorised</i>		
70,000,000 ordinary shares of 10p each (2002: 70,000,000)	7,000	7,000
<i>Allotted, called up and issued</i>		
53,194,974 ordinary shares of 10p each (2002: 50,661,884)	5,319	5,066
(b) On 29 August, 2003, 2,533,090 shares were issued at 50p per share in an equity placing.		
(c) At 31 December, 2003 the following share options remained outstanding under the Company's Unapproved Discretionary Share Option Scheme (UDSOS).		

<i>Number of Options</i>	<i>Option Price</i>	<i>Date of Grant</i>	<i>Date of Exercise</i>	
			<i>First</i>	<i>Last</i>
464,000	25p	26.11.99	26.11.02	25.11.04
100,000	62.5p	13.1.00	13.1.03	12.1.05
60,000	300p	14.3.00	14.3.03	13.3.05
1,388,000	352.5p	16.3.00	16.3.03	15.3.05
200,000	518.75p	22.9.00	22.9.03	21.9.05
200,000	546.875p	2.10.00	2.10.03	1.10.05
343,600	598.75p	18.10.00	18.10.03	17.10.05
600,000	472.5p	21.4.01	21.4.04	20.4.06
240,000	498.25p	1.8.01	1.8.04	31.7.06
100,000	52p	9.1.03	9.1.06	8.1.08
50,000	26p	1.3.03	1.3.06	29.2.08

Two previous directors who retired on 31 December, 2000 retained options on shares already granted to them, each having 200,000 at 25p per share exercisable from 26 November, 2002 and 20,000 at 598.75p exercisable from 18 October, 2003. One of the former directors exercised his option on 200,000 shares at 25p on 31 December, 2002. The remaining options outstanding at 31 December, 2003 are included in the table above.



NOTES TO THE ACCOUNTS *continued*

- (d) Under an Enterprise Management Incentive Option Agreement (EMI) dated 24 September, 2001 a further 563,104 share options were granted at 212.5p per share on 18 October, 2001. However, these options can only be exercised when the option holder has formally released the Company from its liability with respect to an equivalent number of shares in the UDSOS.

Other grants under the EMI Scheme, where there is no requirement to release the Company from its liability with respect to any shares granted under the UDSOS are:

<i>Number of Options</i>	<i>Option Price</i>	<i>Date of Grant</i>	<i>Date of Exercise</i>	
			<i>First</i>	<i>Last</i>
30,000	212.5p	18.10.01	18.10.04	17.10.06
28,985	345p	3.12.01	3.12.04	2.12.06
48,780	205p	1.5.02	1.5.05	30.4.07
48,192	207.5p	24.5.02	24.5.05	23.5.07
25,000	21.5p	6.3.03	6.3.06	5.3.08
10,000	23p	29.5.03	29.5.06	28.5.08

14. Reserves

	<i>Share premium account £'000</i>	<i>Profit & loss account £'000</i>
At 1 January, 2003	2,363	(4,001)
Issue of Shares	988	–
Loss for the year	–	(1,077)
At 31 December, 2003	3,351	(5,078)

15. Loss per Share

The calculation of basic loss per share is based on the loss after taxation of £1,077,000 (2002: £1,260,000) and on 51,529,381 ordinary shares being the weighted average number of shares in issue during the year (2002: 50,462,432).

The Company incurred a loss for the years 2003 and 2002 and, given the circumstances, a calculation in respect of the diluted loss per share is not considered relevant.

16. Reconciliation of Movement in Shareholders' Funds

	<i>2003 £'000</i>	<i>2002 £'000</i>
<i>Equity Interest</i>		
Opening Shareholders' Funds	3,428	4,638
Issue of Shares – par	253	20
Issue of Shares – share premium	988	30
Loss for year	(1,077)	(1,260)
Closing Shareholders' Funds	3,592	3,428



NOTES TO THE ACCOUNTS *continued*

17. Transactions with Directors

During the year the Company has received invoices from Sensor Technology Limited (“Sensor”), a company in which Anthony Lonsdale is a director and shareholder, in the sum of £135,000 (2002: £2,000) in respect of research and development work undertaken. Conversely the Company raised invoices to Sensor in the sum of £109,000 (2002: £10,000).

All transactions with directors were on an arms’ length basis.

18. Financial Instruments

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

At 31 December, 2003 the Company’s financial instruments comprised sterling cash of £1,950,000 on fixed rate monthly deposit (2002: £1,700,000), and the weighted average obtained for the year was 3.4% (2001: 4.0%).

Short term debtors and creditors are not treated as financial assets and liabilities respectively for the purposes of FRS13 disclosures. There are no monetary assets or liabilities of the Company that are not denominated in the functional currency of the operations involved.

(b) The Company has an undrawn committed bank borrowing facility for £1 million which is secured by an equivalent cash deposit.

19. Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from these of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund (Note 3).

20. Commitments under Operating Leases

As at 31 December, 2003, the Company had annual commitments under non-cancellable operating leases as set out below:

	<i>2003</i>		<i>2002</i>	
	<i>Land and</i>	<i>2003</i>	<i>Land and</i>	<i>2002</i>
	<i>Buildings</i>	<i>Other</i>	<i>Buildings</i>	<i>Other</i>
	<i>£’000</i>	<i>£’000</i>	<i>£’000</i>	<i>£’000</i>
Operating leases which expire in two to five years	<u>36</u>	<u>–</u>	<u>36</u>	<u>–</u>



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at North Oxfordshire Consortium, Building 52, Heyford Park, Upper Heyford, Bicester, Oxon OX25 5HD on 21 May, 2004 at 11.30 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and adopt the report of the directors and the accounts for the year ended 31 December, 2003.
2. To re-elect as a director G D Eves who retires by rotation and offers himself for re-election.
3. To re-elect as a director A Lonsdale who retires by rotation and offers himself for re-election.
4. To receive and adopt the remuneration report contained within the annual report for the year ended 31 December, 2003.
5. To approve and adopt the Transense Technologies plc 2004 Enterprise Management Incentive Share Option Plan (the 2004 EMI Plan) and authorise the Remuneration Committee to do all acts necessary or expedient to implement the 2004 EMI Plan.

Under the proposed 2004 EMI Plan optionholders of up to a maximum of 800,777 existing employee share options (excluding directors of the Company) shall be entitled to waive options granted to date, at an exercise price of between 62.5p and 598.75p per share, in exchange for being granted the equivalent number of new options under the 2004 EMI Plan, at an exercise price per share equal to the greater of 50 pence, or the quoted price at the close of business on 21 May 2004.

6. To re-appoint BDO Stoy Hayward LLP as auditors and to authorise the directors to fix their remuneration.
7. That for the purposes of and pursuant to Section 80 of the Companies Act 1985 as amended (“the Act”) and in substitution for all existing and unexercised authorities, the directors of the Company be and are hereby generally and unconditionally authorised to exercise all or any powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £1,680,502.60 to such persons, at such times and generally on such terms as the directors may determine provided that:
 - (a) this authority shall, unless previously revoked or varied by the Company in general meeting, expire on the date 15 months after the date of approval of this resolution or the conclusion of the next Annual General Meeting of the Company whichever first occurs; and
 - (b) this authority shall allow and enable the directors of the Company to make an offer or an agreement before the expiry of the period referred to in sub-paragraph (a) above which would or might require relevant securities to be allotted after such expiry of such period and the directors of the Company may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTION

8. In substitution for all existing and unexercised authorities and subject to the passing of Resolution 7 above, the directors be and they are hereby generally authorised and empowered pursuant to Section 95 of the Act to allot relevant securities (as defined in Section 80(2) of the Act), pursuant to the authority conferred by Resolution 6 above, as if Section 89(1) of the Act did not apply to any such allotment provided that the power conferred by this resolution, unless previously revoked or varied by special resolution of the Company in general meeting shall be limited to:
 - (a) the allotment of equity securities in connection with a rights issue or other issue in favour of the holders of ordinary shares where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of shares being represented by the depositary receipts, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and
 - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities for cash up to an aggregate nominal value of £265,974 (representing five per cent of the Company’s issued ordinary share capital)



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

By Order of the Board

Watlington Securities Limited
Company Secretaries

29 March, 2004

Registered Office: 36 Elder Street, London E1 6BT

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company.
2. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he or she so wish.
3. A form of proxy is enclosed and to be valid must be completed and returned so as to reach the Registrars of the Company (together with a letter or power of attorney or other written authority, if any, under which it is signed or a notarially certified or office copy of such power or written authority) not less than forty eight hours before the time fixed for holding the meeting or any adjournment thereof.
4. 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 North Oxfordshire Consortium, Building 52, Heyford Park, Upper Heyford, Bicester, Oxon OX25 5HD on 21 May, 2004.
5. In accordance with Regulation 34(1) of the Uncertificated Securities Regulations 1995, the Company specifies that only those shareholders registered in the Company's register of members at 11.30 a.m. on 19 May, 2004 (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.



NOTES



NOTES



NOTES



Transense Technologies plc

FORM OF PROXY FOR ANNUAL GENERAL MEETING to be held on 21 May, 2004 at 11.30 a.m.

I/We

of
(Block Capitals please)

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

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

as my\our proxy to vote for me/us and on my/our behalf in the manner indicated below at the Annual General Meeting of the Company to be held on 21 May, 2004 at North Oxfordshire Consortium, Building 52, Heyford Park, Upper Heyford, Bicester, Oxon OX25 5HD at 11.30 a.m. and at any adjournment thereof.

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

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

ORDINARY RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the report of the directors and the accounts for the year ended 31 December, 2003.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as a director, Mr G D Eves, who retires by rotation and offers himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a director, Mr A Lonsdale, who retires by rotation and offers himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
4. To receive and adopt the remuneration report contained within the accounts for the year ended 31 December, 2003.	<input type="checkbox"/>	<input type="checkbox"/>
5. To approve and adopt the 2004 EMI Plan and authorise the Remuneration Committee to do all acts necessary or expedient to implement same.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint BDO Stoy Hayward LLP as auditors and to authorise the directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
7. To approve the authority to allot the securities pursuant to Section 80 of the Companies Act 1985.	<input type="checkbox"/>	<input type="checkbox"/>
 SPECIAL RESOLUTION		
8. To disapply the statutory pre-emption rights pursuant to Section 95 of the Companies Act 1985.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2004

.....
(Please sign here)

Notes

- (i) To be effective, this form of proxy, duly completed, must be lodged at the registered office of the Registrars of the Company at Capita IRG plc, P.O. Box 25, 34 Beckenham Road, Beckenham, Kent BR3 4BR not less than 48 hours before the time appointed for the Meeting or any adjournment thereof together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of attorney.
- (ii) In the case of a corporation, this form must be under its Common Seal, or under the hand of an officer or attorney duly appointed to sign the name.
- (iii) In the case of joint holders, the signature of one holder will suffice and the vote of the senior who tenders a vote will be accepted to the exclusion of the votes of the other joint holders. For these purposes seniority will be determined by the order of names standing on the register of members.
- (iv) If any other person is preferred as a proxy, strike out the words "the Chairman of the Meeting", insert the name of the proxy desired in the blank space and initial the alteration. A proxy need not be a member of the Company.
- (v) The return of this proxy will not prevent a member from attending the meeting or any adjournment thereof and voting in person if he so wishes.
- (vi) In accordance with Regulation 34 of the Uncertified Securities Regulations 1995, the Company specifies that only those members entered in the Company's register of members at 11.30 a.m. on 19 May, 2004 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.

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BUSINESS REPLY SERVICE
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Capita Registrars (Proxies)
P.O. Box 25
34 Beckenham Road
Beckenham
Kent BR3 4BR

First Fold

Second Fold