

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities before taking any action. The whole of this document should be read. You should be aware that an investment in the Company involves a high degree of risk and prospective investors should carefully consider the section entitled “Risk Factors” set out in Part IV of this document.

If you have sold or transferred all of your registered holding of Ordinary Shares on or before the Record Date please forward this document, but not the personalised application form or form of proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other party through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

If you have sold or transferred only part of your registered holding of Ordinary Shares on or before the Record Date, you are advised to consult your stockbroker, bank or other agent through whom the sale or transfer was effected.

This document does not comprise a prospectus in accordance with the Prospectus Rules and, pursuant to section 85 of the Financial Services and Markets Act 2000 (as amended), has not been drawn up in accordance with the Prospectus Rules. This document has not been approved by the Financial Services Authority or by any other authority in any jurisdiction.

The Company’s Ordinary Shares are currently admitted to trading on AIM. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective, and dealings for normal settlement in the New Ordinary Shares will commence, at 8.00 a.m. on 1 July 2010. The New Ordinary Shares will not be dealt in, or on, any other recognised investment exchange and no other such application will be made. No application will be made for the Warrants to be admitted to trading on AIM or any other exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UKLA has examined or approved the contents of this document. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Existing Ordinary Shares or the New Ordinary Shares or the Warrants to the Official List. Neither the Existing Ordinary Shares nor the New Ordinary Shares nor the Warrants will be dealt on any other recognised investment exchange and no other such application will be made.



*(Incorporated and registered in England and Wales  
under the Companies Act 1985 with registered number 1885075)*

**PLACING OF 45,288,888 NEW ORDINARY SHARES AT A PRICE OF 4.5P PER SHARE TOGETHER  
WITH 1 WARRANT FOR EVERY 1 NEW ORDINARY SHARE SUBSCRIBED**

**OFFER FOR SUBSCRIPTION OF UP TO 11,111,111 NEW ORDINARY SHARES AT A PRICE OF  
4.5 PENCE PER SHARE TOGETHER WITH 1 WARRANT FOR EVERY 1 NEW ORDINARY  
SHARE SUBSCRIBED**

**SHARE RE-ORGANISATION**

**NOTICE OF GENERAL MEETING**

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The Placing Shares and the Offer Shares will, following allotment, rank *pari passu* in all respects with the Existing Ordinary Shares in issue at the date of Admission including the right to receive all dividends and other distributions thereafter declared made or paid on the ordinary share capital of the Company.

Notice of a General Meeting of Transense Technologies to be held at 11.00 a.m on 30 June 2010 at which the resolutions required to effect the Placing, the Share Re-organisation and the Offer are to be proposed is set out at the end of this document. All Shareholders are urged to complete and return the enclosed Form of Proxy, whether or not they intend to be present at the meeting, in accordance with the instructions printed thereon so as to arrive as soon as possible and in any event so as to be received by the Company's registrars, Capita Registrars, at their offices at PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by not later than 11.00 a.m. on 28 June 2010. Completion and posting of the Form of Proxy will not prevent a Shareholder from attending and voting in person at the General Meeting. A letter from the Chairman of the Company is set out in Part I of this document which contains a unanimous recommendation from the Directors that you vote in favour of the Resolutions to be proposed at the General Meeting.

**The latest time for acceptance and payment under the Offer is 11.00 a.m. on 28 June 2010.**

**The procedure for application is set out in Part V of this document and the Application Form.**

Brewin Dolphin, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser to the Company in connection with the Proposals and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of Brewin Dolphin or for advising any other person in respect of the Proposals. Brewin Dolphin's responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange and are not owed to the Company nor to any other person. Brewin Dolphin is not making any representation or warranty, express or implied, and takes no responsibility for the contents of this document or for the General Meeting.

Hybridan, which is also authorised and regulated by the Financial Services Authority, is the Company's broker, is a member of the London Stock Exchange and is acting exclusively for the Company in connection with the Placing and solely and not in connection with any other Proposal set out in this document. Hybridan will not be responsible to anyone other than the Company for providing the protections afforded to customers of Hybridan or for advising any other person on the Placing. Hybridan is not making any representation or warranty, express or implied in respect of, and takes no responsibility for the contents of this document.

The release, publication or distribution of this document in or outside the UK may be restricted by law. Persons who come into possession of this document should inform themselves about and observe any applicable restrictions or requirements in their particular jurisdiction. Failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction. No action has been taken by the Company or Brewin Dolphin or Hybridan LLP that would permit possession or distribution of this document in any jurisdiction (including the United Kingdom) where action for that purpose is required.

**This document is sent to all Shareholders, but for those Shareholders who are not Eligible Shareholders it is being sent to them for information purposes only to enable them to exercise their rights as shareholders vis-à-vis the General Meeting to be held. Shareholders who are resident or ordinarily resident in, or citizens or nationals of, jurisdictions outside the United Kingdom should read the section headed "Overseas Shareholders" in Part V of this document.**

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy securities to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Existing Ordinary Shares, the New Ordinary Shares and the Warrants have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada; no document in relation to the Placing or the Offer has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission; and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Placing or the Offer. Subject to certain exceptions, the New Ordinary Shares and the Warrants may not, directly or indirectly, be offered or sold within United States or the Excluded Territories or offered or sold to a person within the United States or the Excluded Territories. Any failure to comply with these restrictions may constitute a violation of the securities law of any jurisdiction.

It is the responsibility of any person receiving a copy of this document outside the United Kingdom to satisfy himself or herself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any government or other consents which may be required or observing any other formalities required to be observed in such territory and paying any other issue, transfer or other taxes due in such other territory. Persons (including, without limitation, nominees and trustees) receiving this document and/or an Application Form should not, in connection with the Offer, distribute or send this document or Application Form into any jurisdiction when to do so would, or might contravene local securities laws or regulations.

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## EXPECTED TIMETABLE

2010

Record Date for participation in the Offer	6.00 p.m. on 28 May
Date of publication of this document, announcement of Preliminary Results and Offer opens	2 June
Last date and time for receipt of Forms of Proxy	11.00 a.m. on 28 June
Last date and time for receipt of Application Forms	11.00 a.m. on 28 June
General Meeting	11.00 a.m. on 30 June
Share Re-organisation effective	6.00 p.m. on 30 June
Dealings in New Ordinary Shares and Existing Ordinary Shares (post Share Re-organisation) commence on AIM	8.00 a.m. on 1 July
CREST accounts credited with Placing Shares and Offer Shares in uncertificated form	8.00 a.m. on 1 July
Definitive share certificates in respect of Placing Shares and Offer Shares in certificated form despatched	No later than 14 July
Definitive warrant certificates in respect of the Warrants despatched	No later than 14 July

*If any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of a Regulatory Information Service announcement. All events listed in the above timetable following the GM are conditional on the passing of the Resolutions at the GM. References to time in this document and the Notice of General Meeting are to British Summer Time.*

## KEY STATISTICS

Placing Price	4.5p
Number of Ordinary Shares in issue prior to the Placing	75,807,138
Number of Ordinary Shares under option	3,905,000
<i>Assuming the maximum number of New Ordinary Shares are subscribed pursuant to the Offer and no options are exercised before Admission:</i>	
Number of Placing Shares to be issued pursuant to the Placing	45,288,887
Number of Warrants to be issued pursuant to the Placing	45,288,887
Number of Offer Shares to be issued pursuant to the Offer	11,111,111
Number of Warrants to be issued pursuant to the Offer	11,111,111
Total number of New Ordinary Shares to be issued pursuant to the Placing and the Offer	56,399,998
Total number of Warrants to be issued pursuant to the Placing and the Offer	56,399,998
Number of Ordinary Shares in issue at Admission	132,207,136
Number of Ordinary Shares under option or in respect of which Warrants have been granted on Admission	60,304,998
Market capitalisation of the Company on Admission at the Placing Price	£5.95 million
Percentage of the Enlarged Ordinary Share Capital represented by the Placing Shares	34.26 per cent.
Percentage of the Enlarged Ordinary Share Capital represented by the Offer Shares	8.40 per cent.
Percentage of the Enlarged Ordinary Share Capital represented by the New Ordinary Shares to be issued pursuant to the Placing and the Offer	42.66 per cent.
Estimated gross proceeds of the Placing and Offer	£2.54 million
Estimated net proceeds of the Placing and Offer	£2.37 million
<i>Assuming no New Ordinary Shares are subscribed pursuant to the Offer and no options are exercised before Admission:</i>	
Number of Placing Shares to be issued pursuant to the Placing	45,288,887
Number of Warrants to be issued pursuant to the Placing	45,288,887
Number of Offer Shares to be issued pursuant to the Offer	0
Number of Warrants to be issued pursuant to the Offer	0
Total number of New Ordinary Shares to be issued pursuant to the Placing and the Offer	45,288,887
Total number of Warrants to be issued pursuant to the Placing and the Offer	45,288,887
Number of Ordinary Shares in issue at Admission	121,096,025
Number of Ordinary Shares under option or in respect of which Warrants have been granted on Admission	49,193,887
Market capitalisation of the Company on Admission at the Placing Price	£5.45 million
Percentage of the Enlarged Share Capital represented by the New Ordinary Shares issued pursuant to the Placing and the Offer	37.40 per cent.
Estimated gross proceeds of the Placing and Offer	£2.04 million
Estimated net proceeds of the Placing and Offer	£1.87 million

## DEFINITIONS

“Act”	Companies Act 2006
“Admission”	the admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	a market operated by London Stock Exchange plc
“AIM Rules”	AIM Rules for Companies published by the London Stock Exchange (as amended or reissued from time to time)
“Application Form”	the application form for use in the Offer and enclosed with this document for use by Eligible Shareholders
“Articles”	the articles of association of the Company (as amended from time to time)
“Board” or “Directors”	the board of directors of the Company, as at the date of this document, whose names are set out on page 10 of this document
“Brewin Dolphin”	Brewin Dolphin Limited, a subsidiary of Brewin Dolphin Holdings plc, the Company’s nominated adviser
“City Code”	City Code on Takeover and Mergers
“Closing Date”	the date on which the Offer will be closed being 11.00 a.m. on 28 June 2010 or such later time as the Directors and Brewin Dolphin may agree
“Company” or “Transense”	Transense Technologies plc
“CREST”	the relevant system (as defined in the Uncertified Securities Regulations 2001 (SI 2001 No 3855)) for the paperless settlement of trades and the holding of uncertificated securities, operated by Euroclear UK & Ireland Limited, in accordance with the same regulations
“Deferred Shares”	deferred shares of 9 pence each in the capital of the Company following the passing of Resolution 1 set out in the Notice
“Eligible Shareholders”	Shareholders on the register of members of the Company on the Record Date with addresses for service in the European Economic Area
“Enlarged Ordinary Share Capital”	the Ordinary Share capital of the Company in issue immediately following Admission
“Excluded Territories”	Australia, New Zealand, the United States, Canada and Japan, the Republic of South Africa and/or their respective territories or possessions
“Existing Ordinary Shares”	Ordinary Shares in issue at the Record Date
“Form of Proxy”	the form of proxy for use by Shareholders at the General Meeting
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“General Meeting” or “GM”	the general meeting of the Company, convened for 11.00 a.m. on 30 June 2010, and any adjournment thereof, notice of which is set out in the Notice, which will consider the Resolutions

“Group”	Transense and its subsidiaries
“Hybridan”	Hybridan LLP, the Company’s broker
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	new Ordinary Shares in the capital of the Company issued pursuant to the Placing, the Offer or otherwise
“Notice”	the notice of General Meeting set out at the end of this document
“Offer”	the offer for subscription of up to 11,111,111 Offer Shares (subject to such adjustments that may be necessary to ensure compliance with the Prospectus Rules) and 11,111,111 Offer Warrants being made by the Company on the terms set out in this document
“Offer Period”	the period starting 2 June 2010 and ending on the Closing Date
“Offer Shares”	up to 11,111,111 New Ordinary Shares to be issued pursuant to the Offer
“Offer Warrants”	up to 11,111,111 Warrants to be issued pursuant to the Offer
“Official List”	the list of all securities that have been approved by the UKLA for trading on a UK regulated market
“Ordinary Shares”	ordinary shares in the capital of the Company having a nominal value of 10 pence prior to the Share Re-organisation becoming effective and having a nominal value of 1 pence upon the Share Re-organisation becoming effective
“Placee”	a subscriber of Placing Shares under the Placing
“Placing”	the conditional placing of the Placing Shares and Placing Warrants by Hybridan pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 1 June 2010 between the Company and Hybridan relating to the Placing
“Placing Price” or “Offer Price”	4.5p per New Ordinary Share
“Placing Shares”	the 45,288,887 New Ordinary Shares to be issued pursuant to the Placing
“Placing Warrants”	the 45,288,887 Warrants to be issued pursuant to the Placing
“Preliminary Results”	the preliminary financial results of the Company and its subsidiary undertakings for the year ended 31 December 2009, as set out in Part III of this document
“Proposals”	the Placing, the Offer and the Share Re-organisation
“Record Date”	the record date for participation in the Offer, being 6.00 p.m. on 28 May 2010
“Resolutions”	the resolutions to be proposed at the General Meeting, details of which are set out in the Notice
“Share Issuance Authorities”	the authorities proposed as Resolutions 2 to 4 (inclusive) and 6 to 8 (inclusive)
“Shareholder(s)”	holder(s) of Ordinary Shares from time to time

“Share Re-organisation”	the share re-organisation proposed to be effected by Resolutions 1 and 5.2 set out in the Notice
“Subscriber”	a subscriber for Offer Shares under the Offer
“Translogik”	Translogik Limited, a subsidiary of Transense
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“Warrants”	the warrants to subscribe for Ordinary Shares at an exercise price of 4.5p per Ordinary Share on the terms and conditions set out in the Warrant Instrument to be issued to Placees and Subscribers as part of each of the Placing and Offer, respectively, and the term “Warrant” shall be construed accordingly
“Warrantholder”	a holder of Warrants from time to time and as the context requires
“Warrant Instrument”	the Warrant Instrument dated 1 June 2010 constituting the Warrants, a summary of which is set out in Part VI of this document

A reference to £ is to pound sterling, being the lawful currency of the UK.

A reference to € is to the Euro, being the official currency of 16 of the 27 member states of the European Union.

## GLOSSARY

“DFT”	the United Kingdom’s Department for Transport
“FEC International”	FEC International (M) Sdn. Bhd, a company with whom Translogik has signed an exclusive distribution agreement for tyre tread inspection products
“GPS”	Global Positioning System
“OTR”	Off-the-road (vehicle)
“OEMs”	Original Equipment Manufacturers
“Qingdao Mesnac”	Qingdao Mesnac Co. Ltd, a Chinese company with which the Company has signed a memorandum of understanding to develop TPMS technology
“PDA”	Personal Digital Assistant
“RFID”	Radio Frequency Identification
“SAW”	Surface Acoustic Wave
“SenGenuity”	a division of Vectron International, part of the Dover Corporation
“Stack”	Stack Ltd, a UK based supplier of engineering and motorsports instruments to whom the Company has granted two licences for its intellectual property
“TPMS”	Tyre Pressure Monitoring System(s)
“T&P”	Temperature and Pressure, as measured by the Company’s SAW sensors
“T&T”	Torque and Temperature, as measured by the Company’s SAW sensors
“UHF”	Ultra High Frequency
“UN-ECE Working Group”	a United Nations Economic Commission for Europe team working in conjunction with the DFT
“WiFi”	wireless local area network

## DIRECTORS, SECRETARY AND ADVISORS

<b>Directors</b>	David Kleeman ( <i>Non-Executive Chairman</i> ) Graham Storey ( <i>Chief Executive Officer</i> ) Norman Smith ( <i>Non-Executive – Formerly Joint CEO</i> ) Melvyn Segal FCA ( <i>Non-Executive – Finance Director</i> ) Rodney Westhead ( <i>Non-Executive</i> ) David Ford ( <i>Non-Executive</i> )
<b>Company Secretary and Registered Office</b>	Melvyn Segal 66 Camp Road Upper Heyford Bicester Oxon OX25 5HD
<b>Nominated Advisor</b>	Brewin Dolphin Corporate Advisory & Broking 12 Smithfield Street London EC1A 9BD
<b>Broker</b>	Hybridan LLP 29 Throgmorton Street London EC2N 2AT
<b>Solicitors to the Company</b>	Charles Russell LLP 5 Fleet Place London EC4M 7RD
<b>Auditors</b>	KPMG International 8 Salisbury Square London EC4Y 8BB
<b>Registrars</b>	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA
<b>Receiving Agent</b>	Capita Registrars Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Website</b>	<a href="http://www.transense.co.uk">http://www.transense.co.uk</a>

## PART I: LETTER FROM THE CHAIRMAN

# Transense Technologies plc

*(Incorporated and registered in England and Wales under the Companies Act 1985  
with registered number 1885075)*

*Directors:*

D G Kleeman (*Chairman*)\*  
H G D Storey-MacIntosh (*Chief Executive*)  
N L A Smith \*  
M Segal \*  
D M Ford \*  
R J Westhead \*

*\* Non Executive Director*

*Registered Office:*

66 Heyford Park  
Upper Heyford  
Bicester  
OX25 5HD

2 June 2010

*To the holders of Ordinary Shares and, for information only, to holders of options over Ordinary Shares*

Dear Shareholder,

**PROPOSED PLACING OF 45,888,887 NEW ORDINARY SHARES AT A PRICE OF 4.5P PER SHARE TOGETHER WITH 1 WARRANT FOR EVERY 1 NEW ORDINARY SHARE PLACED, OFFER FOR SUBSCRIPTION OF UP TO 11,111,111 NEW ORDINARY SHARES AT A PRICE OF 4.5P A SHARE TOGETHER WITH 1 WARRANT FOR EVERY 1 NEW ORDINARY SHARE SUBSCRIBED, SHARE RE-ORGANISATION AND NOTICE OF GENERAL MEETING**

### **1. Introduction**

The Company announced earlier today that it proposes to raise (i) up to £0.5 million (before expenses) by way of an offer for subscription made to Eligible Shareholders of up to 11,111,111 New Ordinary Shares at the Offer Price (4.5 pence per Offer Share) and (ii) £2.038 million (before expenses) by way of a conditional placing of 45,888,887 New Ordinary Shares at the Placing Price of 4.5 pence per Placing Share. The net proceeds of the Placing and Offer will be used to further develop the Company's strategy, in particular, to accelerate the pace at which it addresses the opportunities arising within Translogik, for marketing, promotion and product development and for working capital purposes.

The purpose of this document is, amongst other things, to provide you with details of the Placing and Offer, to explain the background to and the reasons for the Placing and the Offer, why the Board considers the Placing and Offer will promote the success of the Company for the benefit of its members as a whole, and why the Directors recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document. As the Placing Price is below that of the nominal value of the Company's Existing Ordinary Shares, the Company needs to effect the Share Re-organisation to conduct the Placing and Offer, and further details of that are set out at section 8 below.

The issue of this document also provides the Board with an opportunity to set out to Shareholders the progress made by the current Board and the strategic outlook for the Company in Part II of this document.

### **2. Background to and reasons for the Placing and Offer**

At the end of April 2010, the Company held net cash of approximately £0.7 million. The Board is looking to invest in product development, to increase marketing spend and to cover working capital (ie general operational and administrative expenditures) to take it through to cash flow breakeven. The Board therefore has decided to raise a minimum of £1.87 million, after expenses, through a placing of New Ordinary Shares with institutional and other investors. In order to give as many of its Shareholders as possible the opportunity

to participate in the financing and to limit the dilutive effect of the Placing, the Board also resolved to make an offer for subscription to Eligible Shareholders.

Given that all the Directors and certain of the Company's other major shareholders are participating in the Placing, the Board has made available up to 11,111,111 New Ordinary Shares (with a value of £0.5 million) in the Offer.

### **3. Details of the Placing**

The Company has conditionally raised £2.038 million before expenses through the proposed issue of the Placing Shares at the Placing Price. The expenses of the Placing are estimated to be approximately £165,000. The Placing Shares will represent approximately 37.40 per cent. of the Enlarged Ordinary Share Capital (assuming no take up in the Offer) and approximately 34.26 per cent. of the Enlarged Ordinary Share Capital (assuming maximum take up under the Offer), and in each case assuming that no options are exercised prior to Admission. The Placing Price is the same as the closing bid price of 4.5 pence per Existing Ordinary Share on 1 June 2010, being the last dealing day prior to the publication of this document. Under the Placing, each Placee will receive one Warrant for every Placing Share subscribed in the Placing.

Pursuant to the terms of the Placing Agreement, Hybridan as broker to the Company, has conditionally agreed to use reasonable endeavours to procure placees for the Placing Shares at the Placing Price. The Placing Agreement is conditional upon, *inter alia*, Resolutions 1, 2, 5, and 6 being duly passed at the General Meeting and Admission of the Placing Shares becoming effective on or before 8.00 a.m. on 1 July 2010 (or such later date as the Company and Hybridan may agree, but in any event no later than 14 July 2010). The Placing Agreement contains provisions entitling Hybridan to terminate the Placing Agreement at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will not proceed. The Placing has not been underwritten and is not subject to clawback pursuant to the Offer. **The Placing and the Offer are not inter-conditional.**

The Placing Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Ordinary Shares in issue at the date of Admission and the Offer Shares, including the right to receive all dividends and other distributions declared on or after the date on which they are issued. It is expected that CREST accounts will be credited on the day of Admission and that share certificates (where applicable) will be despatched within 14 days of Admission.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Placing Shares will commence on AIM at 8.00 a.m. on 1 July 2010.

Details of the Warrants to be issued pursuant to the Placing are set out in section 5 below.

### **4. Details of the Offer**

The Company considers it important that where reasonably practicable Shareholders have an opportunity to participate in the fundraising on equivalent terms and conditions to the Placing. Accordingly the Company is proposing to raise up to approximately £500,000 (before expenses) by way of the Offer.

On and subject to the terms and conditions of the Offer, the Company invites Eligible Shareholders to apply for the Offer Shares at the Offer Price.

Brewin Dolphin believes that offering all Eligible Shareholders the ability to apply for as many shares as they wish in the Offer (subject to the maximum amount of the Offer and to a minimum application per shareholder £450 / 10,000 Offer Shares) allows Shareholders who wish to avoid dilution of their shareholding to achieve this insofar as is practicable in the circumstances. In the event of applications for in excess of 11,111,111 Offer Shares, Brewin Dolphin will decide on the basis for allocation, however if this scenario occurs, preference is likely to be given to smaller Eligible Shareholders.

The Offer Price (which is equal to the Placing Price) is the same as the closing bid price of 4.5 pence per Existing Ordinary Share on 1 June 2010, being the last dealing day prior to the publication of this document.

Part V of this document, together with the accompanying Application Form, contains the terms and conditions of the Offer.

**If an Eligible Shareholder does not wish to apply for Offer Shares he should not complete or return the Application Form.**

#### *Principal terms and conditions of the Offer*

Eligible Shareholders may apply for, on and subject to the terms and conditions set out in Part V of this document and in the accompanying Application Form, any whole number of Offer Shares at the Offer Price subject to the minimum subscription set out below.

Applications must be for a minimum of £450 (i.e. 10,000 Shares) and thereafter in multiples of 1,000 Offer Shares. Applicants may apply for any number of Offer Shares provided that an applicant's shareholding following such issue, when taken alone, or together with the shareholding of those of persons acting in concert (as defined in the City Code) with that applicant, must not exceed 29.99 per cent. of the Enlarged Ordinary Share Capital.

The Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with the Ordinary Shares in issue at the date of Admission and the Placing Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue. The allotment and issue of the Offer Shares will be made upon and be subject to the terms and conditions set out in this document and in the Application Form. Eligible Shareholders will only be entitled to participate in the Offer in accordance with the procedure set out below in this letter, in Part V of this document and in the Application Form.

Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Offer Shares will commence on AIM at 8.00 a.m. on 1 July 2010.

Details of the Warrants to be issued pursuant to the Offer are set out in section 5 below.

The Offer is subject to Resolutions 1, 3, 5 and 7 being passed at the General Meeting.

#### *Procedure for Application and Payment*

**Eligible Shareholders who hold their Ordinary Shares through a nominee and who wish to apply for Offer Shares must contact their nominee as such Eligible Shareholders will not be able to apply for Offer Shares directly using the Application Form.**

**Eligible Shareholders wishing to apply for Offer Shares in accordance with the terms of the Offer should complete the enclosed Application Form in accordance with the instructions on it and post it or (during normal business hours only) deliver it by hand, together with payment in full for the number of Offer Shares applied for, to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive not later than 11.00 a.m. on 28 June 2010.**

After this time, applications will not be accepted. Applications will be irrevocable and will not be acknowledged, and receipts will not be issued for amounts paid on applications. The Company reserves the right (but shall not be obliged) to treat any application not strictly complying with the terms and conditions of application or not accompanied by a power of attorney, if required, as nevertheless valid. **If you post your Application Form you are recommended to use first class post and to allow at least four working days for delivery.**

**Eligible Shareholders who do not wish to apply for any Offer Shares under the Offer should not complete or return the Application Form.**

**Cheques or bankers' drafts should be made payable to "Capita Registrars Limited re: Transense Offer for Subscription a/c" and crossed "A/C payee only".** Cheques and bankers' drafts must be drawn in sterling on a bank or building society in the UK which is either a settlement member of the Cheques &

Credit Clearing Company Limited or the CHAPS & Town Clearing Company Limited or a member of the Committee of Scottish or Belfast Clearing Houses or which has arranged for its cheques and bankers' drafts to be cleared through facilities provided for the members of either of those companies or committees and must bear the appropriate sorting code in the top right hand corner. **No application will be considered unless these requirements are fulfilled. Eurocheques will not be accepted.**

**Cheques should be drawn on the personal account to which the Eligible Shareholder has sole or joint title to the funds. Third party cheques will not be accepted with the exception of bankers' drafts/building society cheques where the bank/building society has confirmed the name of the account holder on the back of the draft/cheque and has added their stamp. The account name must be the same as that of the applicant.**

Cheques and bankers' drafts are liable to be presented for payment upon receipt and it is a term of the Offer that cheques will be honoured on first presentation. If cheques or bankers' drafts are presented for payment before the conditions of the Offer are fulfilled, the application monies will be kept in a separate bank account pending fulfilment of such conditions. If all the conditions of the Offer have not been fulfilled or (where appropriate) waived by 1 July 2010 (or such later date as the Company and Brewin Dolphin may agree but in any event not later than 14 July 2010), application monies will be returned, without interest, by crossed cheque in favour of the applicant(s) (at the applicant's risk) through the post as soon as is practicable after that date.

The instructions, notes and other terms set out in the Application Form constitute part of the terms of the Offer.

#### *Overseas Shareholders*

Overseas Shareholders should read the section headed "Overseas Shareholders" in Part V of this document which contains important information relevant to such persons.

#### *Taxation*

If you are in any doubt about your tax position in respect of the Offer, you should consult your own independent professional adviser.

## **5. Warrants**

Each of the Placees and Subscribers will be issued with one Warrant for every New Ordinary Share subscribed for in, respectively, the Placing or the Offer. Each Warrant will entitle the holder to receive, upon exercise, one Ordinary Share at an exercise price equal to the Placing Price. The Warrant may be exercised at any time from the date 12 months after Admission until 30 June 2014. The Warrants will be issued in registered form and the register of Warrants will be kept by the Company or its appointed agent.

Following Admission, warrant certificates, representing the Warrants to be issued to Placees and Subscribers, are expected to be despatched by post, by no later than 8 July 2010, at the relevant Placee's and Subscriber's sole risk.

The Warrants will be constituted by the Warrant Instrument. The Warrants will be freely transferrable (in any multiple), independently of the New Ordinary Shares, but will not be admitted to trading on AIM or any other exchange. A summary of the Warrant Instrument is set out in Part VI of this document.

## 6. Directors' Participation in the Placing

The table below sets out the Directors' participation in the Placing:

<i>Director</i>	<i>Holding of Ordinary Shares prior to the Placing and Offer</i>	<i>% of existing share capital</i>	<i>Number of Ordinary Shares over which options have been granted</i>	<i>Number of Ordinary Shares subscribed in the Placing</i>	<i>Value of Ordinary Shares subscribed in the Placing (£)</i>	<i>Holding of Ordinary Shares immediately after the Placing and Offer</i>	<i>Holding of Warrants immediately after Placing and Offer</i>	<i>% of enlarged share capital*</i>	<i>% of enlarged share capital**</i>
D G Kleeman	350,000	0.46	100,000	1,666,667	75,000	2,016,667	1,666,667	1.53	1.67
N L A Smith	320,000	0.42	625,000	222,222	10,000	542,222	222,222	0.41	0.45
H G D Storey-MacIntosh	1,174,782	1.55	875,000	1,111,111	50,000	2,285,893	1,111,111	1.73	1.89
M Segal	700,000	0.92	625,000	444,444	20,000	1,144,444	444,444	0.87	0.95
D M Ford	–	–	–	111,111	5,000	111,111	111,111	0.08	0.09
R J Westhead	5,000	0.01	60,000	111,111	5,000	116,111	111,111	0.09	0.10

\* calculated on an un-diluted basis and on the assumption the Offer is fully subscribed.

\*\* calculated on an un-diluted basis and on the assumption that no Shareholders subscribe in the Offer.

## 7. Related Party Transaction

All of the Directors have participated in the Placing, which constitutes a related party transaction under the AIM Rules. As such there are no “independent” directors and Brewin Dolphin as the Nominated Adviser has alone considered this transaction for the purpose of the AIM Rules.

Brewin Dolphin has given careful consideration to the proposed terms which have been negotiated with the Placees. The following factors have been taken into account in their consideration:

### *Opportunity for all Shareholders to participate in the Offer for Subscription*

The Board considers the issue of new equity is the only practicable source of funding for the Company. The Board considered making a completely pre-emptive offer to Shareholders - by way of a rights issue or open offer - to raise funds and to allow all Shareholders to participate equally in the fundraising. However, there is a significant cost associated with producing a UKLA vetted prospectus which would be necessary to follow this route. It is the Board's and Brewin Dolphin's view that the incremental subscription received from the Shareholders (over and above that from the Placees) in a completely pre-emptive offer is unlikely to be significant and to justify the extra cost and effort incurred.

Furthermore the Offer has been structured to provide Eligible Shareholders with an opportunity to subscribe at the Placing Price for up to an aggregate of 11,111,111 Offer Shares whilst not giving rise to the need to produce a UK Listing Authority vetted prospectus as the maximum amount that may be raised under the Offer will not exceed the equivalent of €2.5 million. If the Offer is taken up in full it will raise £0.5 million (before expenses).

Brewin Dolphin believes that offering all Eligible Shareholders the ability to apply for as many shares as they wish in the Offer (subject to a minimum application of £450 / 10,000 Offer Shares) effectively allows Shareholders who wish to avoid dilution of their shareholding to achieve this. In the event of applications for in excess of 11,111,111 Offer Shares, Brewin Dolphin will decide on the basis for allocation, however if this scenario occurs, preference is likely to be given to smaller Eligible Shareholders.

### *Equivalent Terms to the Placing*

Additionally the price at which Eligible Shareholders can subscribe is 4.5 pence per Ordinary Share, the same as the Placing Price, and successful application under the Offer also entitles the applicant to receive Offer Warrants, again on the same terms as the Placees.

In conclusion, Brewin Dolphin, having taken all these factors into account, believes that the terms of the Placing are fair and reasonable in so far as all Shareholders are concerned.

## **8. Share Re-organisation**

The nominal value of the Ordinary Shares is currently 10 pence per share. As a matter of English law, the Company is unable to issue the Placing Shares (or Offer Shares) at a Placing Price (or Offer Price) which is below their nominal value. It is therefore proposed to sub-divide the entire existing share capital, both issued and to be issued, consisting of 75,807,138 Ordinary Shares of 10 pence each, into 75,807,138 Ordinary Shares of 1 pence each and 75,807,138 Deferred Shares of 9 pence each, thus enabling the Company lawfully to implement the Placing and the Offer at the Placing Price.

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

The Deferred Shares will, as their name suggests, have very limited rights which are deferred to the Ordinary Shares and will effectively carry no value as a result. Accordingly, the holders of the Deferred Shares will not be entitled to receive notice of, attend or vote at general meetings of the Company, nor be 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 will be made for the Deferred Shares to be admitted to trading on AIM.

The Company will also be 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 will be issued.

The Share Re-organisation will be a disqualifying event for the purposes of EMI options granted by the Company. Holders of EMI options will surrender their options and be re-granted EMI options by the Company at an exercise price which is identical to the current EMI options. All other terms of the EMI options will remain unchanged. Unapproved options, including the exercise price, will be unaffected by the Share Re-organisation save that the Ordinary Shares to be issued on the exercise of such options will have a nominal value of 1 pence rather than 10 pence following the Share Re-organisation.

No new certificates for the Existing Ordinary Shares will be dispatched if the Share Re-organisation becomes effective.

A request will be made to the London Stock Exchange to reflect on AIM the sub-division of the Existing Ordinary Shares into Ordinary Shares of 1 pence each. Each Existing Ordinary Share standing to the credit of a CREST account will be sub-divided into one Ordinary Share of 1 pence each and one Deferred Share at 6.00 p.m. on 30 June 2010.

### ***Taxation***

The sub-division of the Existing Ordinary Shares into New Ordinary Shares and Deferred Shares as part of the Share Re-organisation should be treated as a re-organisation for the purposes of the taxation of chargeable gains. Consequently the Share Re-organisation should not be treated as involving any disposal of the Existing Ordinary Shares, and the New Ordinary Shares and the Deferred Shares should be treated as the same asset as the Existing Ordinary Shares in addition to being treated as acquired at the same time as the Existing Ordinary Shares.

After the sub-division, the base cost of the Existing Ordinary Shares must be apportioned between the New Ordinary Shares and the Deferred Shares. It is anticipated that the Deferred Shares will have no market value. The purchase by a custodian of all the Deferred Shares for nominal consideration will result in their disposal for tax purposes. The base cost of the Existing Ordinary Shares that will be attributed to the Deferred Shares on this disposal will be calculated by reference to the market value of the Deferred Shares, which would be nil on the basis that it is anticipated that they will have no value. Accordingly, the base cost of the Existing Ordinary Shares would be attributable in its entirety to the New Ordinary Shares.

These statements are intended as a general guide only to current United Kingdom tax legislation and to what is understood to be the current practice of HMRC and may not apply to certain classes of Shareholder. They relate only to Shareholders who are resident and, in the case of individuals, ordinarily resident in the United Kingdom for tax purposes (except where otherwise stated) and who hold their Ordinary Shares beneficially

as investments. They do not apply to dealers in securities. **Any person who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the United Kingdom is strongly recommended to consult his professional tax adviser immediately.**

## 9. Preliminary Results

The Company announced its Preliminary Results for the year ended 31 December 2009 earlier today.

A full copy of the Preliminary Results is set out in Part III of this document.

**Shareholders should note that the adoption of the going concern principle in these results has been on the assumption of the Placing proceeding (ie the resolutions necessary to effect the Placing being approved by Shareholders in the General Meeting). If these resolutions proposed at the GM are not passed by shareholders the Company may not be able to continue in its current form.**

## 10. Use of Proceeds

The Company is seeking to raise up to £2.538 million (before expenses) in order to continue the progress made to date by further developing the Company's strategy, in particular, to accelerate the pace at which it addresses the opportunities arising within Translogik, and for working capital purposes. The Board proposes investing in further product development, developing its sales and marketing approach more quickly, with a view to taking a leading position in the rapidly expanding tyre management solution market. Such products as the tyre inspection probe will benefit from exposure to trade brochures and press coverage, live demonstrations, trade exhibitions and industry events in turn benefitting order volumes from increasing the profile and the Group's newly commercialised technology.

The table below sets out the anticipated use of funds from the c.£2.5 million (gross) in the Placing and Offer (on the assumption that the full potential subscription of £0.5 million is raised in the offer):

• Working capital for expansion	£1.35 million
• Marketing, promotion and product trials	£0.6 million
• Product development	£0.25 million
• New acquisitions	£0.3 million

## 11. Shareholder Approval

For the Offer and the Placing to proceed, Shareholder approval is required to:

- (a) effect the Share Re-organisation;
- (b) give the Directors the authority to allot the Placing Shares and Placing Warrants and to dis-apply statutory pre-emption rights in respect thereof; and
- (c) give the Directors the authority to allot the Offer Shares and Offer Warrants and to dis-apply statutory pre-emption rights in respect thereof.

In order to obtain the necessary Shareholder approvals, a General Meeting of the Company is to be held at which the Resolutions will be proposed. Further information regarding the General Meeting is set out in section 12 below.

**The Offer is NOT conditional upon the Placing being approved by Shareholders at the General Meeting.** In the event that the resolutions necessary to effect the Placing are not approved, and the £2.038 million of Placing Shares conditionally raised is not received by the Company, then depending upon the level of take up in the Offer, the Company may not have sufficient resources to allow it to trade for the next 12 months.

## **12. General Meeting**

A notice convening the General Meeting to be held at the offices of Brewin Dolphin, 12 Smithfield Street, London, EC1A 9BD at 11.00 a.m. on 30 June 2010 is set out at the end of this document. At the General Meeting, the following Resolutions will be proposed:

### ***Ordinary resolutions:***

- (1) an ordinary resolution to effect the Share Re-organisation including the creation of the Deferred Shares;
- (2) an ordinary resolution to authorise the Directors to allot up to 45,288,887 Placing Shares and 45,288,887 Placing Warrants in connection with the Placing;
- (3) an ordinary resolution to authorise the Directors to allot up to 11,111,111 Offer Shares and 11,111,111 Offer Warrants in connection with the Offer;
- (4) an ordinary resolution to authorise the Directors to allot relevant securities (as defined in section 551 of the Act) up to an aggregate nominal value of £440,690.45 (44,069,045 New Ordinary Shares) following the Placing and Offer. To the extent that fewer than 11,111,111 New Ordinary Shares are allotted in respect of the Offer, the Directors will only use the section 551 authority sought by Resolution 4 to issue such number of New Ordinary Shares as in aggregate amounts up to one third of the Company's then issued share capital. The authority sought by Resolution 4 will last for a period of 15 months from the date of passing of the Resolution or, if earlier, until the date of the annual general meeting of the Company to be held in 2011.

### ***Special resolutions:***

- (5) a special resolution to (i) approve the changes to the Company's Articles required to create the rights attaching to the New Ordinary Shares and the Deferred Shares and (ii) reflect the implementation of certain provisions of the Act on 1 October 2009. An explanation of the latter is set out in section 14 below;
- (6) a special resolution to empower the Directors to issue the Placing Shares and Placing Warrants for cash on a non pre-emptive basis;
- (7) a special resolution to empower the Directors to issue the Offer Shares and Offer Warrants for cash on a non pre-emptive basis;
- (8) a special resolution to empower the Directors to issue new equity securities of up to an aggregate nominal amount of £132,207.13 for cash on a non pre-emptive basis. To the extent that fewer than 11,111,111 New Ordinary Shares are allotted in respect of the Offer, the Directors will only use the authority sought by Resolution 8 to issue such number of New Ordinary Shares as in aggregate represents up to 10 per cent. of the Company's then issued share capital. The authority sought by Resolution 8 will last for a period of 15 months from the date of passing of the Resolution or, if earlier, until the date of the annual general meeting of the Company to be held in 2011.

The numbers and values included in the Share Issuance Authorities have been adjusted to take account of the Share Re-organisation described above and the proposed alterations in nominal value of the Ordinary Shares and the implementation of the Placing and Offer.

## **13. Further Information**

Your attention is drawn to the Risk Factors relating to the Group set out in Part IV of this document, the further information set out in Parts II, III and VI of this document, the terms and conditions of the Offer set out in Part V of this document and the Application Form.

## **14. Changes to the Articles to reflect certain provisions of the Act**

### *The Company's objects*

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Act significantly reduces the constitutional significance of a company's memorandum. The Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Act the objects clause and all other provisions which are currently contained in a company's memorandum, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further, the Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Act, are to be treated as forming part of the Articles as of 1 October 2009. Resolution 5.1 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, Resolution 5.3 contains an amendment incorporating into the Articles the limited liability of the members.

### *Authorised share capital and unissued shares*

The Act abolishes the requirement for a company to have an authorised share capital and the amendments included in Resolution 5.2 and 5.4 reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Act, save in respect of employee share schemes.

## **15. Action to be taken by Shareholders**

### *In respect of the General Meeting*

A reply-paid Form of Proxy is enclosed for use at the General Meeting. Whether or not you intend to be present at the meeting you are requested to complete, sign and return this Form of Proxy to the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event so as to arrive not later than 11.00 a.m. on 28 June 2010. The completion and return of this Form of Proxy will not preclude you from attending the General Meeting and voting in person should you subsequently wish to do so.

### *In respect of the Offer*

Eligible Shareholders wishing to participate in the Offer should carefully read the Application Form and the accompanying instructions and send the Application Form along with the appropriate remittance to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham Kent BR3 4TU by no later than 11.00 a.m. on the Closing Date.

## **16. Recommendation**

**As set out above, the Company had net cash of c£0.7 million at the end of April 2010. In the event that Shareholders do not approve the resolutions necessary to effect the Placing and/or the Offer at the General Meeting, it is likely that the proposed investment and expenditure set out in the "Use of Proceeds" section above will not be able to be implemented. Shareholders should be aware that the Preliminary Results issued today have been prepared on the assumption that the Placing and Offer (and implicitly resolutions 1, 2, 5 and 6) have been approved by Shareholders at the GM, and that £1.87 million of net Placing proceeds will be received by the Company, following approval at the General Meeting and that the auditors have referred to this assumption in their audit opinion. It is vital therefore for the Company to complete the Placing to be in a position to ensure its continuation.**

The Directors consider that the Proposals and the Resolutions will promote the success of the Company for the benefit of its members as a whole. Accordingly, the Directors unanimously recommend and strongly urge Shareholders to vote in favour of the Resolutions at the General Meeting as they intend to do in respect of their own beneficial holdings of 2,549,782 Ordinary Shares representing 3.36 per cent. of the Existing Ordinary Shares at the date of this document.

Yours faithfully

**David Kleeman**

*Chairman*

## PART II: INFORMATION ON THE COMPANY

### 1. Background

The Company was formed in 1991 initially to exploit Surface Acoustic Wave (SAW) technology in the automotive market and has since expanded into industrial applications. Transense originally listed on OFEX (now PLUS Markets) in 1995 before moving to AIM in 1999.

The Company undertook a £4.4m equity fundraising in 2007 in order to support working capital requirements, and in connection with that fundraising new directors were appointed to the Board. Since then, Transense has undergone significant strategic and operational changes. The newly constituted Board conducted a detailed strategic review of the Company in June 2008, the outcome of which included a decision to develop and market a series of products aimed at enabling the Company to generate an income stream in the near term, in addition to securing long term royalty income from licensing the Company's intellectual property.

The Board identified the tyre management solutions market for major truck fleet operators and off-the-road (OTR) vehicles as a primary target for high margins and future profitability. This culminated in the formation of Translogik, its wholly owned subsidiary, which has already exceeded the Board's expectations in the short period since incorporation.

The Board also identified opportunities to use its patented wireless reader electronics as a stand alone product rather than as part of an integrated system to interrogate SAW sensors designed by the Company, an opportunity which has been progressed, for example, with SenGenuity. SenGenuity is a division of Vectron International Inc, part of the US listed Dover Corporation, which in 2009 had group turnover in excess of \$5.5 billion. A licence allowing SenGenuity to manufacture the Transense T&P sensor was granted in July 2008. As a result of the developing relationship with SenGenuity, a licence extension was granted in January 2009, which enables SenGenuity to use Transense's patented wireless reader electronics as a standalone product in isolation from the Company's sensors. This extended licence has already begun to produce a fresh source of royalty revenue, as the Company's electronics are now part of applications offering solutions in areas where its sensors are not suitable. SenGenuity continues to be active in developing solutions using the Company's sensors including fluid level sensing, temperature sensing and high pressure sensing. The Directors consider that based on projections provided by SenGenuity, these opportunities have the potential to produce meaningful royalty income from 2012.

The Directors believe that the combination of the Company's T&P sensor with the recently acquired patented tyre tread depth and pressure inspection probes provides a solution in the OTR market. In addition, the Company's two years exclusive distribution agreement signed with the Japan and Malaysia based FEC International in July 2009 which includes a provision for \$600,000 of minimum payments, is further validation of the Board's new strategy. In order to support and extend these future opportunities, the Board has identified the need to develop a second and third generation of probes to incorporate an RFID and T&P sensor reader.

The Company continues to support development of new applications in conjunction with its licensees and partners, alongside a long term commitment to the research and development of its technology from which it intends to receive future royalty revenue streams. The Board's longer term strategy also includes the adoption of its technology to measure torque in automotive driveline and the Company's flexplate project with an American OEM in the United States continues to make meaningful progress. The Directors believe the recent success in torque measurement in the demanding environment of Formula One has further endorsed this application, notwithstanding that Kinetic Energy Recovery Systems (KERS) will not be used in Formula One during the 2010 season due to an agreement reached at a meeting of the Formula One Teams Association; KERS may or may not be re-introduced after 2010.

In September 2009, Translogik entered into a contract with Goodyear for the purchase by Goodyear of tyre tread depth and pressure inspection kits to be deployed in Goodyear's innovative new fleet management system. Following a successful pilot programme, these kits are now being rolled out across Europe as part of Goodyear's 'FOS Mobile' (Fleet Online Solution) deployment, which will continue throughout 2010.

## 2. Products

The Group anticipates deriving the majority of its non-licensing revenues from three key applications:

### 2.1 *Tyre Pressure Monitoring Systems (TPMS)*

Transense is finalising the development of TPMS solutions directly aimed at the OTR and Truck markets. The Directors intend that in the future, the patch will also include an ultra high frequency (UHF) tag which will give every patch a unique ID enabling the tyre casing to be tracked. The Company is also developing an 'in-cab' reader solution with WiFi and GPS capabilities which will allow fleet managers to monitor and measure their fleet operations 'live' anywhere in the world. A recent distribution agreement with RFID Chile, a Santiago based RFID system integrator, specialising in mining technology applications, has resulted in the new OTR TPMS system being evaluated as part of a field trial by a large Chilean copper mining company.

A recent strategic change has been Translogik's decision to offer battery based TPMS systems alongside its SAW based products. Different applications require different selection criteria and, just as SAW based technology has compelling advantages, so does battery based sensor technology. For example, just as SAW sensors are more ecologically sound than battery based systems and offer greater longevity, battery based systems can transmit their data over greater distances. The Directors believe that none of the Company's competitors currently offer both a SAW based solution alongside a battery based solution, and that the Company's ability to offer a range of both battery and battery-less TPMS systems under the Translogik banner gives it an important competitive advantage.

Tyre performance monitoring has become increasingly important since EU Regulation 661 was approved by the European Parliament and the Council of the European Union in July 2009. EU Regulation 661 focuses on limiting noise and rolling resistance in order to reduce carbon emissions whilst maintaining minimum safety standards. Under EU Regulation 661 TPMS are to become mandatory on all new cars phased in over a two year period from 29 October 2012 to 29 October 2014. Technical specifications are being developed by a UN-ECE Working Group and DFT officials and are primarily focusing on the accuracy of direct and indirect TPMS specifications weighed against costs and safety issues. Transense's product in this market uses passive technology which means that there is no battery requirement for the device to be active, increasing its green credentials and lowering costs.

The practical benefits of using TPMS technology from both environmental and economic perspectives are as follows:

- 90 per cent. of all tyre failures are a result of tyre under-inflation
- 20 per cent. under inflation reduces carcass life by 30 per cent.
- 20 per cent. under inflation reduces tread life by 25 per cent.
- 20 per cent. under inflation reduces fuel mileage by 2 per cent.

Accurate tyre data for the commercial truck market can provide fleet owners with significant cost savings in terms of both tyre and fuel expenditure. The high margin OTR market has also shown strong demand for such monitoring systems during discussions with the Company's management. As such, the Board is confident that there is significant potential to increase the distribution of the Company's products across these industries by leveraging off the environmental and economic efficiencies of having an effective TPMS.

Work continues with licensees to develop future income streams for the Company. An example of this being Stack's recent launch of a highly accurate, lightweight TPMS solution incorporating the Company's T&P sensor. Stack is also making significant advances with its TPMS system in Formula One. SenGenuity has been extremely active in developing various solutions, some of which include the Company's sensors, and some of which use the Company's reader electronics in isolation.

## 2.2 *Tyre Inspection Probe/Toolkit*

Translogik offers two hand-held tyre probes suitable for inspecting OTR vehicle and truck tyres respectively. These tools are currently being sold/marketed directly to original equipment manufacturers (OEMs) and to the wider fleet market through a combination of fleet inspection software providers, value added resellers and distributors. As noted above, Translogik has entered into a contract with Goodyear for the purchase by Goodyear of tyre tread depth and pressure field inspection kits, to be deployed in Goodyear's innovative new fleet management system. Following a successful pilot programme, these kits are now being rolled out across Europe as part of Goodyear's 'FOS Mobile' (Fleet Online Solution) deployment, which will continue throughout 2010.

The hand-held tyre probes enable fleet inspectors to actively monitor tyres and transmit the readings to a personal digital assistant using a customised software package which displays and stores the results. A more sophisticated software package has now been developed, specifically geared at the smaller truck market (up to 50 users), to create the first available 'off the shelf' tyre inspection solution for the global tyre market. The smaller truck fleet probe is expected to incorporate a RFID reader in Q3 2010 and an integrated T&P reader by Q2 2011. The larger OTR probe is expected to have an integrated RFID and T&P reader by the end of Q2 2010.

## 2.3 *Radio Frequency Identification (RFID)*

RFID tags are applied or incorporated into a product, animal or person for the purpose of identification and tracking using radio waves. RFID tags are used across a range of industries for asset tracking and inventory control. The Company is currently focusing on using RFID technology in the OTR and commercial truck tyre markets.

## 3. **The Market**

The global RFID market is estimated to be worth approximately \$5.6 billion in 2009 (2008: \$5.25 billion) and is expected to grow at a compound annual rate of approximately 28 per cent. in the period 2010-2013 (*source: IDTechEx, 2009*). The highest growth in RFID revenue is expected to come from countries such as China, India, South Korea, Taiwan and Thailand as these countries adopt RFID applications.

A large portion of historical growth in the RFID market has arisen from transportation, government applications and consumer packaged goods. After a phase of focusing on meeting compliance and regulatory requirements, the future of RFID is expected to be increasingly driven by revenue generation and product innovation, comprising real time inventory tracking and using this for production, storage, shipping and distribution. Greater functionality combined with achieving a return on investment in RFID are driving further investment and encouraging RFID suppliers to explore new markets.

TPMS have been mandatory on all new cars sold in the US since 1 September 2007, rapidly increasing demand as OEMs fulfil the minimum regulatory requirements. Following approval of EU Regulation 661 TPMS has become mandatory equipment on all new cars (being phased in from 29 October 2012 to 29 October 2014).

## PART III: PRELIMINARY RESULTS

The preliminary results for the year ended 31 December 2009 were published on 2 June 2010 and are set out in their entirety below:

### Transense Technologies PLC

(*“Transense” or the “Company”*)

**Preliminary (unaudited) results for the year ended 31 December 2009**

2nd June 2010

#### Highlights

- Turnover £636,000, a level approximately 250 per cent above that of 2008 (2008: £204,000)
- Made the successful move away from being a pure technology company to one where sales, promotion and marketing of a new range of products becomes a significant source of revenue in the future
- Encouraged by the level of commitment and enthusiasm displayed by American partners in the flexplate projects
- Of significance was the strengthening of the relationship with SenGenuity, from which modest royalty flows have already begun
- Growing near term prospects and revenues of Translogik in tyre management solutions for major truck fleet operators and off the road (OTR) vehicles following the setting up of the Translogik subsidiary in April 2009 and subsequent acquisition of Pneu Logic in November 2009
- Appointment in July 2009 by Translogik of the Japan and Malaysia based FEC International as exclusive distributor of Translogik’s data collection tools in the ASEAN territories
- Cash £1,277k (2008: £2,695k)
- Post period end:
  - Distribution agreement signed in February 2010 with the China based Qingdao Mesnac, for RFID products.
  - Translogik signed a distribution agreement with RFID Chile in May 2010 and subsequently announced in May an expansion to the trial
  - Placing and Open Offer announced today to raise £2.038 million in the placing and up to £0.5 million in the Open Offer

David Kleeman, Chairman of Transense Technologies PLC commented “All in all, 2009 was a period of activity, development and repositioning. We anticipate a material increase in Group sales in 2010 and a path towards profitability, which should, on current plans, be achieved during 2011.”

#### Management Review

##### Chairman’s statement

We had an encouraging 2009, with sales of £636,700, a level approximately 250 per cent above that of 2008, and a stream of operational income never previously achieved by the company. The loss for the year totalled £1,472,000 (2008 – £1,085,000 which reflected the write back of £453,000 of previous share based payments). The loss for 2009 includes all development expenditure incurred, the cost of corporate activity, and the necessary staff changes as we move away from being a pure technology transfer company, to one where sales, promotion and marketing of our new range of products becomes a significant source of revenue.

The adoption of our torque technology was delayed as a result of the effects of the recession on the automotive sector. Our ongoing flex plate projects with two US OEMs were effectively slowed down during

this period. One of the projects is now, however, making progress. Although still at a stage where revenue predictions would be unreliable, we are encouraged by the level of commitment and enthusiasm displayed by our American partners.

A meaningful source of income last year emanated from our work with Mercedes and McLaren in Formula 1. As the FIA agreed with the constructors last autumn that KERS would not be used in 2010, the income from this source reduced in the second half last year. We are not budgeting for any revenue from Formula 1 in 2010, but there remains the possibility of KERS being reintroduced thereafter, and contact is being maintained with our partners in this area. Our involvement in torque measurement in the extremely demanding environment of Formula 1 has further endorsed this application and the reliability of the patented technology.

The more important and long term outcomes stemming from 2009 operations were, without a doubt, first the strengthening of the relationship with SenGenuity, from which modest royalty flows have already begun, and second, the growing prospects of Translogik.

An initial licence was granted to SenGenuity in July 2008. SenGenuity is a division of Vectron International Inc, part of the US listed Dover Corporation which has a group turnover in excess of \$5.5 billion. The initial license allowed SenGenuity to manufacture Transense's Temperature & Pressure sensor. As a result of the developing relationship with SenGenuity a license extension was granted which enables them to use Transense's patented wireless Reader Electronics in isolation from the Company's sensors. This extended license will produce a fresh source of royalty revenue, as our electronics are now part of applications offering solutions in areas where our sensors are not suitable, such as a wireless heat sensing solution in the power transmission industry. SenGenuity also continues to be active in developing solutions using the Company's sensors including fluid level sensing, and in engine applications at very high temperatures (600c+) and pressures (1,500 psi). The Directors consider that based on projections provided by SenGenuity, these opportunities have the potential to produce meaningful royalty income from 2012 onwards.

Translogik is expected to be an important part of our future, particularly in the near term. We identified tyre management solutions for major truck fleet operators and off the road (OTR) vehicles as a target for profitability and growth. In mid-2009 we bought the business and assets of Pneu Logic for this purpose, thereby combining our tyre and pressure sensors with Pneu Logic's patented tyre tread depth and pressure inspection probes. We are now developing second and third generation probes incorporating RFID and SAW sensor readers in addition to systems specifically targeted at the OTR market which will incorporate in cab readers, data loggers and the ability to transmit that data remotely so that it can be read 'live' by fleet operators.

Further validation of the Board's new strategy has been the appointment in July 2009 by Translogik of the Japan and Malaysia based FEC International as our exclusive distributor of Translogik's data collection tools in the ASEAN territories. We also signed a distribution agreement in February 2010 with the China based Qingdao Mesnac, whereby we have become the exclusive worldwide (ex China) distributors of their RFID products.

All in all, 2009 was a period of activity and development. We anticipate a material increase in Group sales in 2010 and a path towards profitability, which should, on current plans, be achieved during 2011. In order to achieve this important goal, we need to be able to fund our development programme, extend our sales and promotional activities, fund the stockholding of our products and the build up of debtors as our business grows. Accordingly, we are announcing today the raising of £2.038 million before expenses by means of a Placing and up to £0.5 million in an Open Offer for subscription. Details of the Placing and Open Offer will also be announced today.

Our staff and colleagues in our Upper Heyford office have responded well to the many changes which the company has undergone in the last two years and we are grateful to them for their specialist skills, endeavours and support.

**David Kleeman**  
*Chairman*

## Chief Executive's Report

2009 has been a very eventful, if transitional year. We have made significant advances in the development of Translogik as a trading company, as well as promising progress towards our goal of commercialising the Transense IP portfolio.

Most of the projects relating to the Transense IP portfolio outlined in previous reports are continuing although it's worth mentioning one or two specifics.

We are continuing to pursue various torque opportunities, notably EPAS (Electric Power Assisted Steering) which, while still automotive, is a non-driveline application. We have also started to explore the use of torque sensors in wind turbines in conjunction with a gearbox manufacturer supplying the wind turbine industry.

The decision by the FIA to withdraw KERS during the current Formula 1 season has resulted in the suspension for the time being of that project. Should KERS be reintroduced in some future season then we would be ready and able to recommence development work.

However, on a much more positive note, our involvement in the development of an automotive torque SAW solution, which had been suspended for some time, has recommenced with a major American OEM.

These are promising developments; however, as we've learnt from past experience, revenue streams from development of our IP portfolio have a lengthy pipeline before they start to flow.

Turning to temperature and pressure sensing, our relationship with Vectron, and, in particular their trading division Sengenuity, has gone from strength to strength. Sengenuity have a number of significant projects under way involving our sensor technology, our reader technology, or both.

In one particular project involving our reader electronics they have now installed fully working systems in several major customer sites and are ready to move into what they project will be high volume sales. We have already started to receive royalty revenues from them in respect of this project which are anticipated to grow steadily.

During 2009 Translogik took a number of significant steps:

- Acquired the exclusive worldwide (apart from China) distribution rights for the only major independent RFID tyre tag manufacturer.
- Enhanced its distribution capability by signing a number of distribution agreements, both exclusive and non-exclusive.
- Acquired the business and intellectual property of Pneu Logic Limited, securing the rights to the Pneu Logic Truck and OTR tread depth and pressure probes.
- Commenced development of next generation probes integrating the Transense TPMS technology with the existing probes.
- Launched a coordinated global marketing campaign and exhibited at two major trade exhibitions.

A further recent strategic change has been the decision for Translogik to offer battery based TPMS systems alongside SAW based products. Different applications require different selection criteria and there's no doubt that, just as SAW based technology has unique advantages, so does battery based sensor technology. For example, just as SAW sensors are more ecologically sound than battery based systems and offer greater longevity, battery based systems can transmit their data over greater distances. The question is which features make any one solution more suitable for any particular application. The answer to that question in any sales opportunity is not determined by us, but by the customer. The key point from a commercial perspective is that none of our competitors offer both a SAW based solution alongside a battery based solution, whereas we can now offer a range of TPMS systems under the Translogik banner. So, whichever system is chosen by the customer as providing the best solution for a particular application, we have an opportunity to generate revenue.

While we have not yet achieved profitability, our record turnover in 2009 indicates that our decision to focus on working more closely with those responsible for producing and selling products implementing our technology, was a correct one. We are now poised to see the growth of revenues arising from the change in emphasis and we anticipate that 2010 will see continued improvement towards profitability in 2011.

## **Financial review**

### **Balance Sheet**

#### *Intangibles*

The review of both R&D costs and Patent expenditure has now been completed and no further impairment in value has been necessary.

#### *Liabilities*

Included in Liabilities is £200,000 due to Pneu Logic Limited in respect of the sale of that business to Translogik in November 2009. The acquisition was agreed on the basis of an initial payment of £50,000 and the balance payable based on sales achieved in the next two years. As the Company is hopeful of achieving the sales target the full consideration has been accounted for in the 2009 accounts.

### **Income Statement**

#### *Turnover*

Turnover was at a record level as mentioned in the Chairman's statement and included a substantial contribution from our work with McLaren and Mercedes in Formula 1.

#### *Costs*

Included in these accounts is a provision of £75,000 reflecting restructuring costs relating to staff and reflecting the short term change of emphasis towards product sales. As a result of the changes annual employee costs are currently running at approximately £300,000 less than in 2009. The accounts also include some costs relating to fund raising activities.

### **Cash flow**

Assuming the current fund raising is approved the Board consider that we should have sufficient cash resources well into 2011 at which time it is expected that the Group will become self financing.

### **Audit**

The Audit has effectively been completed and the Board fully expects the accounts to be signed off imminently without any changes.

### **Graham Storey**

*CEO*

For the year ended 31 December, 2009

INCOME STATEMENT

	<i>Note</i>	2009 £000's	2008 £000's
<b>Continuing Operations</b>			
Revenue		636	204
Cost of sales		(141)	(38)
<b>Gross Profit</b>		<u>495</u>	<u>166</u>
Administrative expenses	2, 4	(2,058)	(2,086)
Share based payments cancellation adjustment		–	453
<b>Operating Loss</b>		<u>(1,563)</u>	<u>(1,467)</u>
Financial Income		21	178
<b>Loss before taxation</b>		<u>(1,542)</u>	<u>(1,289)</u>
Taxation		70	204
<b>Loss from continuing operations</b>		<u>(1,472)</u>	<u>(1,085)</u>
<b>Basic loss per share (pence)</b>	3	(2.0)	(1.4)
<b>Fully diluted loss per share (pence)</b>	3	(1.9)	(1.4)

**As at 31 December 2009****BALANCE SHEET**

	<i>Note</i>	2009 £000's	2008 £000's
<b>Non Current Assets</b>			
Property ,Plant & Equipment		151	24
Intangible Assets	4	1,494	1,446
Available for sale assets		90	65
Loans receivable		–	25
		<u>1,735</u>	<u>1,560</u>
<b>Current Assets</b>			
Stock		33	18
Corporation Tax		169	99
Trade and other receivables		138	75
Cash and cash equivalents		1,277	2,695
		<u>1,617</u>	<u>2,887</u>
<b>Total Assets</b>		<u>3,352</u>	<u>4,447</u>
<b>Current Liabilities</b>			
Trade and other payables		(492)	(204)
Current tax liabilities		(32)	(30)
<b>Total Liabilities</b>		<u>(524)</u>	<u>(234)</u>
<b>Net Assets</b>		<u>2,828</u>	<u>4,213</u>
<b>Equity</b>			
Called-up equity share capital		7,580	7,580
Share premium account		7,856	7,830
Accumulated loss		(12,608)	(11,197)
<b>Total Equity</b>		<u>2,828</u>	<u>4,213</u>

**For the year ended 31 December, 2009**

**CASH FLOW STATEMENT**

	<i>Note</i>	2009 £000's	2008 £000's
<b>Loss before taxation</b>		(1,542)	(1,289)
Adjustments for :			
Financial Income		(21)	(178)
Depreciation		11	11
Loss on disposal of intangible assets		–	54
Amortisation of intangible assets		215	159
Impairment of intangible assets		–	50
Share based payment		61	(191)
<b>Operating cash flows before movements in working capital</b>		<u>(1,276)</u>	<u>(1,384)</u>
(Increase)/Decrease in receivables		(63)	160
Increase/(Decrease)in payables		290	(987)
(Increase) in stock		(15)	(18)
<b>Cash used in operations</b>		<u>(1,064)</u>	<u>(2,229)</u>
Taxation recovered		–	105
<b>Net cash used in operations</b>		<u>(1,064)</u>	<u>(2,124)</u>
<b>Investing activities</b>			
<b>Interest received</b>		21	178
Acquisitions of property, plant and equipment		(138)	(21)
Acquisitions of intangible assets		(263)	(190)
<b>Net cash used in investing activities</b>		<u>(380)</u>	<u>(33)</u>
<b>Financing activities</b>			
Proceeds from issue of equity share capital		–	1,789
Share premium on issue of equity share capital		26	2,162
<b>Net cash from financing activities</b>		<u>26</u>	<u>3,951</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(1,418)	(1,794)
<b>Cash and equivalents at the beginning of year</b>		<u>2,695</u>	<u>901</u>
<b>Cash and equivalents at end of year</b>		<u>1,277</u>	<u>2,695</u>

## Notes to the Preliminary results for the year 2009

1. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2009 or 2008. Statutory accounts for 2008, which were prepared in accordance with Adopted IFRS as adopted by the EU, have been delivered to the Registrar of Companies. The auditors have reported on the 2008 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The statutory accounts for 2009, which are being prepared under the same standards as above will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course.

2. Administrative expenses in 2009 included a restructuring and redundancy provision of £75,000 no similar charge arose in 2008.
3. Basic loss per share is calculated by dividing the loss after taxation of £1,472,000 (2008: £1,085,000) by the weighted average number of ordinary shares in issue during the year of 75,408,000 (2008: 75,408,000). Options over 3,905,000 ordinary shares (2008: 2,650,000) are not included in the calculation of diluted loss per share as their effect is anti-dilutive.
4. The amortization charge of £185,000 in 2008 included £26,000 being first time amortisation of torque development costs recognizing that this technology has been commercialised during the year.
5. On 2nd June 2010 the Company proposed raising £1.874 million cash, net of expenses, under a Subscription Agreement subject to approval by shareholders. Additionally the Company is seeking to raise a further £500,000 by way of an open offer.
6. No deferred tax asset is recognised in these financial statements in respect of trading losses to date.
7. The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons.

The Group meets its day to day working capital requirements through existing cash reserves and does not have any overdraft facility.

The Directors have prepared base case and sensitised cash flow forecasts for the period to 31 December 2011. These forecasts make a number of operational assumptions, the most significant of which are the imminent raising of at least £2 million through a private placing of equity shares and an open offer to the existing shareholders (see Directors' report) and a successful passing of special shareholder resolutions to approve each of the placing and the open offer. The Directors do not have any plans to arrange bank facilities.

The base and sensitised forecast indicate that, assuming the current cost base and the receipt of the forecast proceeds of the private placing, the Group will continue to have positive cash reserves to at least 31 December 2011.

In respect of the private placing and open offer, the Group is currently seeking to raise at least £2 million from an issue of equity shares, planned to take place on 2 June 2010 ("the Equity shares"). The issue of the equity shares requires shareholder approval at the General Meeting of the Company on 30 June 2010. Based on firm pledges received by 28 May 2010 from potential investors in the private placing the Directors are confident that the proceeds from the planned issue of equity shares will be in line with their expectations.

However the ability to go ahead with both the private placing and the open offer relies on the successful passing of special resolutions at the General Meeting on 30 June 2010. In the absence of shareholder approval for the private placing, the forecasts indicate that the Group may run out of cash by December 2010. The Directors have considered controllable mitigating actions available to them

to extend the period during which it can operate with the remaining cash reserves. However, the ability to do this may be limited.

On the basis that the shareholders approve the private placing and that the expected proceeds from the issue of the equity shares are received, the Directors consider that the Group will continue to meet its liabilities as they fall due for the foreseeable future. However, there can be no certainty in relation to these matters.

The Directors have concluded that the need for shareholder approval of the private placing represents a material uncertainty that may cast significant doubt upon the Group's and Company's ability to continue as a going concern. The Group and Company may, therefore, be unable to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

8. The Annual Report and Accounts will be posted to shareholders on the 7th June and the Annual General Meeting will be held on 30 June 2010. A copy of the Company's results is available on the Company website [www.transense.co.uk](http://www.transense.co.uk) .

## PART IV: RISK FACTORS

**ALL THE INFORMATION SET OUT IN THIS DOCUMENT SHOULD BE CAREFULLY CONSIDERED, IN PARTICULAR THE ATTENTION OF PROSPECTIVE INVESTORS AND SHAREHOLDERS IS DRAWN TO THE RISKS DESCRIBED BELOW. THE ORDINARY SHARES SHOULD BE REGARDED AS A SPECULATIVE INVESTMENT AND AN INVESTMENT IN ORDINARY SHARES SHOULD ONLY BE MADE BY THOSE WITH THE NECESSARY EXPERTISE TO FULLY EVALUATE THE INVESTMENT. INVESTMENTS MAY FALL AS WELL AS RISE IN VALUE. THE DIRECTORS BELIEVE THAT THE FOLLOWING RISKS SHOULD BE CONSIDERED CAREFULLY BY INVESTORS BEFORE ACQUIRING ORDINARY SHARES AND WARRANTS. PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT AN INDEPENDENT ADVISER AUTHORISED UNDER FSMA.**

If any of the following risks actually materialise, the Group's business, financial condition, and prospects could be materially and adversely affected to the detriment of the Company and its shareholders. In that case, the market price and liquidity of Ordinary Shares could decline and all or part of an investment in the Ordinary Shares could be lost.

The Directors consider the following risks to be material, but the risks listed do not necessarily comprise all those associated with an investment in the Company, the Ordinary Shares and Warrants. There may be additional risks that the Directors do not currently consider to be material or of which the Directors are not currently aware. No inference ought to be drawn as to the relative importance, or the likelihood of the occurrence, of any of the following risks by reference to the order in which they appear.

### **1. Risks relating to the Group's business**

#### ***New product development***

The Company's current business plan assumes that its product roll-out programme will be delivered on time. There is a risk that certain elements of this programme could be delayed as they rely on leading edge technology developments being completed on time and to specification and market acceptance thereof. The Group may encounter delays and incur additional research and development costs over and above those anticipated or allowed for by the Directors particularly in respect of products developed for the automotive sector where new products are typically subject to rigorous and extensive testing programmes and decision making processes can be slow. If the Company is unable to deliver its product roll-out programme on time and on budget, the Company may require further financing.

#### ***Volatility of operating results***

Operating results may fluctuate, which makes the Company's results difficult to predict and could cause its results to fall short of expectations. The Group's operating results may fluctuate as a result of a number of factors, many of which are outside its control. Factors that may affect the Group's operating results include increased competition; an increased level of costs as it continues to expand its product range; increased employment costs (particularly for marketing and promotional activities); slower than expected take-up by its customers of its products; increased costs of raw materials and increased production costs.

#### ***Requirement for additional capital***

The Group may be required to conduct further fundraising exercises in the future in order to develop its businesses. The Group's capital requirements will depend on numerous factors and most notably its revenue streams from new products. Any additional equity financing may be dilutive to Shareholders' shareholdings and debt financing, if available, may place restrictions on the Group's financing and operating activities. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

#### ***Fundraising resolutions are not inter-conditional***

The Offer is not conditional upon the Placing being completed. Therefore, in the event that Shareholders failed to approve the resolutions necessary to effect the conditional Placing and the receipt of £1.87 million

(gross) did not occur, but the resolutions necessary to effect the Offer was approved, the Company may end up (dependent upon the level of take up in the Offer) with a significantly reduced level of proceeds from the Proposals. As a result, the Company may not be able to implement the actions set out in the “Use of Proceeds” section in Part I of this document. **Indeed if the resolutions necessary to effect the Placing are not approved by Shareholders and the Offer raises a low level of subscription, the Company may have insufficient funds to allow it to trade for the full 12 months from the expected date of Admission.**

#### ***Reliance on senior management and other personnel***

The Company’s future success depends in a large part upon the continued service of a number of key members of its senior management team. Whilst the Company currently has key man insurance policies in respect of a number of key employees including Victor Kalinin (Chief Scientist) and John Beckley (Head of Electronics), no such cover is in place for Graham Storey (Chief Executive Officer) and the loss of any of its management or key personnel could seriously harm its businesses. The competition in the Company’s industry for appropriately skilled employees is intense. The Company’s continued ability to compete effectively depends on its ability to attract new employees and to retain and motivate its existing employees.

#### ***Technology risks***

The technology used in the Group’s products is still evolving and is highly complex and may be subject to change. Research and development by other companies may render the Group’s products in development uncompetitive.

Undetected defects could increase costs or reduce revenues. The Group’s products are complex and may contain undetected defects when first introduced and problems may be discovered from time to time in existing, new or enhanced products.

The Company’s success will depend on market acceptance of the Group’s products and there can be no guarantee that this acceptance will be forthcoming. Market opportunities targeted by the Group may change and this could lead to an adverse effect upon its revenue and earnings.

#### ***Legislative change***

The markets in which the Group operates are subject to regulatory and legislative change. There is no assurance that such changes will not affect the viability of the Group’s business and prospects.

#### ***Dependent upon sales to certain customers***

Part of the Group’s strategy is to license its products and/or intellectual property to large manufacturers for manufacturing, subsequent marketing and additional prototype development. Consequently, the Group is reliant on securing and maintaining relationships with such companies. There can be no assurance that the Group will be able to enter into licences or ensure that relationships will satisfactorily continue if such relationships are entered into.

The Group’s strategy also involves it developing and marketing products directly to end users and through third party distributors. Consequently, the Group is reliant on securing and maintaining relationships with such parties. There can be no assurance that the Group will be able to enter into sale contracts directly with end users or distribution or similar agreements with distributors or ensure that relationships will satisfactorily continue if such relationships are entered into.

The Group does not have a wide customer base and if one of the Group’s major customers were to delay market launch, cancel production of a licensed product or cease trading with the Group, revenues would be adversely affected.

#### ***Intellectual property***

The success of the Group depends to some extent on its ability to protect its intellectual property and trade secrets and to avoid the risk of infringing intellectual property rights owned by others. Despite prudent steps taken by the Group to protect its proprietary rights, third parties may attempt to copy aspects of its products and seek to use information that the Group regards as proprietary. Competitors may also independently

develop similar technologies or seek to recruit the Group's employees who have had access to proprietary technology, processes or operations of the Group. There is a risk that the Group's means of protecting its intellectual property rights may not be adequate and weaknesses or failures in this area could adversely affect the Group's business. There is a further risk that use of the Group's technology may infringe patents and similar rights owned by third parties and this may affect the Group's ability to use any infringing technology.

The Group cannot be certain that the steps it has taken will prevent unauthorised use of its technology, particularly in foreign countries where the laws may not protect its proprietary rights as fully as do the laws of England and Wales.

The Group cannot be certain that patents will be issued as a result of its pending applications nor can the Group be certain that any issued patents will provide adequate protection or provide the means to prevent third parties from selling products which compete with the Group's products. There is a significant risk that patents issued to the Group may be circumvented or challenged or declared invalid or unenforceable. The Group also cannot be certain that others will not develop effective competing technologies of their own.

### ***Litigation and claims***

Legal proceedings may arise from time to time in the course of the Group's business and may be necessary to determine the scope, enforceability and validity of third party rights or to establish the Group's own intellectual property rights. Some of the Group's competitors have, or are affiliated with companies having, substantially greater resources than the Group and these competitors may be able to sustain the costs of complex litigation to a greater degree and for a longer period of time. Regardless of their merit, any such claims could be time consuming to evaluate and defend, result in costly litigation, cause delays or stoppages in product development, divert management's attention and focus away from the Group's business, subject the Group to significant liabilities, require the Group to enter into costly royalty or licensing agreements, subject the Group to reputational damage or require the Group to modify or stop using the infringing technology, any of which could have an adverse effect on the Group's business, prospects, financial condition or results of operation.

### ***Competition***

Products are available which compete directly or indirectly with the Group's products. New technology, changing commercial circumstances and new entrants to the markets in which the Group operates may adversely affect its business. Many of the companies operating in the same sector as the Group are significantly larger and have significantly greater financial resources. These factors could lead to an adverse effect upon the Group's revenue and earnings.

### ***Foreign exchange risk***

Fluctuations in exchange rates between currencies in which members of the Group operate relative to pounds sterling may cause fluctuations in its financial results. The Group cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on its businesses, operating results or financial conditions.

### ***Enterprise Investment Scheme ("EIS") and Venture Capital Trust ("VCT") status***

On the basis of the information provided to date, HMRC has given advance assurance that the Company is a qualifying company under the EIS and VCT legislation. This advance assurance has been extended to confirm that the Share Re-organisation will not, of itself, effect the Company's qualifying status. Whilst the Directors intend, so far as possible, to conduct the activities of the Group in such a way as to allow it to maintain its status as a qualifying EIS and VCT investment, circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way that preserves the EIS and VCT relief (including capital gains tax) qualifying status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to secure or preserve any such relief or status claimed by any Shareholder. Neither the Company nor the Directors give any warranties or undertakings that this status will not be withdrawn. Should the law regarding EIS or VCT treatment change, then any reliefs or qualifying status previously obtained may be lost. The availability of relief under the EIS and VCT

legislation is predicated on those seeking to claim the relief falling within conditions for individual investors and if in any doubt, investors should seek professional advice.

### ***Contracts***

There is no guarantee that any of the contracts the Directors anticipate signing with providers, advisers, suppliers, customers or commercial partners will be entered into despite initial indications from these bodies that this will be the case and that if contracts are entered into that they will generate significant revenue. The Group's operating plan and future results could be hindered if this were to be the case and replacement customers and suppliers of equal ability could not be found at the same cost or on the same terms.

### ***Product liability***

The activities of the Group expose it to potential product liability risks that are inherent in the development and manufacture of parts for the automotive industry. While no successful product liability claims have ever been made against the Group, and it is insured for potential product liability claims, any product liability claim brought against the Group, with or without merit, could result in the increase in the Group's product liability insurance rates or the inability to secure coverage in the future. In addition, the Group would have to pay any amount awarded by a court or agreed in a settlement in excess of its coverage limit.

## **2. Risks relating to the Company's Ordinary Shares and the Warrants**

### ***Value of Ordinary Shares and liquidity***

It is likely that the Company's share price will fluctuate and may not always accurately reflect the underlying value of the Group's business and assets. The price of the New Ordinary Shares may go down as well as up and investors may realise less than the original sum invested. The price that investors may realise for their holdings of New Ordinary Shares, if and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Group and others of which are extraneous.

The volume of shares traded in the Company fluctuates, and there may be periods when there is little demand for the Company's shares. This poor level of liquidity might affect adversely investors' ability to sell shares in the Company and the price at which they can sell those shares. The Directors are unable to predict when and if substantial numbers of Ordinary Shares will be sold in the open market. Any such sales, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares.

### ***Dividends***

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Shareholders or, in the case of interim dividends, to the discretion of the Directors, and will depend upon, among other things, the Group's earnings, financial position, cash requirements, availability of profits, as well as provisions of relevant laws or generally accepted accounting principles from time to time. For the time being the Company does not pay dividends and this is unlikely to change in the near future.

### ***Suitability***

An investment in the Company involves a high degree of risk and may not be suitable for all investors. Investors are reminded that the price at which they may realise their Ordinary Shares and the timing of any disposal of them may be influenced by a large number of factors, some specific to the Group and its proposed operations, some which may affect the sector in which the Group operates and some which relate to the operation of financial markets generally. These factors could include the performance of the Group's operations, large purchases or sales of shares in the Company, liquidity or absence of liquidity in the Ordinary Shares, legislative or regulatory changes relating to the business of the Group and general economic conditions.

## ***Warrants***

The market price of the Ordinary Shares may never exceed the subscription price of the Warrants and the Warrants may expire worthless. The Warrants will not be admitted to trading on AIM or any other exchange or market and an active and liquid trading market for the Warrants may not develop.

### **3. General risks**

#### ***Financial markets and global economic outlook***

The performance of the Group will be influenced by global economic conditions and, in particular the conditions prevailing in the United Kingdom. The global economy has been experiencing difficulties since 2008. The financial markets have deteriorated dramatically in this period. This has led to unprecedented levels of illiquidity, resulting in the development of significant problems at a number of the world's largest commercial banks, investment banks and insurance companies and considerable downward pressure and volatility in share prices. In addition, recessionary conditions were present in the United Kingdom, as well as in other countries around the world. If these levels of market disruption and volatility continue, worsen or abate and then recur, the Company is likely to experience difficulty in securing debt finance, if required, to fund its long term development strategy. The Group may be exposed to increased counterparty risk as a result of business failures in the countries in which it operates and will continue to be exposed if counterparties fail or are unable to meet their obligations to the Group. The precise nature of all the risks and uncertainties the Group faces as a result of the current global financial crisis and global economic outlook cannot be predicted and many of these risks are outside of the Group's control.

#### ***Changes in tax and other legislation***

The information in this document is based upon current tax and other legislation and any changes in legislation or in the levels and basis of, and reliefs from, taxation may affect the value of an investment in the Company. There can be no certainty that the current taxation regime in the UK will remain in force or that the current levels of corporation taxation will remain unchanged. There can be no assurance that there will be no amendment to the existing taxation laws applicable to the Group's operations, which may have a material adverse effect on the financial position of the Group. Individual tax circumstances may differ from investor to investor and persons wanting to invest are advised to seek tax advice based upon their own circumstances.

#### ***Forward looking statements***

Events in the past, or experience derived from these, or indeed present facts, beliefs or circumstances, or assumptions derived from any of these, do not predetermine the future. Hopes, aims, targets, plans or intentions contained in this document are no more than that and should not be construed as forecasts. This document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Group's plans, goals and prospects. These statements and the assumptions that underpin them are based on the current expectations of the Directors and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that the actual performance of the Group will not differ materially from the matters described in this document.

#### ***Admission to trading on AIM***

The Existing Ordinary Shares are, and the New Ordinary Shares will be, admitted to trading on AIM a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. The Ordinary Shares will not be admitted to the Official List. An investment in AIM quoted shares may carry a higher risk than an investment in shares quoted on the Official List.

The investment described in this document is speculative and may not be suitable for all recipients of this document. Potential investors are accordingly advised to consult a person authorised under FSMA who specialises in advising in investments of this kind before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his/her personal circumstances and the financial resources available to him/her.

## PART V: TERMS AND CONDITIONS OF THE OFFER

### 1. Procedure for Application and Payment

Eligible Shareholders wishing to apply for any Offer Shares in accordance with the terms of the Offer should complete the enclosed Application Form in accordance with the instructions on it and post it or (during normal business hours only) deliver it by hand, together with payment in full for the number of Offer Shares applied for, to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive not later than 11.00 a.m. on 28 June 2010. After this time, applications will not be accepted.

Applications will be irrevocable and will not be acknowledged and receipts will not be issued for amounts paid on applications. Capita Registrars and the Company reserve the right (but shall not be obliged) to treat any application not strictly complying with the terms and conditions of application or not accompanied by a power of attorney, if required, as nevertheless valid. **If you post your Application Form you are recommended to use first class post and to allow at least four working days for delivery.**

The minimum subscription is for £450 (10,000 shares). Applications in excess of this amount must be made in multiples of 1,000 shares.

**Cheques or bankers' drafts should be made payable to "Capita Registrars Limited re: Transense Offer for Subscription a/c" and crossed "A/C payee only".** Cheques and bankers' drafts must be drawn in Sterling on a bank or building society in the British Isles which is either a settlement member of the Cheques & Credit Clearing Company Limited or the CHAPS & Town Clearing Company Limited or a member of the Committee of Scottish or Belfast Clearing Houses or which has arranged for its cheques and bankers' drafts to be cleared through facilities provided for the members of either of those companies or committees and must bear the appropriate sorting code in the top right hand corner. **No application will be considered unless these requirements are fulfilled. Eurocheques will not be accepted.**

**Cheques should be drawn on the personal account to which the Eligible Shareholder has sole or joint title to the funds. Third party cheques will not be accepted with the exception of bankers' drafts/building society cheques where the bank/building society has confirmed the name of the account holder on the back of the draft/cheque and has added their stamp. The account name must be the same as that of the applicant.**

The instructions, notes and other terms set out in the Application Form constitute part of the terms of the Offer.

Eligible Shareholders who subscribe for Offer Shares will be granted one Warrant for every Offer Share subscribed. Further information regarding the Warrants is set out in Section 5 of Part I and a summary of the terms and conditions of the Warrants is set out in Part VI of this document.

Only whole numbers of Offer Shares and Warrants will be issued.

In the event that the Offer is over subscribed the applications will be scaled back at the discretion of Brewin Dolphin, the Company's nominated adviser provided that in the event that any Eligible Shareholder applies for a proportionately large number of Offer Shares compared to other applicants, that Eligible Shareholder's application will be scaled back so as to allow the smaller applicants to participate.

### 2. Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations 2007 (the "Regulations"), it is a term of the Offer that the Receiving Agent may, at its absolute discretion, require verification of identity from any person completing an Application Form (the "Applicant") for more than a sterling equivalent of €15,000 and, without prejudice to the generality of the foregoing, in particular any person who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of any person or persons other than the Applicant or (ii) appears to Capita Registrars to be acting on behalf of some other person. This may involve verification of the identity of any person on whose behalf the Applicant appears to be acting.

In the event of applications for in excess of 11,111,111 Offer Shares Brewin Dolphin will decide on the basis for allocation, however if this scenario occurs, preference is likely to be given to smaller Eligible Shareholders.

Lodging of an Application Form with the appropriate remittance constitutes a warranty by the Applicant that the Regulations will not be breached by the acceptance of the remittance and an undertaking to provide such evidence of identity at the time of lodging an Application Form or, in the absolute discretion of the Company, within a reasonable time thereafter (in each case to be determined at the absolute discretion of the Company and the Receiving Agent) as may be required to ensure compliance with the Regulations.

If satisfactory evidence of identity has not been received by Capita Registrars within a reasonable period of time, but in any case by the close of the Offer, then the Application Form in question may be rejected, in which event the application will not proceed any further and the application monies (without interest) will be returned to the bank account on which the cheque was drawn at the Applicant's own risk.

Where possible Applicants should make payment by their own cheque. If a bankers' draft or building society cheque is used, the Applicant should:

- (a) write his/her name and address on the back of the draft or cheque and, in the case of an individual, record his/her date of birth against his/her name; and
- (b) ask the bank or building society to endorse on the reverse of the draft or cheque the full name and account number of the person whose account number is being debited and stamp such endorsement.

The above information is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting Capita Registrars' right to require verification of identity as indicated above).

### **3. Overseas Shareholders**

The making of the Offer to persons who are resident in, or citizens of, countries other than the European Economic Area ("Overseas Shareholders") may be affected by the laws or regulatory requirements of the relevant jurisdictions. Such persons should satisfy themselves as to the full observance of such laws including obtaining any requisite governmental and other consents such that all requisite formalities are adhered to and they are advised to consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirements to enable them to apply for Offer Shares.

Only Eligible Shareholders may apply for Offer Shares and in particular no other person, and in particular no person receiving a copy of this document or the Application Form in any Excluded Territory may treat the same as constituting an offer or invitation to him/her nor should he/she in any event complete the Application Form unless, in the relevant territory, such an invitation or offer can lawfully be made to him/her or the Application Form can lawfully be completed without compliance with any unfulfilled registration or other legal requirements. Accordingly, persons receiving this document and Application Form should not send the same into any jurisdiction outside the EEA and in particular not into any Excluded Territory or any other jurisdiction where to do so would contravene local securities laws or regulations, and any copy of this document or the Application Form which is received in any such jurisdiction is sent for information only, is confidential and should not be copied or distributed.

The Company reserves the right to treat as invalid any application or purported application to subscribe for New Ordinary Shares pursuant to the Offer which appears to the Company or its agent to have been executed, effected or despatched in a manner which may involve a breach of the securities laws or regulations of any jurisdiction or which does not include the warranties set out in the Application Form.

Payment under an Application Form will constitute a representation and warranty that a person completing the same is not a North American Person (as defined below) or a resident of any other Excluded Territory and an agreement that such person will not offer to sell, directly or indirectly, any of the Offer Shares or Offer Warrants (or any rights in respect of such Offer Shares or Offer Warrants) in North America or any other

Excluded Territory or for the benefit of any North American Person or a resident of any other Excluded Territory. In addition, completion of an Application Form will constitute a representation and warranty that the person in whose name registration is applied for is not a North American Person or a resident of any other Excluded Territory and that they do not hold and have not acquired the Offer Shares comprised in the Application Form for the account or benefit of a North American Person or a resident of any other Excluded Territory or with a view to the offer, sale or delivery, directly or indirectly, of any Offer Shares or any rights in respect of such Offer Shares in North America any other Excluded Territory or to a North American Person or a resident of any other Excluded Territory. If the latter representation and warranty cannot be made, the Offer Shares identified in the Application Form will be registered in the name of the original Shareholder named therein.

### ***United States and Canada***

The Offer Shares and Offer Warrants have not been and are not intended to be registered or qualified for sale under the Securities Act of 1933 (as amended) of the United States of America or for sale under the securities law of any province or territory of Canada and may not be offered, sold, renounced, transferred, delivered, assigned, exchanged or otherwise disposed of, directly or indirectly, in the United States of America or Canada (collectively “North America”) or to or for the account or benefit of any person who is a citizen or resident of North America or is a corporation, partnership or other entity created or organised in or under any law of the US or Canada (“a North American Person”).

Accordingly, unless otherwise determined by the Company and effected by the Company in a lawful manner, the Application Form will not be sent to Existing Shareholders with registered addresses in North America since to do so would require compliance with the relevant securities laws of North America. Applications from any such person will be deemed to be invalid. If an Application Form is received by any Shareholder whose registered address is elsewhere but who is in fact a North American Person or the agent of a North American Person, he/she should not seek to take up his/her allocation.

### ***Australia***

The Offer is not being made in the Commonwealth of Australia, its states, territories or possessions (“Australia”) nor will an Application Form or advertisement or other offering material in relation to the Offer or the Offer Shares or the Offer Warrants be distributed directly or indirectly in Australia. The Offer Shares and Offer Warrants have not been and will not be available for purchase by any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of any such corporation or entity located outside Australia). Applications sent from or postmarked in Australia will be deemed to be invalid.

### ***Japan***

Shareholders who are resident in Japan should note that the Offer Shares and Offer Warrants have not been and will not be registered under the Securities and Exchange Law of Japan. Accordingly, the Offer Shares may not be offered, sold, transferred, taken-up or delivered in Japan and no application to subscribe for Offer Shares and Offer Warrants may be made under this document or the Application Form in Japan.

### ***South Africa***

The Offer is not being made in the Republic of South Africa, its states, territories or possessions (“South Africa”) nor will an Application Form or advertisement or other offering material in relation to the Offer or the Offer Shares or the Offer Warrants be distributed directly or indirectly in South Africa. The Offer Shares and Offer Warrants have not been and will not be available for purchase by any resident of South Africa (including corporations and other entities organised under the laws of South Africa but not including a permanent establishment of any such corporation or entity located outside South Africa). Applications sent from or postmarked in South Africa will be deemed to be invalid.

#### **4. The City Code**

Applicants will be required to warrant that acceptance by them of their application for subscription under the Offer will not result in them and/or persons acting in concert with them obtaining an interest in greater than 29.99 per cent. of the Enlarged Ordinary Share Capital.

#### **5. Admission, Settlement and Dealings**

Application will be made for the admission of the New Ordinary Shares to trading on AIM. The result of the Offer is expected to be announced on or about 30 June 2010 and, subject to the Offer becoming unconditional in all respects, trading in the Offer Shares is anticipated to commence on AIM for normal settlement on 1 July 2010.

#### **6. CREST**

Application will be made for the Offer Shares to be admitted to CREST with effect from Admission and applicants for Offer Shares will be able to hold their Offer Shares in certificated or uncertificated form. Warrants may only be held in certificated form.

Notwithstanding any other provision of this document or of the Application Form, the Company reserves the right to allot and/or issue any Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and/or systems operated by the Company's registrars in connection with CREST. This right may also be exercised if the correct details in respect of *bona fide* market claims (such as the Member Account ID and Participation ID details) are not provided as requested on the Application Form.

Eligible Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Offer.

For more information as to the procedure for application in each case, Eligible Shareholders are referred to the Application Form.

## **PART VI: TERMS AND CONDITIONS OF THE WARRANTS**

The principal terms and conditions of the Warrants are summarised in this Part VI below.

### **1. CONSTITUTION AND FORM OF WARRANTS**

- 1.1 The Warrants are constituted under the terms of the Warrant Instrument.
- 1.2 The Warrants shall be in registered form.
- 1.3 No application shall be made for the Warrants to be listed or dealt on any stock exchange.

### **2. SUBSCRIPTION RIGHTS**

Each Warrant entitles the holder to subscribe for one Ordinary Share at the Placing Price exercisable at any time during the Subscription Period. The “Subscription Period” is defined in the Warrant Instrument as being the period from the date 12 months after Admission and 30 June 2014.

### **3. VARIATION OF CAPITAL**

Upon any allotment of fully paid Ordinary Shares by way of capitalisation of profits or reserves (other than by way of Ordinary Shares paid up out of distributable reserves in lieu of a cash dividend) before the end of the Subscription Period or upon any sub-division or consolidation of the Ordinary Shares on or before such date, the number and/or nominal amount of Ordinary Shares to be subscribed on any exercise of subscription rights (“Warrant Shares”) will be adjusted in such manner as the auditors for the time being of the Company shall report as in their opinion appropriate.

### **4. TENDER OFFERS AND TAKEOVERS**

If at any time or times before the end of the Subscription Period:

- 4.1 the Company makes any offer or invitation to all holders of Ordinary Shares for the purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice thereof to each Warrantholder who shall be entitled, at any time while such offer or invitation is open for acceptance, to exercise its subscription rights under each Warrant to the extent that such rights have not been exercised or lapsed prior to the record date of such offer or invitation so as to take effect as if it had exercised its rights immediately prior to such record date; or
- 4.2 an offer is made to all holders of Ordinary Shares to acquire the whole or any part of the issued share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company may become vested in the offeror and/ or persons acting in concert with the offeror, the Company shall give notice to each Warrantholder and each Warrantholder shall be entitled, at any time while such offer is open for acceptance to exercise its subscription rights under each Warrant to the extent that such rights have not lapsed or been exercised prior to the record date of such offer so as to take effect as if it had exercised its rights immediately prior to the record date of such offer and, if the Warrantholder so elects, such exercise shall be conditional upon such offer becoming unconditional in all respects. Publication of a scheme of arrangement under the Act (as amended from time to time) providing for the acquisition by any person of the whole or any part of the issued share capital of the Company shall be deemed to be the making of an offer for the purposes of the Warrant Instrument.

### **5. WINDING UP**

If, prior to the end of the Subscription Period, an order is made or an effective resolution passed for the winding up of the Company in circumstances in which in such winding up there shall be a surplus available for distribution to the holders of the Warrants which, taking into account the amounts payable to exercise subscription rights under the Warrants, exceeds in respect of each Ordinary Share to be issued pursuant to the terms of the Warrants a sum equal to the relative subscription price, each Warrantholder shall be treated

as if immediately before the date of the order or resolution the subscription rights under each Warrant had been exercised in full and accordingly each Warrantholder shall rank *pari passu* with the holders of Ordinary Shares and shall be entitled to receive such sum (less the aggregate subscription price) he would otherwise have received out of the assets available in the liquidation.

## **6. VARIATION OF RIGHTS**

All or any rights attaching to the Warrants may only be altered or abrogated with the sanction of a special resolution of the Warrantholders.

## **7. TRANSFERS AND TRANSMISSION**

7.1 The provisions and restrictions governing transfer of Ordinary Shares in the Articles shall apply to the transfer of Warrants, and accordingly no transfer of Warrants may be registered unless a transfer of Ordinary Shares would be permitted.

7.2 The executor or administrator of a deceased Warrantholder (or the survivor or survivors where a Warrantholder was a joint holder) shall be the only person recognised by the Company as having any title to his Warrants. In order to be registered as the Warrantholder, such a person must produce such evidence as may be required by the Directors.

## **8. WARRANTHOLDER MEETINGS**

8.1 The Company at any time may, and upon a request in writing of Warrantholders not holding less than 10 per cent. in number of the Warrants shall, convene a meeting of Warrantholders. Every such meeting shall be held at such reasonably convenient and appropriate place in the United Kingdom as the Directors may approve.

8.2 At least 14 clear days' notice of any meeting of Warrantholders shall be given to Warrantholders.

8.3 The necessary quorum at any meeting of Warrantholders shall be two or more Warrantholders present in person and being or representing in the aggregate Warrantholders registered as the holders of not less than 5 per cent. of the Warrants.

8.4 Every Warrantholder present at any Warrantholder meeting in person (being an individual) or by a duly authorised representative (being a corporation) shall be entitled on a show of hands to one vote, and every Warrantholder present in person (being an individual) or by a duly authorised representative (being a corporation) or by proxy shall be entitled on a poll to one vote for every Ordinary Share for which he is entitled to subscribe pursuant to the Warrants.

8.5 One or more Warrantholders (or by their proxies) being or representing in the aggregate Warrantholders registered as the holder of not less than 10 per cent. of the Warrants (before or on the declaration of the result of a show of hands) may demand or join in demanding a poll.

8.6 The Company (through its directors and legal and financial advisers) shall be entitled to attend and speak at any meeting of the Warrantholders.

## **9. GOVERNING LAW**

The Warrant Instrument is governed by and construed in accordance with English law and the courts of England shall have exclusive jurisdiction in respect of any matter arising in relation to it.

## NOTICE OF GENERAL MEETING

### Transense Technologies plc

NOTICE IS HEREBY GIVEN that a general meeting of the Company will be held at the offices of Brewin Dolphin, 12 Smithfield Street, London, EC1A at 11.00 a.m. on 30 June 2010 for the purpose of considering and, if thought fit, passing the following resolutions of which Resolutions 1 to 4 (inclusive) shall be proposed as ordinary resolutions and Resolutions 5 to 8 (inclusive) shall be proposed as a special resolutions:

#### ORDINARY RESOLUTIONS

- 1 **THAT**, subject to, and conditional upon, the passing of Resolution 5, the Ordinary Shares of 10 pence each in the capital of the Company be sub-divided into 75,807,138 Ordinary Shares of 1 pence each and 75,807,138 Deferred Shares of 9 pence each such that each Ordinary Share of 10 pence each is divided into 1 Ordinary Share of 1 pence each and 1 Deferred Share of 9 pence each, having the rights and being subject to the restrictions set out in the Company's articles of association, as proposed to be amended pursuant to Resolution 5 below.
- 2 **THAT**, subject to, and conditional upon, the passing of Resolutions 1 and 5, the directors of the Company be and they are hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused and otherwise than granted pursuant to Resolutions 3 or 4) pursuant to and in accordance with section 551 of the Act to allot up to 45,288,887 Placing Shares and 45,288,887 Placing Warrants in connection with the Placing and, unless previously renewed, varied or revoked by the Company in general meeting, this power shall expire at the conclusion of the annual general meeting of the Company to be held in 2011 or 15 months after the passing of this Resolution (whichever is earlier) except that the directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require New Ordinary Shares to be allotted after the expiry of such period, and the directors of the Company may allot New Ordinary Shares in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.
- 3 **THAT**, subject to, and conditional upon, the passing of Resolutions 1 and 5, the directors of the Company be and they are hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused and otherwise than granted pursuant to Resolutions 2 or 4) pursuant to and in accordance with section 551 of the Act to allot up to 11,111,111 Offer Shares and 11,111,111 Offer Warrants in connection with the Offer and, unless previously renewed, varied or revoked by the Company in general meeting, this power shall expire at the conclusion of the annual general meeting of the Company to be held in 2011 or 15 months after the passing of this Resolution (whichever is earlier) except that the directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require New Ordinary Shares to be allotted after the expiry of such period, and the directors of the Company may allot New Ordinary Shares in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.
- 4 **THAT**, subject to, and conditional upon, the passing of Resolutions 1 and 5, the directors of the Company be and they are hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused and otherwise than granted pursuant to Resolutions 2 or 3) pursuant to and in accordance with section 551 of the Act to allot New Ordinary Shares or grant rights to subscribe for or to convert any securities into New Ordinary Shares ("**Rights**") up to an aggregate nominal amount of £440,690.45 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the annual general meeting of the Company to be held in 2011 or 15 months after the passing of this resolution (whichever is earlier) except that the directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require New Ordinary Shares to be allotted or Rights to be granted after the expiry of such period, and the directors of the Company may allot New Ordinary Shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.

## SPECIAL RESOLUTIONS

5 **THAT**, subject to, and conditional upon, the passing of Resolution 1:

the Company's Articles of Association be amended as follows:

5.1 by the deletion all of the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Act, are to be treated as provisions of the Company's Articles of Association

5.2 by the deletion of the current Article 5 and the substitution therefor of a new Article 5 as follows:

### **"5 Share capital**

5.1 The share capital of the Company consists of an unlimited number of ordinary shares of 1 pence each ("**Ordinary Shares**") and an unlimited number of deferred shares of 9 pence each ("**Deferred Shares**") having the rights and being subject to the restrictions set out in Article 5.2.

5.2 The rights of the Ordinary Shares and of the Deferred Shares and the limitations and restrictions to which each are subject are as follows:

5.2.1 subject to the rights of any other class of shares and to the provisions of statutes, the profits of the Company available for distribution and resolved to be distributed shall be paid as a dividend to the holders of the Ordinary Shares according to the number of shares held by each such holder;

5.2.2 on a return of capital (except on a purchase of shares), the assets of the Company available for distribution amongst the members shall be used to repay to the holders of the Ordinary Shares the amounts paid up on those shares. Subject to article 5.2.3, the assets remaining after such repayment shall belong to and be distributed amongst the holders of the Ordinary Shares in proportion to the number of such shares held by them respectively;

5.2.3 the Deferred Shares shall have:

(a) no right to receive notice of, or to attend or vote at, any general meeting of the Company; and

(b) no right to participate in the profits of the Company whether by way of dividend, distribution, return of capital (whether or not upon a winding-up) or otherwise, save that, upon a return of capital upon a winding-up, the holders of Deferred Shares shall be entitled to the return of the nominal value of each Deferred Share held after £10,000,000 has been returned on each Ordinary Share;

5.2.4 the Company shall (pursuant to the authority given by the passing of the Resolution to adopt this Article) have irrevocable authority at any time after the adoption of this Article to appoint any person to execute, on behalf of any of the holders of the Deferred Shares, a transfer of any such shares and/or an agreement to transfer any such shares to such person as the Company may determine as custodian of the same and/or to purchase the same (in accordance with the provisions of the statutes), in any such case for not more than 1 pence for all such shares and without obtaining the prior sanction of the holder(s) of such shares, and, pending such transfer and/or purchase, to retain the certificate(s) for such shares; and

- 5.2.5 the rights attached to the Deferred Shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking in priority to or *pari passu* with or subsequent to the Deferred Shares.”; and
- 5.3 by the insertion of a new Article 5A immediately after Article 5 (as proposed to be amended pursuant to Resolution 5.1 above) as follows:
- “5A Liability of Members**
- The liability of the members is limited to the amount, if any, unpaid on the shares held by them.”
- 5.4 by (a) the deletion of the word “Increase,” from the heading of Article 12; (b) the deletion of the current Article 12.1 in its entirety with the remaining provisions of Article 12 renumbered accordingly; (c) the deletion of the words “provided that the necessary unissued shares are available,” from the beginning of Article 13.1.2; and (d) by the deletion of the comma from the end of Article 13.1.2 and the substitution therefore of a new full stop.
- 6 **THAT**, subject to, and conditional upon, the passing of Resolutions 1, 2 and 5 the directors of the Company be and they are hereby empowered (in substitution for all subsisting authorities to the extent unused and otherwise than granted pursuant to Resolutions 7 or 8) in accordance with section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred upon them by Resolution 2 for cash as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities as detailed in Resolution 2.
- 7 **THAT**, subject to, and conditional upon, the passing of Resolutions 1, 3 and 5, the directors of the Company be and they are hereby empowered (in substitution for all subsisting authorities to the extent unused and otherwise than granted pursuant to Resolutions 6 or 8) in accordance with section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred upon them by Resolution 3 for cash as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities as detailed in Resolution 3.
- 8 **THAT**, subject to, and conditional upon, the passing of Resolutions 1, 4 and 5, the directors of the Company be and they are hereby empowered (in substitution for all subsisting authorities to the extent unused and otherwise than granted pursuant to Resolutions 6 or 7) in accordance with section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred upon them by Resolution 4 for cash as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
- 8.1 in connection with an offer of such securities by way of a Rights Issue; and
- 8.2 otherwise than pursuant to Resolutions 2, 3 and 8.1 above, up to an aggregate nominal amount of £132,207.13.

In this Resolution, “**Rights Issue**” means an offer of equity securities open for acceptance for a period fixed by the directors of the Company to Shareholders on the register on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory.

(Words and expressions defined in the circular accompanying this notice shall, save where the context otherwise requires, bear the same meanings in the Resolutions set out above.)

**BY ORDER OF THE BOARD**

**M Segal**  
*Secretary*

Dated: 2 June 2010

**Notes:**

- 1 A person entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A form of proxy is enclosed. A proxy need not be a member of the Company. Appointment of proxies does not preclude members from attending and voting at the meeting should they wish to do so.
- 2 To be valid, this form of proxy and any power of attorney under which it is signed, must be deposited at the office of the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU but not later than 11.00 a.m. on 28 June 2010, being 48 hours before the time of the meeting.
- 3 As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders of the Company on the register at 6.00 p.m. on 29 June 2010 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the time. Changes to the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 4 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising 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 service provider(s), who will be able to take the appropriate action on their behalf.
- 5 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Capita Registrars (whose CREST ID is RA10) by the specified latest time(s) for receipt of proxy appointments. 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.
- 6 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.
- 7 A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. To appoint more than one proxy, you will need to complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by photocopying the enclosed proxy form. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to or specifying a number in excess of those held by the member may result in the proxy appointment being invalid. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

