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Company number: 01885075

Transense Technologies plc

Report and Financial Statements

For the Year Ended

31 December 2009

Contents

DIRECTORS AND ADVISERS

Directors

D G Kleeman (Chairman) (1, 2, 3)
G Storey (CEO)
N A Smith (4)
M Segal (Finance) (4)
R J Westhead (1, 2, 3)
R D Lohr (Technical) (Resigned 3 April, 2009)
D M Ford (Appointed 5 August 2009) (1)

1 Non-executive
2 Member of the Audit Committee
3 Member of the Remuneration Committee
4 Non executive from 1 February 2010

Secretary and Registered Office

M Segal FCA
66 Heyford Park
Upper Heyford
Bicester OX25 5HD

Auditors

KPMG Audit Plc
Arlington Business Park
Theale
Reading RG7 4SD

Bankers

HSBC Bank plc
1 Sheep Street Bicester
Oxon OX26 7JA

Nominated Advisers and Brokers

Brewin Dolphin
12 Smithfield Street
London EC1A 9BD

Registrars

Capital Registrars
Northern House
Woodsome Park Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

Registration Number

1885075

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 038m before expenses by means of a Placing and up to £0 5m 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

Graham Storey
CEO

STATEMENT OF CORPORATE GOVERNANCE

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

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 15 Below is a brief description of the role of the Board and its Committees

The Board

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

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

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

Audit and Risk Committee

The Audit and Risk Committee is under the Chairmanship of Rodney Westhead, with David Kleeman also sitting Graham Storey has resigned from this committee following his move to a full time role as executive Director The Committee meets at least twice a year and has adopted terms of reference which give it responsibility for reviewing a wide range of financial matters The Committee advises the Board on the appointment of external auditors and it discusses the nature and scope of their work

Nomination Committee

Given its relatively small size, the Board as a whole fulfils the function of the Nomination committee

Remuneration Committee

The policy on Directors' remuneration is formulated by the Remuneration Committee, which consists of David Kleeman as Chairman plus Rodney Westhead The Committee is responsible for determining the contract terms, remuneration and other benefits of executive Directors The non executive director's salaries are reviewed and set by the members of the executive Board

The report of the Remuneration Committee is set out on pages 10 to 12 below

Accountability, Internal Control and Risk Management

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

Going Concern

After making enquiries the Directors have formed a judgement at the time of approving these financial statements that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the financial statements

Internal Financial Control

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

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

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

REMUNERATION REPORT

Remuneration Policy

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

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

The Remuneration Committee can also grant options over ordinary shares under its Enterprise Management Incentive Option Schemes (EMI) and options granted outside Company schemes, but approved by shareholders These schemes potentially offer long term incentives to Directors and key personnel

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

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

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

Base Salary and Benefits

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

All executive Directors' salaries continue to be frozen at the 2008 level and remained so throughout 2009 and 2010

In addition to base salary, the full time executive Directors who served during 2009, Messrs, Smith, Storey and Segal were also entitled to some or all of the following benefits 25 days holiday per annum, cash allowance in lieu of a company car, permanent health insurance, private medical cover for themselves, their spouse and Life assurance based on three times basic annual salary

Executive Share Option Schemes

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

Directors' Pension Policy

All full time executive Directors are entitled to enter, and are members of, the Company's defined contribution pension scheme, to which the Company contributes the equivalent of 10% of their basic salary Executive Directors participate in the Company's pension scheme on the same basis as other full time employees

Service contracts

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

- The notice period required by either the Company or Messrs, Smith, Storey and Segal to terminate their contract is 3 months,
- The notice period required by either the Company or David Kleeman is one month,
- There is no notice period with respect to Mr Westhead's contract,
- If the Company terminates without notice, the individual is entitled to a payment in lieu of notice being the value of the maximum notice period in his contract, and
- In the event of termination for unsatisfactory performance (if necessary decided by an independent tribunal) or for reasons of misconduct, no compensation is payable

Directors' Emoluments

Information on Directors' emoluments is as follows

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

		Basic Salary	Fees	Benefits	Pension	Total Emoluments 2009	2008
		£	£	£	£	£	£
Executive Directors							
G Storey		130 000		7,500		137,500	102,942
N Smith		65 000		7,500		72,500	39 947
M Segal		85 000		7,500		92 500	91 835
R Lohr	(1)	18,300			1,830	20 130	78,693
J Perry	(2)					-	23,405
G Eves	(3)					-	7 111
H Pearl	(4)					-	12 582
Non Executive Directors							
D Kleeman			50 000			50 000	50,000
R Westhead		15 000				15 000	12 000
D Ford	(5)		20 000			20 000	-
Total 2009		313,000	70 000	22,500	1 830	407,630	
Total 2008		329,000	50,000	31,000	9,000	419 000	

(1) Resigned 3 April 2009 (2) Resigned 31 March 2008 (3) Resigned 7 February 2008 (4) Resigned 21 March 2008 (5) Appointed 5 August 2009

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

Directors interests in the UDSOS were	At 01 Jan 2009	At 31 Dec 2009	Earliest Exercise Date	Exercise Price per Share	Strike Price per Share
David Kleeman	100 000	100 000	04 01 09	23p	
Rodney Westhead	50,000	0	01 04 10	117 5p	
Rodney Westhead	0	60,000	01 02 11	10p	40p

Directors' interests in the EMI were	At 01 Jan 2009	At 31 Dec 2009	Earliest Exercise Date	Exercise Price per Share	Strike Price per Share
Norman Smith	100,000	100,000	01 01 09	11p	50p
Norman Smith	125,000	125 000	01 01 10	11p	75p
Norman Smith	150,000	150,000	01 01 11	11p	100p
Norman Smith	250 000	250 000	01 02 11	10p	40p
Graham Storey	875,000	875 000	01 02 11	10p	40p
Melvyn Seal	625 000	625,000	01 02 11	10p	40p

Share price performance

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

On behalf of the Board

David Kleeman

Chairman, Remuneration Committee

REPORT OF THE DIRECTORS

For the year ended 31 December, 2009

The Directors present their annual report and audited financial statements for the year ended 31 December 2009

Business activities, review of the business and future developments

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

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

A review of the Company's business and research and development activities for the year together with developments since the year end and for the future is included in the Chairman's, and CEO's Statements on pages 4 to 7

Results and Dividends

The results for the year ended 31 December 2009 show a loss of £1,472,000 (2008 £1,085,000 loss) The Directors do not recommend the payment of a dividend (2008 £nil)

Directors

The present Directors are listed on page 3 Melvyn Segal and David Ford (appointed 5 August 2009), both now retire in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election

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

Substantial Shareholdings

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

	Ordinary shares of 10p each	%
P Lobbenberg and connected parties	8,017,252	10 58%
Active Capital Trust	4,716,968	6 22%

Directors' interests

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

	Ordinary shares of 10p each	
	31 December 2009	**1 January 2009***
D G Kleeman	350,000	275,000
G Storey	1,174,782	1,174,782
N Smith	320,000	320,000
M Segal	700,000	700,000
R J Westhead	5,000	5,000
D Ford		

* or date of appointment if later

With the exception of Mr Kleeman who acquired 75,000 shares on 4 February 2009 there have been no changes in the above shareholdings between 31 December 2009 and 7 June 2010

Share price

The mid price of the shares in the Company at 31 December 2009 was 9 5p (2008 4p) and the range during the year was 20p to 4p (2008 27p to 4p)

Share based payment option Schemes

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

Details of share based payment options granted to Directors are disclosed in the Remuneration Report on page 10

Financial Instruments

The Directors adopt a low risk financial objective The financial instruments used are sterling deposits, and the Company does not trade in derivative instruments, see note 26 to the financial statements

Indemnification of Directors

Qualifying third party indemnity provisions (as defined in Section 413 of the Companies Act 2006) are in force for the benefit of the Directors who held office during 2009

Policy and practice on payment of suppliers

The Company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and then abide by these terms At 31 December 2009 trade creditors represented less than 45 days' purchases (2008 45 days)

Disclosure of information to auditors

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

Auditors

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

M Segal

By Order of the Board
Melvyn Segal FCA
66 Heyford Park
Bicester
Oxon OX25 5HD
June 4th 2010

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

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

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

KPMG

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRANSENSE TECHNOLOGIES PLC

We have audited the financial statements of Transense Technologies plc for the year ended 31 December 2009 set out on pages 1 to 48 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

• adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or

• the parent company financial statements are not in agreement with the accounting records and returns, or

• certain disclosures of directors' remuneration specified by law are not made, or

• we have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review

• the directors' statement, set out on pages 12-14, in relation to going concern

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in the basis of preparation note to the financial statements concerning the Group's and the Parent Company's ability to continue as a going concern In particular, the basis of preparation note highlights the need for shareholder approval by special resolution at the General Meeting on 30 June 2010 for the planned issue of equity shares under the private placing which forms the basis for the Directors' going concern assessment This condition, along with the other matters explained in the basis of preparation note to the financial statements, indicates the existence of a material uncertainty that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern The financial statements do not include adjustments that would result if the Group and the Parent Company were unable to continue as a going concern

D McAllan (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
RG7 4SD
June 4th 2010

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Continuing operations			
Revenue	3	636	204
Cost of sales		(141)	(38)
Gross profit		495	166
Administrative expenses		(2058)	(2,086)
Share based payments cancellation adjustment	22	-	453
Operating loss		(1,563)	(1,467)
Financial income	9	21	178
Financial expenses		-	-
Loss before taxation		(1,542)	(1,289)
Taxation	10	70	204
Loss from continuing operations		(1,472)	(1,085)
Basic loss per share (pence)	25	(2 0)	(1 4)
Fully diluted loss per share (pence)	25	(1 9)	(1 4)

There are no other recognised income or expenses in either year

Consolidated Balance Sheet

at 31 December 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Non current assets					
Property plant and equipment	11	**151**		24	
Intangible assets	13	**1,494**		1 446	
Available for sale assets	16	**90**		65	
Loans receivable	17	**-**		25	
			1,735		1 560
Current assets					
Inventories	18	**33**		18	
Corporation tax receivable		**169**		99	
Trade and other receivables	19	**137**		75	
Cash and cash equivalents	20	**1,277**		2 695	
			1,616		2 887
Total assets			**3,351**		4,447
Current liabilities					
Trade and other payables	21	**(491)**		(204)	
Current tax liabilities		**(32)**		(30)	
Total liabilities			**(523)**		(234)
Net assets			**2,828**		4 213
Equity					
Issued share capital	23		**7,580**		7,580
Share premium			**7,856**		7 830
Accumulated loss			**(12,608)**		(11 197)
Total equity			**2,828**		4 213

Company Balance Sheet

at 31 December 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Non current assets					
Property plant and equipment	12	53		24	
Intangible assets	14	1,394		1,446	
Available for sale assets	16	90		65	
Loans receivable	17	-		25	
Investment in subsidiary	15	5		-	
			1,542		1 560
Current assets					
Stocks	18	15		18	
Corporation tax		169		99	
Trade and other receivables	19	473		75	
Cash and cash equivalents	20	1,188		2,695	
			1,845		2 887
Total assets					4 447
Current liabilities					
Trade and other payables	21	(292)		(204)	
Current tax liabilities		(32)		(30)	
Total liabilities			(324)		(234)
Net assets			3,063		4 213
Equity	23				
Issued share capital			7,580		7,580
Share premium			7,856		7 830
Accumulated loss			(12,374)		(11 197)
Total equity			3,063		4,213

These financial statements were approved by the board of directors on June 4th 2010 and were signed on its behalf by

D Kleeman,

Director,

Company registered number 1885075

Statement of Changes in Equity

Group	Share capital £000	Share premium £000	Cumulative losses £000	Total equity £000
Balance at 1 January 2008	5,791	5 668	(9,921)	1,538
Loss for the year	-	-	(1,085)	(1,085)
Shares issued and share premium	1,789	2,162	-	3,951
Share based payments (note 22)	-	-	(191)	(191)
As at 1 January 2009	**7,580**	**7,830**	**(11,197)**	**4,213**
Loss for the year	-	-	(1,472)	(1 472)
Shares issued and share premium	-	26	-	26
Share based payments (note 22)	-	-	61	61
Balance at 31 December 2009	**7,580**	**7,856**	**(12,608)**	**2,828**

Company	Share capital £000	Share premium £000	Cumulative losses £000	Total equity £000
Balance at 1 January 2008	5,791	5,668	(9,921)	1,538
Loss for the year	-	-	(1,085)	(1,085)
Shares issued and share premium	1,789	2 162	-	3,951
Share based payments (note 22)	-	-	(191)	(191)
As at 1 January 2009	**7,580**	**7,830**	**(11,197)**	**4,213**
Loss for the year	-	-	(1 238)	(1,238)
Shares issued and share premium	-	26	-	26
Share based payments (note 22)	-	-	61	61
Balance at 31 December 2009	**7,580**	**7,856**	**(12,374)**	**3,063**

During the year accrued issue costs relating to the share issue in the prior period were released as the expenditure was no longer expected to be incurred This resulted in an increase in the share premium reserve in the period of £26,000

Consolidated Cash Flow Statement

for the year ended 31 December 2009

	Note	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Loss before taxation		**(1,542)**	(1,289)	**(1,308)**	(1,289)
Adjustments for					
Financial income	9	**(21)**	(178)	**(21)**	(178)
Depreciation	11 12	**11**	11	**9**	11
Loss on disposal of intangible assets		**-**	54	**-**	54
Amortisation of intangible assets	13 14	**215**	159	**215**	159
Impairment of intangible assets		**-**	50	**-**	50
Share based payment	22	**61**	(191)	**61**	(191)
Operating cash flows before movements in working capital		**(1,276)**	(1 384)	**(1,044)**	(1 384)
(Increase)/decrease in receivables	19	**(62)**	160	**(398)**	160
Increase/(decrease) in payables	21	**289**	(987)	**88**	(987)
(Increase)/decrease in inventories	18	**(15)**	(18)	**3**	(18)
Cash used in operations		**(1,064)**	(2,229)	**(1,351)**	(2,229)
Taxation recovered		**-**	105	**-**	105
Net cash used in operations		**(1,064)**	(2 124)	**(1,351)**	(2 124)
Investing activities					
Interest received	9	**21**	178	**18**	178
Acquisitions of property, plant and equipment	11,12	**(138)**	(21)	**(38)**	(21)
Acquisitions of intangible assets	13 14	**(263)**	(190)	**(162)**	(190)
Net cash used in investing activities		**(380)**	(33)	**(182)**	(33)
Financing activities					
Proceeds from issue of equity share capital	23	**-**	1,789	**-**	1,789
Share premium on issue of equity share capital		**26**	2 162	**26**	2 162
Net cash from financing activities		**26**	3 951	**26**	3 951
Net increase/(decrease) in cash and cash equivalents		**(1,418)**	1,794	**(1,507)**	1,794
Cash and equivalents at the beginning of year		**2,695**	901	**2,695**	901
Cash and equivalents at the end of year		**1,277**	2 695	**1,188**	2 695

NOTES
(forming part of the financial statements)

1 General Information
Transense Technologies plc ("the Company") is a company incorporated in the United Kingdom under the Companies Act 2006 The address of the registered office is given on page 3 The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities") The nature of the Group's operations and its principal activities are discussed in the business review on pages 4 to 7

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

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

Going Concern
The 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 £2million 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 £2million 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

3. Accounting policies

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

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

- Amendments to IAS 1 'Presentation of Financial Statements'

The effect on the financial statements of the adoption of these standards and interpretations has been described under the 'Change in accounting policy' heading below

Significant accounting judgements and sources of estimation uncertainty

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

- Management have considered the basis of preparation as disclosed in note 2
- Management used their judgement when considering whether there were any events or circumstances that suggested the intangible assets (capitalised development costs and patents) are impaired,
- Management judgement was applied to the purchase of the trade and assets of Pneulogic Limited and the fair values have been allocated based upon the expertise and experience of management,
- Estimations focus on areas such as carrying values, values in use and estimated lives of intangible assets,
- Determining when intangible assets are impaired is a judgement which requires an estimate of the value in use of the asset based on management best estimate of the future cash flows that the assets are expected to generate This requires significant judgement as there are no historic cash flows to base the future cash flows on Discussions are held within the Company between the relevant technical, commercial and finance employees on the expected future cash flows of patents in individual territories, and
- Judgement is applied when patent costs are reviewed in particular relating to patents in territories that were not integral to the future business plans

Adoption of new and revised standards

Starting as of 1 January 2009, the Group has changed its accounting policy in-line with the amendments to IAS 1 'Presentation of Financial Statements' This has resulted in a change to the format of the Statement of Income to show Comprehensive Income rather than Profit or Loss As there are no items of other comprehensive income in either period this has a presentational impact only
At the date of authorisation of these financial statements the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective

Amendment to IFRS 1 (Jan 2010) - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters,
IFRS 9 - Financial Instruments,
IAS 24 (revised Nov 2009) - Related Party Disclosures,
Amendment to IAS 32 (Oct 2009) - Classification of Rights Issues,
Amendments to IFRS 2 (Jun 2009) - Group Cash-settled Share-based Payment Transactions,
Improvements to IFRSs 2009 (Apr 2009) - Improvements to IFRSs 2009,
Amendments to IFRIC 9 and IAS 39 (Mar 2009) - Embedded

Derivatives,
IFRS 3 (revised Jan 2008) - Business Combinations,
Amendments to IAS 27 (Jan 2008) - Consolidated and Separate Financial Statements,
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments
IFRIC 18 - Transfers of Assets from Customers, and
IFRIC 17 - Distributions of Non-cash Assets to Owners

Measurement convention

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

Basis of consolidation

Subsidiaries

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

Revenue recognition

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

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

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

Segment reporting

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

The business unit includes licence fees, royalties, engineering support and sale of product
Information regarding the Company's single segment is included in the primary statements and notes to the financial statements Revenue is the Company's key focus and in turn is the main performance measure adopted by management

Property, plant and equipment

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

Depreciation of property, plant and equipment

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment The estimated useful lives are as follows
Plant and Equipment 3 – 5 years, and
Motor Vehicles 4 years

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

Research and development

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

Patent fees

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

In the event that a patent is superseded and the original intellectual property is embedded in a new patent, the costs of that patent and the later patents are regarded as the costs of the original patent and amortised over the life of the new patent
Any impairment in value is recognised immediately in the statement of comprehensive income

Intangible assets and goodwill

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

Non-current asset investments

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

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

Pension costs

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

Operating lease agreements

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

Current taxation

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

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

Deferred taxation

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits

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

Foreign currencies

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

Share-based payment transactions

The Company issues equity settled share based payments to certain employees Equity settled share based payments are measured at fair value at the date of grant The fair value so determined is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting

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

Provisions

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

Trade receivables

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

Trade payables

Trade payables are stated at their nominal value

Loans receivable

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

4 Acquisitions of subsidiaries

On 30 April 2009, the Company subscribed for all of the ordinary shares in Translogik Limited for £5,000, satisfied through an intercompany balance Translogik Limited acquired the trade and assets of Pneulogic Limited on 20 November 2009 In the 8 months to 31 December 2009 the subsidiary's trade contributed net loss of £236,000 to the consolidated net loss for the year If the acquisition had occurred on 1 January 2009, Group revenue would have been an estimated £697,000 and net loss would have been an estimated £1,590,000 In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 20 November 2009 and that revenues would have been consistent across the year

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date			
Tooling	100	-	100
Patents	50	-	50
Net identifiable assets and liabilities	150	-	150
Goodwill on acquisition			100
Consideration paid			50
Contingent Consideration (note 28)			200
Net cash outflow			-

Patents were immediately transferred to Transense Technologies plc for a consideration of £50,000

5. Revenue and segmental reporting

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

	2009 £000	2008 £000
Sale of goods		
Rendering of services	596	75
Royalties	-	-
	40	129
Total revenues		
	636	204

	Revenue from external customers	
	2009 £000	2008 £000
North America	84	157
United Kingdom & Europe	484	32
Rest of the World	68	15
	636	204

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

2009	Turnover £000	Percentage of total
Customer A	390	61%

2008	Turnover £000	Percentage of total
Customer A	55	27%

6 Expenses and auditors' remuneration

Included in the loss are the following

	2009 £000	2008 £000
Impairment loss on intangible assets	-	50
Disposal of intangible assets	-	54
Depreciation of property plant and equipment	9	11
Amortisation of intangible assets	215	159
Operating lease rentals payable – property plant and equipment	32	41
Restructuring costs expensed as incurred – included in within administrative expenses	75	828

Auditors' remuneration:

	2009 £000	2008 £000
Audit of these financial statements	35	32
Amounts receivable by auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	5	-
Other services relating to taxation	-	2

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

7. Staff numbers and costs

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

	Number of employees - Group 2009	2008
Management and technical	16	14
Administration	4	4
Non executive directors	3	2
	23	20

The aggregate payroll costs of these persons were as follows

	2009 £000	2008 £000
Wages and salaries	972	886
Share based payments (note 23)	61	(191)
Social security costs	104	95
Contributions to defined pension plans	31	38
Redundancy costs	75	-
	1,243	828

8. Directors' remuneration

	2009 £000	2008 £000
Directors emoluments	336	360
Company contributions to money purchase pension plans	2	9
Compensation for loss of office (cash settled)	25	-
Amounts paid to third parties in respect of directors' services	-	-
Fees payable for consulting services	70	50

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £137,000 (2008 £103,000) No company pension contributions were made to a money purchase scheme on his behalf During the year, the highest paid director received share options awards and did not exercise share options under long term incentive schemes and no shares were received or receivable by the director in respect of qualifying services under a long term incentive scheme

	Number of directors 2009	2008
Retirement benefits are accruing to the following number of directors under Money purchase schemes	1	3
The number of directors who exercised share options was	-	-
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	5	4

9 Finance income and expense

Recognised in profit or loss

Recognised in profit or loss	2009 £000	2008 £000
Finance income		
Interest income on cash on deposit	21	178
Total finance income	21	178

	2009 £000	2008 £000
Finance expense		
Total finance expense	-	-

10. Taxation

Recognised in the statement of comprehensive income

	2009 £000	2008 £000
Current tax expense		
Current year	70	105
Adjustments for prior years	-	99
Tax credit in statement of comprehensive income	70	204

Reconciliation of effective tax rate

	2009 £000	2008 £000
Loss for the year	(1,472)	(1 085)
Total tax credit	(70)	(204)
Loss excluding taxation	(1,542)	(1,289)
Tax using the UK corporation tax rate of 28 % (2008 28 5 %)	432	367
Non-deductible expenses	(39)	(16)
Depreciation in excess of capital allowances	(50)	27
Current year losses for which no deferred tax asset was recognised	(343)	(378)
Research and development credit	70	204
Total tax credit	70	204

Deferred tax

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

	2009 £000	2008 £000
Tax losses	2,486	2,198
Deductible temporary differences	(5)	9
	2,481	2,207

The Company has tax losses, subject to agreement by HM Revenue and Customs, in the sum of £8,879,000 (2008 £7,882,000), which are available for offset against future profits of the same trade There is no expiry date for the tax losses The deductible temporary differences relate to property, plant and equipment and the taxable temporary differences relate to the patent rights

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

11. Property, plant and equipment – Group

	Plant and Equipment £000	Motor Vehicles £000	Total £000
Cost			
Balance at 1 January 2008	254	11	265
Acquisitions through business combinations	-	-	-
Other acquisitions	21	-	21
Balance at 31 December 2008	275	11	286
Balance at 1 January 2009	275	11	286
Acquisitions through business combinations	100	-	100
Other acquisitions	6	32	38
Balance at 31 December 2009	381	43	424
Depreciation and impairment			
Balance at 1 January 2008	240	11	251
Depreciation charge for the year	11	-	11
Balance at 31 December 2008	251	11	262
Balance at 1 January 2009	251	11	262
Depreciation charge for the year	10	1	11
Balance at 31 December 2009	261	12	273
Net book value			
At 1 January 2008	14	-	14
At 1 January 2009	24	-	24
At 31 December 2009	120	31	151

12 Property, plant and equipment – Company

	Plant and Equipment £000	Motor Vehicles £000	Total £000
Cost			
Balance at 1 January 2008	254	11	265
Other acquisitions	21	-	21
Balance at 31 December 2008	275	11	286
Balance at 1 January 2009	275	11	286
Other acquisitions	6	32	38
Balance at 31 December 2009	281	43	324
Depreciation and impairment			
Balance at 1 January 2008	240	11	251
Depreciation charge for the year	11	-	11
Balance at 31 December 2008	251	11	262
Balance at 1 January 2009	251	11	262
Depreciation charge for the year	8	1	9
Balance at 31 December 2009	259	12	271
Net book value			
At 1 January 2008	14	-	14
At 1 January 2009	24		24
At 31 December 2009	22	31	53

13 Intangible assets – Group

	Goodwill £000	Patents rights and trademarks £000	Development costs £000	Total £000
Cost				
Balance at 1 January 2008	-	819	1,010	1,829
Other acquisitions – externally purchased	-	190	-	190
Disposals		(88)	-	(88)
Balance at 31 December 2008	-	921	1 010	1,931
Balance at 1 January 2009	-	921	1,010	1,931
Acquisitions through business combinations	100	163	-	263
Balance at 31 December 2009	100	1 084	1 010	2 194
Amortisation and impairment				
Balance at 1 January 2008	-	258	52	310
Amortisation for the year	-	83	76	159
Impairment charge	-	50		50
Disposals	-	(34)	-	(34)
Balance at 31 December 2008	-	357	128	485
Balance at 1 January 2009	-	357	128	485
Amortisation for the year	-	114	101	215
Balance at 31 December 2009	-	471	229	700
Net book value				
At 1 January 2008	-	561	958	1 519
At 1 January 2009	-	564	882	1,446
At 31 December 2009	**100**	**613**	**781**	**1,494**

Amortisation and impairment charge

The amortisation (and impairment charge in the prior year) is recognised in the following line items in the statement of comprehensive income

	2009 £000	2008 £000
Administrative expenses	215	209
	215	209

Impairment testing

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

	Goodwill 2009 £000	2008 £000
Translogik Limited	100	-

The goodwill was recognised on the purchase of the trade and assets of Pneulogic Limited which took place on the 20 November 2009 IAS36 Impairment of assets states that impairment tests must be performed on an annual basis, the first impairment test will be performed on the anniversary of the purchase

14 Intangible assets – Company

	Patents rights £000	Development costs £000	Total £000
Cost			
Balance at 1 January 2008	819	1 010	1 829
Other acquisitions – externally purchased	190	-	190
Disposals	(88)	-	(88)
Balance at 31 December 2008	921	1,010	1 931
Balance at 1 January 2009	921	1 010	1 931
Additions	50	-	50
Acquisitions through business combinations	113	-	113
Balance at 31 December 2009	1,084	1 010	2,094
Amortisation and impairment			
Balance at 1 January 2008	258	52	310
Amortisation for the year	83	76	159
Impairment charge	50	-	50
Disposals	(34)	-	(34)
Balance at 31 December 2008	357	128	485
Balance at 1 January 2009	357	128	485
Amortisation for the year	114	101	215
Balance at 31 December 2009	471	229	700
Net book value			
At 1 January 2008	561	958	1 519
At 1 January 2009	564	882	1 446
At 31 December 2009	**613**	**781**	**1,394**

Amortisation and impairment charge

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

	2009 £000	2008 £000
Other operating expenses	215	209
	215	209

15. Investments in subsidiaries

The Group and Company have the following investments in subsidiaries

	Country of Incorporation	Class of shares held	Ownership 2009	Ownership 2008
Translogik Limited	England	Ordinary shares	100%	0%

The Group's share of post-acquisition total recognised loss in the above subsidiary for the year ended 2009 was £236,000 (2008 £nil) The investment is included in the Company balance sheet at £5,000

16. Available for sale investments

	Group and Company 2009 £000	2009 £000
Wheelsure Holdings Plc equity investment	90	65

During the year the unsecured loan notes were exchanged for shares

17. Other financial assets – Wheelsure Holdings plc

	Group and Company 2009 £000	2009 £000
9% Unsecured loan maturing in February 2010	-	25

18. Inventories

	Group 2009 £000	2008 £000	Company 2009 £000	2008 £000
Finished goods	33	18	15	18
	33	18	15	18

19. Trade and other receivables

	Group 2009 £000	2008 £000	Company 2009 £000	2008 £000
Trade receivables	96	22	64	22
Intercompany amounts receivable	-	-	367	-
Other receivables	18	26	18	26
Prepayments	23	27	24	27
	137	75	473	75

Included within trade and other receivables is £nil (2008 £nil) for the Group and Company expected to be recovered in more than 12 months

20 Cash and cash equivalents/ bank overdrafts

	Group 2009 £000	2008 £000	Company 2009 £000	2008 £000
Cash and cash equivalents per balance sheet	1,277	2,695	1,188	2 695
Cash and cash equivalents per cash flow statements	1,277	2 695	1,188	2 695

21. Trade and other payables

	Group 2009 £000	2008 £000	Company 2009 £000	2008 £000
Current				
Trade payables	97	180	97	180
Non-trade payables and accrued expenses	394	24	195	24
	491	204	292	204

All trade and other payables are current

22. Employee Benefits

Defined contribution plans

The Group operates a defined contribution pension plan
The total expense relating to these plans in the current year was £25,000 (2008 £31,000)

Share-based payments – Group and Company

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

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

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

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

There is a charge of £61,000 (2008 191,000 credit) for the new options granted in the year The charge included in administrative expenses is not chargeable to corporation tax and is currently a permanent timing difference as the options are "under water"

Unapproved Discretionary Share Option Scheme

At 31 December, 2009 the following share options remained outstanding under the Company's Unapproved Discretionary Share Option Scheme

Number of Options				Option Price	Date of Grant	Date of Excercise	
1 January 2009	Granted	Cancelled	31 December 2009			First	Last
100,000	0	0	100,000	23 00p	12 12 07	04 01 09	03 01 13
50,000	0	50,000	0	117 75p	01 04 07	01 04 10	31 03 12
0	60,000	0	60,000	10 00p	01 02 09	01 02 11	31 01 14

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

Date of Grant	Estimated fair Value	Share Price	Option Price	Expected Volatility %	Expected Life	Risk Free Rate	Expected Dividends %
01 04 07	£0 6952	£1 1775	£1 1775	66 00%	5 years	4 75	Nil
04 01 08	£0 1428	£0 2700	£0 2300	66 00%	6 years	4 75	Nil
05 01 08	£0 0239	£0 0650	£0 1000	66 00%	5 years	4 75	Nil

Enterprise Management Incentive Option Scheme

At 31 December, 2009, the following shares remained outstanding under an Enterprise Management Incentive Option Scheme

	Number of Options			Option Price	Date of Grant	Date of Excercise	
1 January 2009	Granted	Cancelled	31 December 2009			First	Last
1,595,000	0	0	1,595,000	10 00p	16 09 08	16 09 10	15 09 13
375,000	0	0	375,000	11 00p	16 09 08	01 01 09 - 01 01 11	31 12.12 - 31 12 15
0	1,750,000	0	1,750,000	10 00p	02 02 09	02 02 11	01 02 14

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

Date of Grant	Estimated fair Value	Share Price	Option Price	Expected Volatility %	Expected Life	Risk Free Rate	Expected Dividends %
16 09 08	£0 0239	£0 0239	£0 1000	70 00%	5 years	3 00	Nil
16 09 08	£0 0239	£0 0875	£0 1100	70 00%	5 years	3 00	Nil
02 02 09	£0 0239	£0 0650	£0 1000	70 00%	5 years	3 00	Nil

Previous directors

As at 31 December, 2009,the following options remained outstanding in respect of previous Board Members who have retired or resigned but were allowed to retain some options These options haved to be exercised by 23 May 2010 and at a strike price of £2 00

	Number of Options			Option Price	Date of Grant	Date of Excercise	
1 January 2009	Granted	Cancelled	31 December 2009			First	Last
1,020,000	0	0	1,020,000	100 00p	24 05 05	24 05 08	23 05 10
250,000	0	0	250,000	10 00p	23 12 08	23 12 10	22 12 13

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

Date of Grant	Estimated fair Value	Share Price	Option Price	Expected Volatility %	Expected Life	Risk Free Rate	Expected Dividends %
24 05 05	£0 5754	£0 9800	£1 0000	66 00%	5 years	4 75	Nil
23 12 08	£0 0239	£0 0400	£0 1000	70 00%	5 years	3 00	Nil

23 Capital and reserves

Share capital

In thousands of shares	Ordinary shares 2009	2008
On issue at 1 January 2009	75,807,138	75 807 138
Issued for cash	-	
On issue at 31 December 2009 – fully paid	75,807,138	75,807 138

	2009 £000	2008 £000
Allotted called up and fully paid		
Ordinary shares of £0 10 each	7,580	7 580
	7,580	7,580
Shares classified as liabilities	-	
Shares classified in shareholders funds	7,580	7 580
	7,580	7 580

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

24. Operating leases

Non-cancellable operating lease rentals are payable as follows

	Group and Company 2009 £000	2008 £000
Less than one year	30	41
Between one and five years	-	-
More than five years	-	-
	30	41

The operating lease relates to the property which is used by the Group and Company which has an annual break clause During the year £30,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2008 £41,000)

25. Basic and fully diluted loss per share

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 the ordinary shares are not included in the calculation of diluted loss per share as their effect is anti-dilutive

26. Financial instruments

Financial risk management overview

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

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due
The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation The Company has a cash balances at year end totalling £1,277 000 (2008 £2,695,000) and as such liquidity is not currently seen as a risk for the Company in 2009 The Company has no external borrowing and finances its operations by raising equity finance on the Alternative Investment Market (AIM)

Market risk

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

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

The available-for-sale investment in Wheelsure Holdings plc is a financial instrument that subjects the Company to equity price risk The investment continues to be held at cost and the market value, £205,000 (2008 £135,000) of the investment exceeds the carrying value, £90,000 (2008 £65,000), at year end

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

	2009 £000	2008 £000
Variable rate instruments	100	390
Financial assets	1,177	2,300

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

Cash flow sensitivity analysis for variable rate instruments

Due to the current unprecedented low rates of interest a change of 100 basis points in interest rates at the reporting date would not have created any material change in the profit or loss for 2009 or 2008

The directors consider that the Company's exposure to interest rates is low (2008 low) Cash is invested in deposits with UK high street banks Low and falling interest rates will reduce returns on these balances

Management of capital

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business There were no changes to the Company's approach to capital management during the year The Company is not subject to externally imposed capital requirements

Credit risk

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

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

At 31 December 2009 the Company's cash was divided between current accounts £100,000 (2008 £395,000) and £1,177,000 in fixed rate monthly deposits (2008 £2,300,000) with a weighted average interest rate for the year of 4 5% (2008 5%) Cash and cash equivalents are held only in high street banks

During the year the 9% unsecured loan to Wheelsure Holdings plc was converted into equity shares of the entity The Company offers trade credit to customers, who are well established and major companies, in the normal course of business The Company operates stringent credit control procedures on potential customers before allowing credit

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

27. Contingencies and commitments

Group

During the year ended 31 December 2009 the Group entered into a purchase agreement for the acquisition of the trade and assets of Pneulogic Limited for a total consideration of £250,000 The consideration included £200,000 of contingent consideration which is payable based upon future revenue flows from the purchased trade and assets and is expected to be paid within 15 months of the year end date

The Group had £nil capital commitments (2008 £nil)

Company

The Company has £nil capital commitments and contingencies (2008 £nil)

28. Related parties

Group

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

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

	Group and Company 2009 £000	2008 £000
Key management emoluments including social security costs	336	410
Company contributions to money purchase pension plans	2	9
Compensation for loss of office	25	-
Share related awards	61	11
	424	430

Company

Other related party transactions

	Sales to		Administrative expenses incurred from	
	2009 £000	2008 £000	2009 £000	2008 £000
Subsidiary company	282	-	282	-
	282	-	282	-

	Receivables outstanding		Payables outstanding	
	2009 £000	2008 £000	2009 £000	2008 £000
Subsidiary company	367	-	367	-
	367	-	367	-

Prior to the acquisition of Pneulogic Limited on 20 November 2009, Transense Technologies plc purchased stocks to the value of £32,000 (2008 £nil)

29. Subsequent event

Subsequent to the balance sheet date, the Company engaged in a fund raising by way of a private placing and an open offer to existing shareholders At the date of signing these accounts the indications were that £2,038,000 had been committed in the private placing with a potential further sum of £500,000 in the Open Offer