Transense Technologies plc

Interim Results & Management Statement for the half year ended 31st December 2012

Chairman's Statement

Sales in the six months to 31 December 2012 reached a record level for Transense of £967,000 (2011: £414,000). The post-tax loss for the period of £1,019,000 (2011: £1,036,000) reflects, as earlier indicated, the continuing cost of funding our US operations, which commenced in September 2011 and are expanding as the potential for new business increases.

The highlight of the first half of our financial year was the receipt of the first major order, after lengthy field trials, from Anglo American for our iTrack system, which enables mine operators to track vehicles in real-time and receive early warning of possible tyre malfunctions or hazards. This live data enables prompt action to be taken, thereby reducing the risk of injury to personnel and damage to property, and improving safety standards. Additionally, the ability of iTrack to monitor tyre temperature and pressure can extend tyre life and reduce truck downtime to mine operators, thereby increasing productivity. We are anticipating further orders from South Africa and are continuing to run field trials in Australia and South America. iTrack is marketed by our Translogik division, which, further assisted by the growth in sales of its tyre inspection Probe kits, nearly doubled its sales in the six month period to December to £223k (2011: £128k).

Intellisaw, in the USA, also saw a significant increase in sales, which amounted to £235,000 in the six-month period (2011: £42,400) despite the lengthy trial periods during which potential customers test our wireless sensor systems for smart grid applications. We have great confidence that further breakthroughs will be achieved. Our sales team has travelled extensively throughout the Far East and South America, and also in India and Saudi Arabia. Our sensors have a special relevance in developing countries experiencing rapid industrialisation, and the positive feedback we are receiving, alongside the growing number of distributors and trials means we believe it is only a matter of time before a consistent and accelerating level of sales materialises. In the meantime we experience meaningful regular cash outflows to meet overhead and working capital needs.

Transense continues to maintain progress in our relationship with General Motors for, in particular, the flexplate application, and where a second leading North American OEM has placed an order for the development of a prototype for vehicle evaluation. The joint venture with McLaren is proceeding well and further orders have recently been received.

Trading in the second half of the year and capital base

Overall, whilst formal order intake since January has been at a similar level as last year, the number of enquiries received and quotations submitted has been considerably higher. Indeed, quarter on quarter the momentum grows, constrained only by our working capital needs. It has taken time to produce and market our sensors, but it is clear that the choices we made three years ago have been validated by the market. In short, it has been such an encouraging six months, and, although neither the timing nor size of any new orders can be certain, the Board reasonably expects near term progress with further announcements likely to be made. It is possible (although by no means certain) that one or more orders may materialise within a short period; further announcements will be made as required.

As a significant proportion of our projected sales comprise a small number of high value orders and the timing of the receipt of these orders is outside of our control, the ability to predict accurately the timing of delivery of any such orders remains challenging. Accordingly the level of reported sales may be materially affected in any given reporting period. Furthermore, the uncertainties around the timing of expected orders make cash flow projections more uncertain than usual.

The Board has therefore decided that it is in the best interests of the Company to raise a relatively small sum as quickly and with as little expense as possible. A modest placing is therefore being conducted within existing authorities to issue new shares and is described in a separate announcement issued today.

We remain greatly encouraged by the underlying trends in interest and demand for our products and, assuming the anticipated orders materialise, it may become appropriate to raise further funds to fuel that success. In such a case, we would intend to make an appropriate offer to our existing shareholders to participate as part of any such fundraising.

David Kleeman

Chairman

CEO Report

Over the last few years, the Company has executed on its revised commercial strategy of repositioning Transense away from being purely a technology transfer company, to one that has a broad and diverse range of products leveraging its patented surface acoustic wave ('SAW') technology and sensor expertise. Having successfully established its two trading divisions, IntelliSAW and Translogik, developed class-leading products for its target markets, and built a large and rapidly expanding global partner and distribution network, it is the Board's view that the record revenue growth seen in the last six months may well represent the start of a new chapter of commercial success for the Company.

Transense

The Company continues to leverage its patented SAW (Surface Acoustic Wave) technology with existing and new projects, both in the automotive and non-automotive fields.

Progress continues towards commercialisation of the torque flexplate in partnership with General Motors ('GM'), with further applications of the technology being evaluated. Transense is providing ongoing engineering support to the GM development team. The flexplate is an integral part of the vehicle powertrain control system and has the potential to improve vehicle driveability, reduce fuel consumption and improve transmission shift quality.

In Motorsport, Transense is now supplying drive shafts to McLaren for use in Indycar, receiving income from sales and profit share as part of the Joint Development Agreement, as well as receiving royalties from its licensee, Stack, in regards to its tyre pressure monitoring system (TPMS).

The Intelwind project, to improve the efficiency and reliability of wind turbines, funded by the EU's Seventh Framework Programme (FP7) is continuing and Transense is now in discussions with regards to further FP7 initiatives.

As part of the Company's strategy to diversify into non-automotive markets, a number of new paid for customer-driven projects are progressing, applying Transense's technology for use in avionics, space, marine and a variety of industrial applications.

Translogik

Translogik's iTrack order from Anglo American subsidiary, Kumba Iron Ore, in August 2012 was the first commercial success for Translogik's iTrack system in South Africa. Deployment of those systems is ongoing and the Company are hopeful that further orders will follow, as the benefits of the system become apparent through analysis of the live data the iTrack system is able to provide to vehicle operators, both in terms of improved safety and reduced vehicle downtime.

New routes to market for the iTrack system with companies providing complementary products to the mining and earthmoving truck markets have been established and the iTrack system's capabilities continue to grow. Further field trials are currently underway in South America, Australia and Indonesia.

Dramatic recent increases in the costs of fuel and rubber have led to a surge of interest in Translogik's tread depth and pressure measurement products. Since the start of our financial year, Translogik has delivered probes to fourteen OEMs (Original Equipment Manufacturers), sixteen Value Added Resellers/System Integrators and four software R&D departments in twenty different countries, and it would be reasonable to expect further large OEM orders for the range of tyre inspection probes in the remainder of the year.

Translogik continues to develop a variety of tyre inspection systems with partners across the globe on a variety of Apple and Android based platforms. A notable recent project with Brisa Bridgestone in Turkey (www.brisa.com.tr/English/Default.aspx) has led to a flow of ongoing orders for inspection probes.

IntelliSAW

IntelliSAW is continuing to make significant commercial progress, securing record quarterly orders since the start of 2013. Notable recent orders include those from ETT (IntelliSAW Taiwan distributor), Al Mashariq (IntelliSAW Saudi distributor), marking the first major contract win in that region and a 33 system installation in South Korea for POSCO, the country's largest steel manufacturer, with the potential for further larger deployments.

Additionally, five new pilots have begun or will begin imminently. The pilots will be spread across the United States, China, Abu Dhabi and South Korea. These take the total number of pilots to fifteen, including those already underway at JSW Steel, Petrobras, Southern China Grid, Gujarat State Electricity Corp, State Grid Corp of China, Formosa Plastics Group, Nan Ya Switchgear, Progress/Duke Energy and the Orlando Utility Commission.

Seven new distributors have been appointed in the Benelux region, Poland, Israel, Egypt, Indonesia, Chile and the Philippines, expanding the Company's global distribution network to seventeen partners.

A recent highlight is the deployment of IntelliSAW's thermal monitoring systems for critical asset monitoring of 340 switchgears at the soon to be completed, state-of-the-art, Fuxin Special Steel Company (FSSC) Steel Plant in the Zhangzhou Longchi Development Zone of Fujian Province, near Xiamen, China.

At the plant, the IS485 thermal monitoring systems have been integrated into 340 medium voltage switchgear manufactured by Nan Ya Switchgear in cooperation with IntelliSAW's integration partner, ETT. Factory-installed by Nan Ya Switchgear, a division of Formosa Plastics Group (FPG), the IS485 systems will help ensure a reliable and safe supply of electric power throughout the factory by continuously monitoring 2000+ critical points inside the switchgears, thus helping to protect a $2.2 billion investment by FSSC in constructing the factory. This is the first fit-out of an entire factory and the Company believes the prospects for further orders via ETT to be extremely positive.

As part of the Company's coordinated global marketing initiative, IntelliSAW's IS485 wireless/passive thermal monitoring system will be on show at the Hannover Messe (http://www.hannovermesse.de/home) in conjunction with our regional partners from the 8th to 12th April 2013, as well as the WEPower exhibition in Saudi from May 12th-14th 2013 (http://www.wepower-sa.com)

Outlook

The Board is encouraged that, against the backdrop of continuing progress on Transense's long-term development projects with the likes of GM, Translogik and IntelliSAW are now beginning to provide the near- and medium-term revenue to support the Company until such time as royalty revenues arrive.

The recent fit-out of an entire factory with IntelliSAW IS485 systems for Fuxin Steel in China demonstrates the scale of deployments that the Company is targeting, and we expect these deployments to accelerate during the coming year. With Translogik, the Board believes that Kumba Iron Ore's decision to choose its iTrack system over competing products after lengthy field trials is indicative of the system's value. The Board further believes that the market opportunity is significant, not only with potential further orders from Kumba, but also with other trials currently underway. However, as we have found over the last year or so, customer testing, validation and integration of these systems can be complex and time-consuming, so it is difficult to gauge the timing of orders with any certainty. Notwithstanding this, the high levels of interest and demand for our products give us increasing confidence that, as the business develops over time, the flow of orders will become more regular.

In summary, the first six months of our financial year have seen record sales for the Transense Group and we are more optimistic than ever that we have the right products, for the right markets at the right time to give the Company the best possible opportunity for its future commercial success.

Graham Storey

CEO

Transense Technologies plc

Condensed Consolidated Statement of Comprehensive Income

	Six months to 31 Dec 12	Six Months to 31 Dec 11	18 Months to 30 Jun 12
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
Continuing operations			
Revenue	**967**	414	1,014
Cost of sales	**(286)**	(219)	(449)
Gross profit	**681**	195	565
Administrative expenses	**(1,731)**	(1,266)	(3,997)
Operating loss	**(1,050)**	(1,071)	(3,432)
Financial income	**2**	7	34
Loss before taxation	**(1,048)**	(1,064)	(3,398)
Taxation	**29**	28	73
Total comprehensive income for the period	**(1,019)**	(1,036)	(3,325)
Basic and fully diluted loss per share	**(0.45)**	(0.78)	(2.24)

Transense Technologies plc

Condensed Consolidated Statement of Financial Position

	Six months to 31 Dec 12 (Unaudited)	Six months to 31 Dec 11 (Unaudited)	18 Months to 30 Jun 12 (Audited)
	£'000	£'000	£'000
Non current assets			
Property, plant and equipment	**172**	182	149
Intangible assets	**1,113**	1,230	1,188
	1,285	1,412	1,337
Current assets			
Inventory	**156**	130	140
Corporation tax receivable	**103**	56	73
Trade and other receivables	**493**	527	299
Cash and cash equivalents	**813**	1,495	195
	1,565	2,208	707
Total assets	**2,850**	3,620	2,044
Current liabilities			
Trade and other payables	**(263)**	(357)	(254)
Current tax liabilities	**(33)**	(27)	(33)
Total liabilities	**296**	(384)	(287)
Net assets	**2,554**	3,236	1,757
Capital and reserves			
Share capital	**8,802**	8,589	8,591
Share premium	**11,301**	9,768	9,753
Warrant reserve	**430**	430	430
Accumulated deficit	**(17,979)**	(15,551)	(17,017)
Shareholders' funds	**2,554**	3,236	1,757

Transense Technologies plc

Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Issued share capital	Share premium account	Warrant Reserve	Accumulated deficit	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2011	8,145	8,956	710	(14,047)	3,764
Loss for the period	-	-	-	(3,325)	(3,325)
Shares issued and share premium	446	797	-	-	1,243
Transfer between reserves			(280)	(280)	-
Share based transactions	-	-	-	75	75
Balance at 30 June 2012	**8,591**	**9,753**	**430**	**(17,017)**	**1,757**
Loss for the period	-	-	-	(1,019)	(1,019)
Shares issued and share premium	211	1,548	-	-	1,759
Share based transactions	-	-	-	57	57
Balance at 31 December 2012	**8,802**	**11,301**	**430**	**(17,979)**	**2,554**

Transense Technologies plc
Condensed Consolidated Statement of Cash Flows

	Six Months to 31 Dec 12 (Unaudited) £'000	Six Months to 31 Dec 11 (Unaudited) £'000	18 Months to 30 Jun 12 (Audited) £'000
Cash flow from operating activities			
Loss for the period	**(1,048)**	(1,064)	(3,398)
Adjustments for			
Financial income	**(2)**	(7)	(34)
Depreciation of property, plant and equipment	**32**	23	78
Amortisation and impairment of intangible assets	**109**	120	320
Loss on disposal of fixed assets	**-**	-	11
Equity settled share based payment	**57**	9	75
Operating cash flows before movements in working capital	**(852)**	(919)	(2,948)
Change in receivables	**(222)**	(110)	101
Change in payables	**9**	(10)	(113)
Change in Inventories	**(15)**	(14)	(99)
Cash used in operations	**(1,080)**	(1,053)	(3,059)
Taxation recovered	**29**	17	65
Net cash used in operations	**(1,052)**	(1,036)	(2,994)
Cash flows from investing activities			
Interest received	**2**	7	34
Acquisition of property, plant & equipment	**(55)**	(58)	(112)
Acquisition of intangible assets	**(33)**	(42)	(114)
Proceeds from sale of fixed assets	**-**	-	72
Net cash used in investing activities	**(86)**	(93)	(120)
Cash flows from financing activities			
Proceeds from issue of equity share capital	**1,756**	1,269	1,243
Share premium refund of issuance fees			
Net cash used for financing activities	**1,756**	1,269	1,243
Net (decrease)/increase in cash and cash equivalents	**618**	140	(1,871)
Cash and cash equivalents at beginning of period	**195**	1,355	2,066
Cash and cash equivalents at end of period	**813**	1,495	195

Notes to the Interim results for the six months to 31 December 2012

1 Accounting Policies

The accounting policies and presentation applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2012, except as noted below.

2 Reporting Entity

Transense Technologies plc. ("the Company") is a company incorporated in the United Kingdom under the Companies Act 2006. These condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2011 comprises the Company and its subsidiary (together referred to as "the Group" and individually as "Group entities"). These condensed consolidated interim financial statements are presented in pounds sterling, rounded to the nearest thousand.

The consolidated financial statements of the Group as at and for the period ended 30 June 2012 are available upon request from the Company's registered office or at www.transense.co.uk

These condensed consolidated interim financial statements are unaudited.

3 Going Concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the reason below.

At 31 December 2012, the Group had net assets of £2.5m and a positive cash balance of £813,000. The Group meets its day to day working capital requirements through existing cash reserves. The Directors have prepared internal cash flow forecasts for the period to 30 June 2014. These forecasts make a number of operational assumptions, the most significant of which are as follows:

1. the raising during April of at least £290,000 net of costs through a placing of new equity shares in respect of which the Group's broker has received a placing letter for the full amount.

2. an increased level of sales reflecting recently announced orders and pilots plus future anticipated orders.

The Directors believe that the proceeds from the planned placing will be in line with their expectations. The completion is subject only to legal and administrative procedures, notably the admission of the shares to AIM and settlement and therefore the Directors are confident that this will be completed prior to the Group requiring additional funds.

As far as the increased level of sales are concerned, were the timing of those sales to be delayed, then the group may require further additional funding. The Company are currently in discussions with bankers to provide further facilities to fund the continuing expansion of the business which would provide sufficient funding in anticipation of the operations becoming cash generative.

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 expected proceeds from the forecast increased level of sales materialises (or that appropriate bank facilities are made available), 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 all these matters.

The Directors have concluded that the achievement and timing of the anticipated orders and also the potential requirement, and ability, to obtain external financing both represent material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. The Group 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.

4 Corporation tax and Deferred tax

The Company is entitled to a Corporation Tax credit in respect of expenditure on Research and Development. No deferred tax asset is recognised in these financial statements in respect of trading losses to date.

5 Consolidated Accounts

These accounts include the trading of IntelliSAW inc. for the six months to 31 December 2012.