Transense Technologies plc

Report and Financial Statements
For the Year Ended
31 December, 2006

DIRECTORS AND ADVISERS

Directors	* P J Woods *(Chairman)* J A H Perry *(Chief Executive)* * A B Baldry G D Eves *(Commercial)* R D Lohr *(Technical)* H G Pearl *(Finance)* * J P Pither * *Non-executive and member of The Audit and Remuneration Committees*
Secretaries and Registered Office	Watlington Securities Limited 36 Elder Street London E1 6BT
Auditors	KPMG Audit Plc Arlington Business Park Theale Reading RG7 4SD
Bankers	HSBC Bank plc 1 Sheep Street Bicester Oxon OX26 7JA
Nominated Advisers	Bridgewell Limited 128 Queen Victoria Street London EC4V 4BJ
Brokers	Bridgewell Limited 128 Queen Victoria Street London EC4V 4BJ KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA
Registration Number	1885075

CHAIRMAN'S STATEMENT

Our results for the year show a 9% increase in turnover to £604,000 but a loss for the year of £1,210,000, an increase of £164,000 over the restated loss of £1,046,000 in 2005. One of the reasons for this is the new accounting standard which requires the Company to make a charge to the profit and loss account for share options. The calculated expense, which was £72,000 higher than last year, is £244,000. Because this sum is non cash it is credited to reserves and has no effect on the balance sheet.

In addition, following a detailed review, we have incurred a special £178,000 patent cost amortisation charge. Whilst continually updating our relevant patents, we have eliminated those patents which are no longer of use, and restricted those remaining to the geographic areas in which we shall earn our income. The effects will be to reduce the cash costs of maintaining the patents as well as incurring lower amortisation charges.

As ever this intellectual property is the foundation of our licence deals and growth in shareholder value. We now have 20 granted patents and 12 new patent applications in progress, as well as six trade mark and design registrations.

The past year was very eventful indeed especially in the second half when in November Michelin announced it was marketing our tyre pressure monitoring technology (TPMS) in commercial vehicle tyres under the name e-tire 2. This is the first time our SAW technology has been commercialised after many years of research and development. The existing programs we have on engine torque measurement are now at an advanced stage, with one company in particular having completed faultless dynamometer testing equivalent to circa two years of driving. Testing is now taking place in-vehicle and so far the reports are extremely good.

The North American vehicle manufacturers have reacted very positively to SAW torque sensors and have indicated that they out-perform other forms of torque sensors proposed for production fit to cars. A USCAR independent assessment project carried out during 2006 recently confirmed the excellent performance of SAW sensors applied to automatic transmission output torque sensing. Both DaimlerChrysler and Ford now have granted US Patents which mention the use of SAW torque sensors. A further torque program with a major European group is also well underway and the reports we are receiving back are also positive. Honeywell is actively promoting SAW torque sensors with a view to early volume supply.

Last year we mentioned that we were working with a South African company to put our sensors into its Intelliband product. This program has taken longer than planned, but one of our engineers is in South Africa to progress the development of Intelliband with our TPMS technology.

We are at an advanced stage with another customer to incorporate our TPMS into their existing car-monitoring black box, but we still need to sign a satisfactory agreement before we can proceed further.

Our relationship with Lear has started with considerable confidence and our joint teams of engineers are co-operating well. I can reveal that together we have already demonstrated our TPMS technology in vehicles to two of the leading car manufacturers in Europe. These demonstrations were well received and more are actively being arranged for other manufacturers throughout the world.

Many shareholders will be aware that our working relationship with Honeywell goes from strength to strength and that we have granted them a non-exclusive licence to use our pressure SAW technology in fields outside the automotive industry. Honeywell are the largest manufacturers of pressure sensors in the world and see SAW sensors extending the horizon in this marketplace.

As the markets for tyre pressure monitoring and torque grow exponentially, more and more companies, much larger than us, are trying to join the race. From experience we know that, from the time of concept reporting to a fully working technology, it takes many years to obtain acceptance in the markets with which we are dealing. Most of the so-called breakthroughs that are announced never see the light of day and, as far as we and our associates are concerned, there is nothing without a battery threatening us yet.

We will once again update our product presentation at the AGM and on our web site to give you the best possible view of future progress by project. Last year we anticipated commercial TPMS starting end 2006 and car TPMS and Torque starting during 2008 with clearly the thrust of revenue growth likely to develop in 2009 and beyond. As we always point out, the marketing and ramp-up of volume production of our technology is in the hands of our licensees. They are far larger than Transense and have their own internal confidential timescales, which makes it difficult to predict when royalties are likely to flow in a major way. However we are now more convinced that large revenues will develop over the medium term.

As we approach our goals we are constantly aware that extra hands will be needed to help us on our way and strengthen our management team. With this in mind I am pleased to inform you that Rodney Westhead has agreed to join the board of Transense as a non-executive director. Rodney is a Chartered Accountant by training and until 2005 was Chief Executive of Ricardo, the major Automotive consulting engineering group with sales of £150 million a year.

I can also report that we have appointed Noble & Company Limited as our Nominated Advisor and broker. I would like to thank Bridgewell for all the advice they have given us over the years and also KBC Peel Hunt for their input as joint brokers to our company.

Many thanks to all the Transense team for their excellent supportive work and responses over the past year.

Finally last year we described the future advent of electronic proxy voting. For those who wish to use this facility, please see the details in the AGM notes of the Annual Report which will be issued by end April.

Peter Woods
Chairman 29 March 2007

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 to the size and nature of the Company.

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

The Board

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

Non executive directors are not appointed for specified terms nor have an automatic right of reappointment. The Board believes that, because of the nature of the business, the contribution and independence of a non executive director is not diminished by long service but that a detailed knowledge of the Company and its activities is most beneficial.

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

Audit and Risk Committee

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

Nomination Committee

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

Remuneration Committee

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

The report of the Remuneration Committee is set out on pages 6 to 8.

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 by the Company 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 both the Company's Unapproved Discretionary Share Option Scheme (UDSOS) and its Enterprise Management Incentive Option Schemes (EMI). These schemes potentially offer long term incentives to directors and key personnel.

The Remuneration Committee has appointed Marcussen Consultants, an independent consultancy, to advise them on the future design of the Company's long term incentive and executive share option schemes. This firm also provides corporation tax advice to the Company.

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

The 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 UDSOS.

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

Base Salary and Benefits

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

In addition to base salary the full time executive directors Messrs Eves, Lohr and Perry are also entitled to 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 minor children where relevant 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. All executive directors have been awarded options under both the Company's UDSOS and EMI schemes, the details of which are shown below.

Directors' Pension Policy

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

Service contracts

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

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

Directors' Emoluments

Information on directors' emoluments is as follows:

	Basic salary	*Fees*	*Benefits*	*Pension contri-butions*	*Total emoluments 2006*	*2005*
	£	£	£	£	£	£
Executive Directors						
G D Eves	53,800	–	7,529	5,380	66,709	66,742
R D Lohr	59,500	–	6,689	5,950	72,139	70,338
A Lonsdale (*resigned 22 November 2005*)	–	–	–	–	–	9,371
H G Pearl	27,800	–	–	–	27,800	27,120
J A H Perry	71,500	–	10,522	7,150	89,172	87,047
Non-Executive Directors						
A B Baldry	–	12,000	–	–	12,000	12,000
J P Pither	–	12,000	–	–	12,000	12,000
P J Woods	–	20,000	–	–	20,000	20,000
Total 2006	212,600	44,000	24,740	18,480	299,820	
Total 2005	215,585	44,000	27,017	18,016		304,618

J P Pither's fees are paid to a business in which he has a material interest.

This table excludes the fair value of directors' share options as defined by Financial Reporting Standard 20. Details of all options granted to directors are shown on page 8.

Under the 2005 UDSOS and the 2005 EMI Plan, the directors were granted options on shares to be exercised at 100p per share, but only if the market price of the shares is at least 200p at the date of exercise. On the date of the grants the market price was 98p per share.

Directors' interests in the UDSOS are:

	At 1 Jan 2006	*At 31 Dec 2006*	*Earliest Exercise Date*	*Exercise Price per Share*
A B Baldry	100,000	100,000	24.05.08	100p
G D Eves	400,000	400,000	24.05.08	100p
R D Lohr	100,000	100,000	09.01.06	52p
	200,000	200,000	24.05.08	100p
H G Pearl	100,000	100,000	24.05.08	100p
J A H Perry	550,000	550,000	24.05.08	100p
J P Pither	50,000	–		26p
	50,000	50,000	24.05.08	100p
P J Woods	200,000	200,000	24.05.08	100p

J P Pither exercised his option on 50,000 shares at 26p on 4 April.

Directors' interests in the EMI are:

	At 1 Jan 2006	*At 31 Dec 2006*	*Earliest Exercise Date*	*Exercise Price per Share*
G D Eves	90,000	90,000	24.05.08	100p
R D Lohr	90,000	90,000	24.05.08	100p
H G Pearl	90,000	90,000	24.05.08	100p
J A H Perry	90,000	90,000	24.05.08	100p

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

Share price and performance graph

The share price and performance graph is disclosed in the Directors' Report on page 10.

On behalf of the Board

P J Woods
Chairman, Remuneration Committee 29 March 2007

REPORT OF THE DIRECTORS

For the year ended 31 December, 2006

The directors present their annual report and audited financial statements for the year ended 31 December, 2006.

Business activities, review of the business and future developments

The principal activities of the Company during the year were the continuing development of non-contact battery-less sensors and their electronic interrogation systems for measuring tyre pressure and temperature, non-contact systems for measuring torque in drive shafts and electric power assisted steering, plus various other pressure, temperature and torque devices that utilise the Company's patented Surface Acoustic Wave Technology in automotive applications.

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

Results and Dividends

The results for the year ended 31 December 2006 show a loss of £1,210,000 (2005: £1,046,000 loss restated). The directors do not recommend the payment of a dividend (2005: £nil).

Directors

The present directors are listed on page 1. The directors retiring by rotation are James Perry and Peter Woods and, being eligible, they offer themselves for re-election.

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

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

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

Jon Pither has, over the last sixteen years, built up extensive interests and directorships in a portfolio of companies with particular emphasis on emerging businesses. He is Chairman of Active Capital Trust plc, a fund managed by Bluehone Investors LLP who are responsible for substantial shareholdings in Transense Technologies. Previously he was executive director of Glynwed International plc.

There were no contracts of significance in which the directors had a material interest during the year.

Substantial shareholdings

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

	Ordinary shares Of 10p each	*%*
Active Capital Trust plc*	3,741,968	6.6
Man Financial Limited	3,694,000	6.5
P Lobbenberg	2,625,936	4.7

*This holding is part of a total of 5,572,880 ordinary shares (representing 9.9% of the issued share capital) held by Bluehone Investors LLP through client holdings.

Directors' interests

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

	Ordinary shares of 10p each	
	31 December 2006	*1 January 2006*
A B Baldry*	91,200	91,200
G D Eves*	256,400	256,400
R D Lohr	–	–
H G Pearl*	222,400	222,400
J A H Perry*	1,955,892	1,955,892
J P Pither	142,000	92,000
P J Woods*	8,756	8,756

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

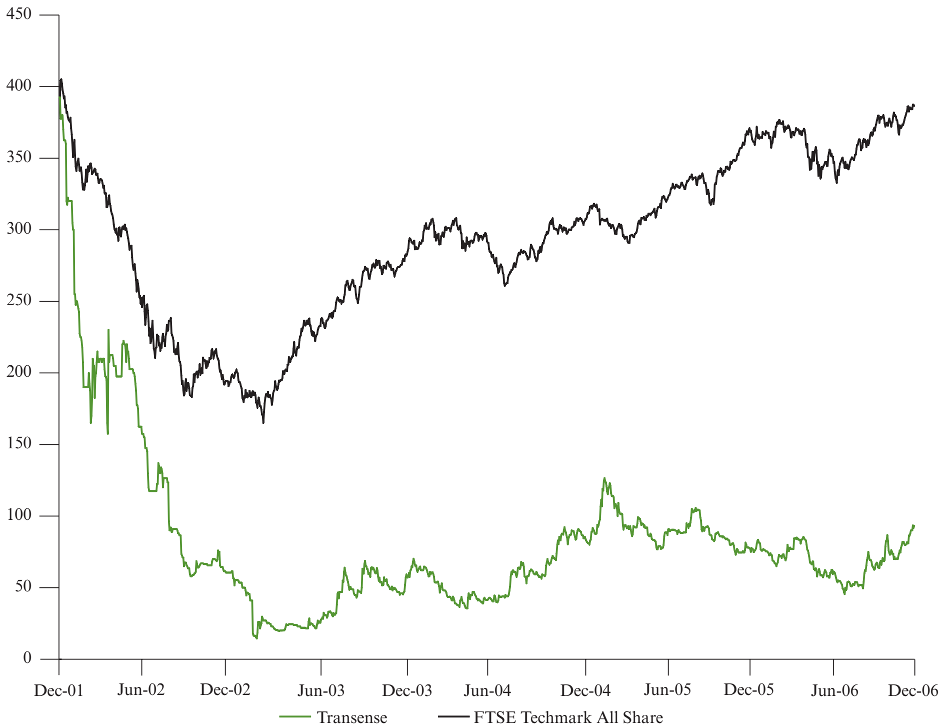
There have been no changes in the above shareholdings between 31 December, 2006 and 29 March 2007.

Share price

The mid price of the shares in the Company at 31 December, 2006 was 93¼p and the range during the year was 93½p to 45½p.

Performance graph

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



This graph shows the Company's share price from the end of 2001 to the end of 2006. The price at 31 December 2006 was 93¼p per share.

Share Option Schemes

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

Details of options granted to directors are disclosed in the Remuneration Report on page 8.

Risk objectives

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 18 to the financial statements.

Indemnification of Directors

Qualifying third party indemnity provisions (as defined in Section 309B(1) of the Companies Act 1985) are in force for the benefit of the Directors who held office during 2006.

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, 2006 trade creditors represented under 45 days' purchases.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each 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

KPMG Audit Plc have expressed their willingness to continue as auditors of the Company and, in accordance with Section 384 of the Companies Act 1985, a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By Order of the Board

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

29 March 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' 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 financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSENSE TECHNOLOGIES Plc

We have audited the financial statements of Transense Technologies Plc for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 12.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

Arlington Business Park,
Theale, Reading RG7 4SD

Chartered Accountants
Registered Auditor 29 March 2007

PROFIT AND LOSS ACCOUNT

For the year ended 31 December, 2006

	Notes	2006 £'000	2005 (restated see Note 5(b)) £'000
Turnover	2	**604**	553
Cost of sales		**(52)**	(85)
Gross profit		**552**	468
Administrative expenses		**(1,966)**	(1,672)
Operating loss	5	**(1,414)**	(1,204)
Interest receivable and similar income	6	**90**	58
Loss on ordinary activities before taxation		**(1,324)**	(1,146)
Taxation	7	**114**	100
Loss for the financial year	14	**(1,210)**	(1,046)
Loss per share	15	**(2.1p)**	(1.9p)

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

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

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

BALANCE SHEET

as at 31 December, 2006

	Notes		***2006***		*2005*
		£'000	***£'000***	*£'000*	*£'000*
Fixed assets					
Intangible Assets	8		**1,567**		1,602
Tangible Assets	9		**23**		38
Investments	10		**65**		25
			1,655		1,665
Current assets					
Debtors	12	**664**		598	
Cash at Bank and in Hand		**1,390**		2,399	
		2,054		2,997	
Creditors:					
Amounts falling due within one year					
Trade creditors		**(172)**		(154)	
Other taxes and social security costs		**(21)**		(21)	
Accruals		**(95)**		(113)	
		(288)		(288)	
Net current assets			**1,766**		2,709
Total assets less current liabilities			**3,421**		4,374
Capital and reserves					
Share capital	13		**5,646**		5,641
Share premium	14		**5,376**		5,368
Profit and loss account	14		**(7,601)**		(6,635)
Equity Shareholders' funds	16		**3,421**		4,374

Approved by the Board and authorised for issue on 29 March, 2007 and signed on their behalf

J A H Perry – *Director*

H G Pearl – *Director*

CASHFLOW STATEMENT

For the year ended 31 December, 2006

	Notes		***2006***		*2005 (restated see Note 5(b))*
		£'000	***£'000***	*£'000*	*£'000*
Net cash outflow from operating activities	A		**(944)**		(912)
Returns on investments and servicing of finance					
Interest received			**90**		58
Taxation					
Corporation tax received			**114**		100
Capital expenditure and financial investment					
Payments to acquire intangible fixed assets		**(240)**		(151)	
Payments to acquire tangible fixed assets		**(2)**		(22)	
Sale of tangible fixed assets		–		5	
Increase in long term investment		**(40)**		–	
			(282)		(168)
Cash outflow before management of liquid resources and financing			**(1,022)**		(922)
Management of liquid resources					
Receipts from/(payments to) short term deposits			**1,015**		(1,200)
Financing					
Issue of new ordinary shares			**13**		2,160
Increase in cash in the year	C		**6**		38

NOTES TO THE CASHFLOW STATEMENT

For the year ended 31 December, 2006

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

	2006	2005 (restated see Note 5(b))
	£'000	£'000
Operating loss	**(1,414)**	(1,204)
Depreciation and amortisation	**292**	87
Charge on share option schemes	**244**	172
Profit on disposal of fixed assets	**–**	(5)
Increase in debtors	**(66)**	(8)
Increase in creditors	**–**	46
Net cash outflow from operating activities	**(944)**	(912)

B Reconciliation of net cash flow to movement in net funds

	2006	2005
	£'000	£'000
Increase in cash in the year	**6**	38
Cash (inflow)/outflow from changes in liquid resources	**(1,015)**	1,200
Movement in net funds in the year	**(1,009)**	1,238
Net funds at 1 January	**2,399**	1,161
Net funds at 31 December (Note C)	**1,390**	2,399

C Analysis of net funds

	Liquid resources £'000	**Cash £'000**	**Total £'000**
At 1 January	**2,300**	**99**	**2,399**
Cash flow	**(1,015)**	**6**	**(1,009)**
At 31 December	**1,285**	**105**	**1,390**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December, 2006

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which we considered material in relation to the financial statements, except that FRS 20 "Share based payments" has been adopted for the first time.

(a) *Basis of Preparation*

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

(b) *Turnover*

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Royalty income is recognised in the period in which the royalties have been earned. Licence fee income is recognised at the time of invoicing.

(c) *Depreciation*

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

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

(d) *Deferred Taxation*

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

Deferred tax balances are not discounted.

(e) *Group financial statements and basis of consolidation*

The financial statements present information about the Company as an individual undertaking. The three subsidiaries existing at 1 January 2006 have been dormant throughout the period and their assets are considered immaterial. Information about the Company's subsidiaries is contained in Note 11 to the financial statements.

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

The Company is exempt under Section 229(2) of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the directors consider that the Company's subsidiaries may be excluded from consolidation as they are not material.

(f) *Research and Development*

Expenditure on research is expensed as incurred.

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

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

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

(g) Patent Fees

Externally acquired patent fees are capitalised and treated as an intangible fixed asset. These fees are amortised to the profit and loss account over the period to which the patent relates. In the event that a patent is superseded and the original intellectual property is embedded in the new patents, the costs of that patent and the later patents are regarded as the costs of the original patent and amortised accordingly.

(h) Valuation of investments

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

(i) Pension Costs

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

(j) Foreign Currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange at the balance sheet date and the gains or losses are included in the profit and loss account.

(k) Operating Leases

Operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

(l) Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash) and investments in money market managed funds.

(m) Share based payments

The share option programme allows employees to acquire shares of the Company. The fair value of options granted after 7 November 2002 and those not yet vested as at 1 January 2005 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

2. Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales, a geographical analysis of which is: United Kingdom £nil (2005: £3,000), Rest of Europe £26,000 (2005: £5,000) the United States of America £543,000 (2005: £545,000) and the Rest of the World £35,000 (2005: £nil).

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

All net assets are located in the United Kingdom.

3. Staff costs

The average monthly number of employees (including executive directors) during the year was 19 (2005: 20) made up as follows:

	2006	*2005*
Management and technical	**15**	16
Administration	**4**	4
	19	20

		(restated see Note 5(b))
	£'000	*£'000*
Staff costs (for the above employees)		
Wages and salaries	**731**	709
Social security costs	**82**	78
Pension contributions	**40**	40
Life assurance plan	**12**	7
Charge on share option schemes	**244**	172
	1,109	1,006

4. Directors' emoluments

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

	2006	*2005*
		(restated see Note 5(b))
	£'000	*£'000*
Management remuneration	**237**	243
Fees as non-executive directors	**44**	44
Pension contributions	**19**	18
	300	305
Charge on share option schemes	**194**	124
	494	429

(b) Emoluments of highest paid director:

	2006	*2005*
	£'000	*£'000*
Emoluments	**82**	80
Charge on share option schemes	**63**	38
	145	118
Amounts paid into the Company's defined contribution pension scheme	**7**	7

There are 3 (2005: 3) directors for whom retirement benefits are accruing under money purchase schemes.

Details of each director's cash emoluments and benefits, and share options are given in the Remuneration Report on pages 6 to 8.

5. Operating loss

	2006	2005 (restated see Note 5(b))
	£'000	£'000
(a) **This is stated after (charging)/crediting:**		
Amortisation of intangible fixed assets	**(275)**	(56)
Depreciation of tangible fixed assets	**(17)**	(31)
Profit on sale of fixed assets	**–**	5
Operating lease rental – land and buildings	**(41)**	(41)
Charge on share option schemes	**(244)**	(172)
Directors' emoluments (including contributions to pension schemes)	**(300)**	(305)
Auditor's remuneration – for audit services	**(23)**	(20)
for non-audit services (tax and payroll)	**–**	(12)

(b) The charge on share option schemes included in Administrative expenses has been calculated in accordance with Financial Reporting Standard 20. The 2005 comparative figures have been restated accordingly.

The fair value of services received in return for share options granted is measured by reference to the fair value of those share options granted. The estimate of the fair value of the services received is measured based on the Black Scholes model. This model takes into account the weighted average share price, the exercise price, volatility, the risk-free market rate, and the date of exercise.

6. Interest receivable

	2006	2005
	£'000	£'000
Bank interest	**88**	57
Other interest (Note 17)	**2**	1
	90	58

7. Taxation on loss on ordinary activities

	2006	2005
	£'000	£'000
Current tax		
Adjustment in respect of previous periods	**114**	100

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

	2006	2005 (restated see Note 5(b))
	£'000	£'000
Loss on ordinary activities before tax	**1,324**	1,146
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005: 30%)	**397**	344
Effects of:		
Charge on share option schemes	**(73)**	(52)
Expenses not deductible for tax purposes	**(10)**	(6)
Capital allowances for period less than depreciation	**(5)**	(8)
Tax losses to carry forward	**(309)**	(278)
Research and development credit	**114**	100
Current tax credit for period	**114**	100

Factors that may affect future tax charges
The company has tax losses, subject to agreement by HM Revenue and Customs, in the sum of £5.7 million (2005: £5.3 million), which are available for offset against future profits of the same trade.

8. Intangible fixed assets

	Patent Rights £'000	*Development Costs £'000*	*Total £'000*
Cost			
At 1 January, 2006	**962**	**925**	**1,887**
Additions	**155**	**85**	**240**
Amounts written off during the year	**(303)**	**–**	**(303)**
At 31 December, 2006	**814**	**1,010**	**1,824**
Amortisation			
At 1 January, 2006	**285**	**–**	**285**
Charge for the year	**275**	**–**	**275**
Amounts written off during the year	**(303)**	**–**	**(303)**
At 31 December, 2006	**257**	**–**	**257**
Net book value			
At 31 December, 2006	**557**	**1,010**	**1,567**
At 31 December, 2005	677	925	1,602

9. Tangible fixed assets

	Plant & Equipment £'000	*Motor Vehicles £'000*	*Total £'000*
Cost			
At 1 January, 2006	**249**	**11**	**260**
Additions	**2**	**–**	**2**
At 31 December, 2006	**251**	**11**	**262**
Depreciation			
At 1 January, 2006	**211**	**11**	**222**
Charge for the year	**17**	**–**	**17**
At 31 December, 2006	**228**	**11**	**239**
Net book value			
At 31 December, 2006	**23**	**–**	**23**
At 31 December, 2005	38	–	38

At 31 December, 2006 there were no capital commitments (2005: £nil)

10. Fixed Asset Investment – Wheelsure Holdings plc

		Total £'000
(a)	*Cost*	
	At 1 January 2006	**25**
	Increase in investment	**40**
	At 31 December 2006	**65**

(b) In February 2006 the Company participated in a rights issue funding exercise by Wheelsure. The Company paid £40,490 to the issue and retained its 12% interest in Wheelsure, while its average cost per share increased to 3.6p.

11. Subsidiary undertakings

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

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

12. Debtors

	2006	*2005*
	£'000	*£'000*
Due within one year:		
Trade debtors	**576**	519
Other debtors	**45**	51
Prepayments and accrued income	**43**	28
	664	598

13. Share capital

	2006	*2005*
	£'000	*£'000*
(a) Authorised		
70,000,000 ordinary shares of 10p each (2005: 70,000,000)	**7,000**	7,000
Allotted, called up and issued		
56,458,974 ordinary shares of 10p each (2005: 56,408,974)	**5,646**	5,641

(b) At 31 December, 2006 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 Exercise First***	***Last***
100,000	52p	9.1.03	9.1.06	8.1.08
1,650,000	100p	24.5.05	24.5.08	23.5.10

The options with the price of 100p may only be exercised if the market price of the shares is at least 200p at the date of the exercise.

In April 2006, an option on 50,000 shares was exercised at 26p per share. No new options were granted during the year, while one option on 600,000 shares at 472½p was cancelled.

(c) At 31 December 2006, the following shares remained outstanding under an Enterprise Management Incentive Option Scheme.

Number of Options	*Option Price*	*Date of Grant*	*Date of Exercise First*	*Last*
25,000	21½p	6.3.03	6.3.06	5.3.08
10,000	23p	29.5.03	29.5.06	28.5.08
206,250	48p	1.4.04	1.4.07	31.3.09
631,792	50p	25.5.04	25.5.07	24.5.09
100,000	50p	16.6.04	16.6.07	15.6.09
20,000	50p	30.6.04	30.6.07	29.6.09
25,000	89½p	19.5.05	19.5.08	18.5.10
360,000	100p	24.5.05	24.5.08	23.5.10
15,000	90½p	1.8.05	1.8.08	31.7.10
15,000	64p	16.10.06	16.10.09	15.10.11

The options with a price of 100p may only be exercised if the market price of the shares is at least 200p at the date of the exercise.

No options were exercised during the year, while one new option on 15,000 shares at 64p per share was granted and an option on 15,000 shares at 90½p was cancelled.

14. Reserves

	Share premium account £'000	*Profit & loss account £'000*
At 1 January, 2006	**5,368**	**(6,635)**
Issue of Shares	**8**	–
Loss for the year	–	**(1,210)**
Charge on share option schemes credited to reserves	–	**244**
At 31 December, 2006	**5,376**	**(7,601)**

15. Loss per Share

The calculation of basic loss per share is based on the loss after taxation of £1,210,000 (2005: £1,046,000 restated) and on 56,446,782 ordinary shares being the weighted average number of shares in issue during the year (2005: 54,339,796).

The Company incurred a loss for the years 2006 and 2005 and, given the circumstances, has not calculated a fully diluted loss per share.

16. Reconciliation of Movement in Shareholders' Funds

	2006 **£'000**	*2005 (restated see Note 5(b))* £'000
Equity Interest		
Opening Shareholders' Funds	**4,374**	3,088
Issue of Shares – par	**5**	265
Issue of Shares – share premium	**8**	1,895
Loss for year	**(1,210)**	(1,046)
Charge on share option schemes credited to shareholders' funds	**244**	172
Closing Shareholders' Funds	**3,421**	4,374

Costs of £nil were incurred on issue of shares during the year (2005: £92,000).

17. Transactions with Associated Undertakings

The Company has outstanding a £25,000 loan to its associated undertaking, Wheelsure Holdings Plc. Interest is charged at 9% per annum and the loan matures in 2010.

18. Financial Instruments

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

At 31 December, 2006 the Company's financial instruments comprised sterling cash of £1,285,000 on fixed rate monthly deposit (2005: £2,300,000), and the weighted average interest rate obtained for the year was 4⅝% (2005: 3⅞%).

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

19. Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund (Note 3). There were no prepayments or accruals at the year end (2005: £nil).

20. Commitments under Operating Leases

As at 31 December, 2006, the Company had annual commitments under non-cancellable operating leases as set out below:

	2006 Land and Buildings £'000	***2006 Other £'000***	*2005 Land and Buildings £'000*	*2005 Other £'000*
Operating leases which expire in two to five years	**41**	–	41	–

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at North Oxfordshire Consortium, Building 52, Heyford Park, Upper Heyford, Bicester, Oxon OX25 5HD on 24 May, 2007 at 11.30 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and adopt the report of the directors and the financial statements for the year ended 31 December, 2006.
2. To re-elect as a director J A H Perry who retires by rotation and offers himself for re-election.
3. To re-elect as a director P J Woods who retires by rotation and offers himself for re-election.
4. To receive and adopt the remuneration report contained within the annual report for the year ended 31 December, 2006.
5. To re-appoint KPMG Audit Plc as auditor and to authorise the directors to fix their remuneration.
6. That for the purposes of and pursuant to Section 80 of the Companies Act 1985 as amended ("the Act") and in substitution for all existing and unexercised authorities, the directors of the Company be and are hereby generally and unconditionally authorised to exercise all or any powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £1,354,102.60 to such persons, at such times and generally on such terms as the directors may determine provided that:

   (a) this authority shall, unless previously revoked or varied by the Company in general meeting, expire on the date 15 months after the date of approval of this resolution or the conclusion of the next Annual General Meeting of the Company whichever first occurs; and

   (b) this authority shall allow and enable the directors of the Company to make an offer or an agreement before the expiry of the period referred to in sub-paragraph (a) above which would or might require relevant securities to be allotted after such expiry of such period and the directors of the Company may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTION

7. In substitution for all existing and unexercised authorities and subject to the passing of Resolution 6 above, the directors be and they are hereby generally authorised and empowered pursuant to Section 95 of the Act to allot relevant securities (as defined in Section 80(2) of the Act), pursuant to the authority conferred by Resolution 6 above, as if Section 89(1) of the Act did not apply to any such allotment provided that the power conferred by this resolution, unless previously revoked or varied by special resolution of the Company in general meeting shall be limited to:

   (a) the allotment of equity securities in connection with a rights issue or other issue in favour of the holders of ordinary shares where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of shares being represented by the depositary receipts, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and

   (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities for cash up to an aggregate nominal value of £282,294 (representing five per cent of the Company's issued ordinary share capital)

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

By Order of the Board

Watlington Securities Limited
Company Secretaries 29 March 2007

Registered Office: 36 Elder Street, London E1 6BT

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company.
2. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he or she so wish.
3. A form of proxy is enclosed and to be valid must be completed and returned so as to reach the Registrars of the Company (together with a letter or power of attorney or other written authority, if any, under which it is signed or a notarially certified or office copy of such power or written authority) not less than forty eight hours before the time fixed for holding the meeting or any adjournment thereof.
4. Private shareholders may submit their proxy vote electronically via the registrar's website. Log onto www.capitashareportal.com and follow the on screen instructions.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note than CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. Copies of the directors' service contracts and a statement of the directors' share interests and those of their families will be available for inspection at (i) the Registered Office of the Company during normal business hours on each business day from the date of this notice until the conclusion of the Annual General Meeting and (ii) at North Oxfordshire Consortium, Building 52, Heyford Park, Upper Heyford, Bicester, Oxon OX25 5HD on 24 May, 2007.
7. In accordance with Regulation 34(1) of the Uncertificated Securities Regulations 1995, the Company specifies that only those shareholders registered in the Company's register of members at 11.30 a.m. on 22 May, 2007 (or in the case of adjournment 48 hours before the time of the adjourned meeting) will be entitled to attend or vote at the meeting.

Perivan Financial Print 208485

Transense Technologies plc

FORM OF PROXY FOR ANNUAL GENERAL MEETING
to be held on 24 May, 2007 at 11.30 a.m.

I/We ....

of ....
(Block Capitals please)

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

hereby appoint the Chairman of the Meeting (see note (iv) below) ....
as my/our proxy to vote for me/us and on my/our behalf in the manner indicated below at the Annual General Meeting of the Company to be held on 24 May, 2007 at North Oxfordshire Consortium, Building 52, Heyford Park, Upper Heyford, Bicester, Oxon OX25 5HD at 11.30 a.m. and at any adjournment thereof.

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

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

	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the report of the directors and the accounts for the year ended 31 December, 2006.	☐	☐
2.	To re-elect as a director J A H Perry who retires by rotation and offers himself for re-election.	☐	☐
3.	To re-elect as a director P J Woods who retires by rotation and offers himself for re-election.	☐	☐
4.	To receive and adopt the remuneration report contained within the annual report for the year ended 31 December, 2006.	☐	☐
5.	To re-appoint KPMG Audit Plc as auditors and to authorise the directors to fix their remuneration.	☐	☐
6.	To approve the authority to allot the securities pursuant to Section 80 of the Companies Act 1985.	☐	☐
	SPECIAL RESOLUTION		
7.	To disapply the statutory pre-emption rights pursuant to Section 95 of the Companies Act 1985.	☐	☐

Signed this ....day of..2007

....
(Please sign here)

Notes

(i) To be effective, this form of proxy, duly completed, must be lodged by hand only to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or in accordance with the instructions printed thereon.

(ii) In the case of a corporation, this form must be under its Common Seal, or under the hand of an officer or attorney duly appointed to sign the name.

(iii) In the case of joint holders, the signature of one holder will suffice and the vote of the senior who tenders a vote will be accepted to the exclusion of the votes of the other joint holders. For these purposes seniority will be determined by the order of names standing on the register of members.

(iv) If any other person is preferred as a proxy, strike out the words "the Chairman of the Meeting", insert the name of the proxy desired in the blank space and initial the alteration. A proxy need not be a member of the Company.

(v) The return of this proxy will not prevent a member from attending the meeting or any adjournment thereof and voting in person if he so wishes.

(vi) In accordance with Regulation 34 of the Uncertified Securities Regulations 1995, the Company specifies that only those members entered in the Company's register of members at 11.30 a.m. on 22 May, 2007 will be entitled to attend and vote at the meeting in respect of the number of Ordinary Shares in the capital of the Company registered in their name at that time. Changes to the entries on the register after this time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

(vii) Any alteration to this form should be initialled.

Third Fold and Tuck in

BUSINESS REPLY SERVICE
License No. RRHB-RSXJ-GKCY

1

Capita Registrars
Proxy Processing Department
Telford Road
Bicester
Oxon OX26 4LD

First Fold

Second Fold