Transense Technologies plc

Interim Results & Management Statement

For the half year ended 31 December 2011

Registered number 01885075

Chairman's statement

In the twelve months to 31 December 2011 the group incurred a loss of £1,801,000 (2010 - £1,454,000) on sales of £663,000 (2010 – £656,000). In the six months to 31 December 2011 the group incurred a loss of £1,036,000 (2010 - £654,000) on sales of £414,000 (2010 – £413,000).

The results for 2011 provide little indication of the progress made by the company over the last year. During this period we have made major strides in converting Transense from its earlier dependence on future royalty income from licences of our patented technology to a company selling products incorporating our technology for end-user applications. In particular:

- Substantial progress has been made towards the possible incorporation of a flexplate sensor measuring torque into future General Motors vehicles.
- We varied our licensing arrangement with Vectron, formed Intellisaw in the USA, and engaged former Vectron personnel to design and sell sensors for use in the power generation and supply industry. Since its start-up in the second half of 2011, Intellisaw has entered into distribution agreements in China, Taiwan, USA, Brazil and India. Whilst technical issues have slightly retarded initial sales, the interest of distributors, and their defined minimum sales targets in return for an element of exclusivity, has confirmed the longer term future of this business activity.
- We have seen a growing sales trend for Translogik and an increasing high profile customer list of household names in the tyre industry.
- Testing of the iTrack system for monitoring tyre pressure temperature and tread in varied weather conditions has been successful within the mining industry in Chile and South Africa.
- We have entered into a joint development agreement with McLaren Electronic Systems which will extend our involvement in motor sport, particularly, we believe, from 2013 onwards.

We are, as a result, making substantial progress in securing income and developing longer term relationship with a number of well known potential channel partners. Our objective is to provide them with technical solutions to operational problems they have to address and at substantially reduced cost. The lead time for decisions by them, and, therefore, future income for Transense, is lengthy, which has impeded us from seeing clear sales visibility. This in turn has resulted in trading losses, negative cashflow and reduced liquidity, whilst momentum grows for building future revenue streams. A placing of 17,560,000 equity shares at 10p per share, to raise £1.75m before expenses, is therefore being announced today to enable the company to make further progress in meeting its operational objectives.

We believe we are on course to secure for Transense a viable future. Our management team has travelled worldwide to publicize and secure orders for our products and to promote our technology, and our technical staff have widespread recognition for their know-how. We thank them all for their significant efforts in a far from easy environment.

D G Kleeman
Chairman
29^{th} June 2012

Chief Executive's report

2011 was a year of considerable progress for the Transense Group. General Motors were revealed as the end-customer for the torque driveline flexplate project for passenger cars and our two trading division Translogik and IntelliSAW made significant strides in commercialising their respective product lines.

Transense

GM Flexplate

General Motors ("GM") has been identified as the end-customer for the torque drive-line 'flexplate' sensor, using the Company's patented Surface Acoustic Wave ("SAW") technology. The Flexplate project for evaluation of Transense's SAW torque sensor technology began in 2004. Originally developed for use in eight-cylinder engines, GM has expanded the project to also include its four- and six-cylinder family of engines. As part of this process Transense has successfully negotiated a variation of the otherwise exclusive licence to Honeywell, permitting Transense to deal directly with various named companies including GM preferred Tier 1 suppliers.

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. This will be the first time a propulsion system has been able to measure engine torque 'live', enabling optimal control to be maintained throughout a vehicle's life. Current torque management systems rely on simulated models derived from production engine testing which can differ from the actual engine torque output over time. The new flexplate technology provides continuous real-time torque measurement allowing actual torque measurement on a per-vehicle basis for maximisation of engine efficiency.

GM is currently evaluating further applications of the technology for real-time vehicle control.

McLaren

The signing of the new Joint Development Agreement ("JDA") with McLaren Electronics provides a new route to market for the Company's range of SAW sensing IP. It is also a resounding endorsement of Transense's sensing technology. The initial project is for use in a major US motorsport series and the Board are hopeful that the JDA will provide a series of joint projects over the coming years.

IntelWind - Wind Turbine Project

In a further new application of Transense's torque sensing solutions, the Company is now part of a consortium of nine companies ("IntelWind") that has begun development on a major EU funded project to improve the efficiency of wind turbines. Transense will receive a grant to develop SAW torque sensors for the large diameter shafts required for this project and the work required to integrate these sensors into the newly developed wind turbine designs. Involvement in this project came about as a result of work already underway with a major wind turbine gearbox design house. There is an increasing demand for wind turbine monitoring systems and Transense is positioning itself to exploit this emerging high value market as it develops. Additionally, the expertise gained during the technical development work on these much larger shafts has applications in many other markets, such as marine and power generation. The IntelWind consortium projects turnover accruing to Transense of GBP700k for the year commencing Q4 2013 rising to GBP2.1m in 2017.

IntelliSAW

Transense has established a new trading division, IntelliSAW, to develop and market SAW based wireless sensor systems for Smart-Grid applications.

Smart-Grid is the broad term used to describe technologies that provide intelligent control and monitoring of the electrical power grid. IntelliSAW leverages existing Transense IP and R&D investment and uses the Company's patented SAW interrogation electronics to provide a state-of-the art wireless temperature monitoring system, initially targeted at the Electrical Switchgear market. Having accurate, continuous, real-time temperature data instantaneously available at key points in the power transmission network provides power companies with early warning of potential problems. Failures within the network can have catastrophic consequences, causing significant damage, power outages and potentially fatal accidents.

Currently available switchgear monitoring solutions, whether wired, infrared or RF based, all have inherent drawbacks such as the potential for arcing or flashover, lack of continuous monitoring or the requirement for batteries or other direct power sources in an inherently unsuitable environment. The IntelliSAW system addresses all these drawbacks and offers a uniquely versatile, scalable and low maintenance solution that is easier to install and commission. The currently estimated annual global spend on power transmission and distribution projects is $20 billion, and anticipated to rise to $30 billion by 2015.

The Board believes that the market opportunity for IntelliSAW is significant, and in line with the Company's revised strategy of seeking out new routes to market for its wireless & battery-less sensing technology to generate additional near-term income, IntelliSAW will provide another complementary revenue stream. In order for Transense to sell IntelliSAW products directly and increase its potential revenues significantly over and above those available as royalties, Transense has varied its licensing arrangements with Vectron.

As a key aspect of the IntelliSAW business the Company has been able to engage several experts in the SAW sensing field who were previously employed by Vectron, as members of the IntelliSAW team. These individuals bring strong application expertise specific to industrial markets such as Smart-Grid which will greatly assist the scalability of this business.

Development of the IntelliSAW solution has been rapid, to the extent that the new IS485 electrical switchgear monitoring system began shipping to customers in January 2012. The IS485 platform brings an advanced feature set as compared to legacy solutions, including twelve independent sensor frequencies and four antenna connections per reader which combined allow for up to 48 sensors per system. Further innovative advances in interrogation protocols, differential sensor topology, and microcontroller architecture serve to resolve a number of known issues with existing solutions including sensor drop-out, challenging system set-up processes, positional dependence of sensor calibration, and non-compliance to high voltage application environments.

Commercial progress has been equally rapid with the establishment of five regional sales channel partnerships, covering the key smart grid growth markets of the USA, China & Asia, India, Brazil & South America and others currently under negotiation. Orders in excess of $1m have been confirmed to date, and a variety of trials and pilots are underway. One of these trials has seen the successful installation and full commissioning of a pilot switchgear monitoring system at the Salem Works CPP2 plant of JSW Steel, part of O.P. Jindal Group. The pilot system includes integration directly into JSW's existing SCADA system using MODbus-RTU which allows for enunciation of monitored points in their control room. Should the pilot be successful, full deployment at JSW Steel represents a potential revenue opportunity in excess of USD 3m.

Overall we are delighted with the speed at which the IntelliSAW solution is gaining traction within the market, and believe this is indicative of the compelling value proposition that the IS485 family provides to the electrical switchgear monitoring market compared to legacy solutions. The rapid establishment of dedicated development facilities and a highly skilled team with industry expertise, combined with the need for extended customer pilot testing prior to placing firm orders for such a new technology to the market, has put considerable pressure on the Company's capital resources. However, the Board believes the returns on this investment will become apparent during 2012.

Translogik

<u>iTrack</u>

Following successful field trials of the Translogik iTrack Tyre Monitoring System for OTR ('Off the Road') vehicles, both an as yet undisclosed major international mining company and Otraco South America have now completed internal validation procedures and approved the use of the iTrack system. The major international mining company may also be recommending fitment to all ancillary mine vehicles in addition to its large haul trucks, more than doubling the potential number of vehicles requiring the system. Translogik's iTrack is the only tyre monitoring system approved for use by the major international mining company in Southern Africa.

The major international mining company is a leader in mine safety, committed to achieving a 'zero harm' policy for all its staff. The ability to monitor the tyre performance of all its vehicles 24/7 and receive instant notification of any potential hazardous situations will allow it to achieve greater levels of safety and efficiency throughout its mines. We are hopeful that having a company of their standing within the mining industry trial and approve the iTrack system will encourage other mine operators and service providers to follow its lead as soon as we are permitted to identify them.

Otraco South America is one of the world's leading providers of Earthmover and Off-the-Road (OTR) tyre management services to the mining industry. Otraco South America is responsible for the running and maintenance of BHP's mining truck tyres at the Cerro Colorado mine in Chile and has now fully validated the iTrack online system for real-time remote monitoring of tyre temperatures and pressures. Otraco South America will now be able to install, manage and support the iTrack system at its various customer sites throughout the region. Against a backdrop of ever increasing tyre prices (the price of a 40.00R57 OTR tyre increased 362% in the year to May 2011), and global tyre shortages (BHP is ordering its tyres now to meet its need in three years' time due to a shortage of supply), Otraco South America believes that the potential cost savings achieved through using the iTrack system to remotely monitor and manage mining tyres will make the system extremely attractive within the global OTR tyre market.

The global haul truck population of the type used in this trial is forecast to grow to 38,000 by 2015 (27,500 in 2010) and given spiralling tyre costs the requirement to maximise tyre life is absolutely critical to the profitability of mining companies. The Board believe the business case for iTrack is compelling given that the financial saving from preventing a single mining truck tyre blowout through accurate monitoring would more than cover the cost of multiple iTrack systems. Translogik is now ideally positioned to service this high-value growth market and we are hopeful that now the system has been proven, orders from Otraco customers will follow.

Tyre Inspection tools

Sales of the Translogik range of tyre inspection tools have continued to grow, with several repeat orders from major customers such as Goodyear Dunlop, Bridgestone Europe and Pirelli. In addition the tools are now being used by Michelin Euromaster through Translogik's French partner, EDP.

A new version of the iProbe, the iProbe+ is now available, including a TPMS (Tyre Pressure Monitoring System) sensor reader as standard. The iProbe+ has the ability to "wake" third party TPMS sensors, greatly expanding its potential market. The iProbe provides a robust, reliable and user-friendly wireless solution for cost effective monitoring of tyre pressure and tread depth, combined with integrated RFID (Radio Frequency Identification) sensor reading capabilities.

Bridgestone Brazil has now begun ordering quantities of the iProbe following product trials and the order received for Q2 2012 was twice the size originally scheduled for Q2 delivery. We believe the increased Bridgestone Brazil order and other recent orders are indicative of the gathering pace of RFID adoption within the commercial tyre industry. Bridgestone Brazil is leading the way in offering RFID ready tyre management solutions and we are optimistic that the other major tyre manufacturers will follow.

As well as broadening the product range, Translogik has been developing its partner network, and in conjunction with Budini Incorporated, a South American tyre management software developer, has developed an Apple approved application for iOS devices that integrates with all versions of the tyre inspection probe. This development work was undertaken at the request of a major tyre manufacturer, and required Translogik to attain Apple approved hardware developer status. Budini supplies its tyre management systems to all the major tyre manufacturers in South America and provides Translogik with a major new distribution partner in the region.

Outlook

With the Company's revised strategy of generating near term income to support the major longer term development projects now reaching fruition with both IntelliSAW and Translogik gaining significant traction in their key markets, the Transense Group now faces a new set of challenges. Key amongst these is scaling production, sales, product support, R&D and marketing in order to fully capitalise on these opportunities, maintain the Company's technology lead and ensuring that the Group develops into the dynamic, innovative and profitable business which everyone at Transense has been striving for.

Graham Storey
CEO
29th June 2012

Condensed Consolidated Statement of Comprehensive Income

	12 months ended 31 Dec 2011	12 months ended 31 Dec 2010	**6 months ended 31 Dec 2011**	6 months ended 31 Dec 2010
	£000	£000	**£000**	£000
Continuing operations				
Revenue	**663**	656	**414**	413
Cost of sales	**(327)**	(301)	**(219)**	(166)
Gross profit	**336**	355	**195**	247
Administrative expenses	**(2,223)**	(1,878)	**(1,266)**	(942)
Operating loss	**(1,887)**	(1,523)	**(1,071)**	(695)
Financial income	**30**	14	**7**	11
Financial expenses	**-**	-	**-**	-
Loss before taxation	**(1,857)**	(1,509)	**(1,064)**	(684)
Taxation	**56**	55	**28**	30
Loss from continuing operations	**(1,801)**	(1,454)	**(1,036)**	(654)
Basic and fully diluted loss per share (pence)	**(1.35)**	(1.39)	**(0.78)**	(0.49)

Condensed Consolidated Statement of Financial Position

	31 Dec 11	31 Dec 10
	£000	£000
Non current assets		
Property, plant and equipment	**182**	114
Intangible assets	**1,230**	1,420
Available for sale assets	**-**	58
	1,412	1,592
Current assets		
Inventories	**130**	41
Corporation tax	**56**	55
Trade and other receivables	**527**	400
Cash and cash equivalents	**1,495**	2,066
	2,208	2,562
Total assets	**3,620**	4,154
Current liabilities		
Trade and other payables	**(357)**	(367)
Current tax liabilities	**(27)**	(23)
Total liabilities	**(384)**	(390)
Net assets	**3,236**	3,764
Equity		
Issued share capital	**8,589**	8,145
Share premium	**9,768**	8,956
Warrant reserve	**430**	710
Accumulated loss	**(15,551)**	(14,047)
Total equity	**3,236**	3,764

Condensed Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Warrant reserve £000	Cumulative losses £000	Total equity £000
Balance at 1 January 2010	7,580	7,856	-	(12,608)	2,828
Loss for the year	-	-	-	(1,454)	(1,454)
Shares and warrants issued and share premium	565	1,100	710	-	2,375
Share based payments	-	-	-	15	15
As at 31 December 2010	**8,145**	**8,956**	**710**	**(14,047)**	**3,764**
Loss for the period	-	-	-	(765)	(765)
Balance at 30 June 2011	**8,145**	**8,956**	**710**	**(14,812)**	**2,999**
Loss for the period	-	-	-	(1,036)	(1,036)
Shares issued and share premium	444	812		-	1,256
Transfer between reserves	-	-	(280)	280	-
Share based payments	-	-	-	17	17
Balance at 31 December 2011	**8,589**	**9,768**	**430**	**(15,551)**	**3,236**

Condensed Consolidated Statement of Cash Flows

	12 months ended 31 Dec 2011	12 months ended 31 Dec 2010	**6 months ended 31 Dec 2011**	6 months ended 31 Dec 2010
	£000	£000	**£000**	£000
Loss before taxation	**(1,857)**	(1,509)	**(1,064)**	(709)
Adjustments for:				
Financial income	**(30)**	(14)	**(7)**	(11)
Depreciation	**46**	42	**23**	22
Amortisation of intangible assets	**233**	262	**120**	112
Share based payment	**17**	15	**9**	(15)
Operating cash flows before movements in working capital	**(1,591)**	(1,204)	**(919)**	(601)
(Increase)/decrease in receivables	**(129)**	(263)	**(110)**	30
Decrease in payables	**(10)**	(101)	**(10)**	(183)
Increase in inventories	**(89)**	(8)	**(14)**	(4)
Cash used in operations	**(1,819)**	(1,576)	**(1,053)**	(758)
Taxation recovered	**62**	169	**17**	67
Net cash used in operations	**(1,757)**	(1,407)	**(1,036)**	(691)
Investing activities				
Interest received	**30**	14	**7**	11
Proceeds from asset held for resale	**59**	-	**-**	-
Acquisitions of property, plant and equipment	**(99)**	(5)	**(58)**	(5)
Acquisitions of intangible assets	**(73)**	(188)	**(42)**	(61)
Net cash used in investing activities	**(83)**	(179)	**(93)**	(55)
Financing activities				
Proceeds from issue of equity share capital	**444**	565	**444**	565
Share premium on issue of equity share capital & warrants	**825**	1,810	**825**	1,810
Net cash from financing activities	**1,269**	2,375	**1,269**	2,375
Net (decrease)/increase in cash and cash equivalents	**(571)**	789	**140**	1,629
Cash and cash equivalents at the beginning of period	**2,066**	1,277	**1,355**	437
Cash and cash equivalents at the end of period	**1,495**	2,066	**1,495**	2,066

Notes to the Interim results for the six months to 31 December 2011

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 12 months ended 31 December 2010.

The comparative figures for the 12 months ended 31 December 2010 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was:

(i) unqualified,

(ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and

(iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

As required by IAS 34, the group has presented information regarding the 6 months ended 31 December 2011 and the 6 months ended 31 December 2010. Whilst the company has previously produced a half-yearly report for the 6 months ended 30 June 2011 containing a condensed set of financial statements, those financial statements have not previously been subject to a review by an independent auditor. Consequently, neither has the information for the 6 months ended 31 December 2011 or the comparative 6 months ended 31 December 2010.

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods if applicable.

The company has amended its accounting reference date to 30 June, and as such has prepared interim statements for the 12 months ended 31 December 2011.

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 31 December 2011 comprise the Company and its subsidiaries (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 year ended 31 December 2010 are available upon request from the Company's registered office or at www.transense.co.uk. These condensed consolidated interim financial statements are unaudited and also available on the Company's website.

3 Going Concern

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

At 31 December 2011, the Group had net assets of £3.2m and a positive cash balance of £1.5m. The Group meets its day to day working capital requirements through existing cash reserves and does not currently have an overdraft facility. The Directors have prepared cash flow forecasts for the period to 31 December 2013. These forecasts make a number of operational assumptions, the most significant of which are as follows:

1. the raising during July and August 2012 of £1.6 million net of costs through private placings of equity shares in respect of which the Group's broker has received placing letters for the full amount to be raised.

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

The forecast indicates that, assuming the anticipated increased level of sales are achieved, and the receipt of the forecast proceeds of the private placings, the Group will continue to be able to operate as a going concern for the foreseeable future.

In respect of the private placings, the Group is currently seeking to raise at least £1.6 million net of costs from an issue of equity shares, intended to take place in two stages. The first stage would raise £1.1 million net of costs and is intended to be completed during July 2012.

The second stage would raise a further £500 thousand and is intended to be concluded by the end of August 2012.

The Group's broker has received placing letters in respect of the full amount to be raised. Although the first stage is not, the second stage is dependent on the passing by shareholders of an appropriate resolution at a General Meeting to be arranged.

The Directors believe that the proceeds from the planned issue of equity shares will be in line with their expectations. The completion of the first stage placing 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.

In the absence of shareholder approval for stage two of the private placing, but with a successful stage one, the forecasts indicate that the Group may run out of cash during the first quarter of 2013. Similarly, if the Group does not substantially achieve the forecast increased level of sales, or were the timing of those sales to be significantly delayed, then the group would require additional funding, In any of these events, the Directors believe that it would be necessary and possible to arrange bank facilities by 31 December 2012 to finance the growing working capital requirements of the Group arising from the anticipated increased sales of products.

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 and the proceeds of issues of the equity shares are received (or that appropriate bank financing 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, the success of the private placings and also the potential requirement, and ability to obtain external financing all 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 set of condensed 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 reflect the trading of Translogik Limited for the twelve months and six months to 31 December 2011. On 14 July 2011, a new subsidiary Intellisaw Inc. was incorporated, and the consolidated results for the 6 months ended 31 December 2011 include the results of this entity from this date.

6 Basic and fully diluted loss per share

Basic loss per share is calculated by dividing the loss after taxation of £1,801,000 (2010: £1,454,000) by the weighted average number of ordinary shares in issue during the year of 132,572,546 (2010: 104,162,082). Options over the ordinary shares are not included in the calculation of diluted loss per share as their effect is anti-dilutive.

7 Events after 31 December 2011

The Company completed a placing of 17,560,000 equity ordinary shares at 10p per share, to raise £1.75m before expenses, which is being announced today, to enable the company to make further progress in meeting its operational objectives.

8 Revenue and segmental reporting

The table below sets out information for the Group's one operating segment, the use of SAW technology.

	12 months ended 31 Dec 2011	12 months ended 31 Dec 2010	**6 months ended 31 Dec 2011**	6 months ended 31 Dec 2010
	£000	£000	**£000**	£000
Sale of goods	**592**	565	**349**	381
Royalties	**38**	21	**23**	11
Engineering support income	**33**	70	**42**	21
Total revenues	**663**	656	**414**	413

		Revenue from external customers		
	12 months ended 31 Dec 2011	12 months ended 31 Dec 2010	**6 months ended 31 Dec 2011**	6 months ended 31 Dec 2010
	£000	£000	**£000**	£000
North America	**147**	283	**95**	216
United Kingdom & Europe	**334**	17	**167**	101
Rest of the World	**182**	356	**152**	96
Total revenues	**663**	656	**414**	413

During the 12 months to 31 December 2011 there was 1 (2010: 1) customer whose turnover accounted for more than 10% of the Group's total revenue as follows

12 months ended 31 December 2011	**Turnover £000**	**Percentage of total**
Customer A	**95**	**14%**

12 months ended 31 December2010	Turnover £000	Percentage of total
Customer A	166	25%

During the 6 months to 31 December 2011 there were 2 (2010: 1) customers whose turnover accounted for more than 10% of the Group's total revenue as follows

6 months ended 31 December 2011	**Turnover £000**	**Percentage of total**
Customer A	**83**	**20%**
Customer B	**44**	**11%**

6 months ended 31 December 2010	Turnover £000	Percentage of total
Customer A	161	39%

All non-current assets are held in the UK except for property, plant and equipment of £72,000 (2010: Nil) which are held in North America.

9 Intangible assets – Group

	Goodwill £000	Patents rights and trademarks £000	Developmen t costs £000	Total £000
Cost				
Balance at 1 January 2010	100	1,084	1,010	2,194
Additions	-	104	84	188
Balance at 31 December 2010	100	1,188	1,094	2,382
Balance at 1 January 2011	100	1,188	1,094	2,382
Additions	-	73	-	73
Transfers Out to P&M	-	-	(15)	(15)
Disposals	-	(15)	-	(15)
Balance at 31 December 2011	**100**	**1,246**	**1,079**	**2,425**
Amortisation and impairment				
Balance at 1 January 2010	-	471	229	700
Amortisation for the year	-	149	113	262
Balance at 31 December 2010	-	620	342	962
Balance at 1 January 2011	-	620	342	962
Amortisation for the year	-	114	119	233
Balance at 31 December 2011	**-**	**734**	**461**	**1,195**
Net book value				
At 1 January 2010	100	613	781	1,494
At 1 January 2011	100	568	752	1,420
At 31 December 2011	**100**	**512**	**618**	**1,230**

Amortisation and impairment charge

The amortisation is recognised in the following line items in the statement of comprehensive income:

	2011 £000	2010 £000
Administrative expenses	**233**	262
	233	262

Impairment testing

Impairment testing has been performed over the total balance of intangible assets which are allocated to the one cash generating unit of the Group, that of the development and sales of SAW technology.

The recoverable amount of goodwill is determined from value-in-use calculations, which use budgeted cash flows for year one and cash flow projections for years 2 to 5. An average growth rate of 8% has been applied to these. Terminal cash flows are based on 5 year projections assumed to grow perpetually at 2%. The key assumptions forming inputs to cash flows are revenues and margins. The forecasts have been discounted at a pre-tax discount rate of 23%.

10 Issue of shares during the period

In December 2011 the Company raised net funds of £1.2million with 44,458,210 new shares being issued. As part of this share issue 22,243,240 warrants were exercised, and as part of the issue 11,121,606 bonus shares were issued to the warrant holders who exercised their warrants. There was also 11,058,333 new shares placed. There has been a deduction of £99,922 deducted from the share premium account as transaction costs of the new equity.

Independent review report to Transense Technologies Plc

We have been engaged by the company to review the condensed set of financial statements in the interim report for the 12 months ended 31 December 2011 which comprises the Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity and the Condensed Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As described in note 1, the company has extended its financial year and whilst the company has previously produced a half-yearly report containing a condensed set of financial statements, those financial statements have not previously been subject to a review by an independent auditor. As a consequence, the review procedures set out above have not been performed in respect of the period for the six months ended 31 December 2011 and the comparative six months ended 31 December 2010.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the 12 months ended 31 December 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

Emphasis of matter
In forming our conclusion on the condensed set of financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the condensed set of financial statements concerning the Group's ability to continue as a going concern; in particular, the successful completion of the planned private placements, the substantial achievement of forecasts and the ability to obtain such additional funds or bank facilities as may be necessary. These conditions, along with the other matters explained in note 3 to the condensed set of financial statements, indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The condensed set of financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

PD Selvey
for and on behalf of KPMG Audit Plc, *Chartered Accountants*
Arlington Business Park, Theale, RG7 4SD
29th June 2012