

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

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

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

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

The Existing Ordinary Shares are currently admitted to trading on AIM. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that admission of the First Stage Placing Shares will become effective, and dealings for normal settlement will commence, at 8.00 a.m. on 10 June 2013. It is expected that admission of the Second Stage Placing Shares will become effective, and dealings for normal settlement will commence, at 8.00 a.m. on 3 July 2013. It is expected that admission of the Offer Shares will become effective, and dealings for normal settlement in the Offer Shares will commence, at 8.00 a.m. on 12 July 2013. The New Ordinary Shares will not be dealt in, or on, any other recognised investment exchange and no other such application will be made. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UKLA has examined or approved the contents of this document. The AIM Rules are less demanding than those of the Official List.

It is emphasised that no application is being made for admission of the any Ordinary Shares to the Official List. None of the Ordinary Shares will be dealt on any other recognised investment exchange and no other such application will be made.

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## **TRANSENSE TECHNOLOGIES PLC**

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

**PLACING OF 42,709,960 NEW ORDINARY SHARES AT A PRICE OF 7.5 PENCE PER SHARE**

**OFFER FOR SUBSCRIPTION OF UP TO 14,000,000 NEW ORDINARY SHARES AT A PRICE OF 7.5 PENCE  
PER SHARE**

**PROPOSAL FOR ADOPTION OF U.S. SHARE SCHEME**

**NOTICE OF GENERAL MEETING**

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

Your attention is drawn to the letter from the Chairman of the Company which is set out in Part I of this document and which recommends you to vote in favour of the Resolutions to be proposed at the General Meeting.

Notice of a General Meeting of the Company to be held at 10.00 a.m on 2 July 2013 at which the resolutions required to effect the Second Stage Placing, the Offer and the adoption of the U.S. Share Scheme is set out at the end of this document. All Shareholders are urged to complete and return the enclosed Form of Proxy, whether or not they intend to be present at the meeting, in accordance with the instructions printed thereon so as to arrive as soon as possible and in any event so as to be received by the Company's registrars, Neville Registrars Limited, at their offices at Neville House, 18 Laurel Lane, Halesowen B63 3DA by not later than 10.00 a.m. on 28 June 2013. Completion and posting of the Form of Proxy will not prevent a Shareholder from attending and voting in person at the General Meeting. A letter from the Chairman of the Company is set out in Part I of this document which contains a unanimous recommendation from the Directors that you vote in favour of the Resolutions to be proposed at the General Meeting.

**The latest time for acceptance and payment under the Offer is 10.00 a.m. on 1 July 2013.**

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

N+1 Singer, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and broker to the Company in connection with the Fundraising and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of N+1 Singer or for advising any other person in respect of the Fundraising. N+1 Singer's responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange and are not owed to the Company nor to any other person. N+1 Singer is not making any representation or warranty, express or implied, and takes no responsibility for the contents of this document or for the General Meeting.

The release, publication or distribution of this document in or outside the UK may be restricted by law. Persons who come into possession of this document should inform themselves about and observe any applicable restrictions or requirements in their particular jurisdiction. Failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction. No action has been taken by the Company or N+1 Singer that would permit possession or distribution of this document in any jurisdiction (including the United Kingdom) where action for that purpose is required.

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

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy securities to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Existing Ordinary Shares, the Placing Shares and the Offer Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada; no document in relation to the Placing or the Offer has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission; and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Placing or the Offer. Subject to certain exceptions, neither the Placing Shares nor the Offer Shares may, directly or indirectly, be offered or sold within the United States or the Excluded Territories or offered or sold to a person within the United States or the Excluded Territories. Any failure to comply with these restrictions may constitute a violation of the securities law of any jurisdiction.

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

The contents of this document should not be construed as legal, business, financial or tax advice. Each Shareholder should consult his, her or its own legal adviser or tax adviser for legal, business, financial or tax advice.

#### **Cautionary note regarding forward-looking statements**

This document contains statements about Transense Technologies plc that are or may be deemed to be "forward-looking statements".

All statements, other than statements of historical facts, included in this document may be forward-looking statements and are subject to, amongst other things, the risk factors described in Part II of this document. Without limitation, any statements preceded or followed by, or that include, the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "should", "anticipates", "estimates", "projects", or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements include, without limitation, statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial

condition, dividend policy, losses and future prospects and (ii) business and management strategies and the expansion and growth of the operations of Transense Technologies plc.

These forward-looking statements are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of any such person, or industry results, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Investors should not place undue reliance on such forward-looking statements and, save as is required by law or regulation (including to meet the requirements of the AIM Rules, the City Code, the Prospectus Rules and/or the FSMA), Transense Technologies plc does not undertake any obligation to update publicly or revise any forward-looking statements (including to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based). All subsequent oral or written forward-looking statements attributed to Transense Technologies plc or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements contained in this document are based on information available to the Directors of Transense Technologies plc at the date of this document, unless some other time is specified in relation to them, and the posting or receipt of this document shall not give rise to any implication that there has been no change in the facts set forth herein since such date.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2013

Record Date for participation in the Offer	6.00 p.m. on 6 June
Announcement of the Placing and the Offer	7 June
Date of publication of this document and Application Form; and Offer opens	7 June
Admission and commencement of dealings in First Stage Placing Shares on AIM	8.00 a.m. on 10 June
CREST accounts credited with First Stage Placing Shares in uncertificated form	8.00 a.m. on 10 June
Definitive share certificates in respect of First Stage Placing Shares in certificated form despatched	No later than 18 June
Last date and time for receipt of Forms of Proxy	10.00 a.m. on 28 June
Last date and time for receipt of Application Forms	10.00 a.m. on 1 July
General Meeting	10.00 a.m. on 2 July
Admission and commencement of dealings in Second Stage Placing Shares on AIM	8.00 a.m. on 3 July
CREST accounts credited with Second Stage Placing Shares in uncertificated form	8.00 a.m. on 3 July
Definitive share certificates in respect of Second Stage Placing Shares in certificated form despatched	No later than 11 July
Admission and commencement of dealings in Offer Shares on AIM	8.00 a.m. on 12 July
CREST accounts credited with Offer Shares in uncertificated form	8.00 a.m. on 12 July
Definitive share certificates in respect of Offer Shares in certificated form despatched	No later than 12 July

*If any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of a Regulatory Information Service announcement. All events listed in the above timetable following the General Meeting are conditional on the passing of Resolutions 1, 2, 5 and 6 at the General Meeting.*

*References to time in this document and the Notice of General Meeting are to British Summer Time.*

*All enquiries in connection with the procedure for application and completion of the Application Form should be made to the Receiving Agent on the shareholder helpline on 0121 585 1131 or if you are calling from outside the UK on +44 121 585 1131. Calls are charged at Shareholders' network providers' standard rates. Lines are open 9 a.m. to 5 p.m. (London time) Monday to Friday (excluding Bank Holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note neither the Registrar nor the Receiving Agent can provide financial, legal or tax advice on the merits of the Offer. Calls may be recorded and monitored for security and training purposes.*

## KEY STATISTICS

Issue Price	7.5p
Number of existing Ordinary Shares in issue at the date of this document	201,292,573
Aggregate number of Placing Shares	42,709,960
Number of First Stage Placing Shares	26,576,630
Number of Ordinary Shares in issue immediately following First Admission	227,869,203
New Ordinary Shares to be issued pursuant to notices of exercise of Warrants received prior to the date of this document	81,515
Number of Second Stage Placing Shares	16,133,330
Maximum number of Offer Shares available	14,000,000
Maximum number of Ordinary Shares in issue immediately following Third Admission and the above exercise of Warrants	258,084,048
Number of First Stage Placing Shares as a percentage of the share capital in issue immediately following First Admission	11.66 per cent.
Number of Placing Shares as a percentage of the share capital in issue immediately following Second Admission	16.55 per cent.
Maximum percentage of the Enlarged Ordinary Share Capital represented by the Placing Shares and the Offer Shares	21.97 per cent.
Gross proceeds of the Placing	£3.20 million
Estimated net proceeds of the Placing	£2.95 million
Estimated gross proceeds of the Placing and the Offer	£4.25 million
Estimated net proceeds of the Placing and the Offer	£3.96 million

### Notes:

1 The above assumes that the Offer is subscribed for in full and that there is no further issue of Ordinary Shares other than as set out above.

2 As at the Record Date (taking account of the notices of exercise noted above), 29,972,985 Warrants remain outstanding under the Warrant Instrument. All such Warrants will expire on 30 June 2014 if not validly exercised before such date.

3 Following each admission of New Ordinary Shares pursuant to the Placing and the Offer, the Company will notify the prevailing issued share capital by way of a regulatory announcement.

4 Estimated proceeds stated after deducting related commissions and expenses.

## DEFINITIONS

“Act”	Companies Act 2006
“Admission”	First Admission and/or Second Admission and/or Third Admission (as the context so requires)
“AIM”	a market operated by London Stock Exchange plc
“AIM Rules”	AIM Rules for Companies published by the London Stock Exchange (as amended or reissued from time to time)
“Application Form”	the personalised application form for use in the Offer and enclosed with this document for use by Eligible Shareholders
“Board” or “Directors”	the board of directors of the Company, as at the date of this document, whose names are set out on page 11 of this document
“Business Day”	any day (excluding Saturdays and Sundays) on which banks are open in London for normal banking business
“City Code”	City Code on Takeover and Mergers
“Company” or “Transense”	Transense Technologies plc
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (S.I. 2001/3755)) for the paperless settlement of trades and the holding of uncertificated securities, operated by Euroclear UK & Ireland Limited, in accordance with the same regulations
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (S.I. 2001/3755), as amended from time to time
“EIS”	Enterprise Investment Scheme under the provisions of Part 5 of the Income Tax Act 2007
“Eligible Shareholders”	Shareholders on the register of members of the Company on the Record Date with addresses for service in the United Kingdom
“Enlarged Ordinary Share Capital”	the Ordinary Share capital of the Company in issue immediately following Third Admission
“Excluded Territories”	any jurisdiction except the United Kingdom
“Existing Options”	Options granted prior to the Record Date including Options granted under the Unapproved Discretionary Share Option Scheme, the Enterprise Management Share Option Scheme and the Warrant Instrument
“Existing Ordinary Shares”	Ordinary Shares in issue at the Record Date
“First Admission”	the admission of the First Stage Placing Shares to trading on AIM having become effective in accordance with the AIM Rules on 10 June 2013
“First Stage Placing”	the placing of the First Stage Placing Shares with certain institutional and other investors at the Issue Price
“First Stage Placing Shares”	the 26,576,630 New Ordinary Shares issued pursuant to the First Stage Placing and admitted to trading on AIM on 10 June 2013
“Form of Proxy”	the form of proxy for use by Shareholders at the General Meeting
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Fundraising”	together, the Placing and the Offer
“General Meeting”	the general meeting of the Company, convened for 10.00 a.m. on 2 July 2013, and any adjournment thereof, notice of which is set out in the Notice, which will consider the Resolutions
“Group”	Transense and its subsidiaries
“HMRC”	Her Majesty’s Revenue & Customs

“IntelliSAW”	a trading division of Transense
“Issue Price”	7.5p per New Ordinary Share
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	new Ordinary Shares in the capital of the Company issued pursuant to the Placing, the Offer or otherwise
“Notice”	the notice of General Meeting set out at the end of this document
“N+1 Singer”	Nplus1 Singer Advisory LLP, nominated adviser and broker to the Company, and any of its affiliates, trading as "N+1 Singer"
“Offer”	the offer for subscription of up to 14,000,000 Offer Shares on the terms set out in this document
“Offer Period”	the period starting 7 June 2013 and ending on the Closing Date
“Offer Shares”	up to 14,000,000 New Ordinary Shares to be issued pursuant to the Offer
“Official List”	the list of all securities that have been approved by the UKLA for trading on a UK regulated market
“Options”	options to subscribe for Ordinary Shares granted by the Company
“Ordinary Shares”	ordinary shares in the capital of the Company having a nominal value of 1 pence each
“Placee”	a subscriber of Placing Shares under the Placing
“Placing”	the First Stage Placing and the Second Stage Placing
“Placing Agreement”	the conditional agreement dated on or around the date of this document between the Company and N+1 Singer relating to the Placing
“Placing Resolutions”	the Resolutions relating to the Second Stage Placing, being Resolutions 1 and 5
“Placing Shares”	the 42,709,960 First Stage Placing Shares and the Second Stage Placing Shares
“Record Date”	the record date for participation in the Offer, being 6.00 p.m. on 6 June 2013
“Resolutions”	the resolutions to be proposed at the General Meeting, details of which are set out in the Notice
“Second Admission”	the admission of the Second Stage Placing Shares to trading on AIM having become effective in accordance with the AIM Rules on 3 July 2013
“Second Stage Placing”	the conditional placing of the Second Stage Placing Shares pursuant to the Placing Agreement
“Second Stage Placing Shares”	16,133,330 New Ordinary Shares to be issued pursuant to the Second Stage Placing
“Shareholder(s)”	holder(s) of Ordinary Shares from time to time
“Third Admission”	the admission of the Offer Shares to trading on AIM having become effective in accordance with the AIM Rules on 12 July 2013
“Translogik”	a trading division of Transense
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UKLA”	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“uncertificated” or “in uncertificated form”	an Ordinary Share recorded on a company’s share register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“United States” or “U.S.”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“U.S. Share Scheme”	the Transense Technologies 2013 U.S. Subsidiary Stock Option Plan
“U.S. Subsidiaries”	IntelliSAW, Inc. and any additional subsidiaries of Transense incorporated in the



	U.S. after the date of this document
“VCT Scheme”	Venture Capital Trust scheme under the provisions of Part 6 of the Income Tax Act 2007
“Warrants”	the warrants to subscribe for Ordinary Shares at an exercise price of 4.5p per Ordinary Share on the terms and conditions set out in the Warrant Instrument
“Warrant Instrument”	the warrant instrument dated 30 June 2010 constituting the Warrants

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

A reference to € is to the Euro, being the official currency of 17 of the 27 member states of the European Union.

## **GLOSSARY**

“EPAS”	Electric Power Assisted Steering
“OTR”	Off-the-road (vehicle)
“OEMs”	Original Equipment Manufacturers
“RFID”	Radio Frequency Identification
“SAW”	Surface Acoustic Wave
“Stack”	Stack Limited, a UK based supplier of engineering and motorsports instruments to whom the Company has granted two licences for its intellectual property
“TPMS”	Tyre Pressure Monitoring System(s)
“VAR”	Value Added Reseller

## **DIRECTORS, SECRETARY AND ADVISORS**

Directors	David Kleeman (Non-Executive Chairman) Graham Storey (Chief Executive Officer) Melvyn Segal (Finance Director) David Ford (Executive Director) Rodney Westhead (Non-Executive Director)
Company Secretary and Registered Office	David Ford 66 Heyford Park Upper Heyford Bicester Oxon OX25 5HD
Nominated Adviser and Broker	N+1 Singer One Bartholomew Lane London EC2N 2AX
Solicitors to the Company	Charles Russell LLP 5 Fleet Place London EC4M 7RD
Solicitors to N+1 Singer	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Auditors	KPMG Auditing plc Arlington Business Park Theale Reading RG7 4SD
Registrars and Receiving Agent	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA
Website	<a href="http://www.transense.co.uk">http://www.transense.co.uk</a>

## **PART I: LETTER FROM THE CHAIRMAN**

### **Transense Technologies plc**

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

*Directors:*

D G Kleeman *(Non-Executive Chairman)*  
H G D Storey *(Chief Executive Officer)*  
M Segal *(Finance Director)*  
D M Ford *(Executive Director)*  
R J Westhead *(Non-Executive Director)*

*Registered Office:*

66 Heyford Park  
Upper Heyford  
Bicester  
OX25 5HD

7 June 2013

*To the holders of Ordinary Shares and, for information only, to holders of Existing Options*

Dear Shareholder,

**PLACING OF 42,709,960 NEW ORDINARY SHARES AT A PRICE OF 7.5P PER SHARE  
OFFER FOR SUBSCRIPTION OF UP TO 14,000,000 NEW ORDINARY SHARES AT A PRICE OF 7.5P PER  
SHARE  
ADOPTION OF U.S. SHARE SCHEME  
NOTICE OF GENERAL MEETING**

#### **1. Introduction**

The Company today announced a conditional placing with certain existing Shareholders and new institutional investors, to raise approximately £3.2 million before expenses through the issue of 42,709,960 New Ordinary Shares at the Issue Price. The Placing has been split into two parts, the First Stage Placing and the Second Stage Placing.

In addition, the Company also announced today a proposed offer for subscription, in order to provide Eligible Shareholders with an opportunity to participate in the proposed issue of new Ordinary Shares. The Company is providing all Eligible Shareholders with the opportunity to subscribe, at the Issue Price, for up to 14,000,000 New Ordinary Shares by way of the Offer, to raise up to £1.05 million before expenses. The Offer provides Eligible Shareholders with an opportunity to participate in the proposed issue of New Ordinary Shares whilst providing the Company with additional capital to invest in the business of the Group.

The Company has recently announced significant orders for all three of its primary products. The order received by IntelliSAW worth US\$450,000 from the distributor ETT is a further confirmation of the steady progress being made in the development of its channel marketing strategy and also end user interest in the heat monitoring system. The recent order from Dunlop Japan for US\$450,000 of probes which came within a month of the then two largest ever orders (from North America and France) demonstrates the traction building globally for this product. Finally, the order from Anglo to Translogik for a sale worth approximately £1 million (as well as significant expected ongoing revenues) following Anglo's initial order last August is very encouraging evidence of the advancement of the iTrack system.

With a strong pipeline of interested prospects and additional opportunities arising both directly and through resellers and partners for its Translogik and IntelliSAW divisions, the Directors believe that these and other recently announced contracts are indicative of the potential growth available to the Company internationally. It is primarily to support the growth of the business internationally and to enable the Company to operate effectively in light of larger received and expected orders that the Company is seeking to complete the Placing and the Offer.

The First Stage Placing Shares (consisting of 26,576,630 New Ordinary Shares to be issued under existing authorities) to raise approximately £2.0 million before expenses have already been allotted by the Board under existing authorities to issue New Ordinary Shares and Admission to trading on AIM is expected to take place at 8.00 a.m. on 10 June 2013.

This document is being sent to you in connection with the Second Stage Placing, being the proposed placing of 16,133,330 New Ordinary Shares at the Issue Price, to raise approximately a further £1.2 million before expenses, and in connection with the Offer for which additional authority to allot shares is also being sought. The maximum number of New Ordinary Shares which may be issued in connection with the Offer is 14,000,000. However, as set out in paragraph 5 below, an additional general authority to allot further New Ordinary Shares is being sought in order to afford the Company greater flexibility in funding the Company's expected growth.

The Issue Price is at a discount of 31.81 per cent. to the closing middle market price of 11 pence per existing Ordinary Share on 6 June 2013 (being the last practicable date before publication of this document).

The Second Stage Placing and the Offer are each conditional, *inter alia*, on the passing of certain of the Resolutions by Shareholders at the General Meeting, notice of which is set out at the end of this document. If the resolutions necessary to effect the Second Stage Placing are passed, the Admission of the Second Stage Placing Shares to trading on AIM is expected to occur at 8.00 a.m. on 3 July 2013. If the Resolutions necessary to effect the Offer are passed, the Admission of the Offer Shares to trading on AIM is expected to occur at 8.00 a.m. on 12 July 2013. **The Second Stage Placing and the Offer are not inter-conditional.** Neither the Placing nor the Offer have been underwritten.

The issue of this document also provides the Board with an opportunity to seek Shareholders' approval of a new share scheme for employees of its US subsidiary, IntelliSAW, Inc., which the Board considers to be an important and appropriate measure to enable IntelliSAW, Inc. to attract, retain and incentivise existing and new employees. Further details of the U.S. Share Scheme are set out in paragraph 7 of this letter and Part IV of this document.

In summary, the purpose of this document is to provide you with details of the Fundraising and the U.S. Share Scheme, to explain the background to and the reasons for the Fundraising and why the Directors recommend that Shareholders vote in favour of all of the Resolutions to be proposed at the General Meeting.

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

Since the Company's fundraising in August 2012, the Board has been focused on increasing its sales force and its marketing spend for its two main trading divisions, Translogik and IntelliSAW. This has not only led to an increased level of product trials with potential customers but some significant product orders as described above and announced separately both today and in recent weeks.

As stated in the Company's Interim Results for the six months to 31 December 2012 (the "Interim Results"), which were released on 28 March 2013, sales for the Company had reached a record level of £0.97 million (2011: £0.41 million). The post-tax loss for the period was £1.02 million (2011: £1.04 million) which reflected the continuing costs of funding the Company's IntelliSAW operations in the US, which commenced in September 2011 and, which continue to expand as the potential for new business increases.

Over the last few years, the Company has executed on its revised commercial strategy of repositioning Transense away from being purely a technology development and licensing company, to one that has a broad and diverse range of products leveraging its patented SAW technology, sensor and other expertise. Having successfully established its two principal trading divisions, IntelliSAW and Translogik, developed class-leading products for its target markets, and built a large and rapidly expanding global partner and distribution network, it is the Board's view that the record revenue growth seen in the six months to 31 December 2012 may represent the start of a new chapter of commercial success for the Company. This view has been further enhanced following the Company's announcement on 13 May 2013 that one of its trading divisions, Translogik, had received its two largest single orders to date for its commercial truck tyre inspection tools.

The following sub headings of this paragraph provide a status report on the progress of each of the Company's trading divisions.

### **2.1 SAWsense**

An additional trading division, SAWsense, is being established to continue to commercialise the traditional applications of Transense's patented SAW technology with existing and new projects, both in the automotive and non-automotive fields.

#### *Automotive*

The Company continues to progress towards the commercialisation of the torque flexplate in partnership with General Motors ("GM"). The flexplate is an integral part of a vehicle's powertrain control system and has the potential to improve vehicle driveability, reduce fuel consumption and improve transmission shift quality. Transense's role in respect of this is to provide ongoing engineering support to the GM team. Further applications of the technology are being evaluated by leading tier 1 and tier 2 companies in North America and Europe for driveline and EPAS applications. In addition, the Company continues to supply drive shafts to McLaren for use in Indycar and licensee, Stack, is marketing Transense's SAW TPMS to professional and club motor sport via direct and catalogue sales.

#### *Non-Automotive*

As announced previously, a number of paid-for, customer-driven projects are being progressed. These include applying the Company's technology for use in avionics, space, marine and a variety of industrial applications. Furthermore, the Company continues to work on the European Union funded, Intelwind project which has been implemented to look at ways in which to improve the efficiency and reliability of wind turbines.

There are an increasing number of opportunities across multiple applications, although the timing of full commercialisation of the automotive projects generally remain a longer term prospect, and of the non-automotive projects is somewhat unclear as it remains subject to the development plans of partners and prospective customers.

## **2.2 Translogik**

With the recent increase in the costs of fuel and rubber, Translogik, the Company's trading division focused on tyre management solutions, has seen a surge of interest in its tread depth and pressure management products. Since the start of this financial year, Translogik has delivered probes to numerous OEMs, VARs/System Integrators and software research and development departments in many different countries.

Further to the above and as reported in the Company's Interim Results, Translogik continues to develop a variety of tyre inspection systems with partners across the globe on a variety of Apple and Android based platforms. A notable recent project with Brisa Bridgestone in Turkey has led to a flow of ongoing orders for inspection probes.

On 13 May 2013, the Company announced that Translogik had received its two largest single orders to date, totalling 320 units, for its commercial truck tyre inspection tools. The orders were from its French partner and VAR, Clement EDP Consultants, and an existing North American VAR. These sales represent a significant jump in the scale of orders received from end-users.

On 28 May 2013, it was announced that Translogik had received an initial order worth almost US\$450,000 from Dunlop Japan, a significant OEM.

The Board believes that these recent orders demonstrate the growing traction of this product line in the marketplace and that it would be reasonable to expect further large orders for Translogik's range of tyre inspection probes in the coming months.

In August 2012 the Company announced an initial order from an Anglo American subsidiary, Kumba Iron Ore, which was the first commercial success for Translogik's iTrack system in South Africa.

This morning the Company announced a further order from Anglo American worth approximately £1 million. Furthermore, the Company expects ongoing revenues after the first year of approximately £500,000 per annum for services and consumables.

In addition, Translogik continues to establish new routes to market for its iTrack system with companies providing complementary products to the mining and earthmoving truck market. Field trials continue to progress in South America, Australia and Bulgaria; following the success in South Africa, the Board is increasingly confident that further pilots will convert to firm orders over time.

## **2.3 IntelliSAW**

Further progress has also been made at IntelliSAW, the Company's trading division which provides sensor systems for the power industry. On 5 March 2013, the Company announced that IntelliSAW had become the provider of thermal monitoring systems for critical asset monitoring of 340 switchgears at the soon to be completed, state-of-the-art, Fuxin Special Steel Company ("FSSC") plant in the Zhangzhou Longchi Development Zone of Fujian Province, near Xiamen, China.

As stated in the announcement, this is the first fit out of an entire facility with IntelliSAW sensors. The IS485 systems will help ensure a reliable and safe supply of electric power throughout the site by continuously monitoring 2,000+ critical points inside the switchgears, thus helping to protect a US\$2.2 billion investment by FSSC in constructing the factory.

The IS485 thermal monitoring systems have been integrated into 340 medium voltage switchgear manufactured by Nan Ya Switchgear in cooperation with IntelliSAW's integration partner, ETT, a system integrator and supplier of power conditioning, control and monitoring equipment for the electric power industry based in Taipei City, Taiwan. Nan Ya Switchgear is a division of Formosa Plastics Group and their usage of IS485 thermal monitoring systems is expected by the Company to be expanded to include China, Vietnam, the US and other territories. The Company believes the prospects for further orders via ETT to be extremely positive, and has recently secured a further order from the distributor.

In addition to the above, IntelliSAW continues to make significant commercial progress, securing record first quarter orders since the start of 2013. Notable recent orders include an order from Al Mashariq, IntelliSAW's Saudi distributor, marking the first major contract win in that region, as well as a thirty-three system installation in South Korea for POSCO, the country's largest steel manufacturer, with the potential for further larger deployments.

Furthermore, five new pilots have now begun across the United States, China, Abu Dhabi and South Korea, taking the total number of pilots to 41, including those already underway at major industrial and utility companies located in India, China, the United States, Brazil and Taiwan.

Moreover, six new distributors have been appointed in the Benelux region, Poland, Israel, Egypt, Indonesia and the Philippines, expanding the Company's global network of distribution partners for IntelliSAW to nineteen currently.

## **2.4 Conclusion**

In light of the opportunities available to the Group and its desire to support its international sales teams, partners and resellers, as well as enhance its quality control procedures in light of growing product and solution sales, the Board has, therefore, decided to raise £3.20 million, before expenses, through a placing of New Ordinary Shares with existing

Shareholders and new institutional investors and up to £1,050,000, before expenses through the Offer to all Eligible Shareholders. The use of proceeds from the Placing and the Offer are set out in paragraph 6 below.

As at 31 December 2012, the Company held cash and cash equivalents of approximately £0.8 million. The Company raised £300,000 before expenses in March 2013 through the issue of 3,000,000 new Ordinary Shares at a price of 10 pence per share.

Notwithstanding the above progress and as stated in the Interim Results, a significant proportion of projected sales comprise a small number of high value orders and the timing of the receipt of these orders is outside of the Company's control. The ability to predict accurately the timing of delivery of any such orders therefore remains challenging. Accordingly the level of reported sales may be materially affected in any given reporting period. Furthermore, the uncertainties around the timing of expected orders make cash flow projections more uncertain than usual.

Should the Second Stage Placing not proceed, the Company not obtain additional funding via the Offer and further expected orders not materialise in a timely manner, the Directors believe that the Company could face uncertainty in terms of funding the growth of the business. This would, in the Board's view, seriously restrict the potential to increase shareholder value as the business enters an important phase of commercialisation of its products and solutions.

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

#### **3.1 First Stage Placing**

The Company has already conditionally raised approximately £2.0 million before expenses through the First Stage Placing (with the First Stage Placing Shares to be issued at the Issue Price). Application will be made to the London Stock Exchange for the First Stage Placing Shares to be admitted to trading on AIM and it is expected that First Admission will become effective and that dealings in the First Stage Placing Shares will commence on AIM at 8.00 a.m. on 10 June 2013.

#### **3.2 Second Stage Placing**

In addition, the Company has conditionally raised approximately a further £1.2 million before expenses through the proposed issue of the Second Stage Placing Shares at the Issue Price.

#### **3.3 Placing Agreement**

Pursuant to the terms of the Placing Agreement, N+1 Singer as nominated adviser and broker to the Company, has conditionally agreed to use reasonable endeavours to procure places for the Placing Shares at the Issue Price. The Second Stage Placing is conditional, amongst other things, upon the Placing Resolutions being duly passed at the General Meeting and Second Admission becoming effective on or before 8.00 a.m. on 3 July 2013. The Placing Agreement contains provisions entitling N+1 Singer to terminate the Placing Agreement at any time prior to Second Admission in certain circumstances. If this right is exercised prior to the First Stage Placing, the First Stage Placing and the Second Stage Placing will not proceed. If this right is exercised after the First Stage Placing, the Second Stage Placing will not proceed but the First Stage Placing will be unaffected. The Second Stage Placing has not been underwritten and is not subject to claw back pursuant to the Offer. **The Second Stage Placing and the Offer are not inter-conditional.**

Pursuant to the terms of the Placing Agreement, the Company has agreed to pay N+1 Singer (i) on First Admission, a commission of between two and four per cent. of the gross proceeds of the First Stage Placing, (ii) on Second Admission, a commission of between two and four per cent. of the gross proceeds of the Second Stage Placing and (iii) on Third Admission, a commission of two per cent. of the gross proceeds of the Offer. The Company has agreed to pay N+1 Singer a corporate finance advisory fee in respect of the Fundraising and to issue warrants to N+1 Singer over such number of New Ordinary Shares as shall correspond in value at the Issue Price to 0.631 per cent. of the gross proceeds of the Fundraising.

#### **3.4 General**

All Placing Shares will be issued credited as fully paid and will rank pari passu in all respects with the Ordinary Shares in issue from time to time, including the right to receive all dividends and other distributions declared on or after the date on which they are issued.

For details as to the expected date and times by which certain events (e.g. Admission, the crediting of CREST accounts and the dispatch of share certificates) are expected to happen in relation to the Placing Shares, please refer to the information on page 5 (Expected Timetable of Principal Events) of this document.

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

The Company considers it important that, where reasonably practicable, Shareholders have an opportunity to participate in any equity fundraising which it carries out by way of a placing at an equivalent price to that transacted with Places. Accordingly, on and subject to the terms and conditions of the Offer, the Company invites Eligible Shareholders to apply for, in aggregate, up to 14,000,000 Offer Shares at the Issue Price with a view to raising up to £1,050,000 before expenses through the Offer.

The Company believes that offering all Eligible Shareholders the ability to apply for as many Ordinary Shares as they wish in the Offer (subject to the maximum amount of the Offer and to a minimum application per shareholder of £750 / 10,000 Offer Shares) allows Shareholders who wish to seek to mitigate dilution of their shareholding to achieve this insofar as is practicable in the circumstances. In the event of applications for in excess of the maximum number of Offer Shares available, the Company will (in consultation with N+1 Singer) decide on the basis for allocation, however if this scenario occurs, preference is likely to be given to Eligible Shareholders with smaller shareholdings (who historically may have had less opportunity to participate in placings conducted by the Company).

The principal terms of the Offer and the procedure exercise and payment are summarised below. However, your attention is drawn to Part III of this document which, together with the accompanying Application Form, contains the full terms and conditions of the Offer, including the procedure for exercise and payment, which you are asked to read carefully and follow.

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

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

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

Applications must be for a minimum of £750 (i.e. 10,000 Offer Shares) and thereafter in multiples of 1,000 Offer Shares. Applicants may apply for any number of Offer Shares provided that an applicant's shareholding following such issue, when taken alone or together with the shareholding of those of persons acting in concert (as defined in the City Code) with that applicant, must not exceed 29.99 per cent. of the Enlarged Ordinary Share Capital.

In the event that the Offer is over subscribed the applications will be scaled back at the discretion of the Company (in consultation with N+1 Singer) with preference likely to be given to Eligible Shareholders with smaller shareholdings (who historically may have had less opportunity to participate in other placings conducted by the Company).

The Offer is subject to Resolutions 2 and 6 being passed at the General Meeting.

The Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with the Ordinary Shares in issue at the date of Third Admission, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

The allotment and issue of the Offer Shares will be made upon and be subject to the terms and conditions set out in Part III of this document and in the Application Form. Eligible Shareholders will only be entitled to participate in the Offer in accordance with the procedure set out in Part III of this document and in the Application Form.

Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. It is expected that Third Admission will become effective and that dealings in the Offer Shares will commence on AIM at 8.00 a.m. on 12 July 2013.

#### **4.2 Procedure for Application and Payment**

Eligible Shareholders wishing to apply for Offer Shares in accordance with the terms of the Offer should complete the enclosed Application Form in accordance with the instructions on it and post it or (during normal business hours only) deliver it by hand, together a cheque or bankers' draft (see below), for the number of Offer Shares applied for, to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA so as to arrive as soon as possible and in any event so as to be received not later than 10.00 a.m. on 1 July 2013.

A reply-paid envelope (for use in the UK only) is enclosed with this document for the return of duly completed Application Forms and cheques or bankers' drafts. If you post your Application Form you are recommended to use the accompanying reply-paid envelope or first class post and to allow at least four working days for delivery.

Cheques or bankers' drafts should be made payable to "Neville Registrars Limited re: Transense PLC" and crossed "A/C payee only". Cheques should be drawn on the personal account to which the Eligible Shareholder has sole or joint title to the funds. Third party cheques will not be accepted with the exception of bankers' drafts/building society cheques where the bank/building society has confirmed the name of account holder on the back of the draft/cheque and has added their stamp. The account name must be the same as that of the Eligible Shareholder.

For further information on the procedure for the application and payment of Offer Shares, Shareholders are advised to read Part III of this document.

#### **4.3 Overseas Shareholders**

The attention of Eligible Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Existing Ordinary Shares for the benefit of such



persons, (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document or the Application Form to such persons, is drawn to the information which appears in paragraph 3 of Part III of this document.

In particular, Eligible Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the UK (including without limitation the United States of America), should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements under the Offer.

#### **4.4 Taxation**

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

#### **5. Additional Authority to Allot New Ordinary Shares**

Notwithstanding the benefits of the Placing and Offer in terms of providing growth and working capital to the Company, the Board is seeking additional general authority to enable it to issue further New Ordinary Shares, up to the limits described in paragraph 10 below (Resolutions 3 and 7), in order to afford the Company greater flexibility in funding and supporting its expected growth.

#### **6. Use of Proceeds**

The Company is seeking to raise up to approximately £4.25 million (before expenses) through the Fundraising in order to continue the progress made to date by further developing the Company's strategy, in particular, for sales and field support, quality control and for working capital purposes. The Board is also planning to invest in further product and software development and the development of the Company's sales and marketing functions.

The table below sets out the anticipated use of funds from the approximate £3.0 million (net) raised in the Placing:

• <b>Channel support (total)</b>		<b>£1.2 million</b>
- Sales support	£0.75 million	
- Field support – technical and channel	£0.45 million	
• <b>Quality control (total)</b>		<b>£0.5 million</b>
- Test and quality engineering	£0.15 million	
- Capital expenditure	£0.35 million	
• <b>Overhead and working capital</b>		<b>£0.6 million</b>
• <b>Product and software development</b>		<b>£0.4 million</b>
• <b>Sales and marketing</b>		<b>£0.3 million</b>

It is expected that the Offer (on the assumption that it meets its full potential subscription) will raise a further £1.05 million (gross). The net proceeds of the Offer are expected to be applied pro rata to the uses set out in the table above and to provide the Company with an additional working capital buffer to be applied at the discretion of the Board.

#### **7. U.S. Share Scheme**

On 31 May 2013, the Board adopted, subject to shareholder approval, the U.S. Share Scheme. The Board adopted, and recommends that the Shareholders approve, the U.S. Share Scheme in order to allow the Company to provide equity incentives under the U.S. Share Scheme through grant of stock options to employees, officers, directors, consultants and advisers of the Company's U.S. subsidiaries and to further the growth, development and financial success of the Company. Such U.S. subsidiaries now consist solely of IntelliSAW, Inc., but the Company may form additional U.S. subsidiaries in the future.

A copy of the U.S. Share Scheme will, from the date of this document, be put on display for inspection at the registered office of the Company and further details of the U.S. Share Scheme are set out in Part IV of this document.

The adoption of the U.S. Share Scheme is subject to Resolution 4 being passed at the General Meeting.

#### **8. Shareholder Approval**

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

- (a) give the Directors the authority to allot the Second Stage Placing Shares and to dis-apply statutory pre-emption rights in respect thereof; and
- (b) give the Directors the authority to allot the Offer Shares and to dis-apply statutory pre-emption rights in respect thereof.

Shareholder approval is required to give the Directors the additional general authority referred to in paragraph 5 above. Shareholder approval is also required for the U.S. Share Scheme to be adopted.

In order to obtain the necessary Shareholder approvals, a General Meeting of the Company is to be held at which the Resolutions will be proposed. Further information regarding the General Meeting is set out in paragraph 10 below.

**The Offer is NOT conditional upon the Second Stage Placing being approved by Shareholders at the General Meeting. Should the Second Stage Placing not proceed, the Company not obtain additional funding via the Offer and further expected orders not materialise in a timely manner, the Directors believe that the Company could face uncertainty in terms of funding the growth of the business. This would, in the Board's view, seriously restrict the potential to increase shareholder value as the business enters an important phase of commercialisation of its products and solutions.**

#### **9. EIS/VCT Schemes**

The Company has applied for and is awaiting confirmation of advance assurance from HMRC that the Placing Shares placed with VCT Schemes are expected to constitute a qualifying holding for such VCT Schemes. HMRC has also been requested to confirm that the Placing Shares should satisfy the requirements for tax relief under EIS. The Company has previously applied for and received confirmation of advance assurance of qualifying status under VCT Schemes and EIS on a number of occasions, the most recent being July 2012 and it is not anticipated that there have been any material changes since the previous application to suggest that renewed confirmation should not be provided.

#### **10. General Meeting**

A notice convening the General Meeting to be held 3 Lloyd's Avenue, London EC3N 3DS at 10.00 a.m. on 2 July 2013 is set out at the end of this document. At the General Meeting, the following Resolutions will be proposed:

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

- (1) an ordinary resolution to authorise the Directors to allot up to 16,133,330 Second Stage Placing Shares in connection with the Second Stage Placing;
- (2) an ordinary resolution to authorise the Directors to allot up to 14,000,000 Offer Shares in connection with the Offer;
- (3) an ordinary resolution to generally authorise the Directors to allot relevant securities (as defined in section 551 of the Act) otherwise than pursuant to the Fundraising up to an aggregate nominal value of £860,280.16 (86,028,016 New Ordinary Shares), being an amount equal to one third of the Enlarged Ordinary Share Capital (assuming the maximum number of Second Stage Placing Shares and Offer Shares are issued). The authority sought by this Resolution 3 will last for a period of 15 months from the date of passing of the Resolution or, if earlier, until the date of the next annual general meeting of the Company;
- (4) an ordinary resolution to approve the adoption of the U.S. Share Scheme by the Company;

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

- (5) a special resolution to empower the Directors to issue the Second Stage Placing Shares for cash on a non pre-emptive basis;
- (6) a special resolution to empower the Directors to issue the Offer Shares for cash on a non pre-emptive basis;
- (7) a special resolution to empower the Directors to issue new equity securities of up to an aggregate nominal amount of £258,084.05 (25,808,405 New Ordinary Shares) for cash on a non pre-emptive basis, being an amount equal to 10 per cent. of the Enlarged Ordinary Share Capital (assuming the maximum number of Second Stage Placing Shares and Offer Shares are issued). The authority sought by this Resolution 7 will last for a period of 15 months from the date of passing of the Resolution or, if earlier, until the date of the next annual general meeting of the Company.

## **11. Further Information**

Your attention is drawn to the Risk Factors relating to the Group set out in Part II of this document, the terms and conditions of the Offer set out in Part III of this document, the details of the U.S. Share Scheme set out in Part IV of this document and the Application Form.

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

### *In respect of the General Meeting*

A reply-paid Form of Proxy is enclosed for use at the General Meeting. Whether or not you intend to be present at the meeting you are requested to complete, sign and return this Form of Proxy to the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA as soon as possible but in any event so as to arrive not later than 10.00 a.m. on 28 June 2013. The completion and return of this Form of Proxy will not preclude you from attending the General Meeting and voting in person should you subsequently wish to do so.

### *In respect of the Offer*

Eligible Shareholders wishing to participate in the Offer should carefully read the Application Form, the accompanying instructions and Part III of this document and send the Application Form along with the appropriate remittance to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA so as to arrive as soon as possible and in any event so as to be received no later than 10.00 a.m. on 1 July 2013.

## **13. Recommendation**

The Directors consider that the Fundraising and the adoption of the U.S. Share Scheme will promote the success of the Company for the benefit of its members as a whole. Accordingly, the Directors unanimously recommend and strongly urge Shareholders to vote in favour of the Resolutions at the General Meeting as they intend to do in respect of their own beneficial holdings of 8,510,517 Ordinary Shares representing 4.23 per cent. of the existing Ordinary Shares in issue as at the last practicable date before publication of this document.

Yours faithfully

**David Kleeman**  
*Chairman*

## PART II: RISK FACTORS

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

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

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

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

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

The Company's current business plan assumes that its product roll-out programme will be delivered on time. There is a risk that certain elements of this programme could be delayed as they rely on leading edge technology developments being completed on time and to specification and market acceptance thereof. The Group may encounter delays and incur additional research and development costs over and above those anticipated or allowed for by the Directors. If the Company is unable to deliver its product roll-out programme on time and on budget the Company may require further financing.

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

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

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

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

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

The Company's future success depends in a large part upon the continued service of a number of key members of its senior management team. The loss of any of its management or key personnel could seriously harm its businesses. The competition in the Company's industry for appropriately skilled employees is intense. The Company's continued ability to compete effectively depends on its ability to attract new employees and to retain and motivate its existing employees.

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

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

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

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

### ***Legislative change***

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

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

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

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

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

### ***Intellectual property***

The success of the Group depends to some extent on its ability to protect its intellectual property and trade secrets and to avoid the risk of infringing intellectual property rights owned by others. Despite prudent steps taken by the Group to protect its proprietary rights, third parties may attempt to copy aspects of its products and seek to use information that the Group regards as proprietary. Competitors may also independently develop similar technologies or seek to recruit the Group's employees who have had access to proprietary technology, processes or operations of the Group. There is a risk that the Group's means of protecting its intellectual property rights may not be adequate and weaknesses or failures in this area could adversely affect the Group's business. There is a further risk that use of the Group's technology may infringe patents and similar rights owned by third parties and this may affect the Group's ability to use any infringing technology.

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

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

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

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

### ***Competition***

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

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

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

### ***EIS/VCT status***

HMRC have on a number of previous occasions provided advance assurance that the Ordinary Shares of the Company will qualify under the EIS and VCT Schemes, the most recent assurance being provided in July 2012. A new application has been submitted and it is expected that an updated advance assurance will be provided by HMRC. Whilst the Directors intend, so far as possible, to conduct the activities of the Group in such a way as to allow it to maintain its status as a qualifying EIS/VCT investment, circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way that preserves such status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to secure or preserve any such relief or status claimed by any Shareholder. Neither the Company nor the Directors give any warranties or undertakings that this status will not be withdrawn. Should the law regarding EIS and/or VCT treatment change, then any reliefs or qualifying status previously obtained may be lost.

### ***Contracts***

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

### ***Product liability***

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

### ***Production and Supply Chain***

The Company manufactures and assembles certain of its products and there is therefore a risk that its results of operations could be interrupted or adversely affected by a number of matters including force majeure events, machinery, equipment or tooling failures, staff absences/shortages, or supply chain interruptions or failures. Similarly, the Company also relies, in some cases, on certain third parties to contract manufacture and assemble products for it, and such suppliers' own operations could be adversely affected by similar or other matters to those mentioned above, which could also adversely affect the Company, particularly if it is not able to readily or cost-effectively switch to alternative suppliers. These risks are only likely to increase as the Company's business and operations grow and its supply chain becomes more complex. As the Company's business and operations grown, it could also face capacity issues in respect of its own production which could adversely affect its results of operations.

## **2. Risks relating to the Ordinary Shares**

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

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

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

### ***Dividends***

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

### ***Suitability***

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

### **3. General risks**

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

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

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

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

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

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

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

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

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

## PART III: TERMS AND CONDITIONS OF THE OFFER

### 1. Procedure for Application and Payment

Eligible Shareholders wishing to apply for any Offer Shares in accordance with the terms of the Offer should complete the enclosed Application Form in accordance with the instructions on it and post it or (during normal business hours only) deliver it by hand, together with payment in full for the number of Offer Shares applied for, to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA so as to arrive not later than 10.00 a.m. on 1 July 2013. After this time, applications will not be accepted.

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

The minimum subscription is for £750 (10,000 shares). Applications in excess of this amount must be made in multiples of 1,000 shares.

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

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

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

Only whole numbers of Offer Shares will be issued.

In the event that the Offer is over subscribed the applications will be scaled back at the discretion of the Company (in consultation with N+1 Singer) provided that in the event that any Eligible Shareholder applies for a proportionately large number of Offer Shares compared to other applicants, that Eligible Shareholder's application may be scaled back so as to allow the applicants with smaller holdings to participate.

### 2. Money Laundering Regulations

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

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

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

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

- (a) write his/her name and address on the back of the draft or cheque and, in the case of an individual, record his/her date of birth against his/her name; and



- (b) ask the bank or building society to endorse on the reverse of the draft or cheque the full name and account number of the person whose account number is being debited and stamp such endorsement.

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

### **3. Overseas Shareholders**

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

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

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

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

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

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

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

#### ***Australia***

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

## ***Japan***

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

## ***South Africa***

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

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

Applicants will be required to warrant that acceptance by them of their application for subscription under the Offer will not result in them and/or persons acting in concert with them obtaining an interest in greater than 29.99 per cent. of the Enlarged Ordinary Share Capital (which would, in the absence of a waiver from the Takeover Panel and shareholder consent, require such a person to make a mandatory offer to acquire the entire Enlarged Ordinary Share Capital).

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

Application will be made for the admission of the Offer Shares to trading on AIM. The result of the Offer is expected to be announced on or about 2 July 2013 and, subject to the Offer becoming unconditional in all respects, trading in the Offer Shares is anticipated to commence on AIM for normal settlement on 12 July 2013.

### **6. CREST**

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

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

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

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

## **PART IV: U.S. SHARE SCHEME**

### **1 Background**

On 31 May 2013, the Board adopted, subject to shareholder approval, the U.S. Share Scheme. The Board adopted, and recommends that the Shareholders approve, the U.S. Share Scheme in order to allow the Company to provide equity incentives under the U.S. Share Scheme through grant of stock options to employees, officers, directors, consultants and advisers of the Company's U.S. subsidiaries and to further the growth, development and financial success of the Company. Such U.S. subsidiaries currently consist solely of IntelliSAW, Inc., a corporation formed under the laws of the State of Delaware having its principal office in Andover, Massachusetts, but the Company may form additional U.S. subsidiaries in the future.

A copy of the U.S. Share Scheme will, from the date of this document, be put on display for inspection at the registered office of the Company.

Under the U.S. Internal Revenue Code of 1986, as amended (the "Code"), approval of the U.S. Share Scheme by the Company's shareholders is required for the Company to be able to grant to employees of the U.S. Subsidiaries "Incentive Stock Options" or "ISOs", ISOs provide for favourable tax treatment from the standpoint of the employees under U.S. tax law because the taxable income derived from exercise and sale of the option shares is generally taxable at lower capital gains rates. The Company's ability to offer equity incentives to the employees of the U.S. Subsidiaries in the form of ISOs will therefore further the U.S. Subsidiaries' efforts to attract and motivate their employees. Although ISOs will not permit the U.S. Subsidiaries which employ such optionees to receive deductions for tax purposes based on taxable income realized by its employees upon the exercise of stock options which do not qualify as ISOs, the Company now anticipates that its U.S. Subsidiaries will be able to offset for an extended period taxable income through tax loss carry forwards generated during the early periods of operations.

The Company currently has two share option plans, namely an Unapproved Discretionary Share Option Scheme and the Enterprise Management Share Option Scheme, under which the Company's Board of Directors may grant (at the discretion of the Board) options to subscribe for Ordinary Shares of the Company to selected employees or directors of the Company and its subsidiaries. Under the Unapproved Discretionary Share Option Scheme, the Board granted on 6 March 2012, to nine employees of IntelliSAW, Inc. options for a total of 7,090,000 Ordinary Shares, which options are exercisable at a price of four pence per share (the fair market value of the Ordinary Shares on the grant date) until the tenth anniversary of the grant date on 6 March 2022. Such outstanding options are now fully exercisable, but they do not qualify as ISOs for U.S. income tax purposes. If the Shareholders approve the U.S. Share Scheme, it is intended that the Company will offer to the employees of IntelliSAW, Inc. an opportunity to surrender all or some of their existing options and receive new options which will qualify as ISOs. The new options would have to be granted with an exercise price no lower than the prevailing market price at the date of grant and this may well be higher than the exercise price of the existing options. In this case, the number of replacement options offered may be greater than the number of options being surrendered, in order to provide the employee with new options similar in total value to those being surrendered. The exact timing and details of the offer to each employee will be determined after taking into account all appropriate circumstances including historic performance and potential contribution to the success of the IntelliSAW business.

### **2 Summary of Principal Terms of the U.S. Share Scheme**

The U.S. Share Scheme provides for grants of options to purchase up to 20,000,000 Ordinary Shares (subject to certain anti-dilution adjustments as described below) in the form of either (i) Incentive Stock Options, or (ii) Non-Statutory Stock Options. The U.S. Share Scheme will be administered by a committee appointed by the Board to act under and pursuant to the U.S. Share Scheme (the "Committee") or, in the event the Board does not appoint such a Committee, the full Board. Under the U.S. Share Scheme, all employees, officers, directors, consultants and advisors of the U.S. Subsidiaries are eligible to participate to the extent the Committee, in its discretion, shall grant options to them under the U.S. Share Scheme.

#### ***Types of Stock Options***

Stock options entitle the holder, following the satisfaction of the vesting and any performance criteria specified therein, to purchase during the remaining term of the option up to the maximum number of Ordinary Shares covered by the option at the exercise price specified therein. At the discretion of the Committee, stock options may be either Incentive Stock Options which, as described below, qualify for special federal income tax treatment under Section 422 of the Code, or options which do not qualify for special tax treatment ("Non-Qualified Stock Options" or "NSOs"). In accordance with the applicable provisions of the Code and the U.S. Share Scheme, ISOs may be awarded only to employees of the U.S. Subsidiaries, but Non-Qualified Stock Options may be granted to employees, directors, consultants and advisors of the U.S. Subsidiaries.

#### ***Grant of Stock Options***

In connection with each grant of a stock option, the Committee shall determine whether such stock option will be an ISO or an NSO, the number of Ordinary Shares covered by the option, the exercise price, the term of the option, the vesting and any performance criteria applicable to exercise of the option, and any other conditions and limitations applicable to the option. However, the U.S. Share Scheme provides that the exercise price of all options shall not be less than 100 per cent. of the fair market value of the Ordinary Shares on the grant date. Furthermore, if the grantee of an ISO then owns more than 10 per

cent. of the voting power of all classes of the Company's issued share capital then outstanding (which is not anticipated in light of the Company's current share ownership), the exercise price shall be not less than 110 per cent. of the fair market value of the Ordinary Shares on the grant date. Under the U.S. Share Scheme, options may be exercisable for not more than ten years after the date the option is granted. Payment of the exercise price shall be in cash or other method of payment authorized by the Committee and permitted by the option agreement. The terms of each option need not be identical, and the Committee need not treat optionees uniformly.

### ***Outstanding Options***

Options may not be granted under the U.S. Share Scheme after the tenth anniversary of the effective date, but outstanding options may extend beyond such date. Ordinary Shares subject to options which expire or are terminated prior to exercise will be available for future grants under the U.S. Share Scheme. Both treasury shares and authorized but unissued shares may be used to satisfy options issued under the U.S. Share Scheme. Any proceeds received by the Company from exercise of options granted under the U.S. Share Scheme will be used for the general purposes of the Company and its subsidiaries.

### ***Transferability of Awards***

Options may not be sold, assigned, transferred, pledged or otherwise encumbered by the participant to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an NSO, pursuant to a qualified domestic relations order. During the life of the participant, options are exercisable only by the optionee.

### ***Administration***

The Committee (which term, as described above, means the full Board if the Board does not appoint such a Committee) will serve as the administrator of the U.S. Share Scheme. In such capacity, the Committee will, among other matters, determine, from among the employees, directors, consultants and advisors of the U.S. Subsidiaries, those to whom options will be granted, the type of options to be granted to them, and the number of Ordinary Shares to be subject to such options.

### ***Certain Adjustments***

In the event that any stock splits, stock dividends, recapitalizations, spin-offs or other similar changes in capitalization affecting the Ordinary Shares shall become effective while the U.S. Share Scheme is in effect (and subsequent to the U.S. Share Scheme's expiration, with respect to outstanding options), the Committee shall make appropriate adjustments in connection with the U.S. Share Scheme and any outstanding options to reflect such events.

The U.S. Share Scheme also contains provisions addressing the consequences of any "Reorganization Event," which is defined as (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Ordinary Shares are converted into or exchanged for the right to receive cash, securities or other property, or is cancelled or (b) any exchange of all of the Ordinary Shares for cash, securities or other property pursuant to a share exchange transaction or (c) any liquidation or dissolution of the Company. In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any (or any portion of) outstanding options on such terms as the Board determines: (i) provide that options shall be assumed, or substantially equivalent options shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to an optionee, provide that the optionee's unexercised options will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the optionee within a specified period following the date of such notice, (iii) provide that outstanding options shall become exercisable in whole or in part prior to or upon such Reorganization Event, (iv) in the event of a Reorganization Event under the terms of which holders of the Ordinary Shares will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the "Acquisition Price"), make or provide for a cash payment to an optionee equal to the excess, if any, of (A) the Acquisition Price times the number of Ordinary Shares subject to the optionee's options over (B) the aggregate exercise price of all such outstanding options and any applicable tax withholdings, in exchange for the termination of such options, (v) provide that, in connection with a liquidation or dissolution of the Company, options shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof and any applicable tax withholdings), and (vi) any combination of the foregoing. In taking any of the actions permitted under Section 11.3 of the U.S. Share Scheme, the Board shall not be obligated by the U.S. Share Scheme to treat all outstanding options, all options held by an optionee, or all options of the same type, identically.

### ***Amendment and Termination***

The Board may amend, suspend, or terminate the U.S. Share Scheme or any portion thereof at any time. However, no amendment shall be made without shareholder approval if such approval is necessary to comply with any applicable tax or regulatory requirement. Accordingly, shareholder approval will be required for any amendment that increases the number of Ordinary Shares subject to the U.S. Share Scheme (other than in connection with an adjustment upon a change in capitalisation) or makes any change in the class of employees, directors, consultants or advisors of the U.S. Subsidiaries eligible to be granted options by the Committee under the U.S. Share Scheme.

If the Shareholders approve the U.S. Share Scheme, it will become effective and remain in effect until its expiration on the tenth anniversary of the effective date unless earlier terminated by the Board. If the Shareholders do not approve the U.S.

Share Scheme, the U.S. Share Scheme will not go into effect and the Committee will not grant any options under the U.S. Share Scheme. In such event, the Board may continue to grant options under the Company's two existing plans but will not be able to grant options to employees of the U.S. Subsidiaries which qualify as ISOs unless another plan providing for such issuance is approved in the future.

### **3 Certain Tax Information**

#### ***Incentive Stock Options***

For U.S. federal income tax purposes, no taxable income results to the optionee upon the grant of an ISO, or upon the issuance of shares to the optionee upon the exercise of the ISO, and no deduction is allowed to the U.S. Subsidiary which employs or retains the optionee upon either the grant or the exercise of the ISO. Rather, if shares acquired upon the exercise of an ISO are not disposed of either within the two-year period following the date the option is granted or within the one-year period following the date the shares are transferred to the optionee pursuant to exercise of the ISO, the difference between the amount realized on any disposition thereafter and the option price will be treated as long-term capital gain or loss to the optionee. If a disposition occurs before the expiration of the requisite holding period, then the optionee will generally recognize ordinary compensation income in the amount of the fair market value of the shares at the time of exercise of the ISO, less the exercise price; however, the amount includible in the employee's compensation income (and the amount deductible by the relevant U.S. Subsidiary as compensation expense) cannot exceed the employee's actual gain on disposition. Any excess of the amount realized by the optionee on disposition over the fair market value of the shares at the time of exercise will generally be treated as capital gain. The U.S. Share Scheme requires each employee granted an ISO under the U.S. Share Scheme to notify the Committee in the event that the optionee disposes of Ordinary Shares acquired upon exercise of an ISO either within the two-year period following the date the ISO was granted or within the one-year period following the date the optionee receives Ordinary Shares upon the exercise of an ISO. If an optionee is required to recognize ordinary income as a result of a disqualifying disposition of shares acquired upon exercise of an ISO, the U.S. Subsidiaries will be entitled (subject to certain potential limitations) to a corresponding deduction from its taxable income provided the U.S. Subsidiaries comply with certain reporting requirements. Any such increase in the taxable income of the optionee or deduction from the taxable income of the U.S. Subsidiaries attributable to such disposition is treated as an increase in taxable income or a deduction from taxable income in the taxable year in which the disposition occurs.

For U.S. federal income tax purposes, "alternative minimum taxable income" in excess of a taxpayer's exemption amount is subject to the alternative minimum tax, which is currently imposed at a rate of 26% to 28% on individuals and is payable to the extent it exceeds the regular income tax. The excess of the fair market value on the date of exercise over the option price of shares acquired on exercise of ISOs generally constitutes an item of alternative minimum taxable income for the purpose of the alternative minimum tax. The optionee's basis for the shares acquired for regular income tax purposes will not be increased by the amount of alternative minimum taxable income recognized on exercise, but the optionee may be able to recover the amount of his or her alternative minimum tax liability through the alternative minimum tax credit against future gain from sale of the stock.

If the aggregate fair market value (determined at the time the option is granted) of the Ordinary Shares covered by ISOs granted to an individual optionee which become exercisable for the first time in a calendar year exceeds \$100,000, the amount of the excess will not be treated as shares acquired through exercise of an ISO.

#### ***Non-Qualified Stock Options***

For U.S. federal income tax purposes, a person who is granted a Non-Qualified Stock Option will not realize taxable income at the date of grant; however, an optionee who thereafter exercises such an option will be deemed to have received compensation income in an amount equal to the difference between the option price and the fair market value of the shares on the date of exercise. The optionee's basis for such shares will be increased from the option price by the amount which is deemed compensation income. For the year in which a Non-Qualified Stock Option is exercised, the U.S. Subsidiary which employs or retains the optionee will be entitled (subject to certain potential limitations under Section 162(m) of the Code as described below) to a deduction in the same amount as the optionee is required to include in his or her income provided the U.S. Subsidiary withholds and deducts as required by law. When the optionee disposes of such shares, he or she will recognize either long-term or short-term capital gain or loss based upon the holding period between the respective dates of exercise and sale.

#### ***Tax Consequences to the U.S. Subsidiaries***

Except to the extent that the U.S. Subsidiaries may be entitled to a deduction when a participant recognizes compensation income, it is anticipated that the creation and operation of the U.S. Share Scheme will not have federal income tax consequences to the U.S. Subsidiaries.

#### ***Other Tax Consequences***

The foregoing is a general summary only of the principal U.S. federal income tax aspects of options granted under the U.S. Share Scheme, and tax consequences may vary depending on the particular circumstances associated with any options. In addition, the relevant provisions of the Code and the regulations thereunder and administrative and judicial interpretations are

subject to change. Furthermore, no information is given with respect to foreign, state or local taxes that may be applicable in the case of any option in addition to, or in lieu of, U.S. federal income taxes.

**Adoption by the Company of the U.S. Share Scheme is subject to Resolution 4 being passed at the General Meeting.**

## NOTICE OF GENERAL MEETING

### Transense Technologies plc

NOTICE IS HEREBY GIVEN that a general meeting of the Company will be held at 3 Lloyd's Avenue, London EC3N 3DS at 10.00 a.m. on 2 July 2013 for the purpose of considering and, if thought fit, passing the following Resolutions of which Resolutions 1 to 4 (inclusive) shall be proposed as ordinary resolutions and Resolutions 5 to 7 (inclusive) shall be proposed as a special resolutions:

#### ORDINARY RESOLUTIONS

- 1 **THAT** the directors of the Company be and they are hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused and otherwise than granted pursuant to Resolutions 2 or 3) pursuant to and in accordance with section 551 of the Act to allot up to 16,133,330 Second Stage Placing Shares in connection with the Second Stage Placing and, unless previously renewed, varied or revoked by the Company in general meeting, this power shall expire at the conclusion of the next annual general meeting of the Company to be held after the date of this Notice or 15 months after the passing of this Resolution (whichever is earlier) except that the directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require New Ordinary Shares to be allotted after the expiry of such period, and the directors of the Company may allot New Ordinary Shares in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.
- 2 **THAT** the directors of the Company be and they are hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused and otherwise than granted pursuant to Resolutions 1 or 3) pursuant to and in accordance with section 551 of the Act to allot up to 14,000,000 Offer Shares in connection with the Offer and, unless previously renewed, varied or revoked by the Company in general meeting, this power shall expire at the conclusion of the next annual general meeting of the Company to be held after the date of this Notice or 15 months after the passing of this Resolution (whichever is earlier) except that the directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require New Ordinary Shares to be allotted after the expiry of such period, and the directors of the Company may allot New Ordinary Shares in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.
- 3 **THAT** the directors of the Company be and they are hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused and otherwise than granted pursuant to Resolutions 1 or 2) pursuant to and in accordance with section 551 of the Act to allot New Ordinary Shares or grant rights to subscribe for or to convert any securities into New Ordinary Shares ("Rights") up to an aggregate nominal amount of £860,280.16 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company to be held after the date of this Notice or 15 months after the passing of this Resolution (whichever is earlier) except that the directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require New Ordinary Shares to be allotted or Rights to be granted after the expiry of such period, and the directors of the Company may allot New Ordinary Shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.
4. **THAT** the U.S. Share Scheme be and is approved for adoption by the Company.

#### SPECIAL RESOLUTIONS

- 5 **THAT**, subject to, and conditional upon, the passing of Resolution 1, the directors of the Company be and they are hereby empowered (in substitution for all subsisting authorities to the extent unused and otherwise than granted pursuant to Resolutions 6 or 7) in accordance with section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred upon them by Resolution 1 for cash as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities as detailed in Resolution 1.
- 6 **THAT**, subject to, and conditional upon, the passing of Resolution 2, the directors of the Company be and they are hereby empowered (in substitution for all subsisting authorities to the extent unused and otherwise than granted pursuant to Resolutions 5 or 7) in accordance with section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred upon them by Resolution 2 for cash as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities as detailed in Resolution 2.
- 7 **THAT**, subject to, and conditional upon, the passing of Resolution 3, the directors of the Company be and they are hereby empowered (in substitution for all subsisting authorities to the extent unused and otherwise than granted pursuant to Resolutions 5 or 6) in accordance with section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred upon them by Resolution 3 for cash as if

section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- 7.1 in connection with an offer of such securities by way of a Rights Issue; and
- 7.2 otherwise than pursuant to Resolution 7.1 above, up to an aggregate nominal amount of £258,084.05.

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

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

**BY ORDER OF THE BOARD**

**D Ford**  
*Secretary*

Dated: 7 June 2013



**Notes:**

1. A member entitled to attend and vote at the above meeting convened by the above Notice shall be entitled to appoint a proxy (or proxies) to attend, speak and vote in his place. Such proxy need not be a member of the Company.
2. A Form of Proxy is enclosed. The appointment of a proxy will not prevent a Shareholder from subsequently attending and voting at the meeting in person, in which case any votes cast by the proxy will be excluded. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's Registrars (details below).
3. To be valid, the Form of Proxy (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) must be completed in accordance with the instructions set out on the form and deposited at or posted to the offices of the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA, so as to be received no later than 10 a.m. on 28 June 2013. If you hold your shares in uncertificated form, you may use the CREST electronic proxy appointment service as described below. Completion and return of the form of proxy or appointment of a proxy through CREST will not preclude shareholders from attending or voting at the meeting in person.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
5. In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
6. As provided in Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered in the register of members of the Company at 6.00 p. m. on 30 June 2013 (or in the case of an adjournment 48 hours before the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the relevant register of securities after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so 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 service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. 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 Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is 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 issuer's agent (ID 7RA11) by 10 a.m. on 28 June 2013. 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 Application Host) from which the issuer'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.
9. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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, 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. 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.
11. As at 6 June 2013 (being the last practicable date prior to publication of this Notice) the Company's issued ordinary share capital consists of 201,292,573 shares, carrying one vote each. The Company does not hold any Ordinary Shares in Treasury. Therefore, the total voting rights of the Company as at 6 June 2013 are 201,292,573.