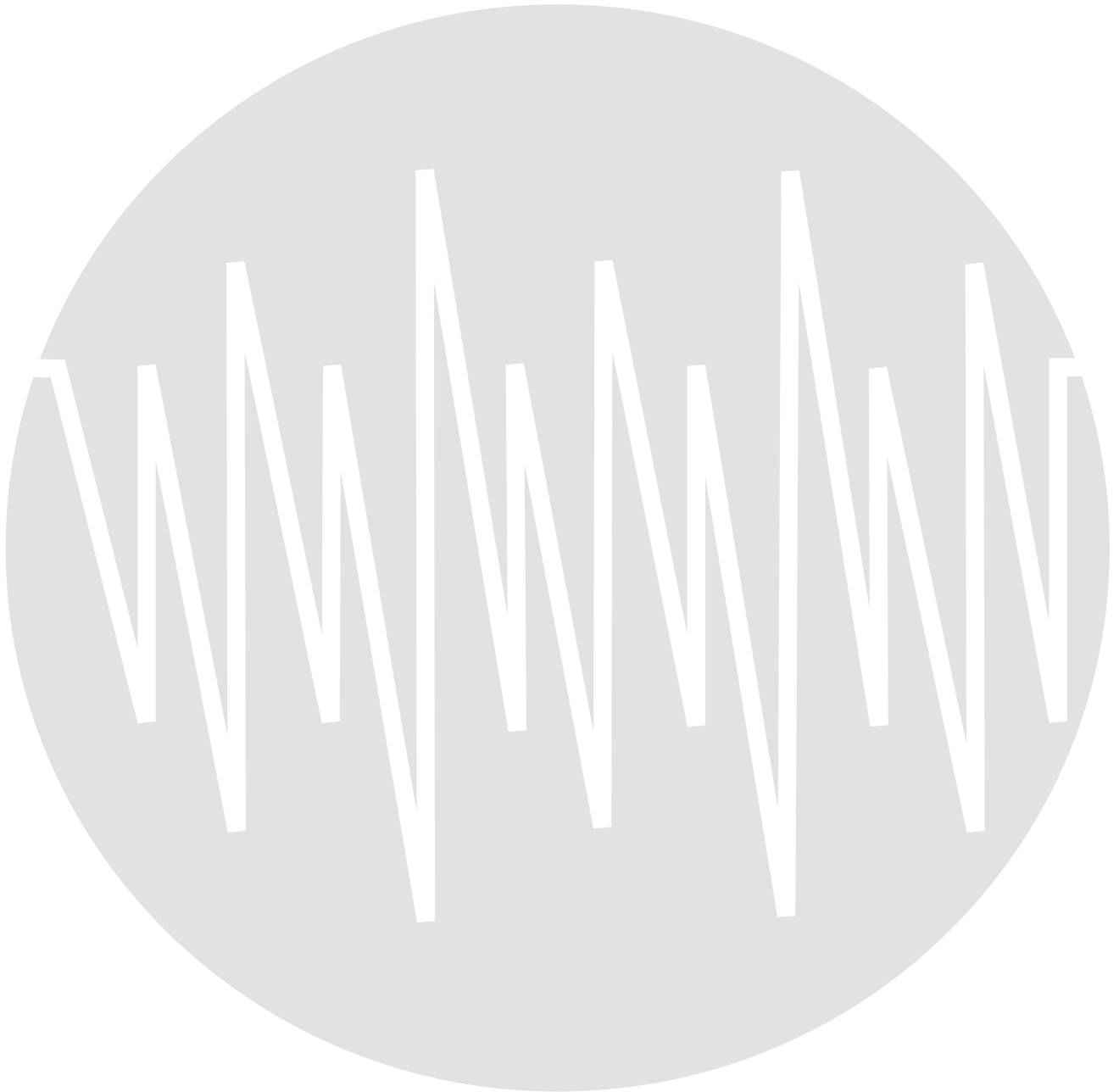




# **Transense Technologies plc**



**Report and Accounts  
For the Year Ended  
31 December, 2002**



## DIRECTORS AND ADVISERS

### Directors

§†\* Sir N D Cadbury (*Chairman*)  
J A H Perry (*Chief Executive*)  
§†\* A B Baldry  
S C Clarke (*Legal*) (*resigned 1 March, 2003*)  
G D Eves (*Commercial*)  
R D Lohr (*Technical*) (*appointed 1 May, 2002*)  
A Lonsdale (*Advanced Research*)  
H G Pearl (*Finance*)  
\* J Pither (*appointed 1 March, 2003*)  
§†\* P J Woods  
§ *Member of the Audit Committee*  
† *Member of the Remuneration Committee*  
\* *Non-executive*

### Secretaries and Registered Office

Watlington Securities Limited  
36 Elder Street  
London E1 6BT

### Auditors

BDO Stoy Hayward  
Northside House  
69 Tweedy Road  
Bromley  
Kent BR1 3WA

### Bankers

HSBC Bank plc  
1 Sheep Street  
Bicester  
Oxon OX6 7JA

### Nominated Advisers and Brokers

Bridgewell Limited  
128 Queen Victoria Street  
London EC4V 4BJ

### Registrars

Capita IRG plc  
Balfour House  
390/398 High Road  
Ilford  
Essex IG1 1NQ

### Registration Number

1885075



## CHAIRMAN'S STATEMENT

Transense recorded a loss of £1.2m in 2002, £318,000 more than in 2001. This was due to increased technical staff and patent costs. We now have 20 full-time employees compared with 15 last year and we spent £183,000 on existing and new patent applications compared with £126,000 in 2001. We now have 6 granted patents and 25 new applications, which is a clear indication of the innovative strength of the Transense development team. We finished the year with cash reserves of £1,850,000, which gives us adequate funding for at least another 12 months.

The expectation that we would earn royalty revenue early in 2003, which I reported in my 2002 Interim Statement has not been achieved. In February 2003 we informed shareholders of Michelin scaling back their testing programme of our Tyre Pressure Monitoring Systems ("TPMS") which we had expected to represent material production volumes and generate significant royalty income. The test programme in question is now based on substantially smaller volumes which Michelin has indicated reflects a reduction in their perception of the technical risk involved.

While this delay to achieving royalty income is a setback, it does not reflect a reduction in interest in your Company's TPMS technology on the part of Michelin or our other principal licencees.

We continue to work closely with Michelin, the leading tyre manufacturer in the world, on commercial vehicle applications. An indication of Michelin's continued confidence in our SAW technology is that it is now fully funding a Transense developed interrogator and will make limited cash advances to your Company in lieu of royalties in early 2004, supporting your Board's view that volume production of TPMS is likely to commence in late 2004.

Further progress has been made on Electric Power Steering ("EPS") systems using our technology. Our team has designed and had manufactured an innovative SAW device for which another patent application has been taken out. On the basis of tests carried out, we have confidence that it will form a future revenue source for us.

Negotiations are in progress with a number of potential new licensees for both TPMS and EPS applications and it is hoped that a number of these will reach successful conclusion during 2003.

I would like to take this opportunity to welcome Jon Pither to the Board as a non-executive director. Jon has spent many successful years in building and advising small companies and dealing with major City institutions. His experience in such matters will contribute to the broad expertise of your Board. In recognition of Jon's appointment he has been granted 50,000 share options under the Company's Unapproved Share Option Scheme, exercisable for two years from March 2006, at a price of 26 pence per share. Unfortunately, as Jon joins us, Stephen Clarke is leaving. Stephen's contribution whilst he was with the Company will stand it in good stead and I wish him every success in the future.



## CHAIRMAN'S STATEMENT *continued*

On behalf of the Board I would like to thank all members of our highly talented team for the very real progress that has been made in the past year. Because of the non-disclosure agreements we have signed with our licensee companies we cannot report on the detail of the progress our team are making in respect of our licensed technology, but they have a firm commitment to its implementation and the market for the application of your Company's technology continues to offer exciting opportunities.

Sir Dominic Cadbury  
*Chairman*

27 March, 2003



## STATEMENT OF CORPORATE GOVERNANCE

The Company is not required to comply with the provisions of the Combined Code, which is based on the Cadbury, Greenbury, and Hampel reports. However the Company has sought to apply those provisions which the directors consider appropriate to the size and nature of the organisation.

The directors did not find it practical, largely because of its size, to embrace fully all the recommendations of the Code and have not complied during the year with provisions A.1.2 and A.1.3, which relate to matters specifically reserved for the Board for decisions and the provisions, if necessary, of independent legal advice for directors; and provision A.5.1 concerning the procedure for the appointment of new directors to the Board.

The directors acknowledge that fully listed companies are now required to report on internal controls in compliance with the Turnbull Report. Despite the fact that the Group is not bound to comply, as it is listed on the Alternative Investment Market, the directors recognise the need to focus on significant risks and related controls, procedures and reports. The directors consider that such matters are dealt with appropriately, bearing in mind the Group's present size and its potential for expansion.

### **Directors**

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

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

Non-executive directors are not appointed for specified terms nor have an automatic right of reappointment. The Board believes that, because of the nature of the business, the contribution and independence of a non-executive director is not diminished by long service but that a detailed knowledge of the Company and its activities is most beneficial. All non-executive directors are considered to be independent with Sir Dominic Cadbury as senior independent non-executive director.

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

The Audit Committee comprises three non-executive directors under the chairmanship of Sir Dominic Cadbury. They meet at least twice a year and review both interim and annual financial statements prior to their submission to the Board for final approval, as well as matters raised by management and the external auditors.

### **Relations with Shareholders**

The Board welcomes as many shareholders as possible to attend the AGM and encourages discussion on issues of concern or areas of uncertainty that they may have during and after the formal proceedings.

### **Accountability and Audit**

In preparing these accounts, reports and supplementary information the directors have had due regard to their responsibility to present a clear and balanced assessment of the Group's position and prospects. Close liaison with the auditors has been maintained in this respect, with the Annual Report containing a statement by the directors of their responsibilities in respect of the accounts in addition to a report of the auditors setting out their reporting responsibilities.

After making enquiries the directors have formed a judgement at the time of approving these accounts, that the Group has adequate resources to continue in operational existence for the foreseeable future.

The directors have restricted their reporting on internal controls to financial controls.



## **STATEMENT OF CORPORATE GOVERNANCE** *continued*

The directors are responsible for the Group's system of internal financial control. Every system of internal financial control can only provide reasonable and not absolute assurance against material financial misstatement or loss. However, the directors have reviewed the systems currently in place and have considered their appropriateness and effectiveness. An independent Quality Manager has also advised on all aspects of control.

The Directors are satisfied that, given the size and current activities of the Group, the financial control procedures adopted and in place adequately meet its present needs and requirements.



## REMUNERATION REPORT

### Compliance

As well as complying with the provisions of the Combined Codes disclosed in the Statement of Corporate Governance above, the Company has applied the principles relating to remuneration as described below.

### Remuneration Committee

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

In June 2001 the Committee appointed Marcussen Consultants, an independent consultancy, to advise them on the future design of the Company's long term incentive and executive share option schemes. This firm has provided no other services to the Company during the year.

### Remuneration Policy

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

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

The Remuneration Committee can also grant options on ordinary shares under the Company's Unapproved Discretionary Share Option Scheme (UDSOS) and the Company's Enterprise Management Incentive Option Agreement (EMI). These schemes do offer long term incentives to directors and key personnel.

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

The remuneration of the non-executive directors, which consists of fees for their services in connection with Board and Board Committee meetings, is set by the Board as a whole. Certain additional services are rewarded by extra fees from time to time. The non-executive directors are not eligible for pension scheme membership, but they do participate in the Company's UDSOS.

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

### Base Salary and Benefits

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

In addition to base salary certain executive directors are entitled to the following benefits:

- 25 days holiday per annum: all directors
- Cash allowance in lieu of a Company car: Messrs, Eves, Lohr and Perry
- Permanent Health insurance: Messrs Clarke, Eves, Lohr and Perry



## REMUNERATION REPORT *continued*

- Private medical cover for themselves, their spouse and minor children where relevant: Messrs Clarke, Eves, Lohr, Lonsdale and Perry
- Life assurance based on three times basic annual salary: Messrs Clarke, Eves, Lohr, Lonsdale and Perry

### **Executive Share Option Schemes**

The Committee considers that potential for share ownership and participation in the growing value of the Company increases the commitment and loyalty of directors and senior executives. All executive directors have been awarded options in both the Company's UDSOS and EMI schemes, the details of which are shown below.

### **Directors' Pension Policy**

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

### **Service contracts**

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

- The notice period required by either the Company or an executive director to terminate a contract is 6 months, with the exception of Stephen Clarke whose notice period was 12 months.
- There is no notice period with respect to non-executive directors' contracts.
- All contracts awarded to directors automatically terminate when the director reaches the age of 70.
- If the Company terminates without notice, the individual is entitled to a payment in lieu of notice being the value of the maximum notice period in his contract.
- In the event of termination for unsatisfactory performance (if necessary decided by an independent tribunal) or for reasons of misconduct, no compensation is payable.

In addition A Lonsdale and B Lonsdale entered into Consultancy Agreements with the Company dated 28 August 1991 (as varied by the agreements dated 22 August, 1994) under which they will each be entitled to commission on direct sales, and royalties from sub-licences, at the following rates:

<i>Annual turnover</i>	<i>Sales Commission</i>	<i>Royalties Commission</i>
Up to £5 million	1.25%	2.50%
Between £5-£10 million	0.75%	1.50%
Over £10 million	0.50%	1.00%

In the event of the death of either of the Lonsdales during their consultancy the survivor will be entitled to his brother's commissions in addition to his own.





## REMUNERATION REPORT *continued*

### Directors' Remuneration

Information on directors' remuneration for the year 2002 is as follows:

	<i>Basic salary</i> £	<i>Fees</i> £	<i>Benefits</i> £	<i>Pension contri- butions</i> £	<i>Total emoluments</i>	
					<i>2002</i> £	<i>2001</i> £
<b>Executive Directors</b>						
S C Clarke (appointed 22 March, 2002)	43,050	–	–	4,305	47,355	–
G D Eves	48,500	–	7,529	4,850	60,879	59,759
R D Lohr (appointed 1 May, 2002)	33,333	–	3,333	3,334	40,000	–
A Lonsdale	8,600	–	606	–	9,206	9,006
H G Pearl	22,067	–	–	–	22,067	15,750
J A H Perry	64,600	–	8,100	6,460	79,160	77,400
<b>Non-Executive Directors</b>						
A B Baldry	–	10,000	–	–	10,000	10,000
Sir N D Cadbury	–	14,000	–	–	14,000	14,000
P J Woods	–	10,000	–	–	10,000	10,000
<b>Total 2002</b>	<u>220,150</u>	<u>34,000</u>	<u>19,568</u>	<u>18,949</u>	<u>292,667</u>	
<b>Total 2001</b>	<u>134,400</u>	<u>34,000</u>	<u>16,490</u>	<u>11,025</u>		<u>195,915</u>

As reported last year, in addition to the emoluments detail noted above the following directors earned taxable benefits in February, 2001 following the exercise of certain share options: G D Eves £3,619,555, A Lonsdale £904,889, H G Pearl £1,809,778, J A H Perry £4,524,444 and A B Baldry £904,889. The combined income from these earnings after income tax was £7,057,857. Of this amount £6,401,623 was invested in Transense shares.

Directors' interests in the UDSOS are:

	<i>At 1 Jan &amp; 31 Dec 2002</i>	<i>Earliest Exercise Date</i>	<i>Exercise Price per Share</i>
A B Baldry	20,000	18.10.03	598.75p
Sir N D Cadbury	200,000	22.09.03	518.75p
S C Clarke	600,000	21.04.04	472.5p
G D Eves	400,000	16.03.03	352.5p
	120,000	18.10.03	598.75p
R D Lohr	–	–	–
A Lonsdale	20,000	18.10.03	598.75p
H G Pearl	40,000	18.10.03	598.75p
J A H Perry	600,000	16.03.03	352.5p
P J Woods	200,000	02.10.03	546.875p

No options were granted or exercised in 2002, but on 9 January, 2003 R D Lohr was granted an option on 100,000 shares at 52p per share. The earliest exercise date on this option is 9 January, 2006. In addition J Pither, who was appointed a director on 1 March, 2003, was granted an option on 50,000 shares at 26p per share on that date. The earliest exercise date on this option is 1 March, 2006.

Under the Company's EMI dated 24 September, 2001 certain directors were granted options on shares at 212.5p per share which must be exercised within two years from 18 October, 2003. However, options may not be exercised in respect of any number of shares under this scheme unless and until the option holder has formally released the Company from its liability with respect to an equivalent number of



## **REMUNERATION REPORT** *continued*

shares on the UDSOS. Under the EMI Messrs Clarke, Eves and Perry have been granted 47,056 shares each and Mr Pearl has been granted 40,000 shares.

Mr Lohr has also been granted 48,780 shares at 205p each under the EMI, which must be exercised within two years from 1 May, 2005. In this case there is no requirement on Mr Lohr to release the Company from its liability with respect to any shares granted under the UDSOS.

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

### **Share price and performance graph**

The share price and performance graph are disclosed in the Directors' Report on page 12.

On behalf of the Board

Sir N D Cadbury  
Chairman, Remuneration Committee

27 March, 2003



## **REPORT OF THE DIRECTORS**

*For the year ended 31 December, 2002*

The directors present their annual report and Group audited accounts for the year ended 31 December, 2002.

### **Business activities, review of the business and future developments.**

The principal activities of the Company and Group during the year were the continuing development of non contact sensors for tyre pressure monitoring and the development of tyre pressure monitoring systems as well as torque transducer sensors to enable electric power assisted steering and other automotive applications to be introduced into motor vehicles.

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

### **Results and Dividends**

The results for the year ended 31 December, 2002 show a loss of £1,202,000 (2001: loss £884,000). The directors do not recommend the payment of a dividend.

### **Directors**

The present directors are listed on page 1. Stephen Clarke who was appointed a director on 22 March, 2002 resigned on 1 March, 2003. Raymond Lohr who was appointed a director on 1 May, 2002 and Jon Pither who was appointed a director on 1 March, 2003 now retire in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election. The directors retiring by rotation are James Perry and Peter Woods and, being eligible, they offer themselves for re-election.

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

Sir Dominic Cadbury, Chairman, is also Chairman of The Wellcome Trust and The Economist Newspapers, Deputy Chairman of the EMI Group and a director of Misys plc. He was formerly Executive Chairman of Cadbury Schweppes plc.

Anthony Baldry is the Member of Parliament for Banbury and formerly a Minister for eight years in the last Conservative government. He is a member of the Commons Trade and Industry Select Committee and a Barrister at Law.

Peter Woods OBE was Chairman and Chief Executive Officer of Rover Group (Japan) Ltd and Chairman of the European Business Community Council.

Jon Pither has, over the last twelve years, built up extensive interests and directorships in a portfolio of companies with particular emphasis on emerging businesses. He is Chairman of The Aim Trust plc, a fund managed by ISIS Asset Management PLC, who are responsible for substantial shareholdings in Transense Technologies. Previously he was executive director of Glynwed International plc.

Contracts of significance in which the directors had a material interest are disclosed in Note 18.



## REPORT OF THE DIRECTORS *continued*

### Substantial shareholdings

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

	<i>Ordinary shares Of 10p each</i>	<i>%</i>
Friends Ivory & Sime plc	7,666,573	15.1
Legg Mason Investments (Europe) Ltd	2,426,212	4.8
B Lonsdale	2,370,836	4.7
The Equitable Life Assurance Society	1,992,016	3.9
A J Ingham	1,742,936	3.4

### Directors' interests

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

	<i>Ordinary shares of 10p each</i>	
	<i>31 December 2002</i>	<i>1 January 2002*</i>
A B Baldry	91,200	91,200
Sir N D Cadbury	60,000	–
S C Clarke	5,000	–
G D Eves	364,400	364,400
R D Lohr	–	–
A Lonsdale	2,592,836	2,592,836
H G Pearl**	222,400	222,400
J A H Perry	2,229,252	2,229,252
P J Woods**	8,796	8,796

\*Or date of appointment if later.

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

There have been no changes in the above shareholdings between 31 December, 2002 and 27 March, 2003.

### Share price

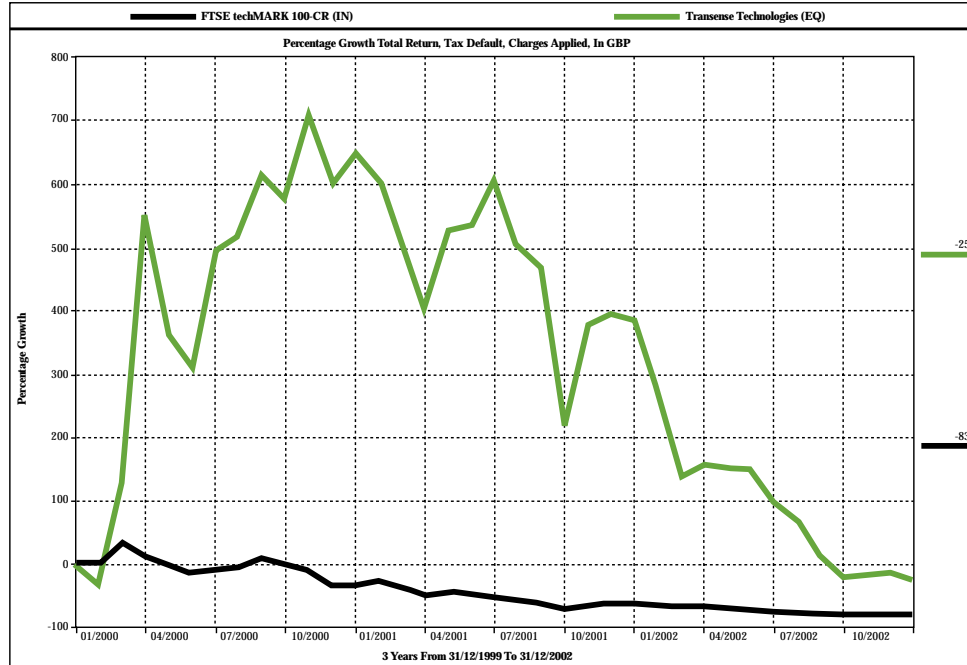
The mid price of the shares in the Company at 31 December, 2002 was 60.5p and the range during the year was 392.5p to 58p.



## REPORT OF THE DIRECTORS *continued*

### Performance graph

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



### Share option schemes

- The Remuneration Committee is responsible for the operation and administration of the Company's UDSOS and EMI Schemes. In an increasingly competitive market the Committee regards the provision of options as an important incentive for other members of staff as well as directors.
- Details of options granted to directors are disclosed in the Remuneration Report on page 8.

### Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the results of the Group for that year. In preparing those accounts, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **REPORT OF THE DIRECTORS** *continued*

### **Policy and practice on payment of suppliers**

The Group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and then abide by these terms. At 31 December, 2002 trade creditors represented 30 days purchases.

### **Auditors**

Messrs BDO Stoy Hayward have expressed their willingness to continue in office as auditors, and in accordance with Section 384 of the Companies Act 1985, a resolution proposing their reappointment will be submitted at the Annual General Meeting.

By Order of the Board

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

27 March, 2003



## REPORT OF THE INDEPENDENT AUDITORS

### Independent Auditors' Report to the Shareholders of Transense Technologies plc

We have audited the financial statements of Transense Technologies plc for the year ended 31 December, 2002 on pages 15 to 27 which have been prepared under the accounting policies set out on pages 20 and 21.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statement in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Remuneration Report, the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

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

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

#### *Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December, 2002 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

#### **BDO Stoy Hayward**

*Registered Auditors*

*Chartered Accountants*

Bromley

27 March, 2003



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December, 2002

	<i>Notes</i>	<b>2002</b> <b>£'000</b>	<b>2001</b> <b>£'000</b>
<b>Turnover</b>	2	<b>112</b>	191
<b>Cost of sales</b>		<b>(27)</b>	(6)
<b>Gross profit</b>		<b>85</b>	185
<b>Administration expenses</b>		<b>(1,449)</b>	(1,216)
<b>Operating loss</b>	5	<b>(1,364)</b>	(1,031)
<b>Interest receivable and similar income</b>	6	<b>100</b>	113
<b>Loss on ordinary activities before taxation</b>		<b>(1,264)</b>	(918)
<b>Taxation</b>	7	<b>52</b>	20
<b>Loss on ordinary activities after taxation</b>		<b>(1,212)</b>	(898)
<b>Minority interest</b>		<b>10</b>	14
<b>Loss on ordinary activities after minority interest</b>		<b>(1,202)</b>	(884)
<b>Dividends</b>		<b>—</b>	—
<b>Loss for the year</b>	15	<b>(1,202)</b>	(884)
<b>Loss per share</b>			
Basic	16	<b>(2.4p)</b>	(1.8p)
Diluted	16	<b>(2.4p)</b>	(1.7p)

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

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

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





## CONSOLIDATED BALANCE SHEET

as at 31 December, 2002

	Notes	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Intangible Assets	9	1,326	1,068
Tangible Assets	10	107	99
		<u>1,433</u>	<u>1,167</u>
<b>Current assets</b>			
Debtors	13	269	317
Investments		51	-
Cash at Bank and in Hand		1,850	3,177
		<u>2,170</u>	<u>3,494</u>
<b>Creditors:</b>			
<b>Amounts falling due within one year</b>			
Trade creditors		(102)	(48)
Other taxes and social security costs		(23)	(1)
Accruals		(50)	(22)
		<u>(175)</u>	<u>(71)</u>
<b>Net current assets</b>		<u>1,995</u>	<u>3,423</u>
<b>Total assets less current liabilities</b>		<u>3,428</u>	<u>4,590</u>
<b>Capital and reserves</b>			
Called up share capital	14	5,066	5,046
Share premium account	15	2,363	2,333
Profit and loss account	15	(3,985)	(2,783)
<b>Equity Shareholders' funds</b>	17	<u>3,444</u>	<u>4,596</u>
<b>Minority interest – equity</b>		<u>(16)</u>	<u>(6)</u>
		<u>3,428</u>	<u>4,590</u>

Approved by the Board on 27 March, 2003

J A H Perry – Director

H G Pearl – Director



## COMPANY BALANCE SHEET

as at 31 December, 2002

	Notes	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Intangible Assets	9	1,269	1,018
Tangible Assets	10	107	99
Investments	11	25	25
		<u>1,401</u>	<u>1,142</u>
<b>Current assets</b>			
Debtors	13	302	390
Investment		51	-
Cash at Bank and in Hand		1,849	3,177
		<u>2,202</u>	<u>3,567</u>
<b>Creditors:</b>			
<b>Amounts falling due within one year</b>			
Trade creditors		(102)	(48)
Other taxes and social security costs		(23)	(1)
Accruals		(50)	(22)
		<u>(175)</u>	<u>(71)</u>
<b>Net current assets</b>		<u>2,027</u>	<u>3,496</u>
<b>Total assets less current liabilities</b>		<u>3,428</u>	<u>4,638</u>
<b>Capital and reserves</b>			
Share capital	14	5,066	5,046
Share premium	15	2,363	2,333
Profit and loss account	15	(4,001)	(2,741)
<b>Equity Shareholder's funds</b>		<u>3,428</u>	<u>4,638</u>

Approved by the Board on 27 March, 2003

J A H Perry – *Director*

H G Pearl – *Director*



## CONSOLIDATED CASHFLOW STATEMENT

For the year ended 31 December, 2002

	Notes	2002 £'000	2001 £'000
<b>Net cash outflow from operating activities</b>	A	<b>(1,096)</b>	(1,166)
<b>Returns on investments and servicing of finance</b>			
Interest received		100	113
<b>Taxation</b>			
Corporation tax received		20	-
<b>Capital expenditure and financial investment</b>			
Payments to acquire intangible fixed assets		(289)	(251)
Payments to acquire tangible fixed assets		(62)	(57)
Sale of tangible fixed assets		-	32
		<b>(351)</b>	(276)
		<b>(1,327)</b>	(1,329)
<b>Acquisitions and disposals</b>		-	-
<b>Equity dividends paid</b>		-	-
<b>Cash outflow before management of liquid resources and financing</b>		<b>(1,327)</b>	(1,329)
<b>Management of liquid resources</b>			
Receipts from/(payments to) short term deposits		1,430	(1,410)
<b>Financing</b>			
Issue of new ordinary shares		-	2,760
<b>Increase in cash in the year</b>	C	<b>103</b>	21



## NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

For the year ended 31 December, 2002

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

	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
Operating loss	<b>(1,364)</b>	(1,031)
Depreciation and amortisation	<b>85</b>	63
(Profit)/loss on disposal of fixed assets	–	(12)
Decrease/(increase) in debtors	<b>79</b>	(110)
Increase/(decrease) in creditors	<b>104</b>	(76)
<b>Net cash outflow from operating activities</b>	<b><u>(1,096)</u></b>	<u>(1,166)</u>

### B Reconciliation of net cash flow to movement in net funds

	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
Increase in cash in the year	<b>103</b>	21
(Decrease)/increase in cash flow from liquid resources	<b>(1,430)</b>	1,410
Change in net funds resulting from cash flows	<b>(1,327)</b>	1,431
Conversion of trade debtor into current asset investment	<b>51</b>	–
Movement in net funds in the year	<b>(1,276)</b>	1,431
Net funds at 1 January	<b>3,177</b>	1,746
Net funds at 31 December (Note C)	<b><u>1,901</u></b>	<u>3,177</u>

### C Analysis of net funds

	<i>Liquid</i> <i>resources</i> <i>£'000</i>	<i>Cash</i> <i>£'000</i>	<i>Current</i> <i>asset</i> <i>investments</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
At 1 January	<b>3,130</b>	<b>47</b>	–	<b>3,177</b>
Cash flow	<b>(1,430)</b>	<b>103</b>	–	<b>(1,327)</b>
Non cash changes	–	–	<b>51</b>	<b>51</b>
<b>At 31 December</b>	<b><u>1,700</u></b>	<b><u>150</u></b>	<b><u>51</u></b>	<b><u>1,901</u></b>



# NOTES TO THE ACCOUNTS

For the year ended 31 December, 2002

## 1. Accounting Policies

### (a) Accounting Convention

The accounts are prepared in accordance with applicable accounting standards and under the historical cost convention. In preparing these financial statements the Group has adopted Financial Reporting Standard 19 "Deferred Tax" for the first time, although this does not impact on current and prior year results.

### (b) Depreciation

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

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

### (c) Deferred Taxation

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

Deferred tax balances are not discounted.

### (d) Group accounts and basis of consolidation

The financial statements present information about the Company as an individual undertaking and about its Group. Three of the four subsidiaries have been dormant throughout the period and their assets are considered immaterial. Information about the Company's subsidiaries is contained in Note 12 to the accounts.

The Group accounts are a consolidation of the accounts of the Company and its subsidiary undertakings. The results of subsidiary undertakings acquired are included in the consolidated accounts from the date that control passed.

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

### (e) Research and Development

Expenditure on research is expensed as incurred.

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

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

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

### (f) Patent Fees

Externally acquired patent fees are capitalised and treated as an intangible fixed asset. These fees are amortised to the profit and loss account over the period to which the patent relates.

### (g) Valuation of investments

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



## NOTES TO THE ACCOUNTS *continued*

(h) *Pension Costs*

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

(i) *Foreign Currency*

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the balance sheet dates. Any differences are taken to the profit and loss account.

(j) *Liquid Resources*

For the purposes of the cash flow statement, liquid resources are defined as short term deposits.

### 2. Turnover

Turnover represents the invoiced amount stated net of value added tax, a geographical analysis of which is: United Kingdom £16,000 (2001: £191,000), Rest of Europe £1,000 (2001: £nil), and the United States of America £95,000 (2001: £nil).

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

All net assets are located in the United Kingdom.

### 3. Staff costs

The average monthly number of employees (including executive directors) during the year was 20 (2001: 15) made up as follows:

	<i>2002</i>	<i>2001</i>
Management and technical Administration	15	12
	5	3
	20	15
	<i>£'000</i>	<i>£'000</i>
Staff costs (for the above employees)		
Wages and salaries	627	455
Social security costs	64	45
Pension Contributions	37	23
	728	523

### 4. Directors' emoluments

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

	<i>2002</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>
Management remuneration	240	151
Fees as non-executive directors	34	34
Pension contributions	19	11
	293	196

(b) Emoluments of highest paid director:

	<i>2002</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>
Emoluments	73	71
Amounts paid into the Company's defined contribution pension scheme	7	6

There are 4 (2001: 2) directors for whom retirement benefits are accruing under money purchase schemes.

Details of each director's total emoluments and share options are given in the Remuneration Report on pages 6 to 9.



## NOTES TO THE ACCOUNTS *continued*

### 5. Operating loss

	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
<b>This is stated after (charging)/crediting:</b>		
Depreciation of tangible fixed assets	(54)	(40)
Amortisation of intangible fixed assets	(31)	(23)
Impairment in value of current asset investment	(48)	–
Profit on sale of investment and fixed assets	–	12
Directors' emoluments (including contributions to pension schemes)	(293)	(196)
Auditors' remuneration – for audit services (Company £16,000 (2001: £14,000))	(19)	(16)
for non-audit services (Company £6,000 (2001: £9,000))	(8)	(9)
Research	(50)	(131)
Government grants received	–	43

### 6. Interest receivable

	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
Bank Interest	<u>100</u>	<u>113</u>

### 7. Taxation on loss on ordinary activities

	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
<i>Current tax</i>		
Adjustment in respect of previous periods	<u>52</u>	<u>20</u>

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

	<i>2002</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>
Loss on ordinary activities before tax	<u>1,264</u>	<u>918</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001: 30%)	379	276
Effects of:		
Expenses not deductible for tax purposes	(30)	(12)
Capital allowances for period in excess of depreciation	(4)	30
Tax losses to carry forward	(345)	(250)
Enhanced research and development relief	–	40
Losses surrendered for research and development relief	–	(84)
Research and development credit	<u>52</u>	<u>20</u>
Current tax credit for period	<u>52</u>	<u>20</u>

#### *Factors that may affect future tax charges*

The company has tax losses, subject to agreement by HM Inspector of Taxes, in the sum of £3,913,000, which are available for offset against future profits of the same trade.



## NOTES TO THE ACCOUNTS *continued*

### 8. Loss on ordinary activities after taxation

	<i>2002</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>
Loss dealt with in the accounts of the Company	<u>1,260</u>	<u>842</u>

As permitted by Section 230 of the Companies Act 1985, the parent Company's profit and loss account has not been included in these financial statements.

### 9. Intangible fixed assets

	<i>Patent Rights £'000</i>	<i>Development Costs £'000</i>	<i>Total £'000</i>
<i>(a) Group</i>			
<i>Cost</i>			
At 1 January, 2002	354	788	1,142
Additions	190	99	289
At 31 December, 2002	<u>544</u>	<u>887</u>	<u>1,431</u>
<i>Amortisation</i>			
At 1 January, 2002	74	–	74
Provided during the year	31	–	31
At 31 December, 2002	<u>105</u>	<u>–</u>	<u>105</u>
<i>Net book value</i>			
<b>At 31 December, 2002</b>	<u>439</u>	<u>887</u>	<u>1,326</u>
At 31 December, 2001	<u>280</u>	<u>788</u>	<u>1,068</u>

At 31 December, 2002 there were no capital commitments (2001: £nil)

	<i>Patent Rights £'000</i>	<i>Development Costs £'000</i>	<i>Total £'000</i>
<i>(b) Company</i>			
<i>Cost</i>			
At 1 January, 2002	336	755	1,091
Additions	183	98	281
At 31 December, 2002	<u>519</u>	<u>853</u>	<u>1,372</u>
<i>Amortisation</i>			
At 1 January, 2002	73	–	73
Provided during the year	30	–	30
At 31 December, 2002	<u>103</u>	<u>–</u>	<u>103</u>
<i>Net book value</i>			
<b>At 31 December, 2002</b>	<u>416</u>	<u>853</u>	<u>1,269</u>
At 31 December, 2001	<u>263</u>	<u>755</u>	<u>1,018</u>





## NOTES TO THE ACCOUNTS *continued*

### 10. Tangible fixed assets

<i>Group and Company</i>	<i>Plant &amp; Equipment £'000</i>	<i>Motor Vehicles £'000</i>	<i>Total £'000</i>
<i>Cost</i>			
At 1 January, 2002	147	33	180
Additions	62	–	62
At 31 December, 2002	209	33	242
<i>Depreciation</i>			
At 1 January, 2002	67	14	81
Charge for the Year	46	8	54
At 31 December, 2002	113	22	135
<i>Net book value</i>			
<b>At 31 December, 2002</b>	<b>96</b>	<b>11</b>	<b>107</b>
At 31 December, 2001	80	19	99

At 31 December, 2002 there were no capital commitments (2001: £nil)

### 11. Fixed Asset Investments

<i>Company</i>	<i>Group undertakings £'000</i>	<i>Listed investments £'000</i>	<i>Total £'000</i>
<i>Cost</i>			
At 1 January, 2002 and 31 December, 2002	25	–	25

### 12. Subsidiary undertakings

The following were subsidiary undertakings at the end of the year:

<i>Name</i>	<i>Country of incorporation</i>	<i>Proportion of voting rights and ordinary share capital held</i>	<i>Nature of business</i>
Transense Technology Research Limited	England	100%	Dormant
Transense Steering Limited	England	100%	Dormant
Piezotec Limited	England	100%	Dormant
Wheelsure Limited	England	75%	Research & Development

### 13. Debtors

	<i>Company</i>		<i>Group</i>	
	<i>2002 £'000</i>	<i>2001 £'000</i>	<i>2002 £'000</i>	<i>2001 £'000</i>
Due within one year:				
Trade debtors	107	260	107	260
Other debtors	26	25	26	25
Due from subsidiary undertaking	33	73	–	–
Corporation tax receivable	52	20	52	20
Called up share capital not paid at Balance Sheet date	50	–	50	–
Prepayments and accrued income	34	12	34	12
	<b>302</b>	390	<b>269</b>	317



## NOTES TO THE ACCOUNTS *continued*

### 14. Share capital

<i>(a) Authorised and allotted</i>	<b>2002</b>	<i>2001</i>
	<b>£'000</b>	<i>£'000</i>
<i>Authorised</i>		
70,000,000 ordinary shares of 10p each (2001: 70,000,000)	<b>7,000</b>	7,000
<i>Allotted and called up</i>		
50,661,884 ordinary shares of 10p each (2001: 50,461,884)	<b>5,066</b>	5,046

(b) On 31 December, 2002, 200,000 shares were issued resulting from the exercise of a share option at 25p per share.

(c) At 31 December, 2002 the following share options remained outstanding under the Company's Unapproved Discretionary Share Option Scheme (UDSOS).

<i>Number of Options</i>	<i>Option Price</i>	<i>Date of Grant</i>	<i>Date of Exercise</i>	
			<i>First</i>	<i>Last</i>
464,000	25p	26.11.99	26.11.02	25.11.04
100,000	62.5p	13.1.00	13.1.03	12.1.05
60,000	300p	14.3.00	14.3.03	13.3.05
1,388,000	352.5p	16.3.00	16.3.03	15.3.05
200,000	518.75p	22.9.00	22.9.03	21.9.05
200,000	546.875p	2.10.00	2.10.03	1.10.05
343,600	598.75p	18.10.00	18.10.03	17.10.05
600,000	472.5p	21.4.01	21.4.04	20.4.06
240,000	498.25p	1.8.01	1.8.04	31.7.06

An Option on 100,000 shares at a price of 52p was granted on 9 January, 2003. The first and last exercise dates are 9 January, 2006 and 8 January, 2008 respectively. An option on 50,000 shares at a price of 26p was granted on 1 March, 2003. The first and last exercise dates are 1 March 2006 and 29 February 2008.

Two previous directors who retired on 31 December, 2000 retained options on shares already granted to them, each having 200,000 at 25p per share exercisable from 26 November, 2002 and 20,000 at 598.75p exercisable from 18 October, 2003. One of the former directors exercised his option on 200,000 shares at 25p on 31 December, 2002. The remaining options outstanding at 31 December, 2002 are included in the table above.

(d) In addition to the options granted as detailed above, an option on 13,792 ordinary shares at 20p each exercisable until 6 July, 2003 remained outstanding at 31 December, 2002.

(e) Under an Enterprise Management Incentive Option Agreement (EMI) dated 24 September, 2001 a further 563,104 share options were granted at 212.5p per share on 18 October, 2001. However, these options can only be exercised when the option holder has formally released the Company from its liability with respect to an equivalent number of shares in the UDSOS.

Other grants under the EMI Scheme, over none of which is there a requirement to release the Company from its liability with respect to any shares granted under the UDSOS are:

<i>Number of Options</i>	<i>Option Price</i>	<i>Date of Grant</i>	<i>Date of Exercise</i>	
			<i>First</i>	<i>Last</i>
30,000	212.5p	18.10.01	18.10.04	17.10.06
28,985	345p	3.12.01	3.12.04	2.12.06
48,780	205p	1.5.02	1.5.05	30.4.07
10,000	219p	20.5.02	20.5.05	19.5.07
48,192	207.5p	24.5.02	24.5.05	23.5.07
25,000	21.5p	6.3.03	6.3.06	5.3.08



## NOTES TO THE ACCOUNTS *continued*

### 15. Reserves

	<i>Company</i>		<i>Group</i>		<i>Total</i>
	<i>Share premium account £'000</i>	<i>Profit &amp; loss account £'000</i>	<i>Share premium account £'000</i>	<i>Profit &amp; loss account £'000</i>	
<i>Equity Interest</i>					
At 1 January, 2002	2,333	(2,741)	2,333	(2,783)	(450)
Issue of Shares	30	–	30	–	30
Loss for the year	–	(1,260)	–	(1,202)	(1,202)
<b>At 31 December, 2002</b>	<b>2,363</b>	<b>(4,001)</b>	<b>2,363</b>	<b>(3,985)</b>	<b>(1,622)</b>

### 16. Loss per Share

#### *Basic*

The calculation of basic loss per share is based on the loss after taxation of £1,202,000 (2001: £884,000) and on 50,462,432 ordinary shares being the weighted average number of shares in issue during the year (2001: 49,563,168).

#### *Diluted*

The calculation of diluted loss per share is based on the loss after taxation of £1,202,000 (2001: £884,000) and on 50,940,224 (2001: 53,431,545) shares. The number of shares is based upon the weighted average number of shares in issue during the year together with 477,792 (2001: 3,868,377) shares deemed to be dilutive at nil consideration pursuant to options outstanding at 31 December, 2002.

### 17. Reconciliation of Movement in Shareholders' Funds

	<i>Company</i>		<i>Group</i>	
	<i>2002 £'000</i>	<i>2001 £'000</i>	<i>2002 £'000</i>	<i>2001 £'000</i>
<i>Equity Interest</i>				
Opening Shareholders' Funds	4,638	2,720	4,596	2,720
Issue of Shares – par	20	90	20	90
Issue of Shares – share premium	30	2,670	30	2,670
Loss for year	(1,260)	(842)	(1,202)	(884)
Closing Shareholders' Funds	<b>3,428</b>	4,638	<b>3,444</b>	4,596

### 18. Transactions with Directors

During the year the Company has received invoices from Sensor Technology Limited (“Sensor”), a company in which Anthony Lonsdale is a director and shareholder, in the sum of £2,000 (2001: £73,000) in respect of research and development work undertaken. Conversely the Company raised invoices to Sensor in the sum of £10,000 (2001: £35,000). At 31 December, 2002 the sum due to Sensor by the Company amounted to £nil (2001: £17,000).

All transactions with directors were on an arms' length basis.



## NOTES TO THE ACCOUNTS *continued*

### 19. Financial Instruments

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

At 31 December, 2002 the Company's financial instruments comprised sterling cash of £1,700,000 on fixed rate monthly deposit (2001: £3,130,000), and the weighted average obtained for the year was 4% (2001: 5%).

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

- (b) The Group has an undrawn committed bank borrowing facility for £1 million which is secured by an equivalent cash deposit.

### 20. Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from these of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund (see Note 3).

### 21. Commitments under Operating Leases

As at 31 December, 2002, the group and company had annual commitments under non-cancellable operating leases as set out below:

	<i>2002</i> <i>Land and</i> <i>Buildings</i> <i>£'000</i>	<i>2002</i> <i>Other</i> <i>£'000</i>	<i>2001</i> <i>Land and</i> <i>Buildings</i> <i>£'000</i>	<i>2001</i> <i>Other</i> <i>£'000</i>
Operating leases which expire:				
Within one year	-	-	-	-
In two to five years	<b>36</b>	-	<b>36</b>	-
	<b>36</b>	-	<b>36</b>	-

### 22. Related party transactions

As disclosed in Note 18 to the financial statements, during the year the Company received invoices from Sensor Technology Limited ("Sensor"), a company in which Anthony Lonsdale, and his brother Bryan Lonsdale, are both directors and shareholders, in the sum of £2,000 (2001: £73,000) in respect of research and development work undertaken. Conversely the Company raised invoices to Sensor in the sum of £10,000 (2001: £35,000). At 31 December, 2002, the sum due to Sensor by the Company amounted to £nil (2001: £17,000). See also page 7 regarding Consultancy Agreements.



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at North Oxfordshire Consortium, Building 52, Heyford Park, Upper Heyford, Bicester, Oxon OX25 5HD on 23 May, 2003 at 11.30 a.m. for the following purposes:

### ORDINARY RESOLUTIONS

1. To receive and adopt the report of the directors and the accounts for the year ended 31 December, 2002.
2. To re-elect as a director R D Lohr who retires in accordance with the Company's articles of association.
3. To re-elect as a director J Pither who retires in accordance with the Company's articles of association.
4. To re-elect as a director J A H Perry who retires by rotation and offers himself for re-election.
5. To re-elect as a director P J Woods who retires by rotation and offers himself for re-election.
6. To receive and adopt the remuneration report contained within the annual report for the year ended 31 December, 2002.
7. To re-appoint BDO Stoy Hayward as auditors and to authorise the directors to fix their remuneration.
8. That for the purposes of and pursuant to Section 80 of the Companies Act 1985 as amended ("the Act") and in substitution for all existing and unexercised authorities, the directors of the Company be and are hereby generally and unconditionally authorised to exercise all or any powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £1,933,811.60 to such persons, at such times and generally on such terms as the directors may determine provided that:
  - (a) this authority shall, unless previously revoked or varied by the Company in general meeting, expire on the date 15 months after the date of approval of this resolution or the conclusion of the next Annual General Meeting of the Company whichever first occurs; and
  - (b) this authority shall allow and enable the directors of the Company to make an offer or an agreement before the expiry of the period referred to in sub-paragraph (a) above which would or might require relevant securities to be allotted after such expiry of such period and the directors of the Company may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

### SPECIAL RESOLUTION

9. In substitution for all existing and unexercised authorities and subject to the passing of Resolution 8 above, the directors be and they are hereby generally authorised and empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act), pursuant to the authority conferred by Resolution 8 above, as if Section 89(1) of the Act did not apply to any such allotment provided that the power conferred by this resolution, unless previously revoked or varied by special resolution of the Company in general meeting shall be limited to:
  - (a) the allotment of equity securities in connection with a rights issue or other issue in favour of the holders of ordinary shares where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of shares being represented by the depositary receipts, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and
  - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities for cash up to an aggregate nominal value of £253,309 (representing five per cent of the Company's issued ordinary share capital)

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

By Order of the Board

Watlington Securities Limited  
Company Secretaries

27 March, 2003

Registered Office: 36 Elder Street, London E1 6BT



*Notes:*

1. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company.
2. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he or she so wish.
3. A form of proxy is enclosed and to be valid must be completed and returned so as to reach the Registrars of the Company (together with a letter or power of attorney or other written authority, if any, under which it is signed or a notarially certified or office copy of such power or written authority) not less than forty eight hours before the time fixed for holding the meeting or any adjournment thereof.
4. Copies of the directors' service contracts and a statement of the directors' share interests and those of their families will be available for inspection at (i) the Registered Office of the Company during normal business hours on each business day from the date of this notice until the conclusion of the Annual General Meeting and (ii) at North Oxfordshire Consortium, Building 52, Heyford Park, Upper Heyford, Bicester, Oxon OX25 5HD on 23 May, 2003.
5. In accordance with Regulation 34(1) of the Uncertificated Securities Regulations 1995, the Company specifies that only those shareholders registered in the Company's register of members at 11.30 a.m. on 21 May, 2003 (or in the case of adjournment 48 hours before the time of the adjourned meeting) will be entitled to attend or vote at the meeting.





# Transense Technologies plc

## FORM OF PROXY FOR ANNUAL GENERAL MEETING to be held on 23 May, 2003 at 11.30 a.m.

I/We .....

of .....  
(Block Capitals please)

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

hereby appoint the Chairman of the Meeting (see note (iv) below) .....

as my\our proxy to vote for me/us and on my/our behalf in the manner indicated below at the Annual General Meeting of the Company to be held on 23 May, 2003 at North Oxfordshire Consortium, Building 52, Heyford Park, Upper Heyford, Bicester, Oxon OX25 5HD at 11.30 a.m. and at any adjournment thereof.

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

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

<b>ORDINARY RESOLUTIONS</b>	<b>FOR</b>	<b>AGAINST</b>
1. To receive and adopt the report of the directors and the accounts for the year ended 31 December, 2002.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as a director, Mr R D Lohr, who retires in accordance with the Company's articles of association.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a director, Mr J Pither, who retires in accordance with the Company's articles of association.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect as a director, Mr J A H Perry, who retires by rotation and offers himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect as a director, Mr P J Woods, who retires by rotation and offers himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
6. To receive and adopt the remuneration report contained within the accounts for the year ended 31 December, 2002.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint BDO Stoy Hayward as auditors and to authorise the directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
8. To approve the authority to allot the securities pursuant to Section 80 of the Companies Act 1985.	<input type="checkbox"/>	<input type="checkbox"/>
<b>SPECIAL RESOLUTION</b>		
9. To disapply the statutory pre-emption rights pursuant to Section 95 of the Companies Act 1985.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... 2003

(Please sign here)

### Notes

- (i) To be effective, this form of proxy, duly completed, must be lodged at the registered office of the Registrars of the Company at Capita IRG plc, P.O. Box 25, 34 Beckenham Road, Beckenham, Kent BR3 4BR not less than 48 hours before the time appointed for the Meeting or any adjournment thereof together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of attorney.
- (ii) In the case of a corporation, this form must be under its Common Seal, or under the hand of an officer or attorney duly appointed to sign the name.
- (iii) In the case of joint holders, the signature of one holder will suffice and the vote of the senior who tenders a vote will be accepted to the exclusion of the votes of the other joint holders. For these purposes seniority will be determined by the order of names standing on the register of members.
- (iv) If any other person is preferred as a proxy, strike out the words "the Chairman of the Meeting", insert the name of the proxy desired in the blank space and initial the alteration. A proxy need not be a member of the Company.
- (v) The return of this proxy will not prevent a member from attending the meeting or any adjournment thereof and voting in person if he so wishes.
- (vi) In accordance with Regulation 34 of the Uncertified Securities Regulations 1995, the Company specifies that only those members entered in the Company's register of members at 11.30 a.m. on 21 May, 2003 will be entitled to attend and vote at the meeting in respect of the number of Ordinary Shares in the capital of the Company registered in their name at that time. Changes to the entries on the register after this time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (vii) Any alteration to this form should be initialled.



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**Capita Registrars (Proxies)**  
**P.O. Box 25**  
**34 Beckenham Road**  
**Beckenham**  
**Kent BR3 4BR**

First Fold

Second Fold