



Wheelsure Holdings plc

Report of the Directors and Consolidated Financial Statements for the year ended 31st August 2011

Registered number 4757497

(England and Wales)

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Company Information

DIRECTORS:

S Lawrence
G Dodl
J Allen
G Mulder
D Vile

SECRETARY:

Security Change Limited

REGISTERED OFFICE:

8 Woburn Street
Amphill
Bedfordshire
MK45 2HP

REGISTERED NUMBER:

4757497 (England and Wales)

AUDITORS:

Menzies LLP
Chartered Accountants
Registered Auditor
Lynton House
7-12 Tavistock Square
London
WC1H 9LT

BROKERS:

Seymour Pierce Limited
20 Old Bailey
London
EC4M 7EN

Chairman's Statement

for the year ended 31st August 2011

The results for the year ended 31st August 2011 show a turnover of £84,445 (2010: £92,325) and a loss on ordinary activities before taxation of £486,462 (2010: £430,365). This increased loss was due primarily to an increased charge for share based payment transactions of £74,551 (2010: £42,304) and the employment of our Technical Director for a full year. The lower turnover was as a result of the anticipated larger orders taking longer to materialise than expected.

However, whilst these results are disappointing, they do not reflect the significant progress that has been made during the year with several rail companies both at home and overseas which has resulted in some good sales opportunities and additional trials being undertaken. In particular Tracksure continues to make strategic progress on a broad range of fronts in introducing, testing and formally trialling with the objective of commercialising the product.

In the UK, following the "Authorised for Use" status reported previously, discussions with London Underground have continued with the objective of agreeing and commencing an "extended rollout" on the approved applications in order to formally prove the operational benefits of the Tracksure product. Small orders continue to be received, the latest being delivered in August 2011 with a value of approximately £40k. Additionally, further discussions are being held with the Docklands Light Railway following completion of a trial installation.

In Hungary, following a period of extensive trialling, Tracksure has now received its first commercial order for 3,000 sets. This forms the first part of a retrofit program believed to be for 200 switches and crossings. The order was placed by MAV Group who are responsible for the state railway infrastructure and has been received via MAV-Thermit Hegeszto KFT with whom Tracksure entered into a Heads of Agreement in July 2010.

In North America, discussions with an OEM of brake retarders and one of the major US railroad companies has resulted in an agreement for an extended trial for a braking system in a large marshalling yard. In addition, a brake retarder fitted with Tracksure locking devices (by the same OEM) has already been installed by Canadian National, Canada's largest railway. A second US based railroad operator has also now ordered and taken delivery of their first Tracksure product for a test application in crossings.

Elsewhere, further trials are being conducted in Spain, Italy and Germany.

Strategy

I have discussed the Group's strategy with the Board and we believe that due to the robust nature of our locking device backed by our strong engineering know-how our main competitive advantage continues to be in safety critical applications. Therefore, our primary addressed markets of railway, both track and rolling stock, and commercial vehicle and bus/coach continue to offer the greatest opportunities. We have also identified some industrial applications where our locking device will offer a robust solution to vibration loosening and we plan to develop those opportunities during the coming year.

Fundraising

Following the announcement on 11th November 2011 I am pleased to advise that the Company has completed the placing of 8,571,512 new ordinary shares and open offer of 1,018,427 new ordinary shares both at 3.5p per share to raise in aggregate gross proceeds of £335,648 for working capital purposes. Following the Placing and Open Offer, the number of ordinary shares in issue and therefore the total number of voting rights is now 63,539,514.

Chairman's Statement *(continued)*

In accordance with the Articles of Association, David Vile retires from the Board by rotation and together with myself we offer ourselves for election at the AGM scheduled for 26th January 2012.

Whilst I only joined the Group just prior to the end of the financial year on 1st August 2011, I have been very impressed with the product and the opportunities it presents and firmly believe that the coming year will start to show the benefits of all of the hard work that has gone before.

I would take this opportunity to mention Jules Shuttleworth who retired during the year and to thank him for his major contribution to the development of the Group during his time as Chairman. I would also like to thank all shareholders for their continued support and our staff for their continued efforts.

S Lawrence
Chairman
9th December 2011

Report of the Directors

for the year ended 31st August 2011

The directors present their report with the financial statements of the Company and the Group for the year ended 31st August 2011.

PRINCIPAL ACTIVITY

Wheelsure Holdings plc ('the Company') is a holding company for a group which develops and commercialises innovative products that meet safety needs throughout the world.

The Company currently operates through its wholly owned subsidiaries.

REVIEW OF BUSINESS

The results for the year and financial position of the Company and the Group are as shown in the annexed financial statements.

The Group's financial key performance indicators are turnover and loss before tax.

	2011 £	2010 £
Turnover	<u>84,445</u>	<u>92,325</u>
Loss before tax	<u>486,462</u>	<u>430,365</u>

Non-financial key performance indicators include the number of new customers.

DIVIDENDS

No dividends will be distributed for the year ended 31st August 2011.

FUTURE DEVELOPMENTS

A review of future developments can be found in the Chairman's Statement on page 4.

POST BALANCE SHEET EVENT

Since the year end, the Company has completed an equity placing and open offer. Further details can be found in note 13.

DIRECTORS

The directors during the year under review were:

J Shuttleworth – resigned 31.7.11
G Dodl
J Allen
G Mulder
D Vile
S Lawrence – appointed 1.8.11

Report of the Directors (continued)

The beneficial interests of the directors holding office on 31st August 2011 in the issued share capital of the Company were as follows:

	31.8.11	1.9.10 or date of appointment if later
Ordinary 1p shares		
G Dodl	764,746	614,746
J Allen	1,119,472	446,111
G Mulder	120,000	120,000
D Vile	522,525	342,525
S Lawrence	50,000	–

All directors benefitted from qualifying third party indemnity provisions (as defined in section 234(2) of the Companies Act 2006) in place during the financial year and at the date of this report.

GROUP'S POLICY ON PAYMENT OF CREDITORS

It is the Group's policy to negotiate payment terms with its suppliers in all sectors and to ensure they know the terms at which payment will take place when the business was agreed.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political and charitable contributions during the current or previous years.

SHARE OPTIONS

Details of share options for each director are as follows:

1. Enterprise Management Incentive Option Scheme

Name	At 1st September 2010	At 31st August 2011	Option period	Exercise price per share
G Dodl	1,500,000	1,500,000	28.01.2013 – 27.01.2017	7.75p
D Vile	500,000	500,000	28.01.2013 – 27.01.2017	7.75p

2. Unapproved share option scheme

Name	At 1st September 2010	At 31st August 2011	Option period	Exercise price per share
G Dodl	350,000	350,000	07.05.2012 – 07.05.2016	5.00p
J Allen	500,000	500,000	28.01.2012 – 27.01.2015	7.75p
G Mulder	500,000	500,000	28.01.2012 – 27.01.2015	7.75p
S Lawrence	–	500,000	01.08.2013 – 31.07.2016	3.50p

Report of the Directors (*continued*)

PRINCIPAL RISKS

The Group faces the financial risk that there may be insufficient cashflow in the future to continue to commercialise the products and generate revenue streams.

SUBSTANTIAL SHAREHOLDINGS

At 30th November 2011 the following substantial shareholdings representing more than three per cent of the Company's issued share capital, other than those held by directors, have been notified to the Company:

	%	<i>Ordinary Shares</i>
Gresham House plc	9.43	5,090,000
A P Stirling	6.78	3,659,357
AXA Framlington VCT 2 plc	5.56	3,000,750
G V L Oury	3.51	1,897,367
Buckton Homes Limited	3.11	1,678,771

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CORPORATE GOVERNANCE

The directors fully support the recommendations of the Combined Code on Corporate Governance, although due to the Company's PLUS Market quoted status there is no requirement to provide Corporate Governance disclosure. As the Company continues to grow, the directors will review their compliance with the code from time to time and will adopt such provisions as they consider to be appropriate to the size of the Company.

Report of the Directors *(continued)*

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITORS

The auditors, Menzies LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

Security Change Limited – Secretary

9th December 2011

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WHEELSURE HOLDINGS PLC

We have audited the financial statements of Wheelsure Holdings plc for the year ended 31st August 2011 on pages twelve to twenty six. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page eight, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31st August 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the Independent Auditors (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Philip King (Senior Statutory Auditor)
for and on behalf of Menzies LLP
Chartered Accountants
Registered Auditor
Lynton House
7-12 Tavistock Square
London
WC1H 9LT

13th December 2011

Consolidated Profit and Loss Account

for the year ended 31st August 2011

	Notes	2011 £	2010 £
TURNOVER		84,445	92,325
Cost of sales		<u>42,930</u>	<u>46,422</u>
GROSS PROFIT		41,515	45,903
Administrative expenses		<u>527,990</u>	<u>470,935</u>
OPERATING LOSS	3	(486,475)	(425,032)
Interest receivable and similar income		<u>1,489</u>	<u>815</u>
		(484,986)	(424,217)
Interest payable and similar charges	4	<u>1,476</u>	<u>6,148</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(486,462)	(430,365)
Tax on loss on ordinary activities	5	<u>(3,286)</u>	<u>441,951</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		<u>(483,176)</u>	<u>(872,316)</u>

CONTINUING OPERATIONS

None of the Group's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The Group has no recognised gains or losses other than the losses for the current year or previous year.

The notes form part of these financial statements

Consolidated Balance Sheet

31st August 2011

	Notes	2011		2010	
		£	£	£	£
FIXED ASSETS					
Intangible assets	7		52,933		52,454
Tangible assets	8		10,866		16,308
Investments	9		–		–
			<u>63,799</u>		<u>68,762</u>
CURRENT ASSETS					
Stocks	10	41,979		11,153	
Debtors	11	87,778		42,244	
Cash at bank		<u>129,644</u>		<u>118,755</u>	
		259,401		172,152	
CREDITORS					
Amounts falling due within one year	12	<u>99,306</u>		<u>57,306</u>	
NET CURRENT ASSETS			<u>160,095</u>		<u>114,846</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>223,894</u>		<u>183,608</u>
CAPITAL AND RESERVES					
Called up share capital	13		539,496		440,066
Share premium	14		3,105,085		2,755,604
Profit and loss account	14		<u>(3,420,687)</u>		<u>(3,012,062)</u>
SHAREHOLDERS' FUNDS	16		<u>223,894</u>		<u>183,608</u>

The financial statements were approved by the Board of Directors on 9th December 2011 and were signed on its behalf by:

G Dodl
Director

The notes form part of these financial statements

Company Balance Sheet

31st August 2011

	Notes	2011		2010	
		£	£	£	£
FIXED ASSETS					
Intangible assets	7		–		–
Tangible assets	8		–		–
Investments	9		106		106
			<u>106</u>		<u>106</u>
CURRENT ASSETS					
Debtors	11	346,076		143,548	
Cash at bank		111,037		101,145	
		<u>457,113</u>		<u>244,693</u>	
CREDITORS					
Amounts falling due within one year	12	16,441		19,398	
NET CURRENT ASSETS			<u>440,672</u>		<u>225,295</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>440,778</u>		<u>225,401</u>
CAPITAL AND RESERVES					
Called up share capital	13		539,496		440,066
Share premium	14		3,105,085		2,755,604
Profit and loss account	14		(3,203,803)		(2,970,269)
SHAREHOLDERS' FUNDS	16		<u>440,778</u>		<u>225,401</u>

The financial statements were approved by the Board of Directors on 9th December 2011 and were signed on its behalf by:

G Dodl
Director

The notes form part of these financial statements

Consolidated Cash Flow Statement

for the year ended 31st August 2011

	<i>Notes</i>	2011	2010
		£	£
Net cash outflow from operating activities	18	(427,901)	(451,797)
Returns on investments and servicing of finance	19	13	(5,333)
Taxation		2,273	2,561
Capital expenditure	19	(12,407)	(8,754)
		(438,022)	(463,323)
Financing	19	448,911	567,665
Increase in cash in the period		10,889	104,342
Reconciliation of net cash flow to movement in net funds	20		
Increase in cash in the period		10,889	104,342
Change in net funds resulting from cash flows		10,889	104,342
Conversion of loanstock		–	264,000
Movement in net funds in the period		10,889	368,342
Net funds/(debt) at 1st September		118,755	(249,587)
Net funds at 31st August		129,644	118,755

The notes form part of these financial statements

Notes to the Financial Statements

for the year ended 31st August 2011

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31st August 2011. The acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to date of disposal.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost, less provisions.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Group will continue to trade, without significant curtailment, for the foreseeable future.

In arriving at this view, the directors acknowledge the inherent uncertainty akin to the current economic climate and the inherent risks that surround the achievability and timing of the projected income. The commencement of the income streams deriving from the Wheelsure technology have begun to flow at the point of finalising these financial statements and based on their current knowledge, the directors remain confident that the group will achieve the forecast results and cashflows for the next 12 months. The company has also raised funds for the group via the issue of shares, sufficient to enable the group to continue trading for the foreseeable future.

The directors have concluded that, after considering the financial position of the Company, they have reasonable expectations that it will have adequate resources to continue in operational existence and for this reason, they continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover is recognised when goods are dispatched, and represents net invoiced sales of goods and services, excluding value added tax.

Goodwill

Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separate net liabilities acquired) is capitalised on acquisition and amortised to nil in equal instalments over its estimated life of 20 years.

Notes to the Financial Statements (*continued*)

1. ACCOUNTING POLICIES (*continued*)

Intangible fixed assets

Amortisation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Patents and trademarks – 5% and 10% on cost

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery – 25% on cost
Fixtures and fittings – 25% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Research and development

Expenditure on research is written off in the year in which it is incurred.

Development expenditure meeting the criteria for capitalisation contained in SSAP13 "Accounting for Research and Development" is capitalised and treated as an intangible fixed asset. Expenditure is deferred only to the extent that its recovery can reasonably be regarded as assured. All amounts deferred are stated at cost and amortised over the years benefiting from the sale of the products or processes beginning in the year in which commercial production begins.

Pension costs and other post-retirement benefits

The Group operates a defined contribution pension scheme. Contributions payable to the Group's pension scheme are charged to the profit and loss account in the period to which they relate.

Notes to the Financial Statements (continued)

2. STAFF COSTS

	2011	2010
	£	£
Wages and salaries	148,482	134,370
Social security costs	16,118	14,786
Other pension costs	9,488	4,851
Share based payment transactions	69,218	39,193
	<u>243,306</u>	<u>193,200</u>

The average monthly number of employees during the year was as follows:

	2011	2010
	£	£
Directors	<u>5</u>	<u>5</u>

3. OPERATING LOSS

The operating loss is stated after charging:

	2011	2010
	£	£
Depreciation – owned assets	13,343	12,085
Patents & trademarks amortisation	4,027	3,739
Research and development	3,419	–
Fees payable to the Group’s auditor for the audit of the Group’s annual accounts	5,100	3,600
Fees payable to the Group’s auditor for the audit of its subsidiaries	6,900	6,900
	<u>152,456</u>	<u>142,443</u>
Directors’ remuneration – including benefits in kind	9,488	4,851
Directors’ pension contributions to money purchase schemes	<u>9,488</u>	<u>4,851</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>2</u>	<u>1</u>
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Information regarding the highest paid director for the year ended 31st August 2011 is as follows:

	2011
	£
Emoluments etc	82,000
Pension contributions to money purchase schemes	<u>4,100</u>

Notes to the Financial Statements (continued)

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2011	2010
	£	£
Loan interest	<u>1,476</u>	<u>6,148</u>

5. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss on ordinary activities for the year was as follows:

	2011	2010
	£	£
Current tax:		
Over provision of research and development tax credit	3,689	–
Research and development tax credit	<u>(6,975)</u>	<u>(8,523)</u>
Total current tax	<u>(3,286)</u>	<u>(8,523)</u>
Deferred tax	–	450,474
Tax on loss on ordinary activities	<u>(3,286)</u>	<u>441,951</u>

Factors affecting the tax (credit)/charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2011	2010
	£	£
Loss on ordinary activities before tax	<u>(486,462)</u>	<u>(430,365)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2010 – 21%)	<u>(97,292)</u>	<u>(90,377)</u>
Effects of:		
Expenses not deductible for tax purposes	15,017	9,112
Depreciation in excess of capital allowances	485	793
R&D tax credit	<u>(3,286)</u>	<u>(10,081)</u>
Tax losses not utilised	<u>81,790</u>	<u>82,030</u>
Current tax credit	<u>(3,286)</u>	<u>(8,523)</u>

Factors that may affect future tax charges

The Group has unutilised tax losses of approximately £2,948,000 (2010: £2,539,000) available against future corporation tax liabilities.

6. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's loss for the financial year was £308,085 (2010: £851,568), primarily as a result of provisions made against intercompany debt of £242,000 (2010: £816,000).

Notes to the Financial Statements (continued)

7. INTANGIBLE FIXED ASSETS

Group

	<i>Goodwill</i>	<i>Patents & trademarks</i>	<i>Development costs</i>	<i>Totals</i>
	£	£	£	£
COST				
At 1st September 2010	117,613	227,732	32,283	377,628
Additions	–	4,506	–	4,506
At 31st August 2011	117,613	232,238	32,283	382,134
AMORTISATION				
At 1st September 2010	117,613	175,278	32,283	325,174
Amortisation for year	–	4,027	–	4,027
At 31st August 2011	117,613	179,305	32,283	329,201
NET BOOK VALUE				
At 31st August 2011	–	52,933	–	52,933
At 31st August 2010	–	52,454	–	52,454

8. TANGIBLE FIXED ASSETS

Group

	<i>Plant and machinery</i>	<i>Fixtures and fittings</i>	<i>Totals</i>
	£	£	£
COST			
At 1st September 2010	46,707	8,869	55,576
Additions	7,901	–	7,901
At 31st August 2011	54,608	8,869	63,477
DEPRECIATION			
At 1st September 2010	30,805	8,463	39,268
Charge for year	12,937	406	13,343
At 31st August 2011	43,742	8,869	52,611
NET BOOK VALUE			
At 31st August 2011	10,866	–	10,866
At 31st August 2010	15,902	406	16,308

All assets relate to subsidiary companies.

Notes to the Financial Statements (*continued*)

9. FIXED ASSET INVESTMENTS

Company

	<i>Shares in Group undertakings £</i>
<i>COST</i>	
At 1st September 2010 and 31st August 2011	<u>20,106</u>
<i>PROVISIONS</i>	
At 1st September 2010 and 31st August 2011	<u>20,000</u>
<i>NET BOOK VALUE</i>	
At 31st August 2011	<u>106</u>
At 31st August 2010	<u>106</u>

The Company holds 100% of the ordinary share capital in the following companies registered in England and Wales:

Tracksure Limited

Nature of business: Commercialisation of rail safety device

Wheelsure Limited

Nature of business: Commercialisation of wheel nut locking device

Wheelsure Technologies Limited

Nature of business: Holder of intellectual property

Surefoot Limited

Nature of business: Commercialisation of ladder safety device

Full provision has been made against the Company's investment in Wheelsure Limited to reflect the uncertainty over the timing of future profits in Wheelsure Limited.

10. STOCKS

	<i>Group</i>	
	2011	2010
	£	£
Stocks	<u>41,979</u>	<u>11,153</u>

Notes to the Financial Statements (continued)

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>Group</i>		<i>Company</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Trade debtors	54,516	19,018	–	–
Amounts owed by Group undertakings	–	–	326,706	126,496
Other debtors	1,000	1,000	–	–
Tax	6,975	5,962	6,975	5,962
VAT	6,417	3,867	2,658	2,593
Prepayments	18,870	12,397	9,737	8,497
	87,778	42,244	346,076	143,548

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>Group</i>		<i>Company</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Trade creditors	76,233	30,495	4,053	6,809
Social security and other taxes	4,613	5,123	4,613	5,123
Other creditors	2,250	4,813	–	–
Accrued expenses	16,210	16,875	7,775	7,466
	99,306	57,306	16,441	19,398

13. CALLED UP SHARE CAPITAL

<i>Allotted, issued and fully paid:</i>		<i>Nominal</i>	<i>2011</i>	<i>2010</i>
<i>Number:</i>	<i>Class:</i>	<i>value:</i>	<i>£</i>	<i>£</i>
53,949,575 (2010 – 44,006,575)	Ordinary	1p	539,496	440,066

During the year the Company issued 9,943,000 ordinary shares at 5p per share for cash.

At 31st August 2011 the following share options remained outstanding under an Enterprise Management Incentive Option Scheme:

<i>Number of options</i>	<i>Option price</i>	<i>Date of grant</i>	<i>Exercise period</i>
2,000,000	7.75p	27.01.2010	28.01.2013 – 27.01.2017

At 31st August 2011 the following options remained outstanding under the Company's Unapproved Share Option Schemes:

<i>Number of options</i>	<i>Option price</i>	<i>Date of grant</i>	<i>Exercise period</i>
1,750,000	7.75p	27.01.2010	28.01.2012 – 27.01.2015
350,000	5.00p	07.05.2010	07.05.2012 – 07.05.2016
500,000	3.50p	01.08.2011	01.08.2013 – 31.07.2016

On 5th December 2011 shareholders authorised the issue of 9,589,939 shares at a value of 3.5p per share. This equity placing and open offer has generated additional funds of £291,578 (net of expenses).

Notes to the Financial Statements (continued)

14. RESERVES

Group

	<i>Profit and loss account</i>	<i>Share premium</i>	<i>Totals</i>
	£	£	£
At 1st September 2010	(3,012,062)	2,755,604	(256,458)
Deficit for the year	(483,176)	–	(483,176)
Cash share issue	–	349,481	349,481
Share based payment transactions	74,551	–	74,551
At 31st August 2011	<u>(3,420,687)</u>	<u>3,105,085</u>	<u>(315,602)</u>

Company

	<i>Profit and loss account</i>	<i>Share premium</i>	<i>Totals</i>
	£	£	£
At 1st September 2010	(2,970,269)	2,755,604	(214,665)
Deficit for the year	(308,085)	–	(308,085)
Cash share issue	–	349,481	349,481
Share based payment transactions	74,551	–	74,551
At 31st August 2011	<u>(3,203,803)</u>	<u>3,105,085</u>	<u>(98,718)</u>

15. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemptions contained in FRS 8 which applies to wholly owned group undertakings, and has not disclosed details of transactions with group companies.

During the year, the Group paid to Watlington Securities Limited £1,875 (2010: £54,922) for accountancy, professional and company secretarial services. At the year end the Group owed Watlington Securities Limited £nil (2010: £2,438).

The directors of Watlington Securities Limited are A P Stirling, A G Ebel and B J Hallett. Mr Stirling is a major shareholder and Messrs Ebel and Hallett are directors of Gresham House plc, also a major shareholder.

During the year, the Group paid to Security Change Limited £17,000 (2010: £nil) for accountancy, professional and company secretarial services. At the year end the Group owed Security Change Limited £1,356 (2010: £nil).

Security Change Limited is a wholly owned subsidiary of Gresham House plc.

Notes to the Financial Statements (continued)

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2011 £	2010 £
Loss for the financial year	(483,176)	(872,316)
Issue of shares	448,911	831,665
Share based payment transactions	74,551	42,304
Net addition to shareholders' funds	40,286	1,653
Opening shareholders' funds	183,608	181,955
Closing shareholders' funds	223,894	183,608

Company

	2011 £	2010 £
Loss for the financial year	(308,085)	(851,568)
Issue of shares	448,911	831,665
Share based payment transactions	74,551	42,304
Net addition to shareholders' funds	215,377	22,401
Opening shareholders' funds	225,401	203,000
Closing shareholders' funds	440,778	225,401

17. SHARE BASED PAYMENT TRANSACTIONS

Equity settled share option schemes

For details of share option schemes in place during the year see note 13.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2011		2010	
	No	WAEP (Pence)	No	WAEP (Pence)
Outstanding at the beginning of the period	4,961,493	8.58	4,381,493	11.65
Granted during the period	500,000	5.00	4,100,000	7.52
Lapsed during the period	(861,493)	13.65	(3,170,000)	10.98
Surrendered during the period	-	-	(350,000)	12.86
Outstanding at the end of the period	<u>4,600,000</u>	<u>7.08</u>	<u>4,961,493</u>	<u>8.58</u>
Exercisable at the end of the period	<u>-</u>	<u>-</u>	<u>861,493</u>	<u>13.65</u>

Notes to the Financial Statements (continued)

17. SHARE BASED PAYMENT TRANSACTIONS (continued)

The fair values were calculated using the Black-Scholes valuation method. The inputs to the model were as follows:

	2011	2010
Expected volatility %	28%	59%
Expected life	5-7 years	4-7 years
Risk free rate (%)	4.75%	4.75%
Dividend yield (%)	0%	0%

Expected volatility was determined by calculating the historic volatility of the Group's share price over the previous 12 months.

The Group recognised total expenses of £74,551 (2010: £42,304) in respect of share based payment transactions.

18. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2011 £	2010 £
Operating loss	(486,475)	(425,032)
Depreciation charges	17,370	15,824
Share based payment transactions	74,551	42,304
(Increase)/decrease in stocks	(30,826)	5,321
Increase in debtors	(44,521)	(14,585)
Increase/(decrease) in creditors	42,000	(75,629)
Net cash outflow from operating activities	(427,901)	(451,797)

19. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2011 £	2010 £
Returns on investments and servicing of finance		
Interest received	1,489	815
Interest paid	(1,476)	(6,148)
Net cash inflow/(outflow) for returns on investments and servicing of finance	13	(5,333)

Notes to the Financial Statements *(continued)*

19. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT *(continued)*

	2011 £	2010 £
Capital expenditure		
Purchase of intangible fixed assets	(4,506)	(4,218)
Purchase of tangible fixed assets	(7,901)	(4,536)
Net cash outflow for capital expenditure	<u>(12,407)</u>	<u>(8,754)</u>
Financing		
Share issue	448,911	567,665
Net cash inflow from financing	<u>448,911</u>	<u>567,665</u>

20. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.9.10 £	Cash flow £	At 31.8.11 £
Net cash:			
Cash at bank	118,755	10,889	129,644
Total	<u>118,755</u>	<u>10,889</u>	<u>129,644</u>

Wheelsure Holdings plc

(registered in England and Wales with registered number 4757497)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Seymour Pierce, 20 Old Bailey, London EC4M 7EN on 26th January 2012 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1, 2, 3 and 4 will be proposed as ordinary resolutions and resolution 5 will be proposed as a special resolution:

ORDINARY RESOLUTIONS

1. To receive and adopt the report of the directors and the accounts for the year ended 31st August 2011 together with the report of the auditors;
2. To re-elect as a director D Vile who retires by rotation and offers himself for re-election;
3. To appoint Menzies LLP as auditors and to authorise the directors to fix their remuneration; and
4. That, in substitution for all existing and unexercised authorities and powers, the directors of the Company be and they are hereby generally and unconditionally authorised for the purpose of section 551 of the Act to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares of the Company (such shares and rights being together referred to as "Relevant Securities") up to an aggregate nominal value of £318,605 to such persons at such times and generally on such terms and conditions as the directors may determine (subject always to the articles of association of the Company).

PROVIDED THAT this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next annual general meeting or on the date which is 6 months after the next accounting reference date of the Company (if earlier) save that the directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require Relevant Securities to be allotted after the 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

5. That, subject to and conditional upon the passing of the resolution 4 and in substitution for all existing and unexercised authorities and powers, the directors of the Company be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) pursuant to the authority conferred upon them by resolution 4 as if section 561 of the Act did not apply to any such allotment provided that this authority and power shall be limited to:
 - (a) the allotment of equity securities in connection with a rights issue or similar offer in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject only to such exclusions or other arrangements as the directors of the Company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in any, territory; and

- (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £63,539, representing approximately 10% of the current share capital of the Company,

and shall expire at the conclusion of the next annual general meeting or on the date which is 6 months after the next accounting reference date of the Company (if earlier) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board
Security Change Limited
Company Secretary

Registered office:
8 Woburn Street
Amphill
Bedfordshire
MK45 2HP

Dated: 9th December 2011

Notes to the notice of General Meeting

- (1) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote, on a poll, instead of him. If a member appoints more than one proxy, each proxy must be entitled to exercise the rights attached to different shares. A proxy need not be a member of the Company. The appointment of a proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide to do so.
- (2) A proxy may only be appointed using the procedures set out in these notes and the enclosed proxy form. To be valid, the proxy form must reach the Company's Registrars, Neville Registrars, at the Proxy Department, 18 Laurel Lane, Halesowen, West Midlands B63 3DA not less than 48 hours before the time of holding of the meeting. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be enclosed with the proxy form.
- (3) Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders of the Company on the register at 6.00 p.m. on 24th January 2012 shall be entitled to attend or vote at the General Meeting in respect of the number of shares registered in their name at the time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- (4) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (5) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
- (6) In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above. A letter in this form would be acceptable to the Company and its Registrars.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Neville Registrars (whose CREST ID is 7RA11) by the specified latest time(s) for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.

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.

