Telensa Limited

Annual report

for the year ended 31 March 2010

Registered Number 4498125

Telensa Limited

Annual report

for the year ended 31 March 2010

Contents

Telensa Limited

Directors and advisers

Directors
W Gibson
T Jackson
C R Smithers

Secretary and registered office
W Gibson
Plextek Building
London Road
Great Chesterford
Essex
CB10 1NY

Registered auditors
PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge
CB3 0AN

Bankers
NatWest Bank plc
23 Market Street
Cambridge
CB2 3PA

Telensa Limited

Directors' report for the year ended 31 March 2010

The directors present their report and the audited financial statements of the company for the year ended 31 March 2010

Principal activities

The company's business is the research, development, manufacture and marketing of wireless telemetry and metering products

Review of business and future developments

The company is currently engaged in the development and marketing of systems for the management of street lighting The number of trials and size of initial deployments of its systems have grown through the year Also during the period the system has been introduced in North America As street lighting owners look to improve energy and operating efficiency, Telensa's products and systems are well positioned in a market that is developing strongly

Results and dividends

During the year the company made a loss of £1,560,947 (period ended 31 March 2009 £1,292,878)

The directors have declared no dividend in respect of the year ended 31 March 2010 (period ended 31 March 2009 £nil)

Directors

The directors who held office during the year are listed on page 1

Research and development

The company is currently undertaking research and development into systems for the street lighting and electricity metering markets

Financial risk management

The directors have taken the exemption available to small companies not to disclose the financial risk management policies of the company

Disclosure of information to auditors

As required under the Companies Act 2006, section 418, the directors confirm that, to their knowledge, there is no relevant audit information of which the company's auditors are unaware

The directors have taken all the steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Directors' report for the year ended 31 March 2010 (continued)

Statement of directors' responsibilities in respect of the Annual Report and financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared 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 of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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 transactions and disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors

An elective resolution has been passed to dispense with the need to hold Annual General Meetings and annually reappoint PricewaterhouseCoopers LLP as auditors

Small Company

This report has been prepared in accordance with the special provision of Part 15 of the Companies Act 2006 relating to small companies

Post balance sheet event

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% and the small entity rate from 21% to 20% from 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014 The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

The effect of the changes to be enacted in the Finance (No 2) Act 2010 would not have a material impact on the deferred tax liability provided at 31 March 2010

By order of the board

William Gibson

W Gibson
Company secretary

22 December 2010

Registered Number 4498125

Independent auditors' report to the members of Telensa Limited

We have audited the financial statements of Telensa Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 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)

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 3 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 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 Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the year then ended,
- 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

Emphasis of matter – going concern
In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the basis of preparation The financial statements have been prepared on a going concern basis and the validity of this depends on the continued support of the parent company, Plextek Limited, with the parent company itself dependent on the continued support of its bankers to provide an adequate overdraft facility This condition indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern The financial statements do not include any adjustments that would result from a failure to obtain such continued support

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Stuart Newman

Stuart Newman (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cambridge

22 December 2010

Profit and loss account for the year ended 31 March 2010

	Note	Year ended 31 March 2010 £	Fifteen months ended 31 March 2009 £
Turnover	2	**285,902**	6,000
Cost of sales		**(403,610)**	(21,307)
Gross loss		**(117,708)**	(15,307)
Net operating expenses	3	**(1,443,241)**	(1,277,612)
Operating loss		**(1,560,949)**	(1,292,919)
Interest receivable		**2**	41
Loss on ordinary activities before taxation	6	**(1,560,947)**	(1,292,878)
Tax on loss on ordinary activities	7	**-**	-
Loss for the financial year/period	14,15	**(1,560,947)**	(1,292,878)

All revenue and expenses included in the profit and loss account relate to continuing operations

The company has no recognised gains and losses other than the loss above and therefore no statement of recognised gains and losses has been presented

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalent

Balance sheet as at 31 March 2010

	Note	At 31 March 2010 £	At 31 March 2009 £
Fixed assets			
Tangible assets	8	**85,942**	67,536
		85,942	67,536
Current assets			
Stocks	9	**14,234**	44,346
Debtors	10	**135,310**	22,349
Cash at bank and in hand		**42,345**	1,860
		191,889	68,555
Creditors amounts falling due within one year	11	**(3,435,513)**	(1,732,826)
Net current liabilities		**(3,243,624)**	(1,664,271)
Net liabilities		**(3,157,682)**	(1,596,735)
Capital and reserves			
Called up share capital fully paid	13	**100**	75
Called up share capital, not paid	13	**-**	25
Profit and loss account	14	**(3,157,782)**	(1,596,835)
Shareholders' deficit	15	**(3,157,682)**	(1,596,735)

The financial statements on pages 5 to 16 were approved by the board on 22 December 2010 and were signed on its behalf by

T Jackson

Timothy Jackson
Director

Registered Number 4498125

Notes to the financial statements for the year ended 31 March 2010

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom A summary of the more important accounting policies, which have been applied consistently, is set out below

Basis of preparation – going concern
During the year the company made a loss of £1,560,947 (period ended 31 March 2009 £1,292,878) The company meets its day to day working capital requirements through an interest-free loan from its parent company, Plextek Limited, which is repayable on demand At the balance sheet date the loan was £3,345,290 (period ended 31 March 2009 £1,695,180)

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future The validity of this assumption depends on the parent company continuing its support by providing adequate loan facilities, with the parent company itself dependent on the continued support of its bankers to provide an adequate overdraft facility Confirmation has been received from Plextek Limited, the company's parent undertaking, that amounts due to the Company's parent undertaking, Plextek Limited, will not have to be repaid within a period of at least twelve months from the date of signing the financial statements unless within that time there is a sale of Telensa Limited, or a significant inward investment, enabling the loan to be settled out of the proceeds and that Plextek Limited will continue to support the Company's operations as required

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, and to provide for further liabilities that might arise, and to reclassify fixed assets as current assets

Tangible fixed assets
Tangible fixed assets are stated at cost or valuation less accumulated depreciation Cost includes the original purchase price of the asset and the cost attributable to bringing the asset to its working condition for its intended use

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned The principal annual rates used for this purpose are

Computer and electronic equipment	$33^1/_3$% per annum

Turnover
Turnover, which excludes Value Added Tax, represents the invoiced value of consultancy services, materials and products supplied when the risk and rewards of ownership have transferred to the purchaser

Stock
Stock is stated at the lower of cost and net realisable value Cost is determined on a first in first out basis In the case of manufactured products, cost includes all direct expenditure Where necessary, provision is made for obsolete, slow moving and defective stock Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs

Cash flow statement
The Company has taken advantage of the exemption available to small companies under Financial Reporting Standard ('FRS') 1 (revised 1996) 'Cash flow statements' not to prepare a cash flow statement

Notes to the financial statements for the year ended 31 March 2010

1 Principal accounting policies (continued)

Research and development expenditure
Expenditure on research and development is written off as incurred

Government grants
Government grants are credited to the profit and loss account (as other operating income) on a case-by-case basis, assessed by the level of expenditure incurred on the specific grant project, when receipt of the grant is reasonably certain Government grants are repayable on a change in control of the company, if the intellectual property to which they relate is disposed of or if revenue is generated from the intellectual property established under the grant agreement If revenue is generated from the intellectual property created under the grant agreement, the grant is repayable at a rate of 5% of revenue, capped at the original amount of the grant, being £18,900 (see note 18) There was no grant income receivable in the period (period ended 31 March 2009 £nil)

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated, but not reversed at the balance sheet date, when transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised if recoverable and therefore recognised only when, on the basis of all evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date Deferred tax is measured on an undiscounted basis

Pension Costs
The company makes contributions to the personal pension schemes of employees The amount charged represents the contributions payable to participating individuals in respect of the accounting period The company provides no other post-retirement benefits to employees other than their pensions

Foreign currencies
Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are recorded at rates of exchange ruling at the date of the transaction or at an average rate for the period Exchange differences arising in the ordinary course of business are taken to the profit and loss account

Financial instruments
Financial assets and liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument

(a) Debtors
Debtors are non-interest bearing and are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts

(b) Creditors
Creditors are non-interest bearing and are stated at their nominal value

Notes to the financial statements for the year ended 31 March 2010

1 Principal accounting policies (continued)

(c) Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that gives a residual interest in assets of the company after deducting all of its liabilities

(d) Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs

2 Turnover

In the opinion of the directors, there is only one class of business

The analysis of turnover by geographical destination is set out below

	Year ended 31 March 2010 £	Fifteen months ended 31 March 2009 £
By geographical area		
UK	**220,609**	-
Rest of Europe	**19,917**	6,000
USA	**45,376**	-
	285,902	6,000

3 Net operating expenses

	Year ended 31 March 2010 £	Fifteen months ended 31 March 2009 £
Administrative expenses	**(267,857)**	(34,036)
Research and development	**(1,175,384)**	(1,243,576)
	(1,443,241)	(1,277,612)

Notes to the financial statements for the year ended 31 March 2010

4 Directors' emoluments

	Year ended 31 March 2010 £	Fifteen months ended 31 March 2009 £
Aggregate emoluments	**51,500**	63,875

Retirement benefits are accruing to one (period ended 31 March 2009 one) director under a personal pension scheme

5 Employee information

The average monthly number of persons employed by the company (including executive directors) during the year was

	Year ended 31 March 2010 Number	Fifteen months ended 31 March 2009 Number
By activity		
Consultancy and management	**4**	2

	Year ended 31 March 2010 £	Fifteen months ended 31 March 2009 £
Staff costs		
Wages and salaries	**166,000**	111,373
Social security costs	**18,689**	12,356
Pension costs (see note 17)	**6,279**	1,820
	190,968	125,549

Notes to the financial statements for the year ended 31 March 2010

6 Loss on ordinary activities before taxation

	Year ended 31 March 2010 £	Fifteen months ended 31 March 2009 £
Loss on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets	**29,034**	5,265
Services provided by the company's auditors		
- Fees payable for the audit	**2,500**	2,500
- Fees payable for tax compliance	**3,150**	2,600

7 Tax on loss on ordinary activities

There is no tax liability or credit arising on the losses in the period

At 31 March 2010, there were tax losses available for carry forward of approximately £3,163,752 (period ended 31 March 2009 £1,602,805) subject to agreement with HM Revenue & Customs

The tax assessed for the period is different from the standard rate of corporation tax in the UK of 21% (period ended 31 March 2009 22%) The differences are explained below

	Year ended 31 March 2010 £	Fifteen months ended 31 March 2009 £
Loss on ordinary activities before tax	**(1,560,947)**	(1,292,878)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (period ended 31 March 2009 22%)	**(327,799)**	(284,433)
Effects of		
Losses carried forward	**327,799**	284,433
Current tax credit for period/year	**-**	-

The effects of future tax changes are discussed in note 20

Notes to the financial statements for the year ended 31 March 2010

8 Tangible fixed assets

	Computer and electronic equipment £
Cost	
At 1 April 2009	72,801
Additions	**47,440**
At 31 March 2010	**120,241**
Depreciation	
At 1 April 2009	(5,265)
Charge for the year	**(29,034)**
At 31 March 2010	**(34,299)**
Net book value	
At 31 March 2010	**85,942**
At 31 March 2009	67,536

9 Stocks

	At 31 March 2010 £	At 31 March 2009 £
Finished goods	**5,492**	-
Raw materials	**8,742**	44,346
	14,234	44,346

Notes to the financial statements for the year ended 31 March 2010

10 Debtors

	At 31 March 2010 £	At 31 March 2009 £
Trade debtors	**130,582**	-
Called up share capital not paid	-	25
Other debtors	-	1,624
Prepayments and accrued income	**4,728**	20,700
	135,310	22,349

11 Creditors: amounts falling due within one year

	At 31 March 2010 £	At 31 March 2009 £
Trade creditors	**55,443**	14,070
Amounts due to group undertakings	**3,345,290**	1,695,180
Payments on account	**16,478**	-
Other taxation and social security	**15,141**	4,499
Other creditors	**984**	1,077
Accruals and deferred income	**2,177**	18,000
	3,435,513	1,732,826

The amounts due to group undertakings represents a loan from the parent company which is unsecured, interest free and repayable on demand

Telensa Limited

Notes to the financial statements for the year ended 31 March 2010

12 Deferred taxation

The potential deferred tax asset in respect of cumulative losses has not been recognised in these financial statements as there is no immediate prospect of these being utilised The losses are available to be carried forward indefinitely under current law

The Company had a potential deferred tax asset as follows

	Amount provided		Amount unprovided	
	At 31 March 2010 £	At 31 March 2009 £	**At 31 March 2010 £**	At 31 March 2009 £
Tax effect of timing differences because of				
Tax losses	-	-	**664,388**	351,304

13 Called up share capital

	At 31 March 2010 £	At 31 March 2009 £
Authorised		
100,000 (31 March 2009 100,000) ordinary shares of £0 01 each	**1,000**	1,000
Allotted, called up and fully paid		
10,000 (31 March 2009 7,551) ordinary shares of £0 01 each	**100**	75
Allotted, called up but not paid		
Nil (31 March 2009 2,449) ordinary shares of £0 01 each	-	25

14 Reserves

	Profit and loss account £
At 31 March 2009	(1,596,835)
Loss for the financial year	(1,560,947)
At 31 March 2010	**(3,157,782)**

Notes to the financial statements for the year ended 31 March 2010

15 Reconciliation of movements in shareholders' deficit

	At 31 March 2010 £	At 31 March 2009 £
Opening shareholders' deficit	**(1,596,735)**	(303,857)
Loss for the financial period/year	**(1,560,947)**	(1,292,878)
Closing shareholders' deficit	**(3,157,682)**	(1,596,735)

16 Capital and financial commitments

The company had no capital expenditure (period ended 31 March 2009 £nil) that had been contracted for but not provided for in the financial statements

At 31 March 2010, the company had no commitments under non-cancellable operating leases (31 March 2009 £nil)

17 Pension obligations

The total cost for the year was £6,279 (31 March 2009 £1,820) At the balance sheet date there was £698 (31 March 2009 £220) payable to the pension scheme

18 Contingent liabilities

In prior years, the company received grant income of £18,900 This, or an element of this, may require repayment if the company generates revenue (net of expenses and reasonable overheads) from the intellectual property created with a contribution from the grant In such a case, the company may be liable to pay back the grant at a rate of 5% of the net revenue generated in any one year The directors of the company believe that it is unlikely that any material portion of the grant received will need to be repaid in the foreseeable future

19 Related party disclosures

Plextek owns in excess of 75% of the issued share capital of Telensa Limited Colin Smithers, director, is an executive director of Plextek Limited ("Plextek") and Tim Jackson, director, is a non-executive director of Plextek During the year, Plextek funded operating expenses and capital additions of Telensa amounting to £1,650,110 (31 March 2009 £1,398,819) At the year end, Telensa owed Plextek £3,345,290 (31 March 2009 £1,695,180)

Notes to the financial statements for the year ended 31 March 2010

20 Post-balance sheet event

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% and the small entity rate from 21% to 20% from 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014 The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

The effect of the changes to be enacted in the Finance (No 2) Act 2010 would not have a material impact on the deferred tax liability provided at 31 March 2010

21 Ultimate controlling party

The immediate and ultimate parent company and controlling party is Plextek Limited, a Company incorporated in the UK whose principal place of business is London Road, Great Chesterford, Essex, CB10 1NY

The consolidated financial statements of Plextek Ltd may be obtained from the above address For the year ended 31 March 2010, the largest and smallest group in which the results of the Company are consolidated is that headed by Plextek Limited