



Wheelsure

Wheelsure Holdings plc

INTERIM REPORT 2010

Chairman's statement

The results for the six months ended 28 February 2010 show a loss on ordinary trading activities before taxation of £156,508 compared to a loss of £163,481 for the comparable period last year. Whilst we are disappointed that we have not been able to improve significantly on last years result, there is no doubt that the recession has had its effect on the majority of our potential customers.

Wheelsure

The economic climate during the period has not assisted us in convincing potential end users that the fitting of our systems will not only add safety to their operations, but also the significant cost saving benefits available. Whilst potential customers acknowledged the advantages of our systems, they have needed to delay such investment decisions until their own operating and financial circumstances have improved.

Despite the difficult trading conditions, I am pleased to report several new contract wins during the period. The bus and coach industry has been less affected by the economic climate compared with commercial fleets, and we are at present fitting four major operators with systems. In total some 140 vehicles are being converted in this exercise and there is a strong possibility that there will be spin-off business to be had from these fitments.

Now that the requirements for the forthcoming Olympic Games transportation needs are known, we are in discussions with several manufacturers encouraging them to offer our systems in their new product. Following the success of our products used on the Cemex fleet, we have taken an active role in contacting other major tipper users and have mailed a significant number of large fleets of operators. This has resulted in several asking us to meet with them and demonstrate our wares. We will also be attending and demonstrating our products at the annual Tip-ex Show, the only UK show dedicated to the tipper industry, in Harrogate in May.

Finally, the Department of Transport has confirmed that they will finalise their long awaited report on wheel nut loosening with recommended solutions to overcome this problem, in the next couple of months. We are hopeful that the publication of this report will be of tremendous benefit to us.

Tracksure

Having reported previously that the London Underground, through its Metronet element, were trialling our system, I can now report that these tests have proved successful and they have decided to seek approval for the use of our devices from the LUL Approval Committee. This is very encouraging for Tracksure and we have been advised that the report should be prepared and submitted in the near future. In the meantime we continue to receive small orders for various applications within the underground system.

We are continuing with our approaches to Network Rail and our Technical Director is preparing a product approval application for their consideration. Our activities and trials in other countries are still continuing, with success in some, especially in Holland through our agent ETS Spoor. It has now been confirmed that MAV/Thermit of Hungary will be conducting trials in May with Budapest as the chosen site. The German Railway has also expressed interest in our product and is conducting an internal review for presentation to their management. This is yet another encouraging development.

The current dispute between RMT Union and Network Rail has safety as one of its major concerns. To maintain safety a lot of personnel have to be employed and it is this aspect that is controversial. Fitting our system would in no way detract from the safety aspect, but would enhance it. It is this aspect that we are presenting to Network Rail in an endeavour to gain their approval for use. The savings to them would be considerable in time, manpower and finance.

Our contact in North America is pursuing a number of leads and has introduced us to SAFETRACK BAAVHAMMAR AB of Sweden, who has expressed interest in our product and wish to engage in dialogue on its characteristics and advantages. Our contact in Italy has now confirmed that FerrovieNord has confirmed that our product has now received approval and is awaiting the first order from them. After much time and effort this possible source of future business has acknowledged our product and we keenly await further developments.

I am pleased to report on the significant strengthening of the Balance Sheet following the successful placing of 12,745,000 Ordinary shares in the company at a price of 5p each in the last quarter of 2009 which raised, in aggregate, £637,250 (gross); and the conversion of the remaining £264,000 Secured Loan Stock 2010 into Ordinary shares at the same price. As at 28 February 2010 it should be noted that the Group held cash at bank of £338,212 with total creditors amounting to £78,851 compared with £14,413 and £396,935 respectively at 31 August 2009.

Your Board continues to be pro-active in its approach to securing business, and will do all it can to enhance and promote Wheelsure products. I wish to take this opportunity to thank all shareholders for their continued support, and look forward to reporting success in our activities during the remainder of 2010.

J.E.S. Shuttleworth

Chairman

29 April 2010

**Unaudited consolidated profit and loss account
for the six months ended 28 February 2010**

	<i>Six months ended 28.02.10 £</i>	<i>Six months ended 28.02.09 £</i>	<i>Year ended 31.08.09 £</i>
TURNOVER	66,826	62,963	126,246
Cost of sales	(33,578)	(41,311)	(62,644)
GROSS PROFIT	33,248	21,652	63,602
Administrative expenses	(184,845)	(171,142)	(359,014)
OPERATING LOSS	(151,597)	(149,490)	(295,412)
Interest receivable and similar income	438	465	643
	(151,159)	(149,025)	(294,769)
Interest payable and similar charges	(5,349)	(14,456)	(28,008)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(156,508)	(163,481)	(322,777)
Tax on loss on ordinary activities	–	–	67,570
LOSS FOR THE PERIOD AFTER TAXATION	<u>(156,508)</u>	<u>(163,481)</u>	<u>(255,207)</u>

Unaudited consolidated balance sheet
as at 28 February 2010

	<i>Six months ended</i> 28.02.2010		<i>Six months ended</i> 28.02.2009		<i>Year ended</i> 31.08.2009	
	£	£	£	£	£	£
FIXED ASSETS						
Intangible assets		52,680		44,648		51,975
Tangible assets		19,811		28,234		23,857
		72,491		72,882		75,832
CURRENT ASSETS						
Stocks		12,749		12,000		16,474
Debtors		59,400		48,334		21,697
Deferred tax		450,474		382,904		450,474
Cash at bank		338,212		19,189		14,413
		860,835		462,427		503,058
CREDITORS						
Amounts falling due within one year		(78,851)		(201,520)		(396,935)
NET CURRENT ASSETS		781,984		260,907		106,123
TOTAL ASSETS LESS CURRENT LIABILITIES		854,475		333,789		181,955
CREDITORS						
Amounts falling due after more than one year		–		(279,000)		–
		854,475		54,789		181,955
CAPITAL AND RESERVES						
Called up share capital		440,066		217,273		259,816
Share premium		2,752,967		1,927,840		2,104,189
Profit and loss account		(2,338,558)		(2,090,324)		(2,182,050)
SHAREHOLDERS' FUNDS		854,475		54,789		181,955

**Unaudited consolidated cash flow statement
for the six months ended 28 February 2010**

	<i>Notes</i>	<i>Six months ended 28.02.10 £</i>	<i>Six months ended 28.02.09 £</i>	<i>Year ended 31.08.09 £</i>
Net cash outflow from operating activities	3	(232,156)	(12,737)	(197,759)
Returns on investments and servicing of finance	4	(4,911)	(13,991)	(27,365)
Capital expenditure	4	(4,162)	(18,210)	(28,482)
		<u>(241,229)</u>	<u>(44,938)</u>	<u>(253,606)</u>
Financing	4	565,028	–	203,892
Increase/(decrease) in cash in the period		<u>323,799</u>	<u>(44,938)</u>	<u>(49,714)</u>
Reconciliation of net cash flow to movement in net debt	5			
Increase/(decrease) in cash in the period		323,799	(44,938)	(49,714)
Cash inflow from increase in debt		264,000	–	15,000
Change in debt resulting from cash flows		<u>587,799</u>	<u>(44,938)</u>	<u>(34,714)</u>
Movement in net debt in the period		587,799	(44,938)	(34,714)
Net debt as at 1 September		<u>(249,587)</u>	<u>(214,873)</u>	<u>(214,873)</u>
Net funds/(debt) at period end		<u>338,212</u>	<u>(259,811)</u>	<u>(249,587)</u>

Notes to the unaudited financial statements for the six months ended 28 February 2010

1. Basis of preparation

The interim financial information for the six months ended 28 February 2010 is neither audited nor reviewed but has been prepared in accordance with the accounting policies set out in the company's annual report and accounts for the year ended 31 August 2009.

The figures for the year ended 31 August 2009 do not comprise statutory accounts for the purpose of s435(1) of the Companies Act 2006 and have been extracted from the company's full accounts for that year in which the auditors' report was neither qualified, nor contained any references to emphasis of matter, nor any statement under section 498(2) or section 498(3) of the Companies Act 2006. The company's full accounts have been filed with the Registrar of Companies.

2. Reconciliation of movement in shareholders' funds

	<i>Six months ended</i> 28.02.10	<i>Six months ended</i> 28.02.09	<i>Year ended</i> 31.08.09
	£	£	£
Loss for the period	(156,508)	(163,481)	(255,207)
Issue of shares	829,028	–	218,892
Net increase/(decrease) of shareholders' funds	672,520	(163,481)	(36,315)
Opening shareholders' funds	181,955	218,270	218,270
Closing shareholders' funds	854,475	54,789	181,955

3. Reconciliation of operating loss to net cash outflow from operating activities

	<i>Six months ended</i> 28.02.10	<i>Six months ended</i> 28.02.09	<i>Year ended</i> 31.08.09
	£	£	£
Operating loss	(151,597)	(149,490)	(295,412)
Depreciation charges	7,503	6,555	13,877
Decrease/(Increase) in stocks	3,725	(9,000)	(13,474)
(Increase)/Decrease in debtors	(37,703)	(2,161)	24,476
(Decrease)/Increase in creditors	(54,084)	141,359	72,774
Net cash outflow from operating activities	(232,156)	(12,737)	(197,759)

4. Analysis of cash flows for headings netted in the cash flow statement

	<i>Six months ended</i> 28.02.10	<i>Six months ended</i> 28.02.09	<i>Year ended</i> 31.08.09
	£	£	£
Returns on investments and servicing of finance			
Interest received	438	465	643
Interest paid	(5,349)	(14,456)	(28,008)
Net cash outflow for returns on investments and servicing of finance	(4,911)	(13,991)	(27,365)
Capital expenditure			
Purchase of intangible fixed assets	(2,530)	(8,776)	(17,791)
Purchase of tangible fixed assets	(1,632)	(9,434)	(10,691)
Net cash outflow for capital expenditure	(4,162)	(18,210)	(28,482)
Financing			
Loan repayments in year	(264,000)	–	(15,000)
Share issue	829,028	–	218,892
Net cash inflow from financing	565,028	–	203,892

5. Analysis of changes in net debt

	<i>At 01.09.09</i>	<i>Cash flow</i>	<i>At 28.02.10</i>
	£	£	£
Net cash: Cash at bank	14,413	323,799	338,212
Debt: Debts falling due within one year	(264,000)	264,000	–
Total	(249,587)	587,799	338,212