Wheelsure

Wheelsure Holdings plc

INTERIM REPORT 2013

Chairman’s statement

I am pleased to report on the results for the half year ended 28 February 2013 which show a turnover of just over £111,000 (6 months ended 29 February 2012: £29,000) and a loss on ordinary activities before taxation of £183,000 compared with a loss of £203,000 for the comparable period last year.

The improvement in turnover was primarily as a result of three large orders from London Underground (“LUL”) during the period and we are confident that this more regular order pattern will continue. Indeed a further order for a similar average value has been received recently. In addition, despite the depressed state of the European economy and the bureaucratic processes involved in all dealings with state infrastructure organisations making progress slower than we would like, we hope to secure orders during the next six to twelve months from Holland, Hungary, Spain and North America as a result of progressive on-going negotiations.

As shareholders will be well aware by now the nature of our market is such that the testing/trialling and approval process is slow, however we remain very confident that progress is being made across all territories and this is reflected in the following highlights.

Tracksure

In the UK Tracksure continues to receive repeat orders from LUL for one of its approved track applications which has now been additionally incorporated into the new-build specification for this application manufactured in-house by LUL at their Lillie Bridge depot. In addition Tracksure is also now receiving small orders for a second approved track application. Previous reports have referred to the “extended rollout” project with LUL and I am pleased to advise that we have now received, and delivered against, this order and are in active discussions with regard to training and installation. This formal project underpins our successful efforts to gain more regular business from LUL.

In Europe, following the previously reported trial installations in Rome, Genoa and Turin, Tracksure products have now been formally specified for orders of new crossings to be supplied to Ferrovienord by a leading Italian manufacturer. We have also been working with our new distribution partner in Holland and have held discussions with both Prorail and leading rail maintenance contractors which has led to the Tracksure product being specified for evaluation in switches and crossings. The existing installations in both Hungary and Spain are performing well and the product has now been fitted to RENFE freight wagons. Whilst we remain confident that further business will be generated in both territories, the present severe financial constraints are temporarily impairing our distributor’s ability to generate commercial orders. Progress in Germany has led to the DB Netz AG project at Europe’s largest marshalling yard being extended to a second site and a different track application. However the process of gaining approvals remains both slow and convoluted.

Finally, following initial contact made at the Innotrans exhibition in Berlin in September 2012, discussions are now taking place with TCDD (the Turkish State Railway) and other rail contractors with a view to a first development project in this growing economy.

As previously reported Tracksure signed Heads of Agreement with LB Foster Company in September 2012 under which it is intended that they would market the Tracksure product throughout North America. At their invitation I attended their annual strategy and sales/marketing meeting in Arizona at the end of January 2013 and, as a result, it has been agreed that most, if not all, marketing and development costs will be budgeted and paid for by our partners. The Tracksure product is now being promoted by the LB Foster sales force and this has already resulted in further test installations being installed in both the Chicago Metro and Canadian National.

In anticipation of increasing demand, supply chain opportunities are being explored with USA partners and a Chinese industrialist in addition to those already established in Europe. It is believed that a low cost supply line of high quality will be vital to exploit Tracksure in the North American market sector.

Wheelsure

Wheelsure continues to receive small orders in the bus and coach sectors and we are currently working with a company in the retrofitting/service sector to evaluate a new business model to break into the regular service pattern of major fleets. It will be known later in the year if this approach yields the necessary response to justify an increase in our efforts in a sector where budget allocations remain very tight and strictly prioritised.

Fundraising

During the period under review the Company successfully completed the placing and open offer of a total of 13,034,506 new ordinary shares raising, in aggregate, gross proceeds of £228,103 for working capital purposes. As a result, despite the continuing losses, shareholder funds have increased to £255,640 as at 28 February 2013 from £239,478 as at 31 August 2012.

Finally I would advise shareholders that the board is more optimistic than at any time in the past that its efforts will begin to bear fruit by way of increased revenue streams in the foreseeable future. All efforts are being directed at improving cash flow from, in particular, the UK rail market which, in turn, will allow the development and commercialisation of other opportunities.

G J Mulder
Chairman
28 May 2013

Unaudited consolidated profit and loss account
for the six months ended 28 February 2013

	Six months ended 28.02.13 £	Six months ended 29.02.12 £	Year ended 31.08.12 £
TURNOVER	111,022	28,886	39,215
Cost of sales	(62,849)	(13,372)	(23,493)
GROSS PROFIT	48,173	15,514	15,722
Administrative expenses	(230,907)	(218,653)	(497,186)
	(182,734)	(203,139)	(481,464)
Other operating income	-	-	-
OPERATING LOSS	(182,734)	(203,139)	(481,464)
Interest receivable and similar income	-	470	1,272
	(182,734)	(202,669)	(480,192)
Interest payable and similar charges	(672)	(793)	(1,554)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(183,406)	(203,462)	(481,746)
Tax on loss on ordinary activities	-	-	8,897
LOSS FOR THE PERIOD AFTER TAXATION	(183,406)	(203,462)	(472,849)

Unaudited consolidated balance sheet
as at 28 February 2013

	Six months ended	28.02.2013	Six months ended	29.02.2012	Year ended	31.08.2012
	£	£	£	£	£	£
FIXED ASSETS						
Intangible assets		62,823		58,317		64,520
Tangible assets		7,066		8,370		5,421
		69,889		66,687		69,941
CURRENT ASSETS						
Stocks	42,332		64,677		62,617	
Debtors	74,232		54,103		50,166	
Cash at bank	172,117		201,087		115,759	
	288,681		319,867		228,542	
CREDITORS						
Amounts falling due within one year	(102,930)		(63,562)		(59,005)	
NET CURRENT ASSETS		185,751		256,305		169,537
TOTAL ASSETS LESS CURRENT LIABILITIES		255,640		322,992		239,478
CAPITAL AND RESERVES						
Called up share capital		830,340		637,495		699,995
Share premium		3,441,368		3,309,646		3,372,145
Profit and loss account		(4,016,068)		(3,624,149)		(3,832,662)
SHAREHOLDERS' FUNDS		255,640		322,992		239,478

Unaudited consolidated cash flow statement
for the six months ended 28 February 2013

	Notes	**Six months ended 28.02.13 £**	**Six months ended 29.02.12 £**	**Year ended 31.08.12 £**
Net cash outflow from operating activities	3	(138,412)	(222,760)	(424,276)
Returns on investments and servicing of finance	4	(672)	(323)	(282)
Taxation		-	-	-
Capital expenditure	4	(4,126)	(8,034)	(16,886)
		(143,210)	(231,117)	(441,444)
Financing	4	199,568	302,560	427,559
Increase/(decrease) in cash in the period		56,358	71,443	(13,885)
Reconciliation of net cash flow to movement in net funds	5			
Increase/(decrease) in cash in the period		56,358	71,443	(13,885)
Movement in net funds in the period		56,358	71,443	(13,885)
Net funds as at 1 September		115,759	129,644	129,644
Net funds at period end		172,117	201,087	115,759

Notes to the unaudited financial statements for the six months ended 28 February 2013

1. Basis of preparation

The interim financial information for the six months ended 28 February 2013 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 2012.

The figures for the year ended 31 August 2012 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

	Six months ended 28.02.13 £	**Six months ended 29.02.12 £**	**Year ended 31.08.12 £**
Loss for the period	(183,406)	(203,462)	(472,849)
Issue of shares	199,568	302,560	427,559
Share based payment transactions	-	-	60,874
Net increase of shareholders' funds	16,162	99,098	15,584
Opening shareholders' funds	239,478	223,894	223,894
Closing shareholders' funds	255,640	322,992	239,478

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

	Six months ended 28.02.13 £	**Six months ended 29.02.12 £**	**Year ended 31.08.12 £**
Operating loss	(182,734)	(203,139)	(481,464)
Depreciation charges	4,178	5,146	10,744
Share based payment transactions	-	-	60,874
Decrease/(increase) in stocks	20,285	(22,698)	(20,638)
(Increase)/decrease in debtors	(24,066)	33,675	46,508
Increase/(decrease) in creditors	43,925	(35,744)	(40,300)
Net cash outflow from operating activities	(138,412)	(222,760)	(424,276)

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

	Six months ended 28.02.13 £	Six months ended 29.02.12 £	Year ended 31.08.12 £
Returns on investments and servicing of finance:			
Interest received	-	470	1,272
Interest paid	(672)	(793)	(1,554)
Net cash outflow for returns on investments and servicing of finance	(672)	(323)	(282)
Capital expenditure:			
Purchase of intangible fixed assets	(746)	(7,584)	(16,436)
Purchase of tangible fixed assets	(3,380)	(450)	(450)
Net cash outflow for capital expenditure	(4,126)	(8,034)	(16,886)
Financing:			
Share issue	199,568	302,560	427,559
Net cash inflow from financing	199,568	302,560	427,559

5. Analysis of changes in net funds

	At 01.09.12 £	Cash flow £	At 28.02.13 £
Net cash: Cash at bank	115,759	56,358	172,117
Total	115,759	56,358	172,117