

Transense Technologies plc

Annual report and financial
statements

Registered number 01885075
For the year ended 30 June 2018

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Directors and advisers

Directors

D M Ford (Chairman)
G Storey (Chief Executive)
M Segal (Finance Director)
R J Westhead ^(1, 2, 3)
N F Rogers (Deputy Chairman) ^(1, 2, 3)

1 Non-executive

2 Member of the Audit and Risk Committee

3 Member of the Remuneration Committee

Secretary and Registered Office

M Segal
1 Landscape Close
Weston Business Park
Weston on the Green
Oxfordshire
OX25 3SX

Auditor

Grant Thornton UK LLP
The Colmore Building
Colmore Circus
Birmingham B4 6AT

Bankers

HSBC Bank plc
1 Sheep Street
Bicester
Oxon OX26 7JA

Nominated Advisers & Brokers

FinnCap
60 New Broad Street
London
EC2M 1JJ

Registrars

Neville Registrars
Neville House
Laurel Lane
Halesowen
B63 3DA

Registration Number 01885075

Highlights

- Revenues increased marginally to £2.05m (2017: £2.00m)
- Translogik revenues increased by 60% to £1.90m (2017: £1.19m)
- Gross margin increased to 62.9% of revenues (2017: 56.8%)
- Administrative expenses reduced by 3% to £3.21m (2017:£3.32m)
- Administrative expenses (excluding depreciation and amortisation) reduced by 11% to £2.65m (2017: £2.96m)
- Pre-tax loss from continuing operations reduced to £1.91m (2017: £2.16m)
- Successful equity fund raise of £0.92m (net of costs) in June 2018
- Significant increase in recurring iTrack II revenue on subscription model; improving visibility
- Significant increase in probe sales from adoption by multiple outlets
- Continuing applications development for SAWSense showing positive results

Chairman's statement

The Group has made steady progress over the last year in both of its core businesses. Revenue generated by Translogik increased by 60% compared with the prior year, with iTrack II producing an increased proportion of revenue from subscription services which are expected to recur in future years.

It should be noted that in previous reports we have referred to revenues derived from iTrack II as rental income however as the revenue from the customer is substantially derived from providing a service we now more accurately refer to this income as a subscription service.

Increased traction in the commercialisation of probes and iTrack II have resulted in gaining increased market share. We are confident that further opportunities will arise in the current financial year to build on this traction through new routes to market and partnerships.

Whilst SAWSense has seen a reduction in current revenues, the level of activity and live projects continues to increase.

Financial results and condition

Revenues grew marginally by 2% to £2.05m (2017: £2.00m). Gross margins improved to 62.9% from 56.8%, and administrative expenses reduced by 3% to £3.21m (2017: £3.32m). Administrative expenses excluding depreciation and amortisation reduced by 11% to £2.65m (2017: £2.96m).

Whilst the Company has produced a pre-tax loss from continuing operations for the year, excluding share based payments, of £1.87m this does reflect a 16% improvement on the previous year's pre-tax loss of £2.16m. The total loss attributable to shareholders was £1.89m (2017: £2.17m) resulting in a net loss per ordinary share of 19.68 pence (2017: 22.84 pence). The Board do not recommend payment of a dividend (2017: Nil).

Net cash used in operations amounted to £1.11m (2017: £0.87m). With overheads under close control and starting FY19 at a reduced cost base, and an increasing proportion of revenues on a recurring subscription service model, the net cash requirement to fund ongoing operations continues to fall. In June 2018, additional equity of £0.92m (net of associated costs) was raised in a placing with existing shareholders. Net cash balances at 30 June 2018 were £1.59m (2017: £2.52m).

Strategy

The Group provides innovative sensor systems for various complex applications and operates two principal businesses, SAWSense and Translogik.

The Group intends to continue to commercialise sensor technologies by working closely with global businesses and where appropriate entering into partnership arrangements in order to build a profitable business that generates value for shareholders through both capital appreciation and, in due course, distributions to shareholders.

SAWSense designs and develops Surface Acoustic Wave (or "SAW") sensor devices that can be used to measure torque, pressure and/or temperature in harsh, restricted or demanding environments to very high accuracy. This world leading technology has a broad range of potential uses ranging from premium value custom applications through to high volume mass markets.

Translogik designs and markets a range of Tyre Pressure Monitoring Systems ("TPMS") and tools to facilitate tyre management. These products and services are for heavy duty off road vehicles (particularly mine-haul trucks), commercial trucks, buses as well as passenger cars. These comprise the iTrack system, which provides real-time tyre temperature and pressure measurements for mine-haul trucks in service, and a range of tyre probes and other offerings for the road transport sector.

Chairman's statement (continued)

The Translogik product offerings are continually evolving with the focus on providing a comprehensive data service to clients in the mining and truck industry. The data captured by our latest product offering, iTrack II, provides an invaluable insight into the location, condition and performance of haul trucks in live operation. This provides mine operators with multiple opportunities to deliver substantial cost savings and productivity gains.

Our markets

SAWSense in global industries

Sensor technology is widely used in virtually every industrial application across a broad range of industries, contributing to many billions of dollars in revenue. Sensors using SAW technology are powered by radio frequency, are wireless, and do not require batteries. This means that the sensor has significant benefits as the package can be extremely small and light and is suited to harsh environments or remote locations and does not require regular maintenance. Being wireless enables the sensor to be used on rotating components, other moving parts, or environments where electrical wiring would not be feasible.

These benefits are particularly appropriate in drives, motors, gearboxes, valves and couplings, which are in common use in the industrial equipment, energy generation, oil & gas, aviation, military and automotive sectors.

As Original Equipment Manufacturers (OEMs) seek ever more data on a real-time basis to optimise the performance of their products, accurate and frequent measurement becomes increasingly important. The world's largest and most successful companies in these fields are recognising SAW as one of the enabling technologies in developing the "Internet of Things" in this arena, contributing to a vision by which machines are networked with embedded sensors to optimise performance using real time analytical tools, algorithms and interactive controls.

TPMS in Mining

The original iTrack system was developed to provide tyre pressure and temperature monitoring data to mine haul-truck operators, primarily to reduce or eliminate the incidence of tyre failure. The associated benefits in tyre life management were evident and were initially viewed as a means of payback for the improved safety performance achieved.

Over recent years the collection of pressure and temperature data has become increasingly sophisticated, and our systems for measuring, monitoring and reporting tyre conditions are seen by key customers as a management tool to optimise asset utilisation and productivity, whilst continuing to make a key contribution to mine safety.

iTrack II, which was launched at MINExpo in September 2016, collects live tyre performance data from sensors, and transmits this instantly to an optional in-cab display and web based applications readable in real time by the Translogik Global Control Centre as well as the individual mine operators in their own operational control rooms. This valuable data can be utilised to minimise truck down time, extend tyre life, and improve safety. Crucially, it can also be used to increase mine productivity by identifying opportunities to optimise routings, loadings, and even road architecture.

Chairman's statement (continued)

The Board remains of the opinion that our system is the most technologically advanced mining truck TPMS technology available, offering specific benefits in cost savings and operating efficiency that are not delivered by competitors in the market to the same degree. We continue to provide iTrack II primarily as a subscription service model, which enables users to recognise the monthly cost in operating overheads, alongside the substantial savings in tyre operating costs and the productivity gains that are evident when in use. We are also continually developing additional features and capabilities, such as the provision of accelerometer data and improved connectivity, in order to maintain our technology leadership over potential competitors.

Tyre tread depth probes

Our tyre tread depth probes offer a fast and reliable way for mining and on-road truck service providers, as well as passenger car tyre fitters, to record and automatically transmit tread depth data by Bluetooth. Our product range has been manufactured for over 15 years, during which time it has earned a reputation in the market place as a rugged and reliable solution. Coupled with software developed in-house, we also offer a Passenger Car Audit System ("PCAS"), which captures tread depth data and provides a clear visual display of tyre conditions to the end customer to aid decision making.

Our range is uniquely compatible with the product management systems of a number of the world's leading tyre producers, including Bridgestone, Continental, Goodyear and Michelin.

Equity fund raise

In June 2018, shareholders approved a proposal that the Company issue an additional 2,500,000 shares at a price of 40 pence each to existing institutional investors to support marketing, product development and working capital requirements of the Group. The net proceeds of the placing amounted to £0.92m net of associated costs and were included in the net cash balances at the year end.

Prospects

The Board continues to believe that the technology and products developed by the Group along with the services provided in the mining sector ensure that the Group is extremely well positioned in all key areas of the businesses and as a result the current level of optimism for future prospects is at a high level.

David M Ford
Group Chairman

8 October 2018

Chief Executive's report

The Group has made solid progress this year with increased traction for both iTrack II and probes with growing commercial revenues from both products and services that are well placed to offer unique solutions over a sustained period of competitive advantage in the future.

SAWSense

SAWSense is a leader in the development of Surface Acoustic Wave ("SAW") wireless, battery-less, sensor systems that offer significant advantages over legacy systems in common use. The business is actively involved in several projects in conjunction with major global industrial companies.

In the short to medium term, the primary source of ongoing revenue is dependent upon the level of customer chargeable engineering activity and licensing fees, both of which reduced in the current year as a consequence of the more advanced stage of development of key projects. Recharged engineering costs were £0.15m in 2018, compared with £0.29m in 2017, licensing fees were £0.00m in 2018, compared to £0.58m in 2017.

In the prior year, SAWSense entered into a significant licensing agreement with GE for the use of our patented, wireless, passive SAW technology in a specific torque application. The Group received a non-refundable license fee of £0.58m following successful technical validation. In the current year, a manufacturing partner has been selected and significant technical progress has been made. Commercialisation cannot be considered certain, but the likelihood is increasing through time. GE will pay to Transense a perpetual sales royalty in respect of unit sales upon commercialisation, although this is not likely to arise for several years.

We are currently in discussions with GE on three further industrial projects. We also have two current projects in the automotive sector which are progressing and we continue to provide instrumented torque shafts for US Motor Sport through our Joint Development Agreement with McLaren. In addition to our on-board marine torque prop shaft trial, which continues, we have also, shortly after the year end, received funding in conjunction with one UK university from a charity connected to a major financial institution, with the aim of developing a SAW based solution focussed on improving health and safety in the maritime transportation of fluids.

Translogik

iTrack II

Commercialisation of iTrack II has seen steady progress throughout the year, with the system live on a substantial number of trucks at the year end and covering eight mines in three continents. This generated a threefold increase in monthly subscription service income since the start of the financial year.

At the end of the year there were active prospects with realistic expectations of success at a further ten sites. Much of the existing business is with world leading mine owners such as Glencore and BHP; companies which operate many thousands of trucks across hundreds of sites world-wide, and recognise the benefits of data provided by our system.

We continue to believe that our product range demonstrates substantial superiority in capabilities and reliability to those of our rivals.

The strength of our product offering and the iTrack brand reputation has resulted in Translogik moving from "opportunities to work more closely with selected partners" as stated in the interim report to the current state of play whereby we are holding discussions on collaborative arrangements with major global companies in this sector.

Chief Executive's report (continued)

We are firmly of the view that progressing opportunities to work closely with one or more major partners could substantially accelerate market penetration, in turn producing increased recurring revenues.

Probe

Translogik revenues derived for the sale of our range of tyre tread depth probes increased by 83% to £0.84m (2017: £0.46m).

Goodyear USA, which alone operates 2,300+ Truck and Bus tyre service centres, launched their new tyre management system in March 2018 called 'Tire Optix' which incorporates the Translogik tyre probe. We have subsequently seen a significant increase in Goodyear orders and this is a trend we expect to continue as adoption of their system expands within the USA and worldwide. In addition to this, we are seeing further rollout of Bridgestone's corresponding 'Toolbox' and 'Total Tyre Care' systems as well as Continental's 'Fleetfox' system, all of which adopt the Translogik probe.

Current trading and outlook

Trading in the first two months of the current year has seen an increase in revenues and a reduction in pre-tax losses compared to the first two months of the year ended 30 June 2018 (FY18) and the cash burn in the first two months of the financial year 2019 (FY19) has run at the monthly rate of £0.11m which is half the rate of the first two months in FY18.

The ongoing success of ITrack II and the results of recent trials is anticipated to produce further adoption of the system in H1 of the financial year 2019. The potential collaboration with major global companies in the mining sector could lead to an acceleration in the growth rate of mines adopting iTrack II.

The interest in the different versions of the probe with the major tyre suppliers has grown considerably during the year and the prospects in FY 19 remain positive as the majors continue to integrate the probe into their tyre management systems.

The engagement with GE has moved from the non-recurring engineering stage through to licensing and, in the medium term, we look towards the final project stage, being the receipt of royalties

Graham Storey
Chief Executive

8 October 2018

Strategic Report

Financial Review

Results for the year

Revenues from continuing activities totalled £2.05m (2017: £2.00m). The pre-tax loss (before discontinued operations) totalled £1.91m (2017: £2.16m).

Translogik revenues grew by 60% to £1.90m, and SAWSense generated £0.15m of revenues (2017: £0.81m which included the GE license fee of £0.58m). Gross margins improved to 62.9% (2017: 56.8% reflecting the change from selling iTrack to providing it on a subscription basis. The depreciation on capitalised iTrack kit, included in administrative expenses, increased to £0.16m (2017: £0.07m)

Administrative expenses for the year, before depreciation, amortisation and interest, amounted to £2.65m compared with £2.96m in the prior year.

The increase in Translogik revenues reflects the good growth in the new iTrack subscription services following the launch of iTrack II in September 2016 and an 80% increase in Probe sales during the period. During the previous year overheads rose as a result of a bad debt, additional professional fees and the launch of iTrack II in the current year we experienced a reduction in administrative overheads both pre and post depreciation and amortisation.

The Earnings per share (EPS) are set out below (in Pence):

	<u>2018</u>	<u>2017</u>
EPS (including discontinued operations)	(19.68)	(22.84)
EPS (excluding discontinued operations)	(19.68)	(22.78)

Taxation

The Company has UK tax losses available to carry forward at 30 June 2018 of approximately £19.8m, subject to HMRC agreement.

Certain elements of development expenditure undertaken by the Company are eligible for enhanced research and development tax relief which generally relates to salary costs of technical staff. The accounting treatment adopted is to recognise the R & D tax credits on a cash basis due to the uncertain nature of the claim. Subject to HMRC approval, the expected tax credit to be received in June 2019 in relation to 2017 and 2018 is approximately £0.27m.

Cash flow and financial position

There was a net cash outflow of £0.93m (2017: £1.13m) during the year, arising from trading and £0.92m of proceeds arising from the issue of equity share capital in June 2018.

Net cash used in operations amounted to £1.11m (2017: £0.88m).

At 30 June 2018 the Group had net cash balances of £1.59m (2017: £2.52m).

The forward looking cash flow forecasts based on the anticipated level of activity indicates that the Group should have sufficient funds available for the short to medium term. The Board are however aware that the effect of increased demand for iTrack services will put pressure on working capital due to the timeline between investment and recoupment.

Strategic Report (continued)

Going Concern

The financial statements have been prepared on the going concern basis. The Group has made a loss for the year of £1.89m (2017: loss of £2.17m). The Group has Accumulated Losses of £1.89m (2017: Accumulated Losses of £0.01m following the Share Capital reorganisation). The balance of cash and cash equivalents at 30 June 2018 is £1.59m (2017: Cash and cash equivalents £2.52m).

The Group meets its day to day working capital requirements through existing cash reserves and does not currently have an overdraft facility. The directors have prepared cash flow forecasts for the period to 30 September 2019. These forecasts indicate that the Group should continue to be able to operate within its current cash resources for the foreseeable future.

Capital Structure

The Company Share Capital reduction and reorganisation was completed during the previous year.

A more detailed review of the financial year is provided in the Chairman's statement and the Chief Executive's report.

Key Performance Indicators

The following KPI's are some of the tools used by management to monitor the performance of the operating business. In addition to the KPI's the statement of financial position and cash flow analysis are reviewed at monthly Board meetings.

KPI's (Excluding Discontinued Operations)		
	FY 18	FY 17
	£000's	£000's
Turnover	£2,050	£2,003
EBITDA	(£1,360)	(£1,829)
EBT	(£1,914)	(£2,157)
EPS (Including Discontinued Operations) - Pence	(19.68)	(22.84)
EPS (Ex Discontinued Operations) - Pence	(19.68)	(22.78)
Share Price - Pence	36.50	77.50
Cash	£1,592	£2,520
Cash/Share - Pence	13.21	26.44
Net Assets	£3,876	£4,804
Net Assets/Share - Pence	32.17	50.40
Market Capitalisation	£4,398	£7,388
Shares in issue (adjusted for 50:1 reduction)	12,048,948	9,532,435

Strategic Report (continued)

Principal risks and uncertainties

Risk management is essential as part of the management process. Regular reviews are undertaken to assess the nature and magnitude of risks faced and the manner in which they may be mitigated. Where controls are in place, their adequacy is monitored.

Risk and Uncertainty	Details of Risk & Impact	Mitigation
Intellectual Property	The SAWSense business is focused on the design and manufacture of technologically advanced products and applications. Major investment is made in Development and we have 40 granted patents and significant in house know how. The risk exists that our intellectual property may be infringed by third parties or that we may inadvertently infringe third party rights. The impact resulting in loss of profitability and cash flow and loss of market share.	Procedures are in place to ensure we monitor new third party applications, ensure adequate protection for our key intellectual property including registration and avoid infringing third party rights. We litigate any IP breaches.
Product Development	Developing new product and improving existing products requires constant assessment of investments and potential returns which can be uncertain. Changing customer requirements and technological innovation will always present a challenge to developing market leading product.	Development spend is regularly planned and reviewed. The Groups understanding of customer needs and expectations is greatly enhanced by working closely with customers on extensive product trials.
People	An experienced and knowledgeable team is essential to continually develop complex products for customers to be used in demanding environments. The market for skilled staff is extremely competitive and a failure to recruit and retain suitably qualified staff could impact the Groups ability to develop and deliver services and product.	Providing the existing team with good training and incentives is a key priority for the business and has been instrumental in retaining key staff. The recruitment and development of new employees, when required, is done so by experienced staff to ensure the correct calibre of individual is identified.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Risk and Uncertainty	Details of Risk & Impact	Mitigation
EU Membership	In June 2016 the UK electorate voted to discontinue its membership of the EU. The Directors await clarification of the terms of the exit (referred to as Brexit) to assess the impact, if any, on the Group	As is evident in the Segmental review on page 48 only 15% of the group's income arise from UK & Europe and a far lesser percentage of supplied goods & services are from Europe. The Directors will take any action necessary to mitigate the effect of Brexit but consider that at this point in time the exposure is minimal.
Global Companies	Many of the customers and competitors of Transense are major international companies .The impact on Transense dealing with customers of this size is that invariably the time from initial discussions to receiving a PO can be far longer than the usual business transaction cycle between SME's. On the competition side the Company can be disadvantaged by not having the financial strength of far larger entities which can enable those organisations to achieve a foothold in those markets by using techniques such as loss leaders.	The Company regularly monitors cash flow to ensure that we are sufficiently funded to endure the long lead times between initial discussions and PO's with Global businesses. With regards the competition the far smaller size of Transense ensures we are able to move swiftly to adapt technology to customer requirements and we have in place a very specialised team of technicians to ensure that in the industries in which we operate our products are best in class. There will also be opportunities to partner global companies to mitigate the cash flow effects of long lead times.
Liquidity	Transense is continually striving to achieve the point of consistent profitability and cash generation however until that point in time is reached the Group will be exposed to squeezes in liquidity. The new iTrack II continues to incur development costs as the system evolves. Future increases in rate of system installations may cause the business to require additional working capital funding and/or alter payment terms with end user customers and/or channel partners. Failure to secure such changes may constrain the ability of the Company to achieve its growth potential.	During the course of FY 18 the cash resources have decreased by £0.93m . The cash resources were however bolstered by a fund raise producing £0.92m net of costs. Cash resources remain relatively strong moving into FY19. The Board also exert tight controls on overheads and monitor cash flow regularly and do not presently foresee any immediate requirement for raising further funds unless funds are required to manufacture new iTrack kit following a large upturn in demand.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Risk and Uncertainty	Details of Risk & Impact	Mitigation
Foreign currency fluctuation	Approximately 35% of purchases and sales are transacted in foreign currency, principally USD and to a smaller extent Euro's and Chilean Peso. Significant fluctuations could have an impact on results.	Transense's biggest exposure is with regards the USD and during the course of the last year the USD has decreased by 1.4% against GBP producing insignificant Forex adjustments. Since the year end the GBP has only marginally weakened further by 0.3%, however should the movement become material the Group will consider forward purchases as an effective hedge.

By order of the board

Melvyn Segal
 Finance Director

8 October 2018

Corporate Governance Statement

The group aims to operate to high standards of moral and ethical behaviour. All members of the board fully support the value and importance of good corporate governance and in our accountability to all of the company's stakeholders, including shareholders, employees, customers, distributors, suppliers, regulators and the wider community.

The corporate governance framework set out, including board leadership and effectiveness, remuneration and internal control, is based upon practices which the board believes are proportionate to the risks inherent to the size and complexity of group operations.

The board considers it appropriate to adopt the principles of the Quoted Companies Alliance Corporate Governance Code ("the QCA Code") published in April 2018. The extent of compliance with the ten principles that comprise the QCA Code, together with an explanation of any areas of non-compliance, and any steps taken or intended to move towards full compliance, are set out below:

Principle	Extent of current compliance	Commentary	Further disclosure(s)
Establish a strategy and business model which promote long term value for shareholders.	Fully compliant	Group business strategy is set out in the Chairman's statement above. Strategic issues, and the appropriate business model to exploit opportunities and mitigate risks, are under continuous review by the board, and reported periodically.	Go to www.transense.co.uk and follow About Us then Our Business Activities Strategic Report section of the Annual Report
Seek to understand and meet shareholder needs and expectations	Fully compliant	Regular meetings are held with shareholders at the release of interim and final results, the AGM and a number of additional ad hoc meetings, any structured feedback given at these meetings is considered by the Board and acted on as appropriate.	Go to www.transense.co.uk and follow Shareholder Presentations
Reflect wider stakeholder and social responsibilities and their implications for long term success	Fully compliant	Directors and employees adopt a broad view during decision making to take meaningful account of the impact of our business on all key stakeholder groups.	Go to www.transense.co.uk and follow Company then Company Profile.

Corporate Governance Statement (continued)

Principle	Extent of current compliance	Commentary	Further disclosure(s)
Embed effective risk management, considering both opportunities and threats, throughout the organisation	Fully compliant	The group operates a system of internal controls designed (to the extent considered appropriate) to safeguard group assets and protect the business from identified risks, including risk to reputation. Financial risks, including adequacy of funding and exposure to foreign currencies, are identified and subject to examination during the annual external audit process.	Principal Risks and Uncertainties section of Annual Report
Maintain the board as a well-functioning, balanced team led by the chair	Fully compliant	The board comprises five directors; two non-executive directors and three executive directors. The two non-executive directors are considered to be fully independent (Nigel Rogers and Rodney Westhead). The board is supported by appropriate board committees which are each chaired by one of the independent non-executive directors. An annual record of attendance at board meetings is included in the Annual Report at the conclusion of each year.	Board section of Annual Report.
Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Fully compliant	The board is satisfied that the current composition provides the required degree of skills, experience, diversity and capabilities appropriate to the needs of the business. Steps are taken to challenge the status quo and encourage proper consideration of any dissenting opinion. Board composition and succession planning are subject to continuous review taking account of the potential future needs of the business.	Board section of Annual Report.

Corporate Governance Statement (continued)

Principle	Extent of current compliance	Commentary	Further disclosure(s)
Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	Partially compliant	Board evaluation has not been carried out as part of a formal process, although the Chairman has actively encouraged self-evaluation by all board members, and feedback on the conduct and content of board meetings. The board will consider whether a more structured approach is required in future.	N/A
Promote a corporate culture that is based on ethical values and behaviours	Fully compliant	The board promotes high ethical and moral standards. The board and all employees expect to be judged by, and accountable for, their actions and compliance with the Company handbook. Employees are encouraged to attend training courses and maintain CPD.	N/A
Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	Fully compliant	The board as a whole share responsibility for sound governance practices. The roles and responsibilities of each of the directors (including committee memberships) are clearly set out in their job descriptions and any particular responsibilities communicated and understood.	Go to www.transense.co.uk and follow Company and Director's profiles. Board section of Annual Report.
Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Fully compliant	Regular meetings with shareholders and other key representative groups provide a specific opportunity for raising any concerns related to corporate governance, including any significant votes cast against or abstaining from shareholder resolutions. A record of meetings held to engage with shareholders will be included in each Annual Report.	Board section of Annual Report.

Corporate Governance Statement (continued)

Below is a brief description of the role of the Board and its committees, including a statement regarding the Company's system of internal financial control.

The Board of Directors

The following is a list of the full names, positions and ages of the current members of the Board: The business address of each Director is 1 Landscape Close, Weston-on-the-Green, Bicester, OX25 3SX.

David Ford (Chairman) Age 62

David is a qualified lawyer who specialised in IP law. In 1990 he became Tarlo Lyons' first Managing Partner and in 1998 he led the management buyout of the consumer debt recovery department of his old firm, Tessera Group, where he was the non-executive chairman until it was acquired by Arrow Group in December 2014.

Graham Storey (Group Chief Executive Officer) Age 61

Previously CEO of The Moyses Stevens Group, following a management buyout. Through a combination of organic growth and acquisitions, the group grew to become the biggest commercial and retail florist in the UK. Graham carried out a successful sale of the business in 2004 to a venture capital fund and, prior to joining Transense was involved in investing in several businesses one of which was Transense Technologies plc.

Melvyn Segal (Finance Director) Age 63

Melvyn is a chartered accountant and during his career of 22 years as a senior partner of mid-sized accountancy firm Arram Berlyn Gardner he specialised in business advice, audit and taxation and was involved in the successful sale of the firm's financial services arm. On leaving the profession Melvyn has been active as company finance director and Non-Executive director of successful SME's

Nigel Rogers (Deputy Chairman and Non-Executive Director *) Age 57

Nigel qualified as a Chartered Accountant in 1983, spending eight years with PwC before moving into industry. He has over twenty years' experience as a director of listed businesses, including thirteen years as Group CEO of both AIM listed Stadium Group Plc (2001-2011) and 600 Group Plc (2012-2015). Nigel serves on both the Audit and Remuneration committees.

In addition to his responsibilities at Transense, he is also Executive Chairman of AIM listed Surgical Innovations Group Plc.

Rodney Westhead (Non-Executive Director **) Age 74

Rodney qualified as a Chartered Accountant in 1967 spending time with PwC and Grant Thornton, the latter including a term as managing partner of the London office. His experience in Industry commenced in 1992 at Ricardo Group plc, a major automotive consulting engineering group with sales of £200 million a year, where he was finance director and subsequently CEO. After leaving Ricardo in 2005 he has had the following appointments, became Chairman of Carter and Carter plc, Chairman of Clean Air Power plc and a non-executive director of AEA Technology plc, Mouchel Plc and ACTA spa. Rodney was a member of council at Brunel University.

* Member of Audit & Risk committee and chair of Remuneration committee

** Chair of Audit & Risk committee and member of Remuneration committee

Corporate Governance Statement (continued)

The main features of the Group's corporate governance arrangements are:

The Board intends to meet monthly for formal Board meetings. It will approve financial statements and significant changes in accounting practices and key commercial matters, such as decisions to be taken on whether to take forward or to cancel a material collaboration project or commercial agreement. There is a formal schedule of matters reserved for decision by the Board in place.

Currently, the Board includes two Non-Executive Directors who are considered by the Directors to be independent for the purposes of the QCA Code, Nigel Rogers and Rodney Westhead. Nigel and Rodney joined the Board in July 2015 and April 2007 respectively, and prior to this neither had any association with the Company.

As noted in the Strategic and Business Review of Activities on pages 12-14, the Board has in place a risk management policy and a risk management register for identifying, assessing and mitigating the Company's principal risks and uncertainties.

Internal Financial Control

The Board is responsible for establishing and maintaining the Company's system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Company and the risk to which it is exposed, and by its very nature can provide reasonable, but not absolute, assurance against material misstatement or loss. During the period, the Directors enhanced the Group's finance function with a new hire, including the appointment of an Office Manager and Assistant Finance Manager who is responsible for the day to day management of the office and assisting on all finance aspects of the business. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they are appropriate to the nature and scale of the operations of the Company. The Directors will continue to reassess internal financial controls as the Company expands further.

Board Committees

Audit Committee

The Audit Committee's principal functions include ensuring that the appropriate accounting systems and financial controls are in place, monitoring the integrity of the financial statements of the Company, reviewing the effectiveness of the Company's accounting and internal control systems, reviewing reports from the Group's auditors relating to the Company's accounting and internal controls, and reviewing the interim and annual results and reports to Shareholders, in all cases having due regard to the interests of Shareholders. The Audit Committee meets at least two times a year, with regard to the reporting and audit cycle. Rodney Westhead has recent and relevant financial experience through his role as senior partner in a large firm of Chartered Accountants and CEO of other UK listed companies and acts as Chairman. Nigel Rogers the other member of the Audit Committee is a Fellow of the ICAEW and has several years experience of listed company financial reporting.

Remuneration Committee

The Remuneration Committee is responsible for determining and agreeing with the Board the framework for the remuneration packages for Directors. The Remuneration Committee considers all aspects of the Executive Directors' remuneration, including pensions, bonus arrangements, benefits, incentive payments and share option awards, and the policy for, and scope of any termination payments. The remuneration of the Non-Executive Directors is a matter for the Board. The Remuneration Committee meets at least twice a year and at such other times as may be deemed necessary. No Director may be involved in discussions relating to their own remuneration. Nigel Rogers acts as Chairman of the Remuneration Committee and Rodney Westhead is the other member of the Remuneration Committee.

Corporate Governance Statement (continued)

Nomination Committee

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board based upon the skills, knowledge and experience required to ensure the Board operates effectively. The Nomination Committee is expected to meet when necessary to do so. The Nomination Committee also identifies and nominates suitable candidates to join the Board when vacancies arise and makes recommendations to the Board for the re-appointment of any Non-Executive Directors. The full Board make up the Nomination Committee.

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 Group and Company financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. 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 Group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- 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 requirements of 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.

Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Remuneration report

Remuneration Policy

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

The director's salaries paid compare adequately with the salaries of directors and senior executives in public companies in similar development situations. Although a bonus scheme was in place during the year no bonuses were awarded to the directors.

The Remuneration Committee can also grant options over ordinary shares under its Enterprise Management Incentive Option Schemes (EMI) and options granted outside Company schemes, but approved by shareholders. These schemes potentially 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, Nigel Rogers, on any aspect of the Company's remuneration policy.

The Board as a whole, set the remuneration of the non-executive directors, which consists of fees for their services in connection with Board and Board Committee meetings. The non-executive directors are not eligible for pension scheme membership, but they are eligible to participate in the Company's Unapproved Directors Share Option Scheme (UDSOS).

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

Base Salary and Benefits

The base salaries for the executive directors are reviewed annually, but not necessarily increased, by the Remuneration Committee. Salary increases based on performance may be made.

Executive Share Option Schemes

The Committee considers that potential for share ownership and participation in the growing value of the Group increases the commitment and loyalty of directors and senior executives.

Directors' Pension Policy

Executive directors are entitled to participate in the Company's pension scheme on the same basis as other full time employees, but during the year ended 30 June 2018 they did not choose to. (2017: £3,000)

Service Contracts

The service contracts provide for the following notice periods:

12 months: Graham Storey, David Ford and Melvyn Segal.

3 months: Nigel Rogers

No notice period: Rodney Westhead

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.

Remuneration report (continued)

Directors' Emoluments

Information on directors' emoluments is as follows:

This table excludes the fair value of directors' share based payment options as defined by International Financial Reporting Standard (IFRS) 2. Details of all options granted to directors are shown on the next page.

Information on directors' emoluments is as follows:

	Basic salary £	Benefits £	Pension £	Total emoluments	
				12 months ended 30 June 2018 £	12 months ended 30 June 2017 £
Executive directors					
G Storey	158,400	7,232	-	165,632	164,528
M Segal	83,250	4,030	-	87,280	101,583
D Ford	109,050	4,566	-	113,616	112,960
Non-executive directors					
N Rogers	30,800	-	-	30,800	30,400
R Westhead	12,900	-	-	12,900	12,750
Total 2018	394,400	15,828	-	410,228	
Total 2017	409,183	10,038	3,000	422,221	

Remuneration report (continued)

Share based payment options have been granted under EMI for executive directors. The details of these are set out below:

The options can only be exercised once the share price has met or exceeded the hurdle price at any point since the date of grant of the option.

	At 1 July 2017	At 30 June 2018	Earliest exercise date	Exercise price per share	Hurdle price per share
Directors' interests in the EMI were:					
G Storey	120,000	120,000	01/07/18	£0.75	£1.50
G Storey	100,000	100,000	30/06/20	£1.00	£2.00
D Ford	70,000	70,000	01/07/18	£0.75	£1.50
D Ford	100,000	100,000	30/06/20	£1.00	£2.00
M Segal	30,000	30,000	01/07/18	£0.75	£1.50
M Segal	50,000	50,000	30/06/20	£1.00	£2.00

Share price performance

The share price performance is disclosed in the Directors' Report on page 25.

Directors' report

The directors present their annual report and audited financial statements for the year ended 30 June 2018.

Business activities, review of the business and future developments

Translogik, a trading division of Transense, was formed in April 2009 and the principal activities of this division includes the provision of tyre management solutions for the truck and OTR markets, by developing, manufacturing and selling of specialist Tyre probes and TPMS monitoring solutions and associated technologies.

The Company continues the development of non-contact batteryless sensors and their electronic interrogation systems for measuring pressure, temperature and torque in automotive applications and extending that to various, non-automotive, industrial applications with regards the electronic interrogation. These activities continue to be carried out by our SAWSense division.

A review of the Company'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 statements, Chief Executives report and Strategic report on pages 5 to 14.

Results and Dividends

The results for the year ended 30 June 2018 show a loss of £1.89m (30 June 2017: £2.17m). The directors do not recommend the payment of a dividend (30 June 2017: £nil).

Directors

The present directors are listed on page 3.

There are no contracts of significance in which the directors had a material interest during the year.

Substantial Shareholdings

At 30 June 2018, the following substantial shareholdings of 3% or more of the Company's share capital have been notified to the Company:

	Ordinary shares of 50p each	%
CriSeren Investments	1,241,258	10.3
John Peter Lobbenberg	868,980	7.2

Directors' report (continued)

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 period, all of which are beneficially held, were as follows:

	Ordinary shares of 50p each 30 June 2018	Ordinary shares of 50p each 1 July 2017
G Storey	78,687	78,687
R J Westhead	5,655	5,655
D Ford	5,555	5,555
M Segal	22,888	22,888
N Rogers	80,000	60,000

Share price

The mid-price of the shares in the Company at 30 June 2018 was 36p (30 June 2017: 77.5p) and the range during the period was 34.5p to 80p (30 June 2017: 50p to 118.75p). As part of the June 2018 fund raise the Ordinary shares were redesignated as 10p Ordinary shares and at the same time new 40p Deferred shares were also issued. This is referred to in more detail in note 23.

Share based payment 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 share based payment options granted to directors are disclosed in the Remuneration Report on page 23.

Financial Instruments

The directors adopt a low risk financial objective. The financial instruments are denominated in sterling, euros and US dollars and the Group does not trade in derivative instruments, (see note 26 to the financial statements).

Indemnification of Directors

Qualifying third party indemnity provisions (as defined in Section 413 of the Companies Act 2006) are in force for the benefit of the directors who held office during 2017/18.

Directors' report (continued)

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution to appoint Grant Thornton UK LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

D M Ford
Chairman

8 October 2018

G Storey
Chief Executive

1 Landscape Close
Weston on the Green
Oxon
OX25 3SX

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors have to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The directors have elected to prepare the parent company financial statements on the same basis.

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 their profit or loss of the group and parent 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 estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures and explained in the Financial Statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

The directors confirm that:

- So far as each director is aware, there is no relevant audit information of which the company's auditor is unaware;
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Grant Thornton UK LLP

The Colmore Building
Colmore Circus
Birmingham
B4 6AT
United Kingdom

Independent auditor's report to the members of Transense Technologies plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Transense Technologies plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the statement of changes in equity, the consolidated and company cash flow statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 30 June 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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 an auditor's

report 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

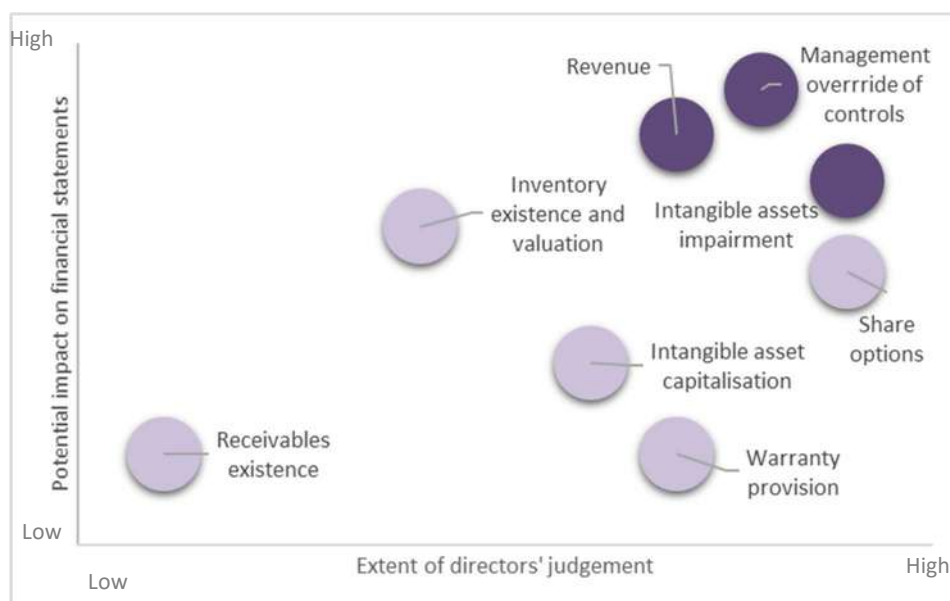


Overview of our audit approach

- Overall Group materiality: £61,500, which represents 3% of the Group's revenue.
- Key audit matters were identified as revenue recognition and intangible asset impairment for the Group and parent company.
- We performed full scope audit procedures on UK based operations (Transense Technologies plc) and performed targeted procedures on its significant component Transense Technologies Chile Spa which is consistent with the approach taken in the previous year.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p>Revenue recognition - Group and Parent</p> <p>Revenue is recognised to the extent that economic benefits will flow to the Group and the revenue can be reliably measured.</p> <p>The key revenue streams have been identified as the direct shipment of goods to customers, and the associated revenue recognised on delivery and the recognition of revenue under lease agreements.</p> <p>Revenue is a key driver of the business and is also a significant amount in the financial statements. We therefore identified revenue recognition (focussing on occurrence) as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • Evaluating the Group’s accounting policies for recognition of revenue for appropriateness in accordance with the requirements of International Accounting Standard (IAS) 18 ‘Revenue’ and IAS 17 ‘Leases’. • Agreeing whether revenue has been recognised in accordance with these policies. • For revenue recognised on delivery to customers, agreeing, on a sample basis, amounts recognised in revenue in the financial statements to supporting documents including proof of shipment documents. • For revenue recognised under operating lease contracts, agreement of the total revenue recorded in the financial statements to signed lease agreements. • Agreeing, on a sample basis, amounts of revenue recorded in the last quarter of the financial year supporting documents including proof of shipment documents to ensure that revenue has been recorded in the correct period. <p>The Group's accounting policy on revenue is shown in note 4 to the financial statements and related disclosures are included in note 5.</p> <p>Key Observations:</p> <p>Our testing did not identify any material misstatements in the revenue recognised during the year in accordance with stated</p>
<p>Impairment of intangible assets – Group and Parent</p>	

Key Audit Matter

How the matter was addressed in the audit

Intangible assets relating to the development of a specific product is recognised to the extent that expenditure is directly attributable to product development and is expected to result in future economic benefits.

The parent company has invested significant amounts in developing this product that is now available for sale. The potential impairment of this was deemed an area of key audit focus, as there is a risk that the intangible asset carrying value exceeds its recoverable amount.

On the acquisition of the Translogik division in a previous year, goodwill was recognised by the parent company. The potential impairment of this was deemed an area of key audit focus, as there is a risk that the intangible asset carrying value exceeds its recoverable amount.

We therefore identified impairment of intangible assets including goodwill as a significant risk, which was one of the most significant assessed risk of material misstatement.

accounting policies and, with IAS 18 and IAS 17.

Our audit work included, but was not restricted to:

- A review of management's forecasts and subsequent impairment review calculations in relation to specific products and the division, including an assessment of the reasonableness of the significant assumptions used in these forecasts.
- Sensitivity analysis on the projected future cashflows of the products and the division.

The Group's accounting policy on intangible assets is shown in note 4 to the financial statements and related disclosures are included in note 14.

Key Observations:

Based on our audit work, we concur with management's assessment that there is no impairment of goodwill or development cost assets.

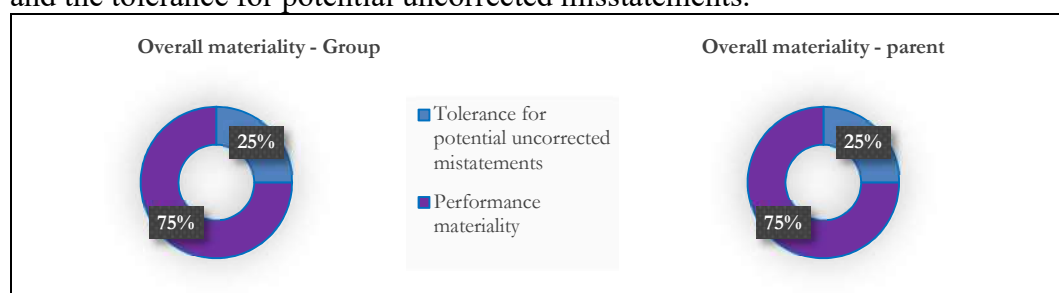
Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	£61,500 which is 3% of the Group's revenue. This benchmark is considered the most appropriate due to the loss making nature of the group and because the Group deems revenue growth to be its key indicator when assessing the performance of the Group. Materiality for the current year is higher than the level that we determined for the year ended 30 June 2017 to reflect higher revenues in the year.	£42,000 which is 3% of the Company's revenue. This benchmark is considered the most appropriate due to the loss making nature of the Company and because the Company deems revenue growth to be its key indicator when assessing the performance of the Company. Materiality for the current year is slightly lower than the level that we determined for the year ended 30 June 2017 to reflect lower revenues in the year for the parent company only.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality	75% of financial statement materiality
Communication of misstatements to the audit committee	£3,050 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£2,100 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile. We performed full scope audit procedures on UK based operations (Transense Technologies plc).

The Group has operations in Chile, Transense Technologies Chile Spa, and South Africa, Translogik South Africa Pty Ltd. The summary of our approach to the operations can be seen below.

Operation	Percentage of group revenue	Percentage of group profit/(loss)	Percentage of group assets	Audit approach
Transense Technologies Plc	68%	(102%)	93.6%	Comprehensive
Transense Technologies Chile Spa	32%	1.9%	6.4%	Targeted
Translogik South Africa Ptd Ltd	0%	0.1%	0%	Analytical

We performed specified audit procedures on the material balances of Transense Technologies Chile Spa. Our current year audit approach on Transense Technologies Chile Spa is consistent with that of the prior year.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 3 to 23, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page *****, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Rebecca Eagle

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountant
Birmingham

8 October 2018

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Continuing operations			
Revenue	5	2,050	2,003
Cost of sales		(761)	(865)
Gross profit		<u>1,289</u>	<u>1,138</u>
Administrative expenses		(3,208)	(3,318)
Operating loss		(1,919)	(2,180)
Financial income	10	5	23
Loss before taxation		(1,914)	(2,157)
Taxation	11	26	(4)
Loss from continuing operations		<u>(1,888)</u>	<u>(2,161)</u>
Discontinued operations			
Loss from discontinued operation	6	-	(5)
Loss for the year		<u>(1,888)</u>	<u>(2,166)</u>
Basic and fully diluted loss per share (pence)			
Continuing operations		(19.68)	(22.78)
Discontinued operations		-	(0.06)
Total operations	25	<u>(19.68)</u>	<u>(22.84)</u>
Loss for the year		<u>(1,888)</u>	<u>(2,166)</u>
Other comprehensive income:			
Exchange difference on translating foreign operations		-	21
Other comprehensive income for the year		-	21
Total comprehensive income for the year attributable to the equity holders of the parent		<u>(1,888)</u>	<u>(2,145)</u>

There are no other recognised income or expenses in either period.

Notes to the financial statements are from pages 41 to 68.

Consolidated Balance Sheet at 30 June 2018

	Note	Year ended 30 June		Year ended 30 June	
		2018	2018	2017	2017
		£'000	£'000	£'000	£'000
Non current assets					
Property, plant and equipment	12	474		258	
Intangible assets	14	909		938	
Trade lease receivables	18	-		59	
			1,383		1,255
Current assets					
Inventories	16	685		985	
Corporation tax		-		-	
Trade and other receivables	17	698		702	
Cash and cash equivalents	19	1,592		2,520	
			2,975		4,207
Total assets			4,358		5,462
Current liabilities					
Trade and other payables	20	(316)		(511)	
Current tax liabilities		(66)		(47)	
Provisions	21	(100)		(100)	
Total liabilities			(482)		(658)
Net assets			3,876		4,804
Equity					
Issued share capital	23		5,025		4,766
Share premium			682		22
Translation reserve			21		21
Share based payments			41		-
Accumulated loss			(1,893)		(5)
			3,876		4,804

These financial statements were approved by the board of directors and authorised for issue on 8 October 2018 and were signed on its behalf by:

D M Ford
Chairman

G Storey
Chief Executive

Company registered number: 01885075
Notes to the financial statements are from pages 41 to 68.

Company Balance Sheet at 30 June 2018

	Note	Year ended 30 June		Year ended 30 June	
		2018 £'000	2018 £'000	2017 £'000	2017 £'000
Non current assets					
Property, plant and equipment	13	444		229	
Intangible assets	14	909		938	
Investments	15	61		56	
Trade lease receivables	18	-		59	
			1,414		1,282
Current assets					
Inventories	16	659		967	
Corporation tax		-		-	
Trade and other receivables	17	824		686	
Cash and cash equivalents	19	1,494		2,503	
			2,977		4,156
Total assets			4,391		5,438
Current liabilities					
Trade and other payables	20	(236)		(481)	
Current tax liabilities		(42)		(41)	
Provisions	21	(100)		(100)	
Total liabilities			(378)		(622)
Net assets			4,013		4,816
Equity					
Issued share capital	23		5,025		4,766
Share premium			682		22
Share based payments			41		-
Accumulated (loss)/profit			(1,735)		28
			4,013		4,816

These financial statements were approved by the board of directors and authorised for issue on 8 October 2018 and were signed on its behalf by:

D M Ford
Chairman

G Storey
Chief Executive

Company registered number: 01885075

Notes to the financial statements are from pages 41 to 68.

Statement of Changes in Equity

Group	Share capital £'000	Share premium £'000	Translation Reserve £'000	Share based payments £'000	Cumulative losses £'000	Total equity £'000
Balance at 1 July 2016	11,546	17,218	-	-	(21,841)	6,923
Loss for the year	-	-	-	-	(2,166)	(2,166)
Share reorganisation	(6,823)	(17,218)	-	-	24,041	-
Costs of share reorganisation	-	-	-	-	(39)	(39)
Shares issued and share premium	43	22	-	-	-	65
Currency movement on subsidiary reserves	-	-	21	-	-	21
Balance at 30 June 2017	4,766	22	21	-	(5)	4,804
Loss for the year	-	-	-	-	(1,888)	(1,888)
Share based payments	-	-	-	41	-	41
Shares issued and share premium	259	660	-	-	-	919
Balance at 30 June 2018	5,025	682	21	41	(1,893)	3,876

Company	Share capital £'000	Share premium £'000	Share based payments £'000	Cumulative losses £'000	Total equity £'000
Balance at 1 July 2016	11,546	17,218	-	(22,062)	6,702
Loss for the year	-	-	-	(1,912)	(1,912)
Share reorganisation	(6,823)	(17,218)	-	24,041	-
Costs of share reorganisation	-	-	-	(39)	(39)
Shares issued and share premium	43	22	-	-	65
Balance at 30 June 2017	4,766	22	-	28	4,816
Loss for the year	-	-	-	(1,763)	(1,763)
Share based payments	-	-	41	-	41
Shares issued and share premium	259	660	-	-	919
Balance at 30 June 2018	5,025	682	41	(1,735)	4,013

Notes to the financial statements are from pages 41 to 68.

Consolidated and Company Cash Flow Statement

For the year ended 30 June 2018

	Note	Group		Company	
		Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Loss from operations		(1,888)	(2,166)	(1,763)	(1,912)
Adjustments for:					
Financial income	10	(5)	(23)	(5)	(24)
Depreciation	12,13	227	118	222	115
Amortisation of intangible assets	14	332	238	332	238
Share based payments	22	41	-	41	-
Unrealised currency translation gain		-	21	-	-
Cost of capital restructure		-	(39)	-	(39)
Operating cash flows before movements in working capital		(1,293)	(1,851)	(1,173)	(1,622)
(increase)//decrease in receivables	17	(203)	766	(190)	730
(Decrease)/increase in payables	20	(169)	(57)	(376)	(222)
Decrease)/(increase) in inventories	16	300	(414)	308	(396)
Decrease in trade lease receivables	18	266	598	266	598
Cash (used)/generated in operations		(1,099)	(958)	(1,165)	(912)
Taxation (paid)/recovered		(7)	81	(28)	69
Net cash (used)/generated in operations		(1,106)	(877)	(1,193)	(843)
Investing activities					
Interest received	10	5	23	5	24
Acquisitions of property, plant and equipment	12,13	(443)	(63)	(437)	(49)
Acquisitions of intangible assets	14	(303)	(282)	(303)	(282)
Investments in associated companies		-	-	-	(53)
Net cash used in investing activities		(741)	(322)	(735)	(360)
Financing activities					
Proceeds from issue of equity share capital	23	919	65	919	65
Net cash from financing activities		919	65	919	65
Net (decrease)/increase in cash and cash equivalents		(928)	(1,134)	(1,009)	(1,138)
Cash and equivalents at the beginning of year		2,520	3,654	2,503	3,641
Cash and equivalents at the end of year	19	1,592	2,520	1,494	2,503

Notes to the financial statements

1 General Information

Transense Technologies plc (the “Company”) is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 3. The consolidated financial statements of the Company as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as “the Group” and individually as “Group entities”). The nature of the Group’s operations and its principal activities are discussed in the business review on page 24.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

2 Basis of preparation

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”) and those parts of the Companies Act 2006 that are relevant to companies preparing accounts under IFRS. On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

3 Going Concern

At 30 June 2018 the group had net cash balances of £1,59m (2017: £2,52m). Whilst it is anticipated that the Company will continue to consume cash to finance on-going activities in the short term, the directors have prepared cash flow forecasts to September 2019 and consider that there are sufficient cash resources available to reach a break-even level of revenues, and accordingly are satisfied that the Group can continue trading as a going concern for the foreseeable future.

4 Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

Standard	IASB effective date	EU effective date
IFRS 17 Insurance Contracts	1 January 2021	Not yet endorsed
IFRS 16 Leases	1 January 2019	1 January 2019
IFRIC Interpretation 22 Foreign currency transactions and advance considerations (issued 8 December 2016)	1 January 2018	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018	1 January 2018
IFRS 9 Financial Instruments	1 January 2018	1 January 2018
IFRS 14 Regulatory deferral accounts	1 January 2016	Deferred until final standard released
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	Not yet endorsed

Notes to the financial statements (continued)

4 Accounting policies (continued)

Standard	IASB effective date	EU effective date
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019	Not yet endorsed
Amendments to IAS 19: Plan amendment, Curtailment or Settlement	1 January 2019	Not yet endorsed
IAS 40: Transfers of investment property	1 January 2018	1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018	1 January 2018
Amendments to IFRS 9: Prepayment features with negative compensation	1 January 2019	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint ventures	1 January 2019	Not yet endorsed
Amendments to IFRS 4: Applying IFRS 9 financial instruments with IFRS 4 Insurance Contracts	1 January 2018	1 January 2018
Amendments to References of the Conceptual Framework in IFRS Standards	1 January 2020	Not yet endorsed
Annual improvements to IFRS 2014-2016 Cycle – Relating to IFRS 1 First time adoption of IFRS and IAS 28 Investment in associates and joint ventures	1 January 2018	1 January 2018
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	1 January 2018

Other than in respect of IFRS 16, the Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the Financial Statements of the Group. With regards to IFRS 16, the group has commenced an assessment of the impact likely from adopting the standards, and the initial view is that this will not have any material impact on the Group's reported results or financial position. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's Financial Statements.

Notes to the financial statements (continued)

4 Accounting policies (continued)

Significant accounting judgements and sources of estimation uncertainty

Certain estimates and judgements need to be made by the directors which affect the results and position of the Group as reported in the financial statements. Estimates and judgements are required if, for example, there are intangible assets which are required to be amortised over their useful lives. The following judgements and estimates have been identified by the Group:

- Determining when intangible assets are impaired is a judgement which requires an estimate of the value in use of the asset based on management's best estimate of the future cash flows that the assets are expected to generate. This also requires significant judgement as there are limited historic cash flows on which to base the future cash flows on. Discussions are held within the Group between the relevant technical, commercial and finance employees on the expected future cash flows of patents in individual territories;
- Judgement is also applied when patent costs are reviewed in particular when considering patents in products and territories that are not integral to the future business plans.
- Distinguishing the research and development phases of new products and determining whether the recognition requirements for the capitalisation of development costs are met and their subsequent amortisation period requires judgement. After capitalisation management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. iTrack II has required and continues to require a substantial amount of developments costs as the new iTrack is a significant improvement on the original iTrack model.
- As the deferred shares have a dividend right they have been judged to be equity rather than debt.
- A judgement has been made in regard to the share volatility when calculating the IFRS2 share based payments charge
- It has been judged that the ongoing development cost of the iTrack II system is for iTrack II rather than the next iteration and as such the cost is being amortised to the same end date as the initial development cost that was capitalised.

Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Basis of consolidation

Subsidiaries

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 30 June 2018.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Notes to the financial statements (continued)

4 Accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that economic benefits will flow to the Group and the revenue can be reliably measured:

- Royalty income is recognised in the year in which the royalties have been earned;
- Engineering support income, being payments for support work to assist third parties in the development of the Group's technology for their own use, is recognised as work is completed; and
- Product sales to customers are recognised on customer acceptance of the goods.
- Revenue generated under finance lease agreements is recognised in full as the risks and rewards of the goods are transferred to the lessee. The interest element of the deal is spread over the life of the lease.
- Subscription service fees are recognised in the month that the service is provided to the end user.
- License revenue is recognised in accordance with the contractual agreement for each deal.

Revenue represents sales to external customers at invoiced amounts net of VAT and other sales related taxes.

Segment reporting

The Group has two reportable segments being the unique trading divisions, SAWSense and Translogik, which make use of technology developed by the Group to measure and record temperature, pressure and torque.

The business revenues include royalties, engineering support and sale of product in relation to this technology.

Information regarding the Group's segments is included in the primary statements and notes to the financial statements. Revenue and EBITDA are the Group's key focus and in turn is the main performance measure adopted by management.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment.

Depreciation of property, plant and equipment

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Plant and Equipment 3 – 5 years; and
Fixtures and Fitting 3 – 10 years; and
Motor Vehicles 4 years; and
iTrack equipment 1 – 3 years

The assets' estimated residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Notes to the financial statements (continued)

4 Accounting policies (continued)

Research and development

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred. Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale
- The Group intends to complete the intangible asset and use or sell it
- The Group has the ability to use or sell the intangible asset
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- The expenditure attributable to the intangible asset during its development can be measure reliably.

All new expenditure on research and development activities in the year has been capitalised. The amortisation of this expenditure will be charged to a fixed end date of 30 September 2019 to align with the products anticipated life.

Historic expenditure on development activities has been capitalised and is being amortised over 10 years on a straight line basis.

Patent fees

Externally acquired patent fees are capitalised at cost and treated as an intangible asset. Amortisation is charged to administrative expenses in the statement of comprehensive income over the period to which the patent relates which is generally 15 to 20 years.

In the event that a patent is superseded and the original intellectual property is embedded in a new patent, the costs of that patent and the later patents are regarded as the costs of the original patent and amortised over the life of the new patent.

Patents are reviewed annually, reviewing their strategic and commercial value on a territory by territory basis. Any impairment that is identified is recognised immediately in the statement of comprehensive income.

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and is the difference between the consideration transferred and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Notes to the financial statements (continued)

4 Accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the asset does not generate cash flows that are largely independent from other assets, the recoverable amount is assessed by reference to the cash generating unit to which the asset belongs.

Whenever the carrying amount of an asset, or its cash generating unit, exceeds its recoverable amount, an impairment loss is recognised as an expense in the statement of comprehensive income.

Investments in subsidiary undertakings

In the company's financial statements, investments in subsidiary undertakings are stated at cost unless, in the opinion of the directors, there has been an impairment to their value in which case they are immediately written down to their estimated recoverable amount.

Pension costs

Contributions to the Company's defined contribution scheme are charged to the statement of comprehensive income in the year to which they relate.

Operating lease agreements

Subscription payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit may differ from the net profit shown in the statement of comprehensive income because it excludes income or expenses that are taxable or deductible in other years and furthermore it might exclude other items that are never taxable or deductible.

Current tax is provided at amounts expected to be paid or recovered using tax rates and laws enacted or substantially enacted at the balance sheet date.

Deferred taxation

Deferred tax is provided in full, using the liability method. It represents the tax payable on temporary differences between the carrying amounts of assets and liabilities in the financial statements as compared to corresponding tax values used in the computation of taxable profit.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are measured using tax rates and laws enacted or substantially enacted at the balance sheet date.

Notes to the financial statements (continued)

4 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes only of the statement of cash flows.

Foreign currencies

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arise on consolidation, are translated to the Group's presentational currency Sterling at foreign exchange rates ruling at the balance sheet date.

The revenues and expenses of foreign operations are translated into Sterling upon consolidation. Where significant exchange differences arising from this translation of foreign operations these are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be.

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Share-based payment transactions

The Company issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value so determined is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options. The estimate of the fair value of the services received is measured based on the Black-Scholes Option Pricing Model. This model considers the following variables: exercise price, share price at date of grant, expected term, expected share price volatility, risk free interest rate and expected dividend yield.

Provisions

Provisions are recognised when the Group has a present obligation as result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure. Provisions are discounted if the effect of doing so is material. A pre-tax rate that reflects risks specific to the liability is applied to the expected cash flows.

Warranty provisions are made for specific product issues based on an estimate of the likely cost arising. It has been deemed prudent to provide for an amount based on historical information.

Trade receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes to the financial statements (continued)

4 Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Leasing

Leases are classified as finance leases whenever the terms of the contract transfers substantially all the risk and rewards of ownership to the lessee. All other contracts are classified as operating leases.

In accordance with IAS 17 the Company is considered to be a lessor for its arrangements with customers. The Company provides asset finance to its customers under finance lease and hire purchase arrangements.

Lease contracts with customers are recognised as finance lease receivables which are included within trade and other receivables at the Company's net investment in the lease which equals the net present value of the future minimum lease payments. Finance lease income is recognised as revenue in the period to reflect a constant periodic rate of return on the Company's remaining net investment in respect of the lease.

5 Revenue and segmental reporting

The tables below set out the Group's revenue split and operating segments.

Revenue

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Chile	660	659
North America	322	703
United Kingdom & Europe	362	313
Australia	400	104
Japan	160	108
Rest of the World	146	116
	<u>2,050</u>	<u>2,003</u>

Notes to the financial statements (continued)

5 Revenue and segmental reporting (continued)

Segments

	Translogik £'000	SAWSense £'000	Total £'000
Year ended 30 June 2018			
Sales	1,903	147	2,050
Gross profit	1,173	116	1,289
Allocated overheads	(978)	(482)	(1,460)
Contribution	195	(366)	(171)
Group overheads			(1,743)
Loss before taxation			(1,914)
Taxation			26
Loss for the year			(1,888)
Year ended 30 June 2017			
Sales	1,193	810	2,003
Gross profit	376	762	1,138
Allocated overheads	(1,304)	(482)	(1,786)
Contribution	(928)	280	(648)
Group overheads			(1,509)
Loss from discontinued operations			(5)
Loss before taxation			(2,162)
Taxation			(4)
Loss for the year			(2,166)

Notes to the financial statements (continued)

5 Revenue and segmental reporting (continued)

During the year ended 30 June 2018 there were 3 (year ended 30 June 2017: 3) customers whose turnover accounted for more than 10% of the Group's total revenue as follows:

Year ended 30 June 2018	Revenue £'000	Percentage of total
Customer A	400	20%
Customer B	365	18%
Customer C	262	13%
Year ended 30 June 2017	Revenue £000	Percentage of total
Customer A	624	31%
Customer B	380	19%
Customer C	221	11%

All non-current assets are held in the UK, with the exception of some property, plant and equipment, and a motor vehicle of £0.04m (year ended 30 June 2016: £0.04m) which is held in China and Chile.

6 Discontinued operation

On 21 October 2015 the company disposed of the IntelliSAW division to Emerson Electrical Co. The division was classified as held for sale and as a discontinued operation in the June 2015 financial statements

At the date of disposal, the carrying amounts of the divisions' net assets were as follows

	£'000
Property plant and equipment	22
Inventories	152
Trade and other recoverable	45
Trade and other payables	(33)
	<hr/>
Total net assets	186
	<hr/>
Cash consideration received	218
	<hr/>
Profit on disposal	32
	<hr/>

The profit on disposal is included in the loss for the year from discontinued operations in the consolidated statement of comprehensive income. The division was previously reported in the IntelliSAW segment

Notes to the financial statements (continued)

6 Discontinued operation (continued)

The results of the IntelliSAW division until the date of disposal were as follows:

	2018 £'000	2017 £'000
Revenue	-	-
Expenses	-	(5)
Loss before tax	-	(5)
Tax expense	-	-
Loss for the year	<u>-</u>	<u>(5)</u>
Profit before tax on disposal as above	-	-
Related tax expense	<u>-</u>	<u>-</u>
Net loss on disposal	<u>-</u>	<u>-</u>
Loss for the year from discounted operations	<u>-</u>	<u>(5)</u>

Cash flows from (used in) discontinued operations

	2018 £'000	Group 2017 £'000	2018 £'000	Company 2017 £'000
(Debt)/cash used in operating activities	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>(5)</u>
(Debt)/cash from discontinued operations	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>(5)</u>

7 Expenses and auditor's remuneration

Included in the loss are the following:

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Depreciation of property, plant and equipment	227	118
Amortisation of intangible assets	332	238
Operating lease rentals payable – Land & Building	63	63
Gain on foreign exchange transactions	<u>-</u>	<u>(66)</u>

Auditors' remuneration for the Group and Company:

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Audit of these financial statements	35	35
Fees payable for tax compliance services	3	3
Fees payable for tax research and development services	<u>5</u>	<u>-</u>

Notes to the financial statements (continued)

8 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended 30 June 2018	Year ended 30 June 2017
Management and technical	18	19
Administration	9	7
Non-executive directors	2	2
	<u>29</u>	<u>28</u>

The aggregate payroll costs including directors of these persons were as follows:

	Year ended 30 June 2018	Year ended 30 June 2017
	£'000	£'000
Wages and salaries	1,489	1,439
Share based payments (note 22)	41	-
Social security costs	153	151
Contributions to defined contribution pension plans	26	27
	<u>1,709</u>	<u>1,617</u>

9 Directors' remuneration

	Year ended 30 June 2018	Year ended 30 June 2017
	£'000	£'000
Directors' emoluments	394	409
Directors benefits	16	10
	<u>410</u>	<u>419</u>
Employers national insurance	49	51
Share based payments (note 22)	22	-
	<u>481</u>	<u>470</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £165,632 (2017: £164,528). No company pension contributions were made to a money purchase scheme on his behalf (2017: nil). During the year, the highest paid director did not receive any additional share options awards. The highest paid director did not exercise share options under long term incentive schemes and no shares were received or receivable by the director in respect of qualifying services under a long term incentive scheme (2016: nil).

The number of directors accruing retirement benefits under money purchase schemes in the year was nil (2017: nil).

The number of directors who exercised share options in the year was nil (2017: nil)

The number of directors in respect of whose services were received or receivable under long term incentive schemes was nil (2017: nil).

Notes to the financial statements (continued)

10 Finance income and expense

Recognised in profit or loss

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Finance income	5	23
Total finance income	<u>5</u>	<u>23</u>

11 Taxation

Recognised in the statement of comprehensive income

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Current tax expense		
Current year	-	4
Adjustment for previous year	(26)	-
Tax credit in statement of comprehensive income	<u>(26)</u>	<u>4</u>

Reconciliation of effective tax rate

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Loss for the year	(1,914)	(2,157)
Total tax credit	-	-
Loss before tax	<u>(1,914)</u>	<u>(2,157)</u>
Tax calculated at the average standard UK corporation tax rate of 19.00% (2017: 19.75%)	(364)	(426)
Expenses not deductible for tax purposes	3	48
Current year losses for which no deferred tax asset was recognised	357	378
Adjustment for overseas profits	4	4
Prior year adjustment	(26)	-
Total tax (credit)/charge	<u>(26)</u>	<u>4</u>
A deferred tax asset has not been recognised in respect of the following item:		
Tax Losses	<u>3,345</u>	<u>3,561</u>

Notes to the financial statements (continued)

11 Taxation (continued)

Reductions in the UK corporation tax rate 20% to 19% (effective from 1 April 2017) has been enacted. This will reduce the Company's future current tax charge accordingly. Deferred tax has been calculated at the rate of 19% at the balance sheet date. The effect of this change is that the deferred tax asset as at 30 June 2017 has been calculated based on the rate of 19% substantively enacted at the balance sheet date.

The Group has tax losses, subject to agreement by HM Revenue and Customs, in the sum of £19.7m (2017: £18.1m), which are available for offset against future profits of the same trade. There is no expiry date for tax losses. An appropriate asset will be recognised when the Group can demonstrate a reasonable expectation of sufficient taxable profits to utilise the temporary differences.

The rate of Corporation Tax will reduce to 17% with effect from 1 April 2020.

As a result, the effective tax rate used to calculate the current tax for the period ended 30 June 2018 was 19.00% (2017: 19.75%).

Notes to the financial statements (continued)

12 Property, plant and equipment – Group

	iTrack Equipment £'000	Plant and Equipment £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost					
Balance at 1 July 2016	-	739	161	26	926
Additions	-	60	3	-	63
Reclassification	116	(116)	-	-	-
Balance at 30 June 2017	116	683	164	26	989
Balance at 1 July 2017	116	683	164	26	989
Additions	423	20	-	-	443
Disposals	(47)	(193)	(57)	-	(297)
Balance at 30 June 2018	492	510	107	26	1,135
Depreciation and impairment					
Balance at 1 July 2016	-	567	39	7	613
Depreciation charge for the year	-	92	21	5	118
Reclassification	72	(72)	-	-	-
Balance at 30 June 2017	72	587	60	12	731
Balance at 1 July 2017	72	587	60	12	731
Depreciation charge for the year	158	50	17	2	227
Disposals	(47)	(193)	(57)	-	(297)
Balance at 30 June 2018	183	444	20	14	661
Net book value					
At 1 July 2016-	-	172	122	19	313
At 1 July 2017	44	96	104	14	258
At 30 June 2018	309	66	87	12	474

Note: All depreciation is charged to administrative expenses

Notes to the financial statements (continued)

13 Property, plant and equipment – Company

	iTrack Equipment £'000	Plant and equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
Balance at 1 July 2016	-	739	159	10	908
Additions	-	49	-	-	49
Reclassification	116	(116)	-	-	-
Balance at 30 June 2017	116	672	159	10	957
Balance at 1 July 2017	116	672	159	10	957
Additions	423	14	-	-	437
Disposals	(47)	(193)	(57)	-	(297)
Balance at 30 June 2018	492	493	102	10	1,097
Depreciation and impairment					
Balance at 1 July 2016	-	567	39	7	613
Depreciation charge for the year	-	92	21	2	115
Reclassification	72	(72)	-	-	-
Balance at 30 June 2017	72	587	60	9	728
Balance at 1 July 2017	72	587	60	9	728
Depreciation charge for the year	158	47	16	1	222
Disposals	(47)	(193)	(57)	-	(297)
Balance at 30 June 2018	183	441	19	10	653
Net book value					
At 1 July 2016	-	172	120	3	295
At 1 July 2017	44	85	99	1	229
At 30 June 2018	309	52	83	-	444

Note: All depreciation is charged to administrative expenses

Notes to the financial statements (continued)

14 Intangible assets

Group and company intangible assets

	Goodwill £'000	Patents rights and trademarks £'000	Development costs £'000	Total £'000
Cost				
Balance at 1 July 2016	50	1,577	1,255	2,882
Additions	-	70	212	282
Balance at 30 June 2017	50	1,647	1,467	3,164
Balance at 1 July 2017	50	1,647	1,467	3,164
Additions	-	108	195	303
Balance at 30 June 2018	50	1,755	1,662	3,467
Amortisation and impairment				
Balance at 1 July 2016	-	1,053	935	1,988
Amortisation for the year	-	70	168	238
Balance at 30 June 2017	-	1,123	1,103	2,226
Balance at 1 July 2017	-	1,123	1,103	2,226
Amortisation for the year	-	82	250	332
Balance at 30 June 2018	-	1,205	1,353	2,558
Net book value				
At 1 July 2016	50	524	320	894
At 1 July 2017	50	524	364	938
At 30 June 2018	50	550	309	909

Amortisation and impairment charge

The amortisation is recognised in the following line items in the statement of comprehensive income:

	2018 £'000	2017 £'000
Administrative expenses	332	238
	332	238

Development Costs

Development expenditure of the new iTrack II was capitalised in the year amounting to £0.20m (2017: £0.21m). These development costs have been deemed to have a fixed useful economic life ending in September 2019. There were Research and Development costs expensed to the Statement of Comprehensive Income in the year of £0.05m (2017: £nil).

Notes to the financial statements (continued)

14 Intangible assets (continued)

Impairment testing

Impairment testing has been performed over the total balance of intangible assets which are allocated to the cash generating units of the Group, that of the development and sales of SAWSense and Translogik.

The recoverable amount of goodwill is determined from operating cashflow projections for 12 months to June 2019 which are currently contracted to support goodwill.

15 Investments in subsidiaries

The Group and Company have the following investments in subsidiaries:

	Status	Country of Incorporation	Class of shares held	Ownership 2018	2017
Translogik RFID Limited	Dormant	UK	Ordinary Shares	100%	100%
Lanesra Inc (Formerly IntelliSAW Inc.)	Dormant	USA	Ordinary Shares	100%	100%
Translogik Ltd (Formerly Cranwick Ltd)	Dormant	UK	Ordinary Shares	100%	100%
Transense K.K.	Dormant	Japan	Ordinary Shares	100%	100%
Transense Technologies Chile SPA	Trading	Chile	Ordinary Shares	100%	N/A
Transense Electronics Technology (Shanghai) Co. Ltd	Dormant	China	Ordinary Shares	100%	N/A
Translogik South Africa Pty Ltd	Trading	South Africa	Ordinary Shares	100%	N/A

The following investments are included in the Company balance sheet at 2018 and 2017

	Year ended 30 June 2018 £'000	Company Year ended 30 June 2017 £'000
Transense KK	3	3
Transense Technologies Chile SPA	53	53
Translogik South Africa Pty Ltd	5	-
	61	56

Notes to the financial statements (continued)

16 Inventories

	30 June 2018 £'000	Group 30 June 2017 £'000	30 June 2018 £'000	Company 30 June 2017 £'000
Raw materials	120	225	120	225
Finished goods	565	760	539	742
	<u>685</u>	<u>985</u>	<u>659</u>	<u>967</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year ended 30 June 2018 amounted to £0.76m (2017: £0.87m). The impairment was reduced by £0.01m in cost of sales against inventories in the year (2017: £0.13m).

17 Trade and other receivables

	30 June 2018 £'000	Group 30 June 2017 £'000	30 June 2018 £'000	Company 30 June 2017 £'000
Amounts falling due within one year				
Trade receivables	423	122	265	82
Allowance for doubtful debts	(18)	(39)	(18)	(39)
	<u>405</u>	<u>83</u>	<u>247</u>	<u>43</u>
Other receivables	108	181	83	148
Amounts due from group undertakings	-	-	332	57
Trade finance lease receivables	58	265	58	265
Accrued income	30	7	7	7
Prepayments	97	166	97	166
	<u>698</u>	<u>702</u>	<u>824</u>	<u>686</u>

As at 30 June 2018 there were no past due but not impaired trade receivables.

Notes to the financial statements (continued)

18 Trade leases and unearned finance income

The group offers its iTrack solution to be sold via a finance lease, in which a significant portion of the risks and rewards of ownership are transferred to the lessee. The amount due after one year is shown as a non-current asset in the Group and Company Balance sheet.

	Group and Company Minimum lease payments due			Total
	Within 1 year	1 to 5 years	after 5 years	
30 June 2018	£'000	£'000	£'000	£'000
Lease payments	58	-	-	58
Unearned finance income	-	-	-	-
Net present values	<u>58</u>	<u>-</u>	<u>-</u>	<u>58</u>

	Group and Company Minimum lease payments due			Total
	Within 1 year	1 to 5 years	after 5 years	
30 June 2017	£'000	£'000	£'000	£'000
Lease payments	265	59	-	324
Unearned finance income	(5)	-	-	(5)
Net present values	<u>260</u>	<u>59</u>	<u>-</u>	<u>319</u>

19 Cash and cash equivalents

	30 June 2018 £'000	Group 30 June 2017 £'000	30 June 2018 £'000	Company 30 June 2017 £'000
Cash and cash equivalents per balance sheet	<u>1,592</u>	<u>2,520</u>	<u>1,494</u>	<u>2,503</u>
Cash and cash equivalents per cash flow statements	<u>1,592</u>	<u>2,520</u>	<u>1,494</u>	<u>2,503</u>

Notes to the financial statements (continued)

20 Trade and other payables

	Year ended 30 June 2018 £'000	Group Year ended 30 June 2017 £'000	Year ended 30 June 2018 £'000	Company Year ended 30 June 2017 £'000
Current				
Trade payables	111	280	96	278
Non-trade payables and accrued expenses	205	231	140	203
	<u>316</u>	<u>511</u>	<u>236</u>	<u>481</u>

21 Provisions

	Group and Company Provisions	
	Warranty £'000	Total £'000
At 1 July 2017	100	100
At 30 June 2018	<u>100</u>	<u>100</u>

The warranty provision represents management's best estimate of the Group's liabilities under warranties granted on its products. The timing of the utilisation of this provision is uncertain but it is expected to be used within the next year.

	Group and Company Provisions	
	Warranty £'000	Total £'000
At 1 July 2016	53	53
Additional provisions	47	47
At 30 June 2017	<u>100</u>	<u>100</u>

Notes to the financial statements (continued)

22 Employee benefits

Defined contribution plans

The Group operates a defined contribution pension plan.

The total expense relating to these plans in the year ended 30 June 2018 was £0.03m (year ended 30 June 2017: £0.03m).

Share-based payments – Group and Company

The Group and Company has two share option plans, the Unapproved Discretionary Share Option Scheme and Enterprise Management Incentives (EMI) Share Option scheme the principal provisions of which are summarised below: Options to subscribe for Ordinary Shares of the Company may be granted (at the discretion of the Board and with regards executive directors the remuneration committee) to selected employees or directors of the Company. No consideration is payable for the grant of an option. Options are not transferable or assignable.

The fair value of share options granted is recognised as an employee expense, within administrative expenses, with a corresponding increase in reserves. All options are settled by the physical delivery of shares.

The fair value of services rendered in return for share-based payments granted is measured by reference to the fair value of those share-based payments. The estimate of the fair value of services received is measured with reference to the Black-Scholes options pricing model. The Black-Scholes model considers the exercise price, share price at grant date, expected term and expected share price volatility. The volatility level depends on the date of grant and for the current live options has been calculated at 69%. The risk-free interest rate adopted was 5% and an expected dividend yield of nil pence. The key variable is share price volatility. For the year ended 30 June 2018 the charge to the profit and loss for the year was £41,000 (2017: £nil)

Unapproved Discretionary Share Option Scheme

At 30 June 2018 the following share options remained outstanding under the Company's Unapproved Discretionary Share Option Scheme. The new Share Options granted on 27 October 2014 were in respect of an US employee.

<i>Number of Options</i>					<i>Option Price</i>	<i>Date of Grant</i>	<i>Date of Exercise</i>	
<i>1 July 2017</i>	<i>Granted</i>	<i>Cancelled/ Expired</i>	<i>Exercised</i>	<i>30 June 2018</i>			<i>First</i>	<i>Last</i>
150,447	-	-	-	150,447	£3.75	15.08.13	15.08.13	06.03.22
1,800	-	-	-	1,800	£3.75	31.01.14	31.01.17	31.01.24
5,000	-	-	-	5,000	£3.75	27.10.14	31.01.17	27.10.24
5,000	-	-	-	5,000	£3.75	09.10.15	31.01.18	09.10.25

Notes to the financial statements (continued)

22 Employee benefits (continued)

Unapproved Discretionary Share Option Scheme (continued)

The assumptions used in the valuation of the old share options are as follows, the value attributable to the older options has been accounted in earlier periods:

Date of grant	Estimated fair value	Share price	Option price	Expected volatility	Expected Life – Years	Risk free rate	Expected dividends
				%		%	%
15.08.13	£0.5725	£3.75	£3.75	72.26%	1.50	0.65%	Nil
31.01.14	£0.5725	£1.5850	£3.75	72.26%	1.50	0.65%	Nil
27.10.14	£0.5725	£3.1250	£3.75	72.26%	1.50	0.65%	Nil
09.10.15	£0.5725	£0.6125	£3.75	72.26%	1.50	0.65%	Nil

Enterprise Management Incentive Option Scheme

At 30 June 2018, the following shares remained outstanding under an Enterprise Management Incentive Option Scheme.

Number of Options					Option Price	Date of Grant	Date of Exercise	
1 July 2017	Granted	Cancelled	Exercised	30 June 2018			First	Last
380,000	-	(5,000)	-	375,000	£0.75	26.06.17	30.06.18	30.06.21
270,000	-	-	-	270,000	£1.00	26.06.17	30.06.20	30.06.27
25,000	-	(5,000)	-	20,000	£0.75	26.06.17	30.06.20	30.06.27

The assumptions used in the valuation of the current share options are as follows:

Date of grant	Estimated fair value	Share price	Option price	Expected volatility	Expected Life – Years	Risk free rate	Expected dividends
				%		%	%
26.06.17	£0.0834	£0.715	£0.75	28.08%	3	1.00%	Nil
26.06.17	£0.0388	£0.715	£1.00	28.08%	3	1.00%	Nil
26.06.17	£0.0834	£0.715	£0.75	28.08%	3	1.00%	Nil

Notes to the financial statements (continued)

23 Share Capital

	Ordinary shares of 10 pence each		Deferred shares of 40 pence each		Ordinary shares of 50 pence each	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Issued Share Capital						
On issue at 1 July 2017	-	-	-	-	9,532,435	9,532,435
Issued for cash Ordinary Shares at £0.50 on December 2017	-	-	-	-	16,513	-
Share reorganisation 22 June 2018	9,548,948	-	9,548,948	-	(9,548,948)	-
Issued for cash Ordinary Shares at £0.10 on 22 June 2018	2,500,000	-	-	-	-	-
On issue at 30 June 2018– fully paid	<u>12,048,948</u>	<u>-</u>	<u>9,548,948</u>	<u>-</u>	<u>-</u>	<u>9,532,435</u>
					30 June 2018	30 June 2017
					£'000	£'000
Allotted, called up and fully paid						
Ordinary shares of £0.50 each					-	4,766
Ordinary shares of £0.10 each					1,205	-
Deferred shares of £0.40 each					3,820	-
					<u>5,025</u>	<u>4,766</u>
Shares classified in shareholders' funds					<u>5,025</u>	<u>4,766</u>

During the year ended 30 June 2018 a share reorganisation approved by the shareholders at the GM on 21 June 2018, took place, resulting in the creation of 40p Deferred Shares and the Ordinary Shares of 10 pence each being created.

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group and Company			
	Land & Buildings 30 June 2018 £'000	Other Lease 30 June 2018 £'000	Land & Buildings 30 June 2017 £'000	Other Lease 30 June 2017 £'000
Less than one year	69	-	63	-
Between one and five	73	-	252	-
More than five years	-	-	110	-
	<u>142</u>	<u>-</u>	<u>425</u>	<u>-</u>

The operating lease relates to the lease of premises which is used by the Group and Company. During the period £0.06m was recognised as an expense in the statement of comprehensive income in respect of operating leases (year ended 30 June 2017: £0.06m).

Notes to the financial statements (continued)

25 Basic and fully diluted earnings/(loss) per share

Basic loss per share is calculated by dividing the loss after taxation of £1.89m (2017: loss of £2.17m) by the weighted average number of ordinary shares in issue during the year of 9,595,825 (2017: 9,483,815). Unexercised options over the ordinary shares are not included in the calculation of diluted loss per share as they are anti-dilutive.

	Year ended 30 June 2018	Year ended 30 June 2017
	Number	Number
Weighted average number of shares – basic	9,595,825	9,483,815
Share option adjustment	-	-
	<hr/>	<hr/>
Weighted average number of shares – diluted	9,595,825	9,483,815
	<hr/> <hr/>	<hr/> <hr/>
	Year ended 30 June 2018	Year ended 30 June 2017
	£'000	£'000
Loss from continuing operations	(1,888)	(2,160)
From continuing operations	<hr/>	<hr/>
Basic loss per share	(19.68)	(22.78)
	<hr/> <hr/>	<hr/> <hr/>
Loss from discontinued operations	-	(5)
From discontinued operations	<hr/>	<hr/>
Basic loss per share	-	(0.06)
	<hr/> <hr/>	<hr/> <hr/>
Earnings attributable to shareholders		
Basic loss per share	(19.68)	(22.84)
	<hr/> <hr/>	<hr/> <hr/>

There are 665,000 share options at 30 June 2018 (2017: 675,000) that are not included within diluted earnings per share because they are anti-dilutive.

Notes to the financial statements (continued)

26 Financial instruments

Financial risk management overview

The Group has exposure to the following risks, to varying degrees, from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to liquidity and market risks, the companies' objectives, policies and processes for measuring and managing risk, and the companies' management of capital.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has a cash balance at period end totalling £1.59m (2017: £2.52m). Note 3 describes the potential uncertainties relating to the liquidity risk. The Group has no external borrowing and finances its operations by raising equity finance on the Alternative Investment Market (AIM).

Financial Assets and Liabilities

The carrying value and fair value for each of the trade and other payables, trade leases and unearned finance income and trade and other receivables are the same.

Cash flow sensitivity analysis for variable rate instruments

Due to the current unprecedented low rates of interest a change of 100 basis points in interest rates at the reporting date would not have created any material change in the profit or loss for 2018 or 2017.

The directors consider that the Group's exposure to interest rates is low (2016: low). Cash is invested in deposits with UK high street banks. Low and falling interest rates will reduce returns on these balances. This note is in relation to the company's compliance with IFRS 7.

Notes to the financial statements (continued)

26 Financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity price and interest rate risk will affect the Group's income or the value of its holdings of financial instruments.

The table below shows the net un-hedged monetary assets/(liabilities) of the Group that are not denominated in the functional currency of the operating unit and which therefore give rise to exchange gains and losses in the income statement.

	Euro	US Dollar	Australian Dollar	Canadian Dollar
Functional currency of Group operation	£'000	£'000	£'000	£'000
Sterling	158	623	(1)	-
At 30 June 2018	158	623	(1)	-
Sterling	122	259	7	(2)
At 30 June 2017	122	259	7	(2)

At the reporting date the profile of the Group's financial instruments was:

	30 June 2018 £000	30 June 2017 £000
Financial assets		
Loans and receivables comprising:		
Trade receivables	405	83
Amounts receivable under long term contracts	58	324
Cash and cash equivalents	1,592	2,520
	2,055	2,927
Financial liabilities		
Other financial liabilities at amortised cost		
Trade payables	111	280
Accruals	205	231
Financial liabilities at amortised cost	316	511

There was £0.06m of gross trade finance lease assets held on the balance sheet at the year end date. (2017: £0.32m).

Management of capital

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. In order to do this the group may issue new shares in the future. There were no changes to the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

Notes to the financial statements (continued)

27 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial instruments that may subject the Group to credit risk consist of cash, cash equivalents, and trade and other receivables. The maximum credit exposure was £0.46m (2017: £0.41m) which is the respective carrying amounts (which is not significantly different to their fair value and contractual cash flow). There were no material financial assets that were past due at the period end.

At 30 June 2018 the Group's cash was divided between current accounts £0.67m (2017: £0.60m) and £0.93m in fixed rate monthly deposits (2017: £1.92m) with a weighted average interest rate for the year of 0.25% (2017: 0.25%). Cash and cash equivalents are held only in high street banks.

The Group offers trade credit to customers, who are well established and major companies, in the normal course of business. The Group operates stringent credit control procedures on potential customers before allowing credit.

The Group continually monitors its position with, and the credit quality of, the financial institutions, which are counterparts to its financial instruments, and does not anticipate non-performance or that there is a concentration of credit risk. Credit risk is considered to be low given the cash position of the Group and that there is a low exposure level in the trade and other receivables.

28 Contingencies and commitments

Group

The Group had no capital commitments or contingent liabilities as at 30 June 2018 (2017: £nil).

Company

The Company has no capital commitments or contingencies as at 30 June 2018 (2017: £nil).

29 Warrants

No warrants were outstanding as at 30 June 2018. (2017: Nil).

30 Related parties

Group

Transactions with key management personnel who are defined as the directors of the Company and their immediate relatives control 1% of the voting shares of the Company.

The compensation of key management personnel (being the directors) holding more than 1% is as follows:

	Group and Company	
	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Key management emoluments	-	-
Social security costs	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>