



Annual report and financial
statements

Registered number 01885075
For the year ended 30 June 2019

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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
20 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
Steelpark Road
Halesowen
B62 8HD

Registration Number 01885075

Highlights

- Revenue up 9% to £2.23m (2018: £2.05m)
- iTrack II subscription revenue up 58% to £0.98m (2018: £0.62m)
- Major commercial breakthroughs achieved in each business unit:
 - Licensee GE Aviation's T901-GE-900 engine incorporating a Transense Surface Acoustic Wave (SAW) sensor selected by the U.S. Army
 - Initial iTrack II order from Bridgestone Corporation, Japan
 - Global collaboration and financial support agreements signed with Bridgestone post year end
- Net loss after taxation, ahead of expectations at £1.47m (2018: £1.89m)
- Net cash used in operations reduced by 62% to £0.43m (2018: £1.11m)
- Equity fund raise of £2.56m completed in April 2019
- Net cash at end of period of £2.65m (2018: £1.59m)

Chairman's statement

In a transformational year for the Group, financial results are improved and major breakthrough announcements have been made relating to the commercialisation of each of our core technologies. The balance sheet has been strengthened by an equity fundraise which, together with the interest free Bridgestone loan received in August 2019, will provide a secure platform to support exciting future growth prospects.

The Chairman wishes to thank the whole Transense team for its contribution towards achieving the breakthroughs in both iTrack and SAWSense during the year.

Strategy

The business strategy of the Group continues to be the development of innovative sensing solutions across a range of applications, which are commercialised either through the launch of products and services to customers or by forming strategic alliances with partner organisations. Value is realised through a combination of commercial income, royalties, licensing income and capital gains on disposals.

Commercial developments

SawSense

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

In July 2016, SAWSense entered into a significant licensing agreement with General Electric Company ("GE") for the non-exclusive use of our patented, wireless, passive SAW technology. Initial license fees of US\$0.75m were received following the agreement, and we are entitled to receive further significant royalty payments from GE in respect of unit sales anticipated in the future.

The likelihood of receiving future royalty payments took a step forward with the announcement in February 2019 that GE's engine, incorporating our SAW sensor, had been selected by the US Army for the Engineering and Manufacturing Development ("EMD") phase of the Improved Turbine Engine Program ("ITEP"), the U.S. Army's endeavour to re-engine its Boeing AH-64 Apaches and Sikorsky UH-60 Black Hawks.

The U.S. Army intends to replace more than 6,000 engines installed in their current fleet of these two aircraft. The wider market for the T901 engine includes replacement engines for these aircraft in military forces outside of the U.S., as well as other military and commercial medium sized vertical take-off aircraft globally. This provides the prospect of an expected growing revenue stream as volumes of engines installed builds over time, this selection both demonstrates the ability of our SAW sensors to operate in extreme testing environments and that they can be manufactured in volume. Our relationship with GE continues to deepen, with further applications being evaluated.

Progress continues with several other applications. Our Torque sensor is part of an innovative steering system which is due to start vehicle trials on off road sports vehicles in 2020. Our Joint Development Agreement with McLaren is exploring opportunities in other race formats and our participation in a Strain & Temperature related project with University of Southampton & Lloyds Register which began earlier this year is progressing on schedule.

Chairman's statement (continued)

Translogik

Important advancements were made with the market traction of our iTrack II mining tyre monitoring systems. The number of mine haul trucks fitted with the system increased during the year by more than 50% to 396, with annualised revenues at the end of the year exceeding £1.2m covering installations in 4 countries across 3 continents.

In February 2019, an initial order for 50 iTrack II units was received from Bridgestone Corporation, Japan ("Bridgestone") for installation in mines in North America. Bridgestone are a leading supplier of tyres to the mining off-the-road (OTR) marketplace and their decision to offer the iTrack system is a testament to the capabilities of Translogik and the iTrack system.

More recently in August 2019, the Company entered into a joint collaboration agreement with Bridgestone in respect of the iTrack II system and its future generations ("iTrack system") for an initial 18-month period with ability to extend.

Based on this joint collaboration agreement, Bridgestone has agreed to offer the iTrack system exclusively as a mining tyre monitoring system for tyres 57 inches and above for its OTR customers. In addition, the Company has agreed that it will not contract with any other tyre manufacturer for the provision of the iTrack system for tyres 57 inches and above for the term of the agreement, nor will it for a period of six months have discussions with any other party in relation to any transaction of a merger, acquisition or joint venture nature in respect of its iTrack business.

Since the year end, the total number of mine haul trucks fitted or agreed to be fitted with iTrack now exceeds 500. This includes 25 units being added at South Walker Creek in Australia. Pleasingly, Kal Tire, a corporation based in Canada and a substantial retailer and service provider in mining and OTR, has become a reseller for iTrack in Africa, and in August 2019 won a contract to supply 85 iTrack II mining tyre monitoring systems for haul trucks into a large multi-national mining company operating in Mozambique.

The selection of the iTrack system was the outcome of a competitive trial between iTrack and a number of other TPMS systems with the end user concluding that iTrack was the best overall solution, satisfying both Kal Tire, and the end user's very specific operational and information reporting requirements. Kal Tire has a large installed customer base throughout Africa and will be seeking to introduce additional iTrack systems into a number of their current and future on-site service operations.

Sales of tyre tread depth probes reduced by 46% to £0.45m (2018: £0.84m). This followed a year of particularly strong growth in 2017/18, when the probe was selected by Goodyear USA for their new tyre management system called 'Tire Optix' which incorporates the Translogik tyre probe. The take up rate has been somewhat slower than we had anticipated.

Our probes are also specified for use in Bridgestone's corresponding 'Toolbox' and 'Total Tyre Care' systems as well as Continental's 'Fleetfox' system, underpinning our belief that they represent an industry standard.

It is likely that the revenue reduction during the year was partly a result of reduced marketing effort, especially on-line. We have recently recommenced advertising in this way, and are beginning to see a corresponding increase in sales orders, which is encouraging.

Chairman's statement (continued)

Financial results and condition

Revenues for the year increased by 9% to £2.23m (2018: £2.05m). Recurring subscription revenues generated by Translogik from users of the iTrack II system increased by 58% to £0.98m (2018: £0.62m). We anticipate these revenues will continue to grow significantly over the coming year as the iTrack installed base increases.

Gross margin increased to 80.5% of revenues (2018: 62.9%) reflecting the higher proportion of income from subscriptions, and also ad hoc fees to support new trials. The associated costs of the subscription income is included in depreciation charges, included within administrative expenses, which totalled £0.31m in the year (2018: £0.16m).

Net operating expenses were £3.60m (2018: £3.21m) and the net loss before taxation from continuing operations reduced to £1.73m (2018: £1.91m).

The total comprehensive loss for the period reduced to £1.47m (2018: £1.89m), reflecting a tax credit of £0.27m (2018: £0.03m).

Net cash used in operations reduced by 62% to £0.43m (2018: £1.11m). Offering iTrack II to customers on a subscription basis results in a short-term cash outlay and requires investment in the initial months of each contract. The net investment in fixed assets for such contracts in the period amounted to £0.38m (2018: £0.42m) and as Translogik's iTrack II installed base increases there will continue to be a need to invest in fixed assets.

In March and April 2019, the Company issued additional equity to new and existing shareholders raising £2.56m to provide additional working capital and fund further product development costs for the iTrack II system.

The Group closed the year with net cash and cash equivalents of £2.65m (2018: £1.59m). In August 2019 the Company received an interest free loan of \$0.75m (£0.62m) from Bridgestone as part of the Joint Collaboration Agreement with them to be used to support the accelerated rate of growth that is anticipated from this relationship.

Prospects

The breakthrough successes achieved in recent months have been the culmination of several years of technical and commercial development activity. Each of the Group's business units are now closely aligned with global companies that are acknowledged to be leaders in their respective fields.

There remains much to be done to ensure that we, together with our commercial partners, are able to fully exploit the opportunities made possible by our technologies. We are firmly committed, and well positioned, to provide the resources required to unlock potential for very exciting future growth.

David M Ford
Chairman

25 September 2019

Strategic Report

Financial Review

Results for the year

Revenues totalled £2.23m (2018: £2.05m). The pre-tax loss totalled £1.73m (2018: £1.91m).

Translogik revenues grew by 11% to £2.11m, and SAWSense generated £0.12m of revenues (2018: £0.15m). Gross margin improved to 80.5% (2018: 62.9%) reflecting the continual increase in the subscription base. The depreciation on capitalised iTrack kit, included in administrative expenses, increased to £0.31m (2018: £0.16m).

Administrative expenses for the year, before depreciation, amortisation and interest, amounted to £2.84m compared with £2.65m in the prior year.

The increase in Translogik revenues reflects the good growth in new iTrack subscription services following the launch of iTrack II in September 2016 and despite a 46% reduction in Probe sales during the period following a record year of sales in 2018.

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

	<u>2019</u>	<u>2018</u>
EPS (Loss)	(11.11)	(19.68)

Taxation

The Company has UK tax losses available to carry forward at 30 June 2019 of approximately £21m, 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. During the year the Company received R & D tax credits totalling £283,000 in respect of the two years ended 30 June 2018.

Cash flow and financial position

There was a net cash inflow of £1.06m (2018: outflow of £0.93m) during the year, arising from trading and £2.34m of net proceeds arising from the issue of equity share capital during 2019 (2018: £0.92m).

Net cash used in operations amounted to £0.43m (2018: £1.11m).

At 30 June 2019 the Group had net cash balances of £2.65m (2018: £1.59m).

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 note that part of the effect of increased demand for iTrack services has been funded by Bridgestone after the year end.

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 £1.47m (2018: loss of £1.89m). The Group has accumulated losses of £3.36m (2018: £1.89m). The balance of cash and cash equivalents at 30 June 2019 is £2.65m (2018: £1.59m).

The Group's cash used in operations during the year was £0.43m (2018: £1.11m).

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 31 December 2020. These forecasts indicate that the Group should continue to be able to operate within its current cash resources for the foreseeable future.

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		
	FY 19	FY 18
	£000's	£000's
Turnover	£2,226	£2,050
EBITDA	(£968)	(£1,360)
EBT	(£1,731)	(£1,914)
EPS (Including Discontinued Operations) - Pence	(11.11)	(19.68)
Share Price - Pence	65.50	36.50
Cash used in operations	(£427)	(£1,106)
Cash	£2,647	£1,592
Cash/Share - Pence	16.23	13.21
Net Assets	£4,748	£3,876
Net Assets/Share - Pence	29.12	32.17
Market Capitalisation	£10,681	£4,398
Shares in issue (adjusted for 50:1 reduction)	16,307,282	12,048,948

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	<p>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.</p> <p>The IP element of the iTrack II product is based entirely on copyright and know-how. There are no applicable patents.</p> <p>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.</p>	<p>Procedures are in place to ensure we monitor new third party patent applications, in order to ensure adequate protection for our key intellectual property including registration and avoid infringing third party rights.</p> <p>Although the functionality of iTrack II is public knowledge, none of the elements of know-how or copyright are published thereby making copying the technology far more difficult. The ongoing development of the product also makes it more difficult to copy.</p>
Product Development	<p>The decision making process for the development of new and existing products requires an assessment of the potential return, which is generally uncertain at the early stage of development. A changing and evolving market place will always present challenges to produce marketable products.</p>	<p>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.</p>
People	<p>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.</p>	<p>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.</p>
EU Membership	<p>In June 2016 the UK electorate voted to discontinue its membership of the EU. The Directors still await clarification of the terms of the exit (referred to as Brexit) to assess the impact, if any, on the Group.</p>	<p>As is evident in the Segmental review on page 40 only 9% 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 on the UK element of manufacturing and assembly of product and will consider whether moving to an EU environment is preferable. In the event that the GBP will be impacted by the outcome of Brexit the mitigation will be as disclosed on the foreign currency fluctuation risk note.</p>

Strategic Report (continued)

Principal risks and uncertainties (continued)

Risk and Uncertainty	Details of Risk & Impact	Mitigation
Global Companies	<p>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 Group can be disadvantaged by not having substantial cash and/or human resources of far larger entities.</p>	<p>The Group 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. The Group is also planning on ramping up its human resources to facilitate the growth in iTrack business. With regards the competition the far smaller size of Transense ensures we are able to move far more swiftly to adapt technology to customer requirements and we have in place a very specialised team of technicians to ensure 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 and lack of human resources.</p>
Liquidity	<p>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 new business will require working capital to fund the approximate 7 month cash flow negativity resulting from the subscription model. The failure to raise additional funds for working capital, if required, could threaten the going concern status of Transense.</p>	<p>During the course of FY 19 the cash resources were improved by a fund raise producing £2.34m net of costs. Cash resources remain relatively strong moving into FY20. Following the signing of the "Joint Collaboration" agreement with Bridgestone the latter have provided loan funding of \$750k to fund working capital requirements arising from accelerated growth. 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.</p>
Foreign currency fluctuation	<p>Approximately 49% 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.</p>	<p>Transense's biggest exposure is with regards the USD and during the course of the last year the USD has strengthened against GBP by 1.3% producing insignificant Forex adjustments. Since the year end the GBP has weakened further. Should the movement markedly reverse the Group will consider forward purchases as an effective hedge.</p>

By order of the board

Melvyn Segal
Finance Director

25 September 2018

Corporate Governance Statement

In accordance with AIM rule 26 the Company has adopted the Quoted Companies Alliance's (QCA) Governance Code. The statement of compliance with the QCA's Governance Code can be found on our website. The Board is committed to high standards of corporate governance as appropriate to the Company's size and activities and set out below key areas of Corporate Governance.

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 63

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 62

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 64

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 58

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 Chairman of AIM listed Surgical Innovations Group Plc and was recently appointed as a Non Executive Director of AIM listed Solid State plc.

Rodney Westhead (Non-Executive Director **) Age 75

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 appointments as Chairman of Carter and Carter Group plc, Chairman of Clean Air Power Limited 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:

Throughout the financial year the Board schedule regular monthly 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 10-11, 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. 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.

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 Remuneration Committee is responsible for determining the remuneration arrangements of the Executive Directors, and advising the Board on the remuneration policy for senior executives and participation in the Company's long term incentive share schemes.

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, Bonuses and Benefits

The base salaries for the executive directors are reviewed annually, but not necessarily increased, by the Remuneration Committee.

The executive directors are eligible to be considered for an annual bonus entitlement based on the overall performance of the company and its financial position. Annual bonus entitlements may be based upon the achievement of pre-agreed objectives or declared at the end of the year based solely on the discretion of the Remuneration Committee.

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 2019 they did not choose to participate (2018: £nil).

Remuneration report (continued)

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.

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 £	Bonus £	Benefits £	Pension £	Total emoluments	
					12 months ended 30 June 2019 £	12 months ended 30 June 2018 £
Executive directors						
G Storey	158,400	35,000	7,243	-	200,643	165,632
M Segal	83,250	35,000	3,698	-	121,948	87,280
D Ford	109,050	35,000	6,019	-	150,069	113,616
Non-executive directors						
N Rogers	30,800	-	-	-	30,800	30,800
R Westhead	12,900	-	-	-	12,900	12,900
Total 2019	394,400	105,000	16,960	-	516,360	
Total 2018	394,400	-	15,828	-	410,228	

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 2018	At 30 June 2019	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 19.

Directors' report

The directors present their annual report and audited financial statements for the year ended 30 June 2019.

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 statement and Strategic report on pages 5 to 11.

Results and Dividends

The results for the year ended 30 June 2019 show a loss of £1.47m (2018: £1.89m). The directors do not recommend the payment of a dividend (2018: £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 2019, the following substantial shareholdings of 3% or more of the Company's share capital have been notified to the Company:

	Ordinary shares of 10p each	%
CriSeren *	1,532,924	9.40
Seneca	1,250,000	7.67
WB Nominees	1,132,986	6.95
J P Lobbenberg	968,979	5.94
Spreadex	695,949	4.27
Legal & General	540,000	3.31
Harwood Capital LLP	500,000	3.07
Gerald Oury	493,333	3.03

*Deemed to be 'shares not in public hands' in accordance with the AIM rules, amounting to 11.90 per cent of the issued share cap as at the date of the information. Information correct at 25 September 2019.

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 2019	Ordinary shares of 50p each 1 July 2018
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 2019 was 65.5p (2018: 36.5p) and the range during the period was 29p to 73p (2018: 34.5p to 80p).

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 17.

Financial Instruments

The directors adopt a low risk financial objective. The financial instruments are denominated in sterling, euros, Australian dollars and US dollars and the Group does not trade in derivative instruments (see note 25 to the financial statements).

Post balance sheet events

On 26 August 2019 the group received an interest free loan of \$0.75m from Bridgestone Corporation, Japan as part of the announced Joint Collaboration Agreement.

Research and Development

In order to maintain and improve upon its market position, each of the Groups trading divisions actively engage in research and development activities. This ensures the Group continually improves its product offerings and technical abilities. Research and development expenditure of £0.05m was expensed to the Statement of Comprehensive Income in the year (2018: £0.05m).

Further development expenditure on the iTrack product of £0.25m was capitalised in the year (2018: £0.20m)

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 2018/19.

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

25 September 2019

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, Remuneration Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Remuneration 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.

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 and 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 and Remuneration Report 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; and,
- 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 2019 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 their preparation 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 2019 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.

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.



Grant Thornton

Overview of our audit approach

- Overall Group materiality: £67,000, which represents 3% of the group's revenue
- Key audit matters were identified as revenue recognition 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

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 - Group and parent	How the matter was addressed in the audit - Group and parent
<p>Revenue recognition</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>Under International Standard on Auditing (UK) 240 'The auditor's responsibilities relating to fraud in an audit of financial statements', there is a presumed risk of fraud in revenue recognition.</p> <p>Whilst the group determines that it has two operating segments in line with IFRS 8, there are 7 revenue streams as described in the revenue recognition policy within note 4 of the financial statements with related disclosure included in note 5.</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"> • Documenting our understanding of management's process for evaluating revenue recognition and assessing the design effectiveness of related key controls • Assessing the Group's accounting policies for recognition of revenue for appropriateness in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers' and IAS 17 'Leases'. • Agreeing whether revenue has been recognised in accordance with these policies. • An overview of our audit approach for each of the seven identified revenue streams is provided in the table below. We have tested and relied on the operating effectiveness of key controls in the revenue recognition process for UK product sales, verifying a sample of revenue transactions to documents evidencing the implementation of key controls including the matching process between shipping and invoicing documents and the monthly reconciliation performed between shipments and invoices. • For engineering support and product sales we have tested a statistical sample of the population of transactions throughout the year to supporting documentation including proof of delivery. • For subscription income we have tested 100% of the population of transactions throughout the year to supporting documentation including cash receipt and proof of delivery. • For Bridgestone support we have tested the solitary transaction in the year to supporting documentation including cash receipt. <p>No revenue was recognised in respect of the remaining three streams.</p>

Key audit matters (continued)

Key Audit Matter - Group and parent	How the matter was addressed in the audit - Group and parent		
Type of revenue	£'000	Test of controls	Testing population
Sawsense segment			
Royalty income	-	e ^r	NA *
Engineering support	120	e ^r	Sample
License income	-	e ^r	NA *
Translogik segment			
Product sales			
- UK	659	e ^s	Sample
- Chile	170	e ^r	Sample
- South Africa	33	e ^r	NA *
Finance lease sales	-	e ^r	NA *
Subscription income	982	e ^r	100%
Bridgestone support	262	e ^r	100%
Total	2,226		

* Immaterial revenue stream and therefore not tested.

Key observations

Our testing did not identify any material misstatements in the revenue recognised during the year in accordance with stated accounting policies and with IFRS 15 and IAS 17.

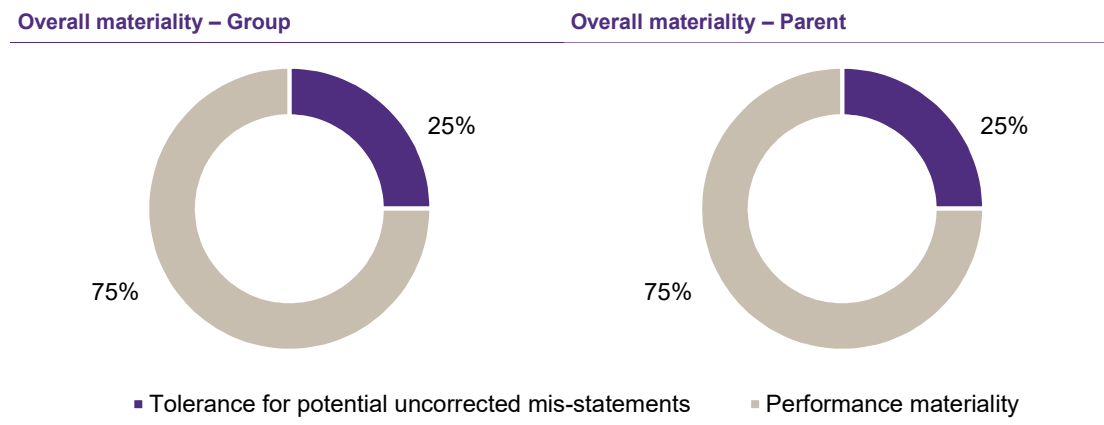
Our application of materiality

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	£67,000 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 2018 to reflect higher revenues in the year.	£51,000 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 higher than the level that we determined for the year ended 30 June 2018 to reflect higher revenues in the year for the parent company only.
Performance materiality used to drive the extent of our testing	Based on our risk assessment, including the group's overall control environment, we determined a performance materiality of 75% of the financial statement materiality.	Based on our risk assessment, including the company's overall control environment, we determined a performance materiality of 75% of the financial statement materiality.
Specific materiality	We determined a lower level of materiality for directors' remuneration and related party transactions.	We determined a lower level of materiality for directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£3,400 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£2,600 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. The components of the group were identified by the group audit team based on a measure of materiality, considering each as a percentage of the group's total assets, revenues and profit before taxation, to assess the significance of the component and determine the planned audit response.

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	77%	(97%)	95.5%	Individually financially significant to the group
Transense Technologies Chile Spa	22%	(5%)	3.5%	Likely to include group significant risks
Translogik South Africa Ptd Ltd	1%	2%	1%	Not significant

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 statement of directors' responsibilities set out on page 21, 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.

Use of our report

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.

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

25 September 2018

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Continuing operations			
Revenue	5	2,226	2,050
Cost of sales		(435)	(761)
Gross profit		1,791	1,289
Administrative expenses		(3,603)	(3,208)
Operating loss		(1,812)	(1,919)
Financial income	7	2	5
Other income		79	-
Loss before taxation		(1,731)	(1,914)
Taxation	10	266	26
Loss from continuing operations		(1,465)	(1,888)
Loss for the year		(1,465)	(1,888)
Basic and fully diluted loss per share (pence)	24	(11.11)	(19.68)
Loss for the year		(1,465)	(1,888)
Other comprehensive income:			
Exchange difference on translating foreign operations		2	-
Other comprehensive income for the year		2	-
Total comprehensive income for the year attributable to the equity holders of the parent		(1,463)	(1,888)

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

Notes to the financial statements are from pages 33 to 58.

Consolidated Balance Sheet at 30 June 2019

	Note	Year ended 30 June		Year ended 30 June	
		2019	2019	2018	2018
		£'000	£'000	£'000	£'000
Non current assets					
Property, plant and equipment	11	529		474	
Intangible assets	13	946		909	
			1,475		1,383
Current assets					
Inventories	15	566		685	
Corporation tax		-		-	
Trade and other receivables	16	789		698	
Cash and cash equivalents	18	2,647		1,592	
			4,002		2,975
Total assets			5,477		4,368
Current liabilities					
Trade and other payables	19	(604)		(316)	
Current tax liabilities		(55)		(66)	
Provisions	20	(70)		(100)	
Total liabilities			(729)		(482)
Net assets			4,748		3,876
Equity					
Issued share capital	22		5,451		5,025
Share premium			2,591		682
Translation reserve			23		21
Share based payments			41		41
Accumulated (loss)/profit			(3,358)		(1,893)
			4,748		3,876

These financial statements were approved by the board of directors and authorised for issue on 25 September 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 33 to 58.

Company Balance Sheet at 30 June 2019

	Note	Year ended 30 June		Year ended 30 June	
		2019 £'000	2019 £'000	2018 £'000	2018 £'000
Non current assets					
Property, plant and equipment	12	502		444	
Intangible assets	13	946		909	
Investments	14	61		61	
			1,509		1,414
Current assets					
Inventories	15	562		659	
Corporation tax		-		-	
Trade and other receivables	16	938		824	
Cash and cash equivalents	18	2,585		1,494	
			4,085		2,977
Total assets			5,594		4,391
Current liabilities					
Trade and other payables	19	(551)		(236)	
Current tax liabilities		(41)		(42)	
Provisions	20	(70)		(100)	
Total liabilities			(662)		(378)
Net assets			4,932		4,013
Equity					
Issued share capital	22		5,451		5,025
Share premium			2,591		682
Share based payments			41		41
Accumulated (loss)/profit			(3,151)		(1,735)
			4,932		4,013
Loss after tax			(1,416)		(1,763)

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006. The loss after tax of the parent Company is presented above.

These financial statements were approved by the board of directors and authorised for issue on 25 September 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 33 to 58.

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 2017	4,766	22	21	-	(5)	4,804
Comprehensive income for the year:						
Loss for the year	-	-	-	-	(1,888)	(1,888)
Total comprehensive income 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
Comprehensive income for the year:						
Loss for the year	-	-	-	-	(1,465)	(1,465)
Other comprehensive income for the year:						
Currency movement on subsidiary reserves	-	-	2	-	-	2
Total comprehensive income for the year	-	-	2	-	(1,465)	(1,463)
Shares issued and share premium	426	1,909	-	-	-	2,335
Balance at 30 June 2019	5,451	2,591	23	41	(3,358)	4,748

Company	Share capital £'000	Share premium £'000	Share based payments £'000	Cumulative losses £'000	Total equity £'000
Balance at 1 July 2017	4,766	22	-	28	4,816
Comprehensive income for the year:					
Loss for the year	-	-	-	(1,763)	(1,763)
Total comprehensive income 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
Comprehensive income for the year:					
Loss for the year	-	-	-	(1,416)	(1,416)
Total comprehensive income for the year	-	-	-	(1,416)	(1,416)
Shares issued and share premium	426	1,909	-	-	2,335
Balance at 30 June 2019	5,451	2,591	41	(3,151)	4,932

Notes to the financial statements are from pages 33 to 58.

Consolidated and Company Cash Flow Statement

For the year ended 30 June 2019

	Note	Group		Company	
		Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Loss from operations		(1,465)	(1,888)	(1,416)	(1,763)
Adjustments for:					
Taxation	10	(266)	-	(283)	-
Financial income	7	(2)	(5)	(2)	(5)
Depreciation	11,12	369	227	362	222
Amortisation of intangible assets	13	396	332	396	332
Share based payments	21	-	41	-	41
Operating cash flows before movements in working capital		(968)	(1,293)	(943)	(1,173)
Increase in receivables	16	(91)	(203)	(114)	(190)
Decrease/(Increase) in payables	19	247	(169)	284	(376)
Decrease in inventories	15	119	300	97	308
Decrease in trade lease receivables	17	-	266	-	266
Cash used in operations		(693)	(1,099)	(676)	(1,165)
Taxation recovered/(paid)		266	(7)	283	(28)
Net cash (used)/generated in operations		(427)	(1,106)	(393)	(1,193)
Investing activities					
Interest received	7	2	5	2	5
Acquisitions of property, plant and equipment	11,12	(424)	(443)	(420)	(437)
Acquisitions of intangible assets	13	(433)	(303)	(433)	(303)
Net cash used in investing activities		(855)	(741)	(851)	(735)
Financing activities					
Proceeds from issue of equity share capital	22	2,335	919	2,335	919
Net cash from financing activities		2,335	919	2,335	919
Net increase/(decrease) in cash and cash equivalents		1,053	(928)	1,091	(1,009)
Unrealised Currency translation gain		2	-	-	-
Cash and equivalents at the beginning of year		1,592	2,520	1,494	2,503
Cash and equivalents at the end of year	18	2,647	1,592	2,585	1,494

Notes to the financial statements are from pages 33 to 58.

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 2019 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 18.

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 2019 the group had net cash balances of £2.65m (2018: £1.59m). 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 December 2020 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.

International Financial Reporting Standards (IFRS) adopted for the first time in 2018

There were no new standards or amendments to standards adopted for the first time this year that had a material impact on the results of the group. The prior year comparatives have not been restated for any changes in accounting policies that were required due to the adoption of new standards this year.

IFRS 15 ‘Revenue from Contracts with Customers’ and the related ‘Clarifications of IFRS 15 Revenue from Contracts with Customers’ (hereinafter referred to as ‘IFRS 15’) replace IAS 18 ‘Revenue’, and several revenue-related interpretations.

In the period ending 30 June 2019, 44% (2018: 30%) of the revenues of the Group were in relation to the subscription model of the iTrack solution on short term leases, which is out of the scope of IFRS 15. The remaining turnover relating to the sale of goods and services, which is treated in a consistent manner under IFRS 15 with revenue continuing to be recognised at a point in time when the transfer of risks and rewards occurs, all arrangements are deemed to constitute one performance obligation.

Engineering support revenue, which derives from short-term contracts, are recognised at a point in time when the service is performed which is in accordance with IFRS 15.

The group has adopted IFRS 15 through the modified retrospective approach and determined that, due to the revenue split detailed above, there was no material impact on the financial statements of the group hence no cumulative catch up adjustment has been booked to the opening balance sheet at 1 July 2018.

Notes to the financial statements (continued)

4 Accounting policies (continued)

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and measurement'. It makes changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the group has applied transitional relief and opted not to restate prior periods. There were no material differences arising from the adoption of IFRS 9 in relation to the classification, measurement and impairment of financial assets and there have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

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
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
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
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

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, management has assessed the impact of the Standard. The Group believe that the most significant impact will be that the need to recognise a right of use asset and a lease liability for the Head Office, currently treated as an operating lease. At 30 June 2019 the future minimum lease payments amounted to £73,000. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense.

The Group is planning to adopt IFRS 16 on 1 July 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS16 is recognised as an adjustment to equity at the date of the initial application. Comparative information is not restated.

IFRS 16 has not made any significant changes to the accounting for lessors, and therefore the Group does not expect any changes for leases where they are acting as a lessor.

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 dividend rights, it is managements judgement that they are to be considered 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 concluded that the ongoing development cost of the iTrack II system is for iTrack II rather than the next iteration and that this continues to have a useful life. Therefore, management have judged it reasonable that the cost should be amortised over 3 years, from the date the cost has been incurred.

Measurement convention

The financial statements are prepared on the historical cost basis.

Basis of consolidation

Subsidiaries

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 30 June 2019.

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.

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, based on usage;
- 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.
- Subscription contracts revenue is recognised on a monthly basis when the service is provided to the customer in accordance with IFRS 15.
- License revenue is recognised in accordance with the contractual agreement for each deal.
- The Bridgestone support fee income is recognised at the point the cash is received as at that point it is deemed there are no future obligations to be settled.

Contracts are entered into with customers to provide one of the above goods or services on a standalone basis. The standalone selling price of the related performance obligation is therefore clearly determined from the contract. The total transaction price is estimated as the amount of consideration to which the group expects to be entitled in exchange for the transferring the promised goods or services.

Payment terms are generally between 30 and 90 days for all types of sale and therefore the impact of the time value of money is minimal.

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

Grant income

Grant monies received, classified as other income in the Statement of Comprehensive Income, has been recognised as an appropriate percentage of the deliverables that have been carried out as per the terms of the Grant.

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.

Notes to the financial statements (continued)

4 Accounting policies (continued)

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.

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 relation to iTrack in the year has been capitalised. The amortisation of this expenditure was previously amortised over a fixed 3 year period to August 2019 however the development of iTrack II is ongoing the policy has been changed to write off all expenditure over 3 years from the date of the expenditure.

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.

Where patents have been enhanced, and this improvement results in an increase in the life of the patent, the amortisation period for that patent is updated accordingly to reflect the increased lifespan of the patent.

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.

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 arising 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.

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 recognised 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.

Notes to the financial statements (continued)

4 Accounting policies (continued)

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.

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.

Finance leases

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.

5 Revenue and segmental reporting

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

Revenue

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
North America	743	322
Chile	670	660
Australia	398	400
UK & Europe	192	362
Japan	31	160
Rest of the World	192	146
	2,226	2,050

Notes to the financial statements (continued)

5 Revenue and segmental reporting (continued)

Segments

	Translogik £'000	SAWSense £'000	Admin £'000	Total £'000
Year ended 30 June 2019				
Sales	2,106	120	-	2,226
Gross profit	1,678	113	-	1,791
Other Income	-	79	-	79
Overheads	(1,227)	(472)	(1,902)	(3,601)
Profit/(loss) before taxation	451	(280)	(1,902)	(1,731)
Taxation	108	158	-	266
Profit/(loss) for the year	559	(122)	(1,902)	(1,465)

	Translogik £'000	SAWSense £'000	Admin £'000	Total £'000
Year ended 30 June 2018				
Sales	1,903	147	-	2,050
Gross profit	1,173	116	-	1,289
Overheads	(978)	(482)	(1,743)	(3,203)
Profit/(loss) before taxation	195	(366)	(1,743)	(1,914)
Taxation	26	-	-	26
Profit/(loss) for the year	221	(366)	(1,743)	(1,888)

Notes to the financial statements (continued)

5 Revenue and segmental reporting (continued)

During the year ended 30 June 2019 there were 3 (2018: 3) customers whose turnover accounted for more than 10% of the Group's total revenue as follows:

Year ended 30 June 2019	Revenue £'000	Percentage of total
Customer A	466	21%
Customer B	429	19%
Customer C	397	18%

Year ended 30 June 2018	Revenue £000	Percentage of total
Customer A	400	20%
Customer B	365	18%
Customer C	262	13%

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 (2018: £0.04m) which is held in China and Chile.

6 Expenses and auditor's remuneration

Included in the loss are the following:

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Depreciation of property, plant and equipment	369	227
Amortisation of intangible assets	396	332
Operating lease rentals payable – Land & Building	66	63
Gain on foreign exchange transactions	(12)	-

Auditors' remuneration for the Group and Company:

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Audit of these financial statements	36	35
Fees payable for tax compliance services	4	3
Fees for payable for tax advisory services	8	-
Fees payable for tax research and development services	4	5

7 Finance income and expense

Recognised in profit or loss

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Finance income	2	5
Total finance income	2	5

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	Group		Company	
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2019	Year ended 30 June 2018
Management and technical	17	18	14	16
Administration	9	9	2	4
Non-executive directors	2	2	2	2
	<u>28</u>	<u>29</u>	<u>18</u>	<u>22</u>

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

	Group		Company	
	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Wages and salaries	1,599	1,489	1,290	1,173
Share based payments (note 21)	-	41	-	41
Social security costs	174	153	156	137
Contributions to defined contribution pension plan	31	26	31	26
	<u>1,804</u>	<u>1,709</u>	<u>1,477</u>	<u>1,377</u>

The potential share based payment charge in respect of share options in the year was £4,000 however due to the small size of the charge no expense was included in these accounts. The charge made in the 2018 accounts was £41,000.

9 Directors' remuneration

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Directors' emoluments	394	394
Directors' bonuses	105	-
Directors' benefits	17	16
	<u>516</u>	<u>410</u>
Employers national insurance	64	49
Share based payments (note 21)	-	22

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £200,643 (2018: £165,632). No company pension contributions were made to a money purchase scheme on his behalf (2018: 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 (2018: nil).

The number of directors accruing retirement benefits under money purchase schemes in the year was nil (2018: nil).

The number of directors who exercised share options in the year was nil (2018: nil).

Notes to the financial statements (continued)

9 Directors' remuneration (continued)

The number of directors in respect of whose services were received or receivable under long term incentive schemes was nil (2018: nil).

The potential share based payment charge in respect of Directors share options in the year was £3,000 however due to the small size of the charge no expense was included in these accounts. The charge made in the 2018 accounts was £22,000.

10 Taxation

Recognised in the statement of comprehensive income

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Current tax expense		
Current year	-	-
Adjustment for previous year	(266)	(26)
Tax credit in statement of comprehensive income	<u>(266)</u>	<u>(26)</u>

Reconciliation of effective tax rate

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Loss before tax	(1,731)	(1,914)
Tax calculated at the average standard UK corporation tax rate of 19.00% (2018: 19.00%)	(329)	(364)
Expenses not deductible for tax purposes	12	3
Additional deduction for R&D expenditure	(120)	-
Current year losses for which no deferred tax asset was recognised	391	357
Adjustment to deferred tax average rate of 19%	46	-
Adjustment for overseas profits	-	4
Prior year adjustment	(266)	(26)
Total tax (credit)/charge	<u>(266)</u>	<u>(26)</u>
A deferred tax asset has not been recognised in respect of the following item:		
Tax Losses and other timing differences	<u>3,760</u>	<u>3,345</u>

The applicable UK corporation tax rate is 19% throughout the reporting period.

The Group has tax losses, subject to agreement by HM Revenue and Customs, in the sum of £20.7m (2018: £19.7m), 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.

The effective tax rate used to calculate the current tax for the period ended 30 June 2019 was 19.00% (2018: 19.00%).

Notes to the financial statements (continued)

11 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 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
Balance at 1 July 2018	492	510	107	26	1,135
Additions	376	44	4	-	424
Balance at 30 June 2019	868	554	111	26	1,559
Depreciation and impairment					
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
Balance at 1 July 2018	183	444	20	14	661
Depreciation charge for the year	307	41	18	3	369
Balance at 30 June 2019	490	485	38	17	1,030
Net book value					
At 1 July 2017	44	96	104	14	258
At 1 July 2018	309	66	87	12	474
At 30 June 2019	378	69	73	9	529

Note: All depreciation is charged to administrative expenses

Notes to the financial statements (continued)

12 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 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
Balance at 1 July 2018	492	493	102	10	1,097
Additions	376	41	3	-	420
Balance at 30 June 2019	868	534	105	10	1,517
Depreciation and impairment					
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
Balance at 1 July 2018	183	441	19	10	653
Depreciation charge for the year	307	39	16	-	362
Balance at 30 June 2019	490	480	35	10	1,015
Net book value					
At 1 July 2017	44	85	99	1	229
At 1 July 2018	309	52	83	-	444
At 30 June 2019	378	54	70	-	502

Note: All depreciation is charged to administrative expenses

Notes to the financial statements (continued)

13 Intangible assets

Group and company intangible assets

	Goodwill £'000	Patents rights and trademarks £'000	Development costs £'000	Licences	Total £'000
Cost					
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
Balance at 1 July 2018	50	1,755	1,662	-	3,467
Additions	-	92	254	87	433
Balance at 30 June 2019	50	1,847	1,916	87	3,900
Amortisation and impairment					
Balance at 1 July 2017	-	1,123	1,103	-	2,226
Amortisation for the year	-	82	250	-	332
Balance at 30 June 2017	-	1,205	1,353	-	2,558
Balance at 1 July 2017	-	1,205	1,353	-	2,558
Amortisation for the year	-	100	284	12	396
Balance at 30 June 2019	-	1,305	1,637	12	2,954
Net book value					
At 1 July 2017	50	524	364	-	938
At 1 July 2018	50	550	309	-	909
At 30 June 2019	50	542	279	75	946

Amortisation and impairment charge

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

	2019 £'000	2018 £'000
Administrative expenses	396	332
	396	332

All new expenditure on research and development activities in relation to iTrack is capitalised. The amortisation of this expenditure has previously been amortised over a fixed 3 year period to August 2019, however, as the development of iTrack is ongoing the policy has been changed to write off all expenditure over 3 years from the date of that expenditure.

Notes to the financial statements (continued)

13 Intangible assets (continued)

Development Costs

Development expenditure of the new iTrack II was capitalised in the year amounting to £0.25m (2018: £0.20m). These development costs have been deemed to have a useful economic life of 3 years. There were Research and Development costs expensed to the Statement of Comprehensive Income in the year of £0.05m (2018: £0.05m).

Impairment testing

Impairment testing has been performed in accordance with the provisions of IAS36, and in such circumstances the aggregate carrying value of the intangible asset is compared against the expected recoverable amount.

The recoverable amount of goodwill is determined from operating cashflow projections for 18 months to December 2020 which are currently contracted to support goodwill.

14 Investments in subsidiaries

The Group and Company have the following investments in subsidiaries:

	Status	Country of Incorporation	Class of shares held	Ownership 2019	2018
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%	100%
Transense Electronics Technology (Shanghai) Co. Ltd	Dormant	China	Ordinary Shares	100%	100%
Translogik South Africa Pty Ltd	Trading	South Africa	Ordinary Shares	100%	100%

Notes to the financial statements (continued)

14 Investments in subsidiaries (continued)

The following investments are included in the Company balance sheet at 2019 and 2018

	Company	
	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Transense K.K.	3	3
Transense Technologies Chile SPA	53	53
Translogik South Africa Pty Ltd	5	5
	<u>61</u>	<u>61</u>

The Group carries out impairment reviews of its subsidiaries, evaluating the financial position of the entity and future performance by producing forecasts. Regarding the debt owed by Transense Technologies Chile SPA to the parent company, the forecasts show that the liability should be capable of being repaid by the anticipated increased level of business.

15 Inventories

	Group		Company	
	30 June 2019 £'000	30 June 2018 £'000	30 June 2019 £'000	30 June 2018 £'000
Raw materials	176	120	176	120
Finished goods	390	565	386	539
	<u>566</u>	<u>685</u>	<u>562</u>	<u>659</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year ended 30 June 2019 amounted to £0.43m (2018: £0.76m). The impairment was reduced by £0.01m in cost of sales against inventories in the year (2018: £0.01m).

16 Trade and other receivables

	Group		Company	
	30 June 2019 £'000	30 June 2018 £'000	30 June 2019 £'000	30 June 2018 £'000
Amounts falling due within one year				
Trade receivables	511	423	397	265
Expected credit losses	(30)	(18)	(30)	(18)
	<u>481</u>	<u>405</u>	<u>367</u>	<u>247</u>
Other receivables	99	108	95	83
Amounts due from group undertakings	-	-	308	332
Trade finance lease receivables	-	58	-	58
Accrued income	64	30	23	7
Prepayments	145	97	145	97
	<u>789</u>	<u>698</u>	<u>938</u>	<u>824</u>

As at 30 June 2019 there were no past due but not impaired trade receivables (2018: no past due but not impaired).

Notes to the financial statements (continued)

17 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 2019	£'000	£'000	£'000	£'000
Lease payments	-	-	-	-
Unearned finance income	-	-	-	-
Net present values	-	-	-	-

	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	58	-	-	58

18 Cash and cash equivalents

	30 June 2019	Group	30 June 2019	Company
	£'000	30 June 2018 £'000	£'000	30 June 2018 £'000
Cash and cash equivalents per balance sheet	2,647	1,592	2,585	1,494
Cash and cash equivalents per cash flow statements	2,647	1,592	2,585	1,494

Notes to the financial statements (continued)

19 Trade and other payables

	Year ended 30 June 2019 £'000	Group Year ended 30 June 2018 £'000	Year ended 30 June 2019 £'000	Company Year ended 30 June 2018 £'000
Current				
Trade payables	205	111	201	96
Non-trade payables and accrued expenses	379	205	330	140
Deferred grant income	20	-	20	-
	<u>604</u>	<u>316</u>	<u>551</u>	<u>236</u>

20 Provisions

	Group and Company Provisions	
	Warranty £'000	Total £'000
At 1 July 2018	100	100
Credited to Statement of comprehensive income	(30)	(30)
At 30 June 2019	<u>70</u>	<u>70</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 2017	100	100
At 30 June 2018	<u>100</u>	<u>100</u>

Notes to the financial statements (continued)

21 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 2019 was £0.03 (2018: £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.

The potential share based payment charge in respect of share options in the year was £4,000 however due to the small size of the charge no expense was included in these accounts. The charge made in the 2018 accounts was £41,000.

Unapproved Discretionary Share Option Scheme

At 30 June 2019 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.

Number of Options					Option Price	Date of Grant	Date of Exercise	
1 July 2018	Granted	Cancelled/ Expired	Exercised	30 June 2019			First	Last
150,447	-	(23,162)	-	127,285	£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)

21 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 2019, the following shares remained outstanding under an Enterprise Management Incentive Option Scheme.

1 July 2018	Number of Options				30 June 2019	Option Price	Date of Grant	Date of Exercise	
	Granted	Cancelled	Exercised					First	Last
375,000	-	-	-	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	
20,000	-	-	-	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)

22 Share Capital

Issued Share Capital	Ordinary shares of 10 pence each		Deferred shares of 40 pence each	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
On issue at 1 July 2018	12,048,948	-	9,548,948	-
Share reorganisation 22 June 2018	-	9,548,948	-	9,548,948
Issued for cash Ordinary Shares at £0.10 on 22 June 2018	-	2,500,000	-	-
Issued for cash Ordinary Shares at £0.10 on 19 March 2019	2,384,953	-	-	-
Issued for cash Ordinary Shares at £0.10 on 2 April 2019	1,606,715	-	-	-
Issued for cash Ordinary Shares at £0.10 on 10 April 2019	266,666	-	-	-
On issue at 30 June 2019– fully paid	<u>16,307,282</u>	<u>12,048,948</u>	<u>9,548,948</u>	<u>9,548,948</u>

	30 June 2019	30 June 2018
	£'000	£'000
Allotted, called up and fully paid		
Ordinary shares of £0.10 each	1,631	1,205
Deferred shares of £0.40 each	3,820	3,820
Shares classified in shareholders' funds	<u>5,451</u>	<u>5,025</u>

23 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group and Company			
	Land & Buildings	Other Lease	Land & Buildings	Other Lease
	30 June 2019	30 June 2019	30 June 2018	30 June 2018
	£'000	£'000	£'000	£'000
Less than one year	73	-	69	-
Between one and five	-	-	73	-
More than five years	-	-	-	-
	<u>73</u>	<u>-</u>	<u>142</u>	<u>-</u>

The operating lease relates to the lease of premises which is used by the Group and Company. During the period £0.07m was recognised as an expense in the statement of comprehensive income in respect of operating leases (2018: £0.06m).

Notes to the financial statements (continued)

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

Basic loss per share is calculated by dividing the loss after taxation of £1.47m (2018: loss of £1.89m) by the weighted average number of ordinary shares in issue during the year of 13,184,581 (2018: 9,595,825). 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 2019	Year ended 30 June 2018
	Number	Number
Weighted average number of shares – basic	13,184,581	9,595,825
Share option adjustment	-	-
Weighted average number of shares – diluted	<u>13,184,581</u>	<u>9,595,825</u>

	Year ended 30 June 2019	Year ended 30 June 2018
	£'000	£'000
Loss from continuing operations	(1,465)	(1,888)
Basic loss per share	<u>(11.11)</u>	<u>(19.68)</u>
Earnings attributable to shareholders		
Basic loss per share	<u>(11.11)</u>	<u>(19.68)</u>

There are 665,000 share options at 30 June 2019 (2018: 665,000) that are not included within diluted earnings per share because they are anti-dilutive.

Notes to the financial statements (continued)

25 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 £2.65m (2018: £1.59m). Note 3 states that the Directors consider there to be sufficient cash resources to reach a break even level and that the Group remains a going concern. 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 2019 or 2018.

The directors consider that the Group's exposure to interest rates is low (2018: 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)

25 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.

Functional currency of Group operation	Euro £'000	US Dollar £'000	Australian Dollar £'000	British Pound £'000
Sterling	115	643	(39)	-
Chilean Peso	-	49	-	-
South African Rand	-	-	-	5
At 30 June 2019	115	692	(39)	5
Sterling	158	623	(1)	-
At 30 June 2018	158	623	(1)	-

The Group has analysed the effects of both a 10% increase and decrease in each of the currencies the Group uses in its operations and has determined there would be no material impact on the consolidated operating profit.

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

	30 June 2019 £000	30 June 2018 £000
Financial assets held at amortised cost		
Trade receivables	481	405
Accrued income	63	30
Amounts receivable under long term contracts	-	58
Cash and cash equivalents	2,647	1,592
	3,191	2,085
Financial liabilities held at amortised cost		
Trade payables	205	111
Accruals	319	205
Financial liabilities at amortised cost	524	316

There was £nil gross trade finance lease assets held on the balance sheet at the year end date (2018: £0.06m).

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)

25 Financial Instruments (continued)

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 £0.48m (2018: £0.46m) 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 2019 the Group's cash was divided between current accounts £0.47m (2018: £0.67m) and £2.18m in fixed rate monthly deposits (2018: £0.93m) with a weighted average interest rate for the year of 0.25% (2018: 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.

Maturity Analysis

All financial liabilities are due to or have the facility to mature within 12 months.

26 Contingencies and commitments

Group

The Group had no capital commitments or contingent liabilities as at 30 June 2019 (2018: £nil).

Company

The Company has no capital commitments or contingencies as at 30 June 2019 (2018: £nil).

27 Warrants

No warrants were outstanding as at 30 June 2019. (2018: Nil).

28 Post balance sheet events

On 26 August 2019 the group received an interest free loan of \$0.75m from Bridgestone Corporation, Japan as part of the announced Joint Collaboration Agreement.

29 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 2019 £000	Year ended 30 June 2018 £000
Key management emoluments	-	-
Social security costs	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>