transense technologies plc

Registered number 01885075

Annual report and financial statements

For the year ended 30 June 2020

Contents

Directors and advisers

Directors

N F Rogers (Executive Chairman) (2)
M Segal (Chief Financial Officer)
R J Westhead (1, 2, 3)

1 Non-executive
2 Member of the Audit and Risk Committee
3 Member of the Remuneration Committee

Company Secretary and Registered Office

M Segal
1 Landscape Close
Weston-on-the-Green
Bicester
Oxfordshire
OX25 3SX

Auditor

Cooper Parry Group Limited
Park View
One Central Boulevard
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Solihull
B90 8BG

Bankers

HSBC Bank plc
1 Sheep Street
Bicester
Oxon OX26 7JA

Nominated Adviser & Broker

Allenby Capital Limited
5 St Helen's place
London
EC3A 6AB

Registrars

Neville Registrars Limited
Neville House
Steelpark Road
Halesowen
B62 8HD

Registration Number 01885075

Commercial Highlights

- Transense complete licence agreement with Bridgestone Corporation for iTrack IP
- iTrack operating business transferred to Bridgestone and royalty income to commence in July 2020
- Breakthrough deal – reduces risk profile by moving Transense towards financial self-sufficiency
- US Army & GE Aviation Improved Turbine Engine Program ("ITEP"); three critical design reviews completed on schedule, with first engine to test due in third quarter 2021
- New TLGX Series of tyre inspection tools launched
- New leadership and management focus in both SAW and Translogik

Financial Highlights

- Transfer of iTrack operating business and assets to Bridgestone realises net cash of £1.04m (after repayment of loans, but before costs). Transaction eliminates future net trading losses on discontinued activities, which amounted to £1.45m in year ended 30 June 2020
- Revenues from continuing operations in line with prior year at £0.60m (2019: £0.60m)
- EBITDA loss from continuing operations reduced to £0.68m (2019: £0.70m).
- Net loss after taxation from continuing operations of £1.09m (2019: £0.84m)
- Net loss after taxation for the year of £2.54m (2019: £1.47m)
- Cash and cash equivalents at year end of £1.19m (2019: £2.65m)

Post period end highlights

- iTrack royalty, SAW and Translogik probe all showing signs of growth
- Breakeven in unaudited Q1 FY21 profit before tax v £0.60m loss in Q1 FY20, future profitability now visible
- Formed Commercial Advisory Panel for SAW to provide sector insights
- Proposals to change capital structure at AGM to facilitate future distributions

Chairman's statement

I am very pleased to report the final results of the Company for the year ended 30 June 2020, following my appointment as Chairman in February 2020, and subsequently as Executive Chairman in June 2020.

It has been an exciting year for Transense. The completion of the licensing of existing and future iTrack technology to ATMS Technology Limited ("ATMS"), a subsidiary of Bridgestone Corporation, Japan ("Bridgestone") towards the end of the year marked the delivery of a transformation in the company's prospects. This will put Transense in the unprecedented position of being financially self-sufficient and will in turn facilitate increased management focus on the commercialisation of our Surface Acoustic Wave ("SAW") technology, and development of our tyre probe business, Translogik.

We are determined to take this opportunity to deliver further commercial success with SAW. We fully recognise the trend towards more highly automated machinery and robotics and the continuous need to improve the efficiency, diagnostics and control of equipment and vehicles and by doing so achieving global targets for emissions reduction.

We believe that our patented SAW sensor technology can help our customers to achieve these goals, through the accurate non-contact measurement of torque and other key parameters in their products and systems that has been rigorously tested in the most demanding of environments and applications.

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.

In recent years, the Company has devoted significant time and financial resources into the development of the iTrack system, a comprehensive tyre monitoring system used by mine operators to help optimise operations for increased productivity and profitability. In August 2019, the Company entered into a Joint Collaboration Agreement with Bridgestone, to offer the iTrack system exclusively to its global customer base.

The success of this arrangement led in June 2020 to Transense granting a ten year worldwide exclusive licence over current and future iTrack technology to ATMS, a subsidiary of Bridgestone, in exchange for a royalty payment based on the number and classification of vehicles with iTrack fitted. At the end of the ten year period, ATMS will have an option to purchase the iTrack technology for a nominal sum. The operating business and net trading assets relating to iTrack were also transferred to ATMS for a gross consideration of US$3.26m facilitating the repayment of all Bridgestone's loans of $1.95m. At the year end outstanding consideration of $1.62m was due and loans of $1.2m were still outstanding. Both of these were settled in full by the end of September. The initial royalty receivable from ATMS in respect of vehicles using the iTrack system at completion was at a run rate of approximately £0.60m per annum.

Under these arrangements, the Company will continue to derive a significant and growing royalty income stream from the vastly enhanced commercial opportunities and resources contributed by Bridgestone/ATMS. Furthermore, our partnership eliminates the investment risk that would have been associated with continuing to build the sales & marketing, customer service and product development infrastructure that would have been required as an independent participant in large and geographically diverse global market.

Chairman's statement (continued)

Consequently, we go forward with a significantly lower strategic risk profile from which to explore opportunities for our continuing technology interests, both in SAW and in Translogik tyre monitoring equipment.

SAW technology

Revenues from SAW technology (including grant income) were steady at £0.21m (2019: £0.21m), and this segment generated a trading loss of £0.58m (2019: £0.28m), which included increased amortisation and one-off impairment charges relating to intangible patent assets.

Transense aims to be the world's first choice provider of SAW sensor solutions. We will achieve this by continuing to identify innovative methods to apply our patented technology, and by the subsequent transfer of know-how to major corporate partners in carefully selected target industry sectors. We seek to strengthen the presence of our technology in a broader range of applications by actively marketing the provision of technical, engineering consultancy and proto-typing services. Our goal is to commercialise at scale by establishing licensees, joint ventures or other strategic alliances with the support of a secure supply chain.

The credentials of our SAW technology have been validated by its selection after rigorous testing by GE Aviation for use in the GE T901 Improved Turbine Engine Program ("ITEP"), under which the US Army will re-engine its Boeing AH-64 Apaches and Sikorsky UH-60 Black Hawk helicopters. Over a period of years, the US 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 US, as well as other military and commercial medium sized vertical take-off aircraft globally. During 2020, the ITEP successfully completed each of three Critical Design Review events and is on schedule to execute the First Engine To Test assembly of all subcomponents in the second half of calendar year 2021. We have continued to work in close co-operation with GE's specified first tier system supply partners to support these activities.

Our sensors are also installed on drive input shafts supplied to the NTT IndyCar series by McLaren, to provide encrypted torque data used to regulate the power rating permitted to individual race teams. There are further opportunities to expand the use of this technique into alternative race formats.

There is now a clear focus on the need to expand the commercial reach of this technology. Towards the end of the financial year Nick Hopkins was appointed to lead our SAW team as Managing Director, reporting to the Board. Nick has previously worked with Anthony and Bryan Lonsdale who were instrumental in developing the SAW applications used by Transense and will be supported by Chief Technology Officer, Victor Kalinin. Since his appointment, the Board has approved plans to further develop the business. Our short term aim is to generate additional commercial and grant support income to ensure that SAW makes a positive contribution to the Company's financial results.

Beyond this relatively modest ambition, we have formulated plans to develop our network in carefully selected market sectors in which we anticipate growth opportunities, including all forms of transport, both on- and off-road, to include the leisure, commercial and domestic markets, avionics, industrial turbines and green energy. We have made significant progress in forming a Commercial Advisory Panel (CAP); a group of senior industrialists with knowledge, experience and insight into these key sectors. It is now our intention to implement plans to increase our market engagement, including direct referrals, as well as enhanced website(s), social media presence and participation in technical webinars and symposiums.

Chairman's statement (continued)

We believe that our technical leadership offers an exceptional approach to problem solving for customers seeking improved performance, efficiency and safety. Our challenge now is to generate additional commercial opportunities in order to derive the full benefit of these core strengths.

Translogik tyre inspection probes

Revenues from Translogik probes increased by 7.1% to £0.51m (2019: £0.48m), and this segment generated a trading profit of £0.12m (2019: £0.19m), primarily as a consequence of increased marketing and product development expenditure.

Our product range comprises accurate and reliable inspection gauges for car and commercial truck and bus tyres, allowing effortless and rapid reading of tread depth, tyre pressure, radio frequency identification ("RFID") and tyre pressure monitoring system ("TPMS") data. This data can be transferred via Bluetooth to a smart device and stored and displayed on the customers' tyre management software system. Translogik probes are specified for use in the Goodyear Tire Optix system, the Bridgestone 'Toolbox' and 'Total Tyre Care' systems, and the Continental 'Fleetfox' system, underpinning our belief that they represent an industry standard.

During the year, product development was underway to support the recent market launch of the new TLGX Series, a modular range of four new gauges offering a broad variety of features at competitive prices. These have been developed primarily for system integrators and fleet management software providers, and early indications of interest are encouraging.

Capital Structure

The Board considers it important that the Company has the flexibility to pay dividends and make other returns of capital to shareholders when appropriate and desirable to do so. This will, however, require certain actions relating to the current capital structure of the Company. Accordingly, the Board will bring forward proposals at the forthcoming Annual General Meeting to cancel all outstanding deferred shares, and the amount standing to the credit of the share premium account.

Financial results and condition

Revenues for the year from continuing operations were steady at £0.60m (2019: £0.60m). Subscription revenues generated from users of the iTrack system were accounted for as part of discontinued activities, and increased by 50% to £1.47m (2019: £0.98m). In the current and subsequent financial years, royalty income from iTrack will be accounted for as part of continuing operations and will commence at the rate of £0.60m per annum, increasing in line with the growth in the installed base.

Gross margin was 55.1% of revenues from continuing operations (2019: 63.1%).

Administrative expenses were slightly increased at £1.70m (2019: £1.58m), mainly as a result of increased amortisation and one-off impairment charges relating to intangible SAW patent assets. The net loss before taxation from continuing operations was £1.27m (2019: £1.12m).

The total comprehensive loss for the year was £2.54m (2019: £1.47m), reflecting the loss on discontinued activities of £1.45m (2019: £0.62m) and an R&D tax credit of £0.18m (2019: £0.28m).

Net cash used in operations increased to £1.86m (2019: £0.43m), which includes the cash resources absorbed by iTrack operating activities of £1.33m during the year up to the date of the transfer of the business to ATMS on 24 June 2020 (2019: £0.33m).

Chairman's statement (continued)

The Company closed the year with net cash and cash equivalents of £1.19m (2019: £2.65m). The completion balance sheet relating to the iTrack business was agreed between the Company and ATMS after the end of the financial year on 10 September 2020, at which time the balance of the consideration monies was settled. Including the Bridgestone loan repayment and payment of related fees, there was no significant net effect on post year end cash.

Board and advisor changes

It is clear that the business has changed over the course of the year under review, and particularly as a consequence of the transactions with ATMS/Bridgestone. As a key part of these arrangements, David Ford and Graham Storey-Macintosh (formerly Chairman and Chief Executive respectively) left the Transense Board and transferred to lead ATMS as Chief Executive and Director of Global Sales respectively. On behalf of the Board and shareholders, I would like to take this opportunity to express our gratitude for their major contribution to the development of the Group's businesses over several years. I also wish them a bright future, not least because of our continuing financial interest in the success of their new venture.

It has been a very enjoyable challenge to Chair the Board since February and lead the negotiations with Bridgestone. On completion, I was also happy to commit additional time capacity to the Company by accepting the role as Executive Chairman. I have been very ably supported throughout by Melvyn Segal as Chief Financial Officer and Rodney Westhead, our Senior Independent Non-Executive Director. We are mindful that it may be beneficial to add to the Board in due course, however we are currently satisfied that we have the requisite knowledge and experience to fully discharge the responsibilities of the Board.

We have also taken the opportunity afforded by this major change in the structure of the Company's business to review our advisory and compliance support arrangements. Accordingly, we have appointed Cooper Parry Group Limited as Auditors, and Allenby Capital Limited as Nominated Advisor and Broker. We consider that these new arrangements provide the correct blend of scale and skills to meet the needs of the Company and its shareholders at the current time, and for the foreseeable future.

Current trading and prospects

Trading in the first quarter of the current financial year is in line with expectations and reflects the substantial reduction in overhead. Revenues from SAW and Probes have increased compared to the same period last year and early indications are that royalty income on iTrack deployment during the year has significant growth potential, although caution is clearly applicable in view of the global risks associated with the broader economic and practical effects of the Covid-19 pandemic. The unaudited pre-tax result in Q1 FY 21 shows the business trading around break-even level compared to the loss of £0.6m incurred in Q1 FY 20.

The iTrack licence deal has both simplified and de-risked the business going forward, and moves Transense closer to the original model of developing and licensing technology. We now have a reasonable expectation that the Company will be financially self-sufficient for the foreseeable future.

Meanwhile, we have a fresh management grip on the commercial development of SAW, and a range of new products for Translogik. Accordingly, we look forward with renewed confidence.

Nigel Rogers
Executive Chairman
19 October 2020

Strategic Report

Financial Review

Results for the year

Revenues for the year from continuing operations were steady at £0.60m (2019: £0.60m). Subscription revenues generated from users of the iTrack system were accounted for as part of discontinued activities and increased by 50% to £1.47m (2019: £0.98m). In the current and subsequent financial years, royalty income from iTrack will be accounted for as part of continuing operations and will commence at the rate of £0.60m per annum, increasing in line with the growth in the installed base.

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

	2020	2019
EPS (loss from continuing operations)	**(6.7)**	(6.4)
EPS (total loss)	**(15.6)**	(11.1)

Taxation

The Company has UK tax losses available to carry forward at 30 June 2020 of approximately £23m, 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. Following the year end, the Company received R&D tax credits amounting to £0.18m in respect of the year ended 30 June 2019.

Cash flow and financial position

Net cash used in operations increased to £1.86m (2019: £0.43m), which includes the cash resources absorbed by iTrack operating activities during the year of £1.33m up to the date of the transfer of the business to AMTS on 24 June 2020 (2019: £0.33m). During the year, the Company received the benefit of interest-free working capital loans from Bridgestone of £1.59m, £0.61m of which was repaid in June on completion of the transfer, and the remaining balance was settled after the year end out of the consideration monies.

The Company closed the year with net cash and cash equivalents of £1.19m (2019: £2.65m). The completion balance sheet relating to the iTrack business was agreed between the Company and ATMS after the end of the financial year on 10 September 2020, at which time the balance of the consideration monies was settled. Including the Bridgestone loan repayment and payment of related fees, there was no significant net effect on post year end cash.

The forward looking cash flow forecasts based on the anticipated level of activity indicates that the Group should have sufficient funds available for the foreseeable future.

Strategic Report (continued)

Going Concern

The financial statements have been prepared on the going concern basis.

The Group meets its day to day working capital requirements through existing cash reserves and does not currently have an overdraft facility. The Directors have prepared cash flow forecasts for the period to 30 June 2023. These forecasts indicate that the Group should continue to be able to operate within its current cash resources for this period.

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 20	**FY 19**
Turnover – continuing operations (£m)	0.60	0.60
EBITDA – continuing operations (£m)	(0.68)	(0.70)
EBT – continuing operations (£m)	(1.27)	(1.12)
EPS - continuing operations (Pence)	(6.7)	(6.4)
EPS – attributable to shareholders (Pence)	(15.6)	(11.1)
Closing share price (Pence)	57.0	65.5
Net cash used in operations (£m)	(1.86)	(0.43)
Closing cash balance (£m)	1.19	2.65
Cash per Share (Pence)	7.3	16.2
Consolidated Net Assets (£m)	2.18	4.75
Net Assets/Share - Pence	13.4	29.12
Market Capitalisation at year end (£m)	9.30	10.68
Shares in issue (million)	16.3	16.3

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 and Impact	Mitigation
Intellectual Property	The SAW business is focused on the design and manufacture of technologically advanced products and applications. Investment continues to be made in development. Following a detailed review of our patent portfolio we now have 23 live granted patents and continue to have significant in house know how. The IP element of the iTrack II product is now licensed exclusively to ATMS Technologies Limited (a Bridgestone Corporation subsidiary). The risk exists that our intellectual property may be infringed by third parties or that we may inadvertently infringe third party rights with the impact resulting in loss of profitability and cash flow or loss of market share.	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. 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 will be performed by ATMS and will further strengthen our IP.
Product Development	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 and environment (see below) will always present challenges to produce marketable products.	Development spend is regularly planned and reviewed. The Group's understanding of customer needs and expectations is greatly enhanced by working closely with customers on extensive product trials. The introduction of the new CAP will ensure that development spend is directed solely into commercial opportunities.
People	An experienced and knowledgeable team is essential to continually develop complex products for customers to be used in demanding environments. The market for skilled staff is extremely competitive and a failure to recruit and retain suitably qualified staff could impact the Group's ability to develop and deliver services and product.	Providing the existing team with good training and incentives is a key priority for the business and has been instrumental in retaining key staff. The recruitment and development of new employees, when required, is done so by experienced staff to ensure the correct calibre of individual is identified. During the year we recruited a new MD for SAW and following his appointment a detailed strategic plan including succession planning has been prepared. The impact of Covid-19 will also increase the availability of quality staff.
EU Membership	In June 2016 the UK electorate voted to discontinue its membership of the EU. In January 2020 the withdrawal agreement was ratified by the UK parliament and by the EU shortly afterwards. Notwithstanding the agreement between the UK and 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.	As is evident in the Segmental review on page 39 only 25% of the group's income arises from UK and Europe and a far lesser percentage of supplied goods and 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.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Risk and Uncertainty	Details of Risk and Impact	Mitigation
Global Companies	Many of the customers and competitors of Transense are major international companies. The impact on Transense dealing with customers of this size is that invariably the time from initial discussions to receiving a PO can be far longer than the usual business transaction cycle between SMEs. On the competition side the Group can be disadvantaged by not having substantial cash and/or the human resources of far larger entities.	The Group regularly monitors cash flow to ensure that we are sufficiently funded to endure the long lead times between initial discussions and POs with global businesses. The Group has also substantially reduced its overhead following the transfer of the iTrack operational business to ATMS. With regards the competition the far smaller size of Transense ensures we are able to move 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.
Liquidity	Transense is continually striving to achieve the point of consistent profitability and cash generation. However, until that point in time is reached the Group will be exposed to squeezes in liquidity. The failure to raise additional funds for working capital, if required, could threaten the going concern status of Transense.	Following the transaction with ATMS the point of cash flow break even could be reached in the financial year 2021 which will have a significant impact on cash resources and halt the historic requirement to seek additional equity funding. The Board also exert tight controls on overheads and monitor cash flow regularly and the short to medium term cash flow projections do not indicate the need for further funding.
Foreign Currency Fluctuation	Historically the Group has been exposed to currency fluctuations in AUD, CLP, Euro, USD and ZAR. Future iTrack royalty income receivable will be earned in USD.	Transense's biggest exposure has been the volatility of the USD to GBP. However as future royalty income from the iTrack IP licence and the GE IP Licence will be payable in USD, foreign currency movements will be kept under review and potential hedges evaluated as the Royalty income grows.
Covid-19	The onset of Covid-19 and the impact on businesses worldwide has been considerable. Many businesses have seen their income cease or significantly reduce for a period in excess of 3 months with devastating effects.	Transense's exposure regarding Covid-19 has been minimal. The Group moved quickly to ensure the safety of its global team and introduced working from home where appropriate. So far as business interruption is concerned the only noticeable change to date is the length of any decision making process in uncertain times. There has been no material change in business activity.

By order of the Board

Melvyn Segal
Chief Financial Officer
19 October 2020

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, Oxfordshire, OX25 3SX.

Nigel Rogers (Executive Chairman *) Age 59

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 a Non-Executive Director of AIM listed Solid State plc.

Melvyn Segal (Chief Financial Officer) Age 65

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.

Rodney Westhead (Non-Executive Director **) Age 76

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 annual sales exceeding £200 million, 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
** Chair of Audit & Risk and Remuneration committee

The Board has not adopted a formal process of evaluation, although the Chairman has actively encouraged self-evaluation by all Board members, and sought individual feedback on the conduct and content of Board meetings. The Board will consider whether a more structured approach is required in future.

The Board is satisfied that the current composition provides the required degree of skill, experience and capabilities appropriate to the current needs of the business, and that individual Directors have access to adequate sources of information to update their knowledge as required.

The Board seeks appropriate expert advice where circumstances require such action to be necessary or desirable, for example, by utilising legal advisors and regulatory compliance specialists in transaction work. No Board committees or individual Board members have sought external advice in the current year, but are free to do so at any time, and at the Company's expense, should the need arise.

Corporate Governance Statement (continued)

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.

During the year, Board members attended meetings as follows:

Director	Maximum number of meetings	Actual number attended	Audit Committee	Remuneration Committee
David Ford	11	11	-	-
Nigel Rogers	12	12	2	**2
Melvyn Segal	12	12	*2	-
Graham Storey	11	10	-	-
Rodney Westhead	12	12	2	2

*attended part of the meeting only as not a Committee member
** attended prior to appointment as Executive Chairman

Currently, the Board includes one Non-Executive Director who is considered by the Directors to be independent for the purposes of the QCA Code, Rodney Westhead. Rodney joined the Board in April 2007, and prior to this had no association with the Company.

The Board promotes high ethical and moral standards. The Board and all employees expect to be judged by, and accountable for, their actions and compliance with the Company's policies procedures.

Regular meetings with shareholders and other key representative groups provide specific opportunity for raising any concerns relating to Company performance and/or corporate governance. Independent feedback is sought following such meetings and provided to the Board, where appropriate on an anonymised basis.

As noted in the Strategic and Business Review of Activities on pages 11-12, 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.

Corporate Governance Statement (continued)

Board Committees

Audit & Risk Committee

The Audit & Risk 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 & Risk 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 & Risk 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. Rodney Westhead is the sole member of the Remuneration Committee.

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.

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, Rodney Westhead, 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 2020 they did not choose to participate (2019: £nil).

Remuneration report (continued)

Service Contracts

The service contracts provide for the following notice periods:

12 months: Nigel Rogers and Melvyn Segal.
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 Year ended 30 June 2020	Year ended 30 June 2019
	£	£	£	£	£	£
Executive Directors						
N Rogers*	37,383	50,000	-	-	**87,383**	30,800
M Segal	114,083	40,000	6,164	-	**160,247**	121,948
D Ford**	163,746	-	6,253	-	**169,999**	150,069
G Storey-Macintosh**	171,971	-	8,439	-	**180,410**	200,643
Non-Executive Directors						
R Westhead	13,483	-	-	-	**13,483**	12,900
Total 2020	**500,666**	**90,000**	**20,856**	**-**	**611,522**	**516,360**
Total 2019	394,400	105,000	16,960	-	516,360	

*Non-executive until appointed Executive Chairman on 24 June 2020. **Resigned on 24 June 2020

These emoluments can be analysed as follows:	**2020**	2019
	£	£
Continuing directors remuneration excluding bonus	**171,113**	165,648
Bonus related to the disposal of iTrack	**90,000**	-
Remuneration of directors leaving with ITrack	**350,409**	350,712
Total	**611,522**	516,360

Remuneration report (continued)

Share based payment options have been granted under EMI and the discretionary scheme 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.

Directors' interests in the EMI were:	At 1 July 2019	At 30 June 2020	Earliest exercise date	Exercise price per share	Hurdle price per share
G Storey-Macintosh	120,000	cancelled	01/07/18	£0.75	£1.50
G Storey-Macintosh	100,000	cancelled	30/06/20	£1.00	£2.00
D Ford	70,000	cancelled	01/07/18	£0.75	£1.50
D Ford	100,000	cancelled	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
M Segal	-	**170,000**	12/08/21	£0.75	£2.00
M Segal	-	**126,000**	24/06/23	£0.62	£1.50

Directors' interests in the UDSOS were:	At 1 July 2019	At 30 June 2020	Earliest exercise date	Exercise price per share	Hurdle price per share
M Segal	-	**74,000**	24/06/23	£0.62	£1.50
N Rogers	-	**400,000**	24/06/23	£0.62	£1.50

Share price performance

The share price performance is disclosed in the Directors' Report on page 20.

Directors' report

The Directors present their annual report and audited financial statements for the year ended 30 June 2020.

Business activities, review of the business and future developments

Transense is a provider of specialist sensor systems.

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 12.

Results and Dividends

The results for the year ended 30 June 2020 show a loss after tax from continued operations of £1.09m and a total loss of £2.54m (2019: £0.84m from continued operations and £1.47m in total). The Directors do not recommend the payment of a dividend (2019: £nil).

Directors

The present Directors are listed on page 3. D M Ford and G Storey-Macintosh resigned on 24 June 2020.

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

Substantial Shareholdings

At 30 June 2020, 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%
Spreadex	1,298,669	7.97%
Seneca	1,250,000	7.67%
P Lobbenberg	968,979	5.94%
WB Nominees	806,526	4.95%
Legal & General	540,000	3.31%
Harwood Capital LLP	510,000	3.13%
Gerald Oury	493,333	3.03%

Information correct at 20 October 2020.

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 2020	Ordinary shares of 50p each 1 July 2019
G Storey-Macintosh	n/a	78,687
R J Westhead	10,655	5,655
D Ford	n/a	5,555
M Segal	30,888	22,888
N Rogers	108,700	80,000

Share price

The mid-price of the shares in the Company at 30 June 2020 was 57p (2019: 65.5p) and the range during the period was 42.5p to 88.5p (2019: 29p to 73p).

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 18.

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 27 to the financial statements).

Post balance sheet events

The completion accounts were agreed in September 2020 with the remaining consideration of \$1.62m received from Bridgestone and their remaining loan of \$1.20m repaid.

Research and Development

In order to maintain and improve upon its market position, each of the Group's 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 £0.06m was expensed to the Statement of Comprehensive Income in the year (2019: £0.05m).

Further development expenditure on the iTrack product of £0.38m was capitalised in the year (2019: £0.25m).

Directors' report (continued)

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 2019/20.

Auditors

Grant Thornton LLP resigned as auditors and Cooper Parry Group Limited were appointed in their place. In accordance with Section 489 of the Companies Act 2006, a resolution to appoint Cooper Parry Group Limited as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

N F Rogers
Chairman

M Segal
Chief Financial Officer

20 October 2020

1 Landscape Close
Weston-on-the-Green
Bicester
Oxfordshire
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 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.

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

Opinion

We have audited the financial statements of Transense Technologies plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Statement of Changes in Equity, the Consolidated and Company Cash Flow Statement and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 2020 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 United Kingdom Generally Accepted Accounting Practice; 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 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 ability 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.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) we identified, including those which 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.

Risk of error in revenue recognition

Matter
Under International Standard on Auditing (UK) 240 there is a presumed risk that revenue is misstated due to fraud. The Group recognises revenue to the extent that economic benefits will flow to the Group and the revenue can be reliably measured. Whilst there are a number of ways in which the Group generates revenue, there is relatively little judgement involved in determining the timing and value of the amount to be recognised. We therefore assess the significant risk to be specifically with respect to manual journals posted to revenue.

Response
Our procedures in response to the risk included:

- Performing a walkthrough of the process as set out by management, to ensure controls appropriate to the size and nature of operations are designed and implemented correctly throughout the transaction cycle for each revenue stream;
- Obtaining a complete listing of journals posted to revenue nominal codes. From this listing we selected a sample of manual adjustments which were vouched to evidence supporting the timing and measurement of the revenue recognised;
- Performing enhanced cut-off testing to ensure sales are recognised in the correct accounting period; and
- Performing transactional revenue testing to confirm the existence of revenue.

Our procedures did not identify any material misstatements in the revenue recognised during the year.

Disposal of iTrack

Matter
In June 2020 the Group disposed of the operating business and net trading assets of iTrack. This is a significant transaction requiring appropriate disclosure with respect to discontinued operations and disposal of trading assets.

Response
Our procedures in response to the risk included:

- Reviewing the sale and purchase agreements in connection with the transfer of the iTrack operating business and assets to ATMS;
- Confirmed the accuracy of accounting for the business disposal and disclosures made in the financial statements;
- Confirmed the disclosure of discontinued activities in the income and cash flow statements; and
- Considered the appropriateness of accounting for any other aspect of the transaction, including loan relationships, related party transactions and associated costs.

Our procedures did not identify any material misstatements in the accounting for or the disclosure of the disposal of the business.

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

Going concern and impairment considerations relating to Covid-19

Matter
During March 2020, the potential impact of Covid-19 became significant. Management considered implications for the Group's going concern assessment, impairment of assets and appropriate disclosure in the Annual Report.

Response
Our procedures in response to the risk included:

- Obtaining the assessment made by management and the Board regarding the Group's ability to continue as a going concern;
- Reviewing the Covid-19 impact factored into the forecasts used in terms of estimating likely length of public restrictions and any forecast economic downturn following relaxation of those restrictions;
- Reviewing the latest cash position post iTrack sale and consideration of amounts due from ATMS and the Bridgestone loan;
- Reviewing the other assumptions within those forecasts and performing sensitivity analysis over key assumptions used; and
- Discussing with management and the Board any additional industry factors or other issues which could impact the Group's ability to continue as a going concern.

Based on the information available at the time of the directors' approval of the financial statements and our signing of our audit opinion, we consider the forecasts to be reasonable whilst noting that the impact of Covid-19 on future sales and other inputs is currently difficult to quantify.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in determining the nature, timing and extent of our procedures, in evaluating the effect of any identified misstatements, and in forming our audit opinion.

The materiality for the Group financial statements as a whole was set at £23,000. This has been determined with reference to the benchmark of the Group's revenue which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 1% of Group revenue.

The materiality for the parent company financial statements as a whole was set at £17,500. This has been determined with reference to the benchmark of the parent company's revenue which we consider to be an appropriate measure for a parent company such as this. Materiality represents 1.5% of the parent company revenue.

An overview of the scope of our audit

We adopted a risk based audit approach. We gained a detailed understanding of the Group's business, the environment it operates in and the risks it faces.

The key elements of our audit approach were as follows:

Our Group audit scope focused on the Group's principal trading entity, Transense Technologies plc which was subject to a full scope audit, as was the Group consolidation. This represents 50% of revenue. In addition, we performed specified audit procedures over the Group's significant components Transense Technologies Chile spa and Translogik South Africa Pty which collectively represent 41% of revenue.

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

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.

Opinions on other matters prescribed by the Companies Act 2006

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 by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.
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, 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.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22, 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 parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Katharine Warrington (Senior Statutory Auditor)

For and on behalf of Cooper Parry Group Limited
Chartered Accountants and Statutory Auditor

Park View
One Central Boulevard
Blythe Valley Park
Solihull
B90 8BG
Date: 19 October 2020

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	Year ended 30 June 2020 £'000	Year ended 30 June 2019 restated £'000
Continuing operations			
Revenue	5	**603**	596
Cost of sales		**(271)**	(220)
Gross profit		**332**	376
Administrative expenses	6	**(1,703)**	(1,581)
Operating loss		**(1,371)**	(1,205)
Financial income	7	**5**	2
Financial expense	7	**(17)**	-
Other income		**118**	79
Loss before taxation		**(1,265)**	(1,124)
Taxation	10	**175**	283
Loss for the year from continuing operations		**(1,090)**	(841)
Discontinued operations			
Loss for the year from discontinued operations		**(1,452)**	(624)
Loss for the year		**(2,542)**	(1,465)
Basic and fully diluted loss per share (pence)	26		
From continuing operations		**(6.68)**	(6.38)
From total loss for the year		**(15.59)**	(11.11)
Loss for the year		**(2,542)**	(1,465)
Other comprehensive income:			
Exchange difference on translating foreign operations		**-**	2
Other comprehensive income for the year		**-**	2
Total comprehensive expense for the year attributable to the equity holders of the parent		**(2,542)**	(1,463)

The comparative Statement of Comprehensive Income has been restated in order to present the results of continuing operations and discontinued operations separately with no change in the overall loss for the year.

Notes to the financial statements are from pages 33 to 57.

Consolidated Balance Sheet
at 30 June 2020

	Note	30 June 2020 £'000	2020 £'000	30 June 2019 £'000	2019 £'000
Non current assets					
Property, plant and equipment	11	**290**		529	
Intangible assets	13	**844**		946	
			1,134		1,475
Current assets					
Inventories	16	**63**		566	
Corporation tax	10	**175**		-	
Trade and other receivables	17	**1,677**		789	
Cash and cash equivalents	18	**1,193**		2,647	
			3,108		4,002
Total assets			**4,242**		5,477
Current liabilities					
Trade and other payables	19	**(854)**		(604)	
Borrowings	20	**(976)**		-	
Lease liabilities	21	**(61)**		-	
Current tax liabilities		**-**		(55)	
Provisions	22	**-**		(70)	
			(1,891)		(729)
Non current liabilities					
Lease liabilities	21		**(168)**		-
Total liabilities			**(2,059)**		(729)
Net assets			**2,183**		4,748
Equity					
Issued share capital	24		**5,451**		5,451
Share premium			**2,591**		2,591
Translation reserve			**-**		23
Share based payments			**41**		41
Accumulated loss			**(5,900)**		(3,358)
Total equity			**2,183**		4,748

These financial statements were approved by the Board of Directors and authorised for issue on 19 October 2020 and were signed on its behalf by:

N F Rogers
Chairman

M Segal
Chief Financial Officer

Notes to the financial statements are from pages 33 to 57.

Company Balance Sheet
at 30 June 2020

	Note	30 June 2020 £'000	2020 £'000	30 June 2019 £'000	2019 £'000
Non current assets					
Property, plant and equipment	12	**290**		502	
Intangible assets	13	**844**		946	
Investments	14	**-**		61	
			1,134		1,509
Current assets					
Inventories	16	**63**		562	
Corporation tax		**175**		-	
Trade and other receivables	17	**1,677**		938	
Cash and cash equivalents	18	**1,193**		2,585	
			3,108		4,085
Total assets			**4,242**		5,594
Current liabilities					
Trade and other payables	19	**(854)**		(551)	
Borrowings	20	**(976)**		-	
Lease liabilities	21	**(61)**		-	
Current tax liabilities		**-**		(41)	
Provisions	22	**-**		(70)	
			(1,891)		(662)
Non current liabilities					
Lease liabilities	21		**(168)**		-
Total liabilities			**(2,059)**		(662)
Net assets			**2,183**		4,932
Equity					
Issued share capital	24		**5,451**		5,451
Share premium			**2,591**		2,591
Share based payments			**41**		41
Accumulated loss			**(5,900)**		(3,151)
Total equity			**2,183**		4,932

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006. The loss after tax for the year of the Parent Company was £2,749,000 (2019: £1,416,000).

These financial statements were approved by the Board of Directors and authorised for issue on 19 October 2020 and were signed on its behalf by:

N F Rogers
Chairman

M Segal
Chief Financial Officer

Notes to the financial statements are from pages 33 to 57.

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 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**
Comprehensive income for the year:						
Loss for the year	-	-	-	-	(2,542)	(2,542)
Other comprehensive income for the year:						
Currency movement on subsidiary reserves	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(2,542)**	**(2,542)**
Translation reserve recycled on disposal	**-**	**-**	(23)	-	-	(23)
Balance at 30 June 2020	**5,451**	**2,591**	**-**	**41**	**(5,900)**	**2,183**

Company	Share capital £'000	Share premium £'000	Share based payments £'000	Cumulative losses £'000	Total equity £'000
Balance at 1 July 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**
Comprehensive income for the year:					
Loss for the year	-	-	-	(2,749)	(2,749)
Total comprehensive income for the year	-	-	-	**(2,749)**	**(2,749)**
Balance at 30 June 2020	**5,451**	**2,591**	**41**	**(5,900)**	**2,183**

Notes to the financial statements are from pages 33 to 57.

Consolidated and Company Cash Flow Statement

For the year ended 30 June 2020

		Group		Company	
		Year ended 30 June 2020	Year ended 30 June 2019	**Year ended 30 June 2020**	Year ended 30 June 2019
	Note	**£'000**	£'000	**£'000**	£'000
Loss from operations		**(2,542)**	(1,465)	**(2,749)**	(1,416)
Adjustments for:					
Taxation	10	**(171)**	(266)	**(175)**	(283)
Loss on disposal of trade and assets		**72**	-	**54**	-
Net financial expense/(income)	7	**9**	(2)	**12**	(2)
Depreciation	11,12	**538**	369	**530**	362
Loss on disposal of fixed assets		**18**	-	**17**	-
Impairment of investments		**-**	-	**3**	-
Amortisation and impairment of intangible assets	13	**504**	396	**504**	396
Operating cash flows before movements in working capital		**(1,572)**	(968)	**(1,804)**	(943)
(Increase)/decrease in receivables	17	**(177)**	(91)	**13**	(114)
Increase in payables	19	**477**	247	**225**	284
(Increase)/decrease in inventories	16	**(582)**	119	**(586)**	97
Cash used in operations		**(1,854)**	(693)	**(2,152)**	(676)
Taxation (paid)/received		**(4)**	266	**-**	283
Net cash (used in)/generated from operations		**(1,858)**	(427)	**(2,152)**	(393)
Investing activities					
Interest received	7	**8**	2	**5**	2
Acquisitions of property, plant and equipment	11,12	**(764)**	(424)	**(760)**	(420)
Acquisitions of intangible assets	13	**(513)**	(433)	**(513)**	(433)
Investment in subsidiary	14	**-**	-	**(5)**	-
Proceeds from disposal of trade and assets (net of cash disposed of)	15	**772**	-	**1,132**	-
Net cash used in investing activities		**(497)**	(855)	**(141)**	(851)
Financing activities					
Proceeds from issue of equity share capital	24	**-**	2,335	**-**	2,335
Loans advanced		**1,585**	-	**1,585**	-
Loans repaid		**(609)**	-	**(609)**	-
Interest paid		**(17)**	-	**(17)**	-
Payment of lease liabilities		**(58)**	-	**(58)**	-
Net cash from financing activities		**901**	2,335	**901**	2,335
Net (decrease) / increase in cash and cash equivalents		**(1,454)**	1,053	**(1,392)**	1,091
Unrealised currency translation gain		**-**	2	**-**	-
Cash and equivalents at the beginning of year		**2,647**	1,592	**2,585**	1,494
Cash and equivalents at the end of year	18	**1,193**	2,647	**1,193**	2,585

Notes to the financial statements are from pages 33 to 57.

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 2020 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 20.

These financial statements are presented in pounds sterling, in round thousands, 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 2020 the Group had net cash balances of £1.19m (2019: £2.65m). 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 June 2023, including plausible downside sensitivities that might arise in respect of the impact of Covid-19 and the current economic conditions, and consider that there are sufficient cash resources available in this period in which reaching a break-even level of revenues is expected to occur, 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 2019

IFRS 16 was adopted for the first time this year and the impact is set out in note 25. 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.

There are no new standards, interpretations and amendments that are in issue but not yet effective which are expected to have a material effect on the Company's or Group's future Financial Statements.

Notes to the financial statements (continued)

4 Accounting policies (continued)

Significant accounting judgements and sources of estimation uncertainty

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

- Determining when intangible assets are impaired is a judgement which requires an estimate of the value in use of the asset based on management's best estimate of the future cash flows that the assets are expected to generate. This also requires significant judgement as there are limited historical cash flows on which to base the future cash flows. 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 a substantial amount of developments costs as the new iTrack is a significant improvement on the original iTrack model. Following the licence granted to ATMS Technologies Limited in June 2020 it is unlikely that there will be any further development costs incurred by Transense as the iTrack product has reached a level of maturity.
- It was concluded last year that the ongoing development cost of the iTrack II system will remain focused on the current version and not the next iteration and that iTrack II continues to have a useful life. Management therefore concluded that the cost should be amortised over 3 years, from the date the cost has been incurred. This policy will be amended in the next set of accounts following the 10 year licence granted to ATMS in June 2020.
- As the deferred shares have limited distribution and capital rights, it is management's judgement that they are to be considered equity rather than debt.

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 2020. Following the disposal of the trading subsidiaries in June 2020, there is no difference between the Company's and Group balance sheets.

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.

Discontinued operations

In the event of a sale of a material element of the Group's operations in the year or where it is held for sale with a committed disposal plan at the year end, in the Statement of Comprehensive Income revenue, costs of sales, expenses and tax represent only continued operations and discloses the net trading result from discontinued operations and the gain or loss on disposal in one line of the statement. The comparative results for the prior period are also restated on this basis with the summarised revenue statement and gain or loss on disposal disclosed in the notes together with an analysis of the disposal assets and liabilities and consideration received.

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;
- 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; and
- 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 had two reportable segments being the unique trading divisions, SAW and Translogik, which make use of technology developed by the Group to measure and record temperature, pressure and torque. In prior year financial statement disclosures, the Translogik segment included the material iTrack results. A decision was made to sell the iTrack trade to Bridgestone and enter into a licence agreement to receive future royalties. As a consequence of the focus on the impact of this, Translogik now includes only continuing activity and the discontinued iTrack activity has been shown as a separate segment.

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

Information regarding the Group's segments is included in the 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. Until the end of the June 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, under IFRS 16, leases are recognised as right-of-use assets, presented as a separate category within tangible fixed assets, and a corresponding lease liability from the date at which the leased asset is available for use by the company.

Notes to the financial statements (continued)

4 Accounting policies (continued)

Assets and liabilities arising from a lease are initially measured at the present value of the lease payments and payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal, presented as a separate category within liabilities, and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs.

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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 form 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 as the development of iTrack II is ongoing the policy was changed to write off all expenditure over 3 years from the date of the expenditure. Following the 10 year IP licence granted to the Bridgestone Corporation subsidiary ATMS Limited in June 2020, the amortisation policy with effect from 1 July 2020 will be to amortise the remaining net book value over the life of the licence.

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

Notes to the financial statements (continued)

4 Accounting policies (continued)

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.

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

From 1 July 2019 IFRS 16 was applied with additional right-of-use-assets and related liabilities recognised as set out in the property, plant and equipment policy note for the property lease. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets continue to be recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Until 30 June 2019 all operating lease payments were subject to this policy, subject to spreading the benefit of lease incentives straight line over the life 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.

Notes to the financial statements (continued)

4 Accounting policies (continued)

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.

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 of 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 arise 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 the Statement of Comprehensive Income.

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.

Notes to the financial statements (continued)

4 Accounting policies (continued)

Trade receivables

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

Trade payables

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

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

IAS17 was applied until 1 July 2019 when IFRS 16 was adopted. Leases were classified as finance leases whenever the terms of the contract transferred substantially all the risk and rewards of ownership to the lessee. All other contracts were classified as operating leases.

Equity and reserves

Share capital represents the nominal value of shares that have been issued. Share premium represents the excess consideration received over the nominal value of share capital upon the issue of shares, less any costs of issue.

The accumulated loss includes all current and prior period retained net losses.

The share based payment reserve represents the accumulated amount arising from crediting equity share based payment charges included in the statement of comprehensive income.

5 Revenue and segmental reporting

The tables below set out the Group's revenue split and operating segments. These disclose information for continuing operations and in view of their relative size, information for discontinued operations. The disposal of iTrack operations will result in future royalty income replacing direct sales income and costs.

Revenue

	Year ended 30 June 2020 Continuing £'000	**Year ended 30 June 2020 Discontinued £'000**	Year ended 30 June 2019 Continuing £'000	Year ended 30 June 2019 Discontinued £'000
North America	**282**	**235**	274	469
South America	**83**	**793**	54	616
Australia	**5**	**479**	1	397
UK and Europe	**148**	**-**	192	-
Rest of the World	**85**	**201**	75	148
	603	**1,708**	596	1,630

Notes to the financial statements (continued)

5 Revenue and segmental reporting (continued)

Segments

Year ended 30 June 2020	**Translogik £'000**	**SAW £'000**	**Discontinued £'000**	**Unallocated £'000**	**Total £'000**
Sales	**510**	**93**	**1,708**	**-**	**2,311**
Gross profit	**249**	**83**	**1,380**	**-**	**1,712**
Other income	**-**	**118**	**-**	**-**	**118**
Overheads	**(121)**	**(783)**	**(2,759)**	**(799)**	**(4,462)**
Operating profit/(loss)	**128**	**(582)**	**(1,379)**	**(799)**	**(2,632)**
Net financial expense	**-**	**-**	**3**	**(12)**	**(9)**
Loss on disposal	**-**	**-**	**(72)**	**-**	**(72)**
Taxation	**-**	**-**	**(4)**	**175**	**171**
Profit/(loss) for the year	**128**	**(582)**	**(1,452)**	**(636)**	**(2,542)**

EBITDA reconciliation	**Discontinued £'000**	**Continuing £'000**	**Total £'000**
Operating loss	**(1,379)**	**(1,253)**	**(2,632)**
Depreciation, amortisation and impairment	**470**	**572**	**1,042**
EBITDA	**(909)**	**(681)**	**(1,590)**

Year ended 30 June 2019	Translogik £'000	SAW £'000	Discontinued £'000	Unallocated £'000	Total £'000
Sales	476	120	1,630	-	2,226
Gross profit	263	113	1,415	-	1,791
Other income	-	79	-	-	79
Overheads	(72)	(472)	(2,022)	(1,037)	(3,603)
Operating profit/(loss)	191	(280)	(607)	(1,037)	(1,733)
Net financial income	-	-	-	2	2
Taxation	-	-	(17)	283	266
Profit/(loss) for the year	191	(280)	(624)	(752)	(1,465)

EBITDA reconciliation	Discontinued £'000	Continuing £'000	Total £'000
Operating loss	(607)	(1,126)	(1,733)
Depreciation, amortisation and impairment	339	426	765
EBITDA	(268)	(700)	(968)

Notes to the financial statements (continued)

5 Revenue and segmental reporting (continued)

During the year ended 30 June 2020 there were 2 (2019: 1) customers whose turnover accounted for more than 10% of the Group's total continuing revenue as follows:

Year ended 30 June 2020	**Revenue £'000**	**Percentage of total**
Customer A	**93**	**15**
Customer B	**66**	**11**

Year ended 30 June 2019	Revenue £000	Percentage of total
Customer A	169	28%
Customer B	35	6%

Discontinued revenue includes Bridgestone as a customer, who have now acquired the iTrack business and which is expected through royalties to contribute in excess of 10% of future revenues.

All non-current assets are held in the UK (2019: all UK with the exception of some property, plant and equipment of £0.04m which was held in China and Chile).

6 Expenses and auditor's remuneration

Included in the loss are the following:

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Depreciation of property, plant and equipment	**538**	369
Amortisation of intangible assets	**366**	396
Impairment of intangible assets	**138**	-
Loss on disposal of tangible fixed assets	**18**	-
Operating lease rentals payable – land and buildings	**-**	66
Loss/(gain) on foreign exchange transactions	**30**	(12)

Auditors' remuneration for the Group and Company:

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Audit of these financial statements	**39**	36
Fees payable for tax compliance services	**4**	4
Fees for payable for tax advisory services	**-**	8
Fees payable for tax research and development services	**5**	4

7 Finance income and expense

Recognised in statement of comprehensive income

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Finance income	**5**	2
Finance expense	**(17)**	-

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 2020	Year ended 30 June 2019	**Year ended 30 June 2020**	Year ended 30 June 2019
Management and technical	**24**	17	**21**	14
Administration	**9**	9	**2**	2
Non-Executive Directors	**2**	2	**2**	2
	35	28	**25**	18

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

	Group		Company	
	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000	**Year ended 30 June 2020 £'000**	Year ended 30 June 2019 £'000
Wages and salaries	**1,532**	1,599	**1,453**	1,290
Share based payments (note 23)	**-**	-	**-**	-
Social security costs	**199**	174	**182**	156
Contributions to defined contribution pension plan	**41**	31	**41**	31
	1,772	1,804	**1,676**	1,477

The potential share based payment charge in respect of share options in the year was £2,000 (2019: £4,000) however due to the small size of the charge no expense was included in these accounts.

9 Directors' remuneration

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Directors' emoluments	**501**	394
Directors' bonuses	**90**	105
Directors' benefits	**21**	17
	612	516
Employers national insurance	**73**	64
Share based payments (note 23)	**-**	-

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £180,410 (2019: £200,643). No company pension contributions were made to a money purchase scheme on his behalf (2019: 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 (2019: nil).

The number of Directors accruing retirement benefits under money purchase schemes in the year was nil (2019: nil).

The number of Directors who exercised share options in the year was nil (2019: 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 (2019: nil).

The potential share based payment charge in respect of Directors share options in the year was £nil (2019: £3,000) however due to the small size of the charge no expense was included in these accounts.

10 Taxation

Recognised in the statement of comprehensive income in respect of continuing operations

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 restated £'000
Current tax expense		
Current year	**-**	-
Adjustment for previous year	**(175)**	(283)
Tax credit in statement of comprehensive income	**(175)**	(283)

Reconciliation of effective tax rate

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 restated £'000
Loss before tax from continuing operations	**(1,265)**	(1,124)
Tax calculated at the average standard UK corporation tax rate of 19.00% (2019: 19:00%)	**(240)**	(214)
Expenses not deductible for tax purposes	**2**	12
Additional deduction for R&D expenditure	**(145)**	(120)
Current year losses for which no deferred tax asset was recognised	**383**	288
Adjustment to deferred tax average rate of 19%	**-**	34
Prior year adjustment	**(175)**	(283)
Total tax credit	**(175)**	(283)
A deferred tax asset has not been recognised in respect of the following item:		
Tax losses and other timing differences	**4,416**	3,760

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 £23.2m (2019: £20.7m), 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 Finance Act 2020 maintained the rate of UK Corporation Tax at 19%.

The effective tax rate used to calculate the current tax for the year ended 30 June 2020 was 19.00% (2019: 19.00%). Unrecognised deferred tax balances at 30 June 2020 have been calculated using a rate of 19% (2019: 17%) as this is now the enacted rate for future periods.

Notes to the financial statements (continued)

11 Property, plant and equipment – Group

	Right-of-use-property assets £'000	iTrack Equipment £'000	Plant and Equipment £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost						
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
Balance at 1 July 2019	-	868	554	111	26	1,559
On transition to IFRS 16 (note 25)	272	-	-	-	-	272
Reclassification	-	-	(72)	72	-	-
Additions	-	641	50	68	5	764
Disposals	-	(1,509)	(128)	(77)	(21)	(1,735)
Balance at 30 June 2020	**272**	**-**	**404**	**174**	**10**	**860**
Depreciation and impairment						
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
Balance at 1 July 2019	-	490	485	38	17	1,030
Reclassification	-	-	(71)	71	-	-
Depreciation charge for the year	57	411	40	26	4	538
Disposals	-	(901)	(69)	(17)	(11)	(998)
Balance at 30 June 2020	**57**	**-**	**385**	**118**	**10**	**570**
Net book value						
At 1 July 2018	-	309	66	87	12	474
At 1 July 2019	-	378	69	73	9	529
At 30 June 2020	**215**	**-**	**19**	**56**	**-**	**290**

The depreciation charge is recognised in the following line items in the Statement of Comprehensive Income:

	2020 £'000	2019 £'000
Administrative expenses – continuing operations	**90**	41
Loss on discontinued operations	**448**	328
	538	369

Notes to the financial statements (continued)

12 Property, plant and equipment – Company

	Right-of-use-property assets £'000	iTrack Equipment £'000	Plant and equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost						
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
Balance at 1 July 2019	-	868	534	105	10	1,517
On transition to IFRS 16 (note 25)	272	-	-	-	-	272
Reclassification	-	-	(72)	72	-	-
Additions	-	641	46	68	5	760
Disposals	-	(1,509)	(104)	(71)	(5)	(1,689)
Balance at 30 June 2020	**272**	**-**	**404**	**174**	**10**	**860**
Depreciation and impairment						
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
Balance at 1 July 2019	-	490	480	35	10	1,015
Reclassification	-	-	(71)	71	-	-
Depreciation charge for the year	57	411	36	25	1	530
Disposals	-	(901)	(60)	(13)	(1)	(975)
Balance at 30 June 2020	**57**	**-**	**385**	**118**	**10**	**570**
Net book value						
At 1 July 2018	-	309	52	83	-	444
At 1 July 2019	-	378	54	70	-	502
At 30 June 2020	**215**	**-**	**19**	**56**	**-**	**290**

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 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
Balance at 1 July 2019	50	1,847	1,916	87	3,900
Additions	-	79	381	53	513
Disposals	-	(957)	-	(140)	(1,097)
Balance at 30 June 2020	**50**	**969**	**2,297**	**-**	**3,316**
Amortisation and impairment					
Balance at 1 July 2018	-	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
Balance at 1 July 2019	-	1,305	1,637	12	2,954
Reclassification	-	-	4	(4)	-
Amortisation for the year	-	154	209	3	366
Impairment in the year	-	120	-	18	138
Disposals		(957)	-	(29)	(986)
Balance at 30 June 2020	**-**	**622**	**1,850**	**-**	**2,472**
Net book value					
At 1 July 2018	50	550	309	-	909
At 1 July 2019	50	542	279	75	946
At 30 June 2020	**50**	**347**	**447**	**-**	**844**

Amortisation and impairment charge

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

	2020 £'000	2019 £'000
Administrative expenses – continuing operations	**482**	384
Loss on discontinued operations	**22**	12
	504	396

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 was 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 £0.38m (2019: £0.25m). 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 £0.06m (2019: £0.05m).

Impairment testing

Impairment testing has been performed in accordance with the provisions of IAS 36, 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 the period to June 2023 based on currently contracted income levels and which support the carrying value of 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%

	Company
	£'000
Cost	
At 1 July 2018 and 2019	61
Additions	5
Disposals in year ended 30 June 2020	(63)
	3
Impairment	
Impairment in the year and at 30 June 2020	3
Net book value	
At 30 June 2018 and 2019	61
At 30 June 2020	**-**

The following investments were included in the Company balance sheet at 30 June 2019. They were disposed of during 2020 and the net asset value was realised from the disposals on 24 June 2020.

	Company	
	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Transense K.K.	**-**	3
Transense Technologies Chile SPA	**-**	53
Translogik South Africa Pty Ltd	**-**	5
	-	61

Notes to the financial statements (continued)

15 Disposal of subsidiaries, trade and assets of iTrack business

On 24 June 2020, the Company granted an exclusive worldwide licence (the "Licence") to ATMS Technology Limited ("ATMS"), a newly-formed wholly owned subsidiary of Bridgestone, covering all current and future iTrack technology for a period of ten years. In order to capitalise fully on the market potential of the use of the technology, the operational business and trading assets relating to the iTrack system, including the shareholdings in the Company's subsidiaries in Chile and South Africa, have been transferred to ATMS at a fair value which largely equated to the net asset value. Approximately 50 % of the consideration was received at completion by the Company with the remaining £1.24m included in other receivables and all received in August and September 2020. The Company also repaid $0.75m of the loan previously advanced by Bridgestone in June 2020 with the remaining $1.2m repaid post year end in August 2020.

The assets and liabilities disposed of were as follows:

	£'000
Property plant and equipment	720
Intangible assets	111
Inventories	1,085
Trade and other receivables	508
Cash (held by subsidiaries)	361
Trade and other payables	(320)
Net assets	2,465
Consideration in cash at completion	1,313
Consideration on agreement of completion accounts	1,237
Foreign exchange reserve recycled through the Statement of Comprehensive Income	23
	2,573
Net assets disposed of	(2,465)
Legal and professional fees in respect of the sale	(180)
Loss on disposal of trade and assets	(72)

The cash flows from the discontinued operations were:

	Group		Company	
	Year ended 30 June 2020	Year ended 30 June 2019	**Year ended 30 June 2020**	Year ended 30 June 2019
	£'000	£'000	**£'000**	£'000
Operating cash flows	**(1,333)**	(332)	**(1,672)**	(152)
Investing cash flows	**(560)**	(401)	**(560)**	(401)
Financing cash flows	**976**	-	**976**	-
Total net cash outflows	**(917)**	(733)	**(1,256)**	(553)

Notes to the financial statements (continued)

16 Inventories

	Group		Company	
	30 June 2020 £'000	30 June 2019 £'000	**30 June 2020 £'000**	30 June 2019 £'000
Raw materials	**33**	176	**33**	176
Finished goods	**30**	390	**30**	386
	63	566	**63**	562

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year ended 30 June 2020 amounted to £0.32m (2019: £0.43m). Inventories are stated net of impairment provisions of £0.008m (2019: £0.058m).

17 Trade and other receivables

	Group		Company	
	30 June 2020 £'000	30 June 2019 £'000	**30 June 2020 £'000**	30 June 2019 £'000
Amounts falling due within one year				
Trade receivables	**142**	511	**142**	397
Expected credit losses	**(1)**	(30)	**(1)**	(30)
	141	481	**141**	367
Other receivables	**1,437**	99	**1,437**	95
Amounts due from group undertakings	**-**	-	**-**	308
Accrued income	**-**	64	**-**	23
Prepayments	**99**	145	**99**	145
	1,677	789	**1,677**	938

As at 30 June 2020 there were no past due but not impaired trade receivables (2019: no past due but not impaired).

18 Cash and cash equivalents

	Group		Company	
	30 June 2020 £'000	30 June 2019 £'000	**30 June 2020 £'000**	30 June 2019 £'000
Cash and cash equivalents per balance sheet	**1,193**	2,647	**1,193**	2,585
Cash and cash equivalents per cash flow statements	**1,193**	2,647	**1,193**	2,585

Notes to the financial statements (continued)

19 Trade and other payables

	Group		Company	
	30 June 2020 £'000	30 June 2019 £'000	**30 June 2020 £'000**	30 June 2019 £'000
Current				
Trade payables	**488**	205	**488**	201
Non-trade payables and accrued expenses	**366**	379	**366**	330
Deferred grant income	**-**	20	**-**	20
	854	604	**854**	551

20 Borrowings

	Group		Company	
	30 June 2020 £'000	30 June 2019 £'000	**30 June 2020 £'000**	30 June 2019 £'000
Current				
Loans (see note 15)	**976**	**-**	**976**	-

21 Lease liabilities

	Group		Company	
	30 June 2020 £'000	30 June 2019 £'000	**30 June 2020 £'000**	30 June 2019 £'000
Current				
Amounts due in less than one year	**61**	-	**61**	-
Non-current				
Amounts due in one to five years	**168**	-	**168**	
	229	-	**229**	

22 Provisions

	Group and Company Provisions	
	Warranty £'000	**Total £'000**
At 1 July 2019	**70**	**70**
Credited to statement of comprehensive income	**(70)**	**(70)**
At 30 June 2020	**-**	**-**

The warranty provision represented management's best estimate of the Group's liabilities under warranties granted on its iTrack products. This has been released following disposal of the trade and related obligations.

	Group and Company Provisions	
	Warranty £'000	**Total £'000**
At 30 June 2019	70	70
At 30 June 2020	**-**	**-**

Notes to the financial statements (continued)

23 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 2020 was £0.04m (2019: £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 and risk-free interest rate depends on the date of grant as shown in the tables below. There is 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 £2,000 (2019: £4,000) however due to the small size of the charge no expense was included in these accounts (2019: £nil included).

Unapproved Discretionary Share Option Scheme

At 30 June 2020 the following share options remained outstanding under the Company's Unapproved Discretionary Share Option Scheme.

Number of Options					***Option Price***	***Date of Grant***	***Date of Exercise***	
1 July 2019	Granted	Cancelled/ Expired	Exercised	30 June 2020			***First***	***Last***
127,285	-	-	-	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
-	50,000	-	-	50,000	£0.75	13.08.19	12.08.21	12.08.29
-	474,000	-	-	474,000	£0.62	25.06.20	24.06.23	24.06.30

Notes to the financial statements(continued)

23 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
13.08.19	£0.1093	£0.61	£0.75	52.40%	3.00	1.50%	Nil
25.06.20	£0.1568	£0.62	£0.62	52.40%	3.00	1.50%	Nil

Enterprise Management Incentive Option Scheme

At 30 June 2020, the following shares remained outstanding under an Enterprise Management Incentive Option Scheme.

Number of Options					*Option Price*	*Date of Grant*	*Date of Exercise*	
1 July 2019	Granted	Cancelled	Exercised	30 June 2020			*First*	*Last*
375,000	-	(266,000)	-	109,000	£0.75	26.06.17	30.06.18	30.06.21
270,000	-	(220,000)	-	50,000	£1.00	26.06.17	30.06.20	30.06.27
20,000	-	(15,000)	-	5,000	£0.75	26.06.17	30.06.20	30.06.27
-	910,000	(732,000)	-	178,000	£0.75	13.08.19	12.08.21	12.08.29
-	539,000	-	-	539,000	£0.62	25.06.20	24.06.23	24.06.30

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
13.08.19	£0.1093	£0.61	£0.75	52.40%	3	1.50%	Nil
25.06.20	£0.1107	£0.62	£0.62	52.40%	3	1.50%	Nil

Notes to the financial statements (continued)

24 Share capital

Issued share capital	Ordinary shares of 10 pence each 30 June 2020	30 June 2019	Deferred shares of 40 pence each 30 June 2020	30 June 2019
In issue at 1 July 2019	**16,307,282**	12,048,948	**9,548,948**	9,548,948
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	**-**	-
In issue at 30 June 2020 – fully paid	**16,307,282**	16,307,282	**9,548,948**	9,548,948

	30 June 2020 £'000	30 June 2019 £'000
Allotted, called up and fully paid		
Ordinary shares of £0.10 each	**1,631**	1,631
Deferred shares of £0.40 each	**3,820**	3,820
Shares classified as equity	**5,451**	5,451

The deferred shares are non-voting, have no dividend rights and a right to capital only after each ordinary share has received a return of £10m.

There are also 96,392 warrants in place exercisable at £0.50 per share expiring 22 December 2020 and 130,458 warrants exercisable at £0.60 per share expiring 13 September 2021.

25 Operating leases and transition to IFRS 16

Non-cancellable operating lease rentals are payable as follows:

	Group and Company			
	Land & Buildings 30 June 2020 £'000	**Other Lease 30 June 2020 £'000**	Land & Buildings 30 June 2019 £'000	Other Lease 30 June 2019 £'000
Within less than one year	**-**	**-**	73	-

The operating lease relates to the lease of premises which is used by the Group and Company. Following the adoption of IFRS 16 these commitments are now included in lease liabilities at 30 June 2020. During the period £0.07m was recognised as an expense in the statement of comprehensive income in respect of operating leases related to discontinued operations (2019: £0.07m for all operations).

On transition to IFRS 16 at 1 July 2019, the group has adopted the modified approach whereby the net present value of the remaining property lease payments at this date of £287,000 are recognised as the opening liability with an equal right-of-use asset of £272,000 as adjusted for prepaid rent and unamortised lease incentives depreciated over the remaining lease period. This represents the remaining 54 months of the lease amounting to £329,000 discounted by £42,000 at the assessed incremental borrowing rate of 6% (compared to the minimum contractual commitment at 30 June 2019 of £73,000 with the benefit of a potential break option which was not exercised). Depreciation of £57,000 has been charged in respect of the asset for the year and finance charges of £16,000 compared with £67,000 of rent that would have been charged under the previous basis, an increase of £6,000 in the total charges included in the Statement of Comprehensive Income. The comparatives for the year ended 30 June 2019 have not been adjusted and are prepared in accordance with IAS17.

Notes to the financial statements (continued)

26 Basic and fully diluted loss per share

Basic loss per share is calculated by dividing the loss by the weighted average number of ordinary shares in issue during the year of 16,307,282 (2019: 13,184,581). 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 2020	Year ended 30 June 2019
	Number	Number
Weighted average number of shares – basic	**16,307,282**	13,184,581
Share option adjustment	**-**	-
Weighted average number of shares – diluted	**16,307,282**	13,184,581

	Year ended 30 June 2020	Year ended 30 June 2019
	£'000	£'000
Loss from continuing operations	**(1,090)**	(841)
Loss from discontinued operations	**(1,452)**	(624)
	(2,542)	(1,465)
Basic loss per share from continuing operations	**(6.68)**	(6.38)
Basic loss per share from discontinued operations	**(8.91)**	(4.73)
Basic loss per share	**(15.59)**	(11.11)

There are 1,544,085 share options and 226,850 warrants in place at 30 June 2020 (2019: 804,085 and 226,850 respectively) that are not included within diluted earnings per share because they are anti-dilutive.

27 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 credit. liquidity and market risks, the companies' objectives, policies and processes for measuring and managing risk, and the companies' management of capital.

Notes to the financial statements (continued)

27 Financial instruments (continued)

Liquidity risk

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

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has a cash balance at period end totalling £1.19m (2019: £2.65m). Note 3 states that the Directors consider there to be sufficient cash resources for the period to June 2023 in which reaching a break even level is expected to occur and that the Group remains a going concern. The Group has no external borrowing other than property lease liabilities arising under IFRS 16 and finances investment in 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

A change of 100 basis points in interest rates at the reporting date would not have created any material change in the Statement of Comprehensive Income for 2020 or 2019. Interest rates are currently low and markets are not predicting any significant increases in the medium term.

The Directors consider that the Group's exposure to interest rates is low (2019: 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.

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 Statement of Comprehensive Income.

	Euro	US Dollar	Australian Dollar	British Pound
Functional currency of Group operation	**£'000**	**£'000**	**£'000**	**£'000**
Sterling	115	643	(39)	-
Chilean Peso	-	49	-	-
South African Rand	-	-	-	5
At 30 June 2019	115	692	(39)	5
Sterling	9	87	-	-
At 30 June 2020	**9**	**87**	**-**	**-**

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.

Notes to the financial statements (continued)

27 Financial instruments (continued)

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

	30 June 2020 £000	30 June 2019 £000
Financial assets held at amortised cost		
Trade receivables	**141**	481
Other receivables	**1,273**	-
Accrued income	**-**	64
Cash and cash equivalents	**1,193**	2,647
	2,607	3,192
Financial liabilities held at amortised cost		
Trade payables	**488**	205
Borrowings	**976**	-
Lease liabilities	**229**	-
Accruals	**315**	319
Financial liabilities at amortised cost	**2,008**	524

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 Board considers it important that the Company has the flexibility to pay dividends and make other returns of capital to shareholders when appropriate and desirable to do so. This will, however, require certain actions relating to the current capital structure of the Company. Accordingly, the Board will bring forward proposals at the forthcoming Annual General Meeting to cancel all outstanding deferred shares, and the amount standing to the credit of the share premium account. The Group is not subject to externally imposed capital requirements.

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 receivable credit exposure was £0.58m (2019: £0.48m) 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 2020 the Group's cash was divided between current accounts £0.13m (2019: £0.47m) and £1.06m in fixed rate monthly deposits (2019: £2.18m) with a weighted average interest rate for the year of 0.1% (2019: 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.

Notes to the financial statements (continued)

27 Financial Instruments (continued)

Maturity Analysis

The maturity of the lease liabilities including financing charges is as follows

	Group		Company	
	30 June 2020 £'000	30 June 2019 £'000	**30 June 2020 £'000**	30 June 2019 £'000
In less than one year	**73**	-	**73**	-
In one to two years	**73**	-	**73**	-
In two to five years	**109**	-	**109**	-
	255	-	**255**	-

Reconciliation of movements in total financing liabilities

	Group £'000	Company £'000
At 1 July 2018 and 30 June 2019	**-**	**-**
Lease liabilities on transition to IFRS16	**287**	**287**
Interest accrued	**16**	**16**
Payments of lease liabilities in the year	**(58)**	**(58)**
Loans advanced	**1,585**	**1,585**
Loan repaid	**(609)**	**(609)**
Interest paid in the year	**(16)**	**(16)**
Total financing liabilities at 30 June 2020	**1,205**	**1,205**

28 Contingencies and commitments

Group
The Group had no capital commitments or contingent liabilities as at 30 June 2020 (2019: £nil).

Company
The Company has no capital commitments or contingent liabilities as at 30 June 2020 (2019: £nil).

29 Related parties

Group
The compensation of key management personnel (considered to be the Directors) is shown in note 9.

The Company leased a property owned by D Ford and G Storey-Macintosh's pension fund at a cost of £33,331 for the period from 1 September 2019 to 24 June 2020 (when they were Directors of the Company) and the lease was then assigned to ATMS Limited.

In the opinion of the Directors, there is no one individual controlling party of the Company.