transense technologies plc

Registered number 01885075

Annual report and financial statements

For the year ended 30 June 2021

Contents

Directors and advisers

Directors

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

1 Member of the Audit and Risk Committee

2 Member of the Remuneration Committee

Company Secretary and Registered Office

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Auditor

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Bankers

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1 Sheep Street
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Nominated Adviser & Broker

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B62 8HD

Registration Number 01885075

Financial Highlights

- Revenues from continuing operations up threefold to £1.77m (2020: £0.60m)
- iTrack Royalty Income annualised run rate up 97% in USD terms from initial annual rate
- Gross margin increased to 78.3% (2020: 55.1%)
- Loss before taxation from continuing operations of £0.16m (2020: £1.27m)
- Profit for the year of £0.16m (2020: loss of £2.54m)
- Earnings per share of 0.96 pence (2020: loss of 15.6 pence)
- Cash and cash equivalents at year end of £1.05m (2020: £1.19m)
- Distributable reserves at year end of £0.63m (2020: deficit of £5.90m)
- Corporation tax losses available for future offset of £23m (2020: £23m)

Chairman's statement for the year ended 30 June 2021

I am pleased to report on considerable progress made at Transense following the transformational changes brought about by the licensing of our iTrack technology and the disposal of the iTrack operational business to Bridgestone Corporation in June 2020. In many respects this represented a fresh start for the Company, and has given us the opportunity to build firm foundations for future growth.

Financial overview

Revenue from continuing operations increased almost threefold over the prior year, which taken together with a net performance just above breakeven resulted in Transense closing the year in line with the upgraded expectations set at the time of our interim results release in February 2021. This favourable outcome, coupled with improved prospects, has enabled the Company to begin to recognise deferred tax assets in respect of prior years' losses. In consequence, earnings per share and distributable reserves at the end of the year each exceeded expectations.

Cash generation from operations was broadly in line with profits, and the closing net cash position provides ample headroom to meet the future needs of the business.

Strategic overview

The overarching strategy of the Company is to develop innovative solutions for niche applications, using our range of technologies. These are guided through early stage commercial startup, achieving realisation by forging relationships with market leading partners as customers, licensees or acquirers.

This business model led to the successful exit from our iTrack business with an associated licence to Bridgestone Corporation in June 2020. The growth in royalties achieved in the first year confirms our view that this transaction structure optimises our return on the investment made in iTrack, whilst substantially de-risking the continuing business model.

The commercialisation of our Translogik range of hand-held tyre measurement tools has been accelerated by the launch of the modular TLGX range during the year, generating strong revenue growth and upgrades in our expectations. This business segment delivers healthy gross margins and, with a lean overhead structure, it is both profitable and cash generative. We are committed to continued development of this business stream, working closely with a number of major customers to refine the product road map and further increase market penetration through integration into their fleet tyre management systems.

Our patented Surface Acoustic Wave (SAW) technology is well proven in meeting the demanding requirements of low volume high reliability applications. Renewed commercial focus has been aimed towards new market sectors, where our technology satisfies unmet needs that provides customers with technical superiority and in turn giving them a competitive advantage. In order to broaden our commercial reach, the Company has sought input from a select group of experienced industrialists covering a broad range of market sectors by forming a Commercial Advisory Panel (which we refer to as the "SAWCAP"). This initiative has proved invaluable allowing us to gain insights into differentiation and the benefits of our technology over alternative techniques, targeting our approach to sales and marketing, and enabling access at a senior level to commercial networks through the SAWCAP's relationships and knowledge.

The industrial landscape is entering a period of rapid technological change, driven by real-time connectivity (Internet of things, 5G etc) and the recognition that climate change demands behavioural changes now, rather than in future. Governments in developed economies are keen to invest in infrastructure as they plan for the aftermath of the global pandemic and find sustainable solutions to the challenges presented in energy, transport and food production. This opens up exciting opportunities for companies with enabling technologies. The directors believe that our SAW technology can provide meaningful data for enhanced control, efficiency, safety and maintenance routines which offer substantial benefits to users in such fields.

Chairman's statement (continued)

Business Review

Royalty income from iTrack technology

This is the first full year of royalty income since the inception of the ten year licence of iTrack technology to ATMS Limited, a subsidiary of Bridgestone Corporation ("Bridgestone"), on 24 June 2020. Royalty income is generated by reference to the number and classification of vehicles upon which iTrack is deployed. In the year ended 30 June 2021, this royalty income amounted to £0.83m, whilst the Sterling equivalent of the annualised rate of royalty increased by 76% from £0.64m at inception to a year end rate of £1.12m. Royalties are designated in US dollars, and the rate of growth is based on the volume increase, which, excluding the effects of foreign exchange fluctuations was 97%.

iTrack system capabilities continue to be enhanced under Bridgestone ownership as it becomes further embedded into their mining solutions business, and as referenced in their mid-term update in May 2021, a number of global long term contracts have been committed and are in the roll out stage. This process is expected to accelerate following completion of Bridgestone's proposed acquisition of Otraco International PTY Limited, a leader in tyre management solutions with an extensive service network in key markets such as Australia, Chile and South Africa and with many years experience of working with iTrack technology in Latin America.

This business segment now bears no cash costs, with the only overhead being the amortisation of intangible development costs relating to iTrack in prior years. Accordingly, the segmental operating result was a profit of £0.79m compared with a loss from the discontinued operational business of £1.38m in the prior year.

Translogik tyre inspection probes

Revenues from Translogik probes increased by 50% to £0.76m (2020: £0.51m), and this segment generated a trading profit of £0.27m (2020: £0.12m), which was comfortably above the annual budget.

Last year we reported that our product range was expanded in May 2020 to include the TLGX Series, being a modular range of four new probes offering a broad variety of features at competitive prices. These have been developed primarily for system integrators and OEM fleet management systems, and offer longer life using a lithium battery, a USB charging facility and a greater range of usage, including the reading of RFID tags and tyre pressure sensors. These new products generated more than 27% of the total sales value during the year.

In the second half of the financial year, a number of major tyre OEMs and fleet management software providers undertook trials of the new range. This process temporarily diminished demand for the first generation probe, as the customers evaluated the benefits of switching to the new TLGX range. By the end of the year, and into the current trading year, it has become evident that these trials were successful with the switch to the new range being well underway. This has also prompted commercial discussions to secure mutual longer term commitment and the prospect of further customisation of our products to customers' fleet management solutions.

Surface Acoustic Wave technology (SAW)

Revenues generated by SAW almost doubled to £0.18m (2020: £0.09m) supplemented by grant income of £0.05m (2020: £0.12m). The net loss attributable to this segment was virtually unchanged at £0.53m (2020: £0.58m). As the only part of the business that requires some bespoke business premises, the allocation of the cost of running these premises is allocated to the SAW segment along with other associated costs. The R & D tax credit relating to FY20 is evenly split between work on SAW projects and the development of iTrack prior to the licence being granted. The introduction of the R & D tax credit for the current year is solely relating to SAW.

Chairman's statement (continued)

Although our technology is well advanced from an engineering standpoint, commercialisation for higher volume applications remains at a relatively early stage. More than half of revenue was derived from providing components and engineering support for projects expected to mature in future years, with the remainder from ongoing activities, primarily motorsport. Revenue during the year also included chargeable engineering support on behalf of first tier suppliers to GE's Improved Turbine Engine Program ("ITEP"), which is scheduled to execute the First Engine To Test (FETT) by the end of this calendar year. FETT will be the next critical milestone for the programme which is planned to provide the next-generation turbine engine power to the chosen Future Attack Reconnaissance Aircraft (FARA) aircraft and the enduring Apache and Black Hawk fleets.

With new management in place in our SAW business, buttressed by the resources and expertise of SAWCAP, the commercial activities and profile of the Company have been re-invigorated. There has been meaningful engagement with multiple well known international companies across a broad range of target sectors, providing opportunities to showcase our capabilities and gain valuable feedback on potential applications. These have deepened our understanding, not only of the unique benefits of SAW technology, but also of some technical and commercial barriers in certain markets, especially in relatively heavy engineering such as wind turbines.

This additional applications experience is now assisting greatly in better targeting our sales and marketing efforts. On 14 September 2021 we announced that the Company has entered a Joint Collaboration Agreement ("JCA") with McLaren Applied Limited which builds on from the previous agreement that has been in force since 2011. The JCA sets out a shared objective of developing non-contact torque products for specific motorsport applications and target customers in other sectors using our SAW technology. The new agreement is initially for five years and will continue development of the Transense Torque Measurement System using SAW technology, extending McLaren Applied exclusivity in elite motorsport drivetrain applications in exchange for minimum target revenues on an annual basis over a five year period.

Although elite motorsport is a market with limited potential in absolute terms, McLaren anticipate significant growth in the adoption of SAW technology for torque sensing. This will apply at the regulatory body level as a control sensor both for rules compliance and for performance optimisation in accredited race series, which is how it has been used for many years in a regulatory role for the IndyCar series. SAW technology lends itself to motorsport applications in particular because of the low mass of the applications components, coupled with the frequency, accuracy and reliability of measurement. This is a valuable proving ground for our technology and showcases our capabilities in a premium and highly regulated environment.

A significant target sector where SAW technology offers true competitive advantages is in the growing aerospace sector. The fast responses, small size and mass of the SAW sensor together with digital outputs from our electronics is aptly suited to build upon the rigorous testing and implementation from the GE ITEP into other programmes and other types of power units. Such areas of growth in the aerospace sector are with the revolutionary hybrid electrical engines for regional commercial aircraft. During the year, we engaged on a confidential technology transfer program with a major participant in this field to explore the use of SAW torque measurement technology. There is also initial interest in our capabilities from companies in the fast-growing Advanced Air Mobility sector which uses multiple electric power units for vertical lift rotors.

We have also gained interest from the agricultural sector where again the suitability of SAW technology for medium volume, high value units has a value in improving agricultural machines with many rotating parts to gain competitive advantages over rivals in providing easier to use plant that has greater up time use.

In view of these opportunities, there is sufficient confidence in the outlook to justify further modest investment in people and equipment to continuing building our engineering and operational capabilities. In recent weeks we have expanded the engineering team with three key additional members. In addition, evaluation of potential capital expenditure in the region of £0.15m is ongoing to facilitate increased test and production volumes to meet potential demand.

Chairman's statement (continued)

Overall, we are satisfied both with progress during the year and the pipeline of potential opportunities. We continue to pursue a short term objective of SAW being financially self-sufficient as a contributor to the Company's financial results, whilst seeking applications that can deliver further substantial streams of licensing income over the long term.

Board, governance and investor relations

The directors are committed to the framework and principles of the QCA Corporate Governance Code ("the Code"), and seek to apply these wherever this is practicable. Full application of the Code, with the implications that this may have on board and compliance costs, is counterbalanced by scale of the Company and the relatively low risk profile of its operations.

Accordingly, the Board is satisfied that the overall board structure and balance of independent input into board decision making is appropriate to the circumstances. In particular, the directors are all shareholders whose interests are well aligned with shareholders as a whole. Furthermore, the involvement of highly qualified and experienced independent advisers via SAWCAP provides an additional layer of scrutiny and oversight over the commercial activities of the Company.

There have also been significant efforts to improve our investor relations programme for private and retail shareholders, including frequent engagement via online investor presentations. This has been supplemented by a major redesign of the Company's website (www.transense.com) and associated social media platforms. The directors actively encourage regular engagement with all shareholders, and details of how investors can engage are set out on the website.

The Board fully recognise the importance of Enviromental, Social & Governance (ESG) issues and have introduced a new statement in this report to emphasise how our technology is supporting the environment, and how we operate in a collaborative and ethical manner seeking to apply high moral standards in accordance with the QCA code referred to above.

Distribution policy

In December 2020 the shareholders approved a resolution to reduce the capital of the Company, which was subsequently approved by the Court resulting in the availability of distributable reserves. At 30 June 2021, the total reserves available for distribution amounted to £0.63m.

The directors are committed to delivering sustainable improvement in investment returns to shareholders in the form of both income and capital growth. As the net income and prospects of the Company continue to build momentum, the Board will maintain dialogue with shareholders, and seek to optimise the balance between dividends, share buybacks and reinvestment in the business. As a component of overall policy, it is anticipated that commencement of progressive dividend payments will be considered in respect of the financial year ending 30 June 2023.

Chairman's statement (continued)

Current trading and prospects

There has been a further increase in royalty income in the period since the year end to 31 August 2021 such that the annualised rate at constant currency had increased by 8% to US$1.67m since inception, with the Sterling equivalent up by 9% to £1.21m.

Revenues from Translogik tyre inspection probes and SAW were also substantially higher than the corresponding period last year.

There is a groundswell of momentum behind the potential for growth in royalty income, and the positive market response to new products for Translogik indicating the likelihood of further success.

The recent agreement relating to the use of our technology in motorsport applications underpins an element of short term revenue for SAW, with further potential in off-road vehicles, agriculture and aerospace in the development pipeline, and GE ITEP production on the horizon.

Accordingly, the directors continue to be optimistic about the outlook and future prospects for the Company.

Nigel Rogers

Executive Chairman

27 September 2021

Strategic Report

Financial Review

Results for the year

Revenues for the year from continuing operations increased nearly threefold to £1.77m (2020: £0.60m). Royalty income from iTrack was £0.83m for the first year of the new licence agreement and will increase in line with the growth in the installed base. In the previous year revenues of £1.71m were generated from users of the iTrack system and accounted for as part of discontinued activities in 2020 following the sale of the iTrack operating business in June 2020.

Gross margin was 78.3% of revenues from continuing operations (2020: 55.1%).

Administrative expenses were £1.58m (2020: £1.70m). In 2020 there were increased amortisation costs and a one-off impairment charge relating to intangible SAW patent assets. The net loss before taxation from continuing operations was £0.16m (2020: £1.27m).

The total comprehensive profit for the year was £0.16m (2020: loss of £2.54m), reflecting the restructured business and licence income in FY21 (2020: loss on discontinued activities of £1.45m) and an R&D tax credit of £0.27m for the first time including the current years credit £0.06m and a deferred tax credit of £0.05m (2020: R & D Tax Credit £0.18m).

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

	2021	2020
EPS (profit/(loss) from continuing operations)	**0.96**	**(6.7)**
EPS (total profit/(loss))	**0.96**	**(15.6)**

Taxation

The Company has UK tax losses available to carry forward at 30 June 2021 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. In the year R&D tax credits are recognised on an accruals basis and not as in previous years on a cash basis, as the track record on claims has now removed some of the uncertainty.

Cash flow and financial position

Net cash used in operations decreased to £0.25m following the sale of the iTrack operational business (2020: £1.86m, 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). During the prior 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 in September 2020 out of the consideration monies. Included in the opening creditors were £0.32m relating to the discontinued operations that were settled by Transense in the year.

The Company closed the year with net cash and cash equivalents of £1.05m (2020: £1.19m). The completion Balance Sheet relating to the iTrack business was agreed between the Company and ATMS on 10 September 2020, at which time the balance of the consideration monies was settled, together with the settlement of the Bridgestone loan and the payment of related fees.

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

KPIs	FY 21	FY 20
Turnover – continuing operations (£m)	1.77	0.60
EBITDA – continuing operations (£m)	0.06	(0.68)
EBT – continuing operations (£m)	(0.16)	(1.27)
EPS - continuing operations (Pence)	0.96	(6.7)
EPS – attributable to shareholders (Pence)	0.96	(15.6)
Closing share price (Pence)	90.5	57.0
Net cash used in operations (£m)	(0.25)	(1.86)
Closing cash balance (£m)	1.05	1.19
Cash per Share (Pence)	6.4	7.3
Consolidated Net Assets (£m)	2.34	2.18
Net Assets/Share (Pence)	14.4	13.4
Market Capitalisation at year end (£m)	14.76	9.30
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 & Impact	Mitigation	Year on Year change in risk
Covid - 19	The Covid-19 pandemic continues to significantly impact individuals, businesses, markets and economies. The Government have introduced during the period strict guidelines on office practice and there have been several lockdown periods.	Transense's exposure regarding Covid - 19 has been minimal. The Company has adopted Government guidelines with regards to working in the office and video conferencing has substantially mitigated the failure to be able to travel to visit non UK customers.	↓
Suppliers and Raw Materials	Due to a combination of Covid-19, Brexit, the Suez blockage and the fire at a key Taiwan computer chip manufacturer the availability and therefore lead times for acquiring stock for our products and services has become challenging and has put the Company in a position where the demand could outstrip the supply. Additionally because of the size of our business the ability to use multiple suppliers for key products is limited.	The Company has following the year end increased the ordering of stock to meet the anticipated demand and started sourcing new suppliers.	↑
Foreign currency fluctuation	The Royalty income from Bridgestone is payable in USD and over 90% of Probes sales are made outside the UK. The major currency exposure is to USD.	The Board regularly review the key foreign exchange rates (USD & Euro) and will hedge against the movements if they move outside of a set range. Additionally in certain instances the Company has a natural hedge where monies are both due in and payable in the same foreign currencies.	↔
People	An experienced and knowledgeable team is essential to continually develop complex products for customers to be used in demanding markets. The market for skilled staff is extremely competitive and a failure to recruit and retain suitably qualified staff could impact the Company'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 of new employees, when required, is done so by experienced staff to ensure the correct calibre of individual is identified. The active support of SAWCAP has significantly enhanced the ability of our in house team. During the year we recruited a new Mechanical Engineer, further recruitment to our in house team is planned, this will improve the depth and breadth of the team.	↔
Global Companies and Competition	Many of the customers and competitors of Transense are major international companies . The impact on Transense dealing with customers of this size is that invariably the time from initial discussions to receiving a PO can be far longer than the usual business transaction cycle between SME's. Additionally there is a risk that global organisations have the budgets to enable them to develop products and services that are more attractive to customers either by way of price or technical performance.	Whilst in the past the delay in PO's could have been critical to the Company's cash flow the Board consider we are sufficiently funded to endure the long lead times between initial discussions and PO's with Global businesses. With regards the competition the far smaller size of Transense ensures we are able to move far more swiftly to adapt technology to customer requirements and we have in place a very specialised team of technicians to ensure our products are best in class. There will also be opportunities to partner global companies to mitigate the effects of competition.	↔

Strategic Report (continued)

Principal risks and uncertainties (continued)

Risk and Uncertainty	Details of Risk & Impact	Mitigation	Year on Year change in risk
Commercialisation and Development of New Products	Following the disposal of the iTrack operating business the focus on new products is primarily on SAW. The decision making process for the development of new and existing products needs a broad understanding of future industrial needs and then an assessment of the potential return which can be uncertain in the early stages of development. A changing and evolving market place and environment (see below) will always present challenges to produce profitable products.	Development spend is regularly planned and reviewed. The Company's understanding of customer needs and expectations is greatly enhanced by working closely with customers on extensive product trials. SAWCAP enables us best understand where our opportunities lie and also to best understand the problems of particular markets and technical products. This also assists in subsequently eliminating those opportunities deemed least likely to provide a good return.	↔
Intellectual Property	The SAW business is centred on the exploitation of the SAW patents with a clear focus on the design and development of technologically advanced products and applications. Investment continues to be made in Development. Following the latest review of our patent portfolio we currently have 22 live granted patents and continue to have significant in house know how. The development of know how is equally applicable to the iTrack system and the Probe. The risk exists that we fail to improve and generate new know how and where possible extend the scope and life of our patents.	We are strengthening our inhouse development team, receiving excellent ideas from our SAWCAP team of engineering industry experts and thereby widening our scope of technical and industrial need and opportunities. With the assistance of our Patent agents 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. The IP relating to iTrack has now been licensed to ATMS Technologies Limited (a Bridgestone Corporation subsidiary) and no further development is carried out by Transense. Development in the form of know how is applied to the Probe adapting it to the needs of OEM and fleet management software systems.	↔
Liquidity	Transense has in the past found it necessary to raise funds to support losses and working captal requirements.	Following the completion of the Bridgestone deal the Company's finances have become substantially stronger and the operating cash flow (before working capital movements) has become positive. Notwithstanding the stronger financial position the Board review monthly forecast cash flows which look forward between 12 and 24 months to ensure the Company remains liquid throughout that period.	↓
Brexit	The UK left the European Union during the year under review and the transition arrangements ended on 31 December 2020. The new trade deal entered into between the UK and the European Union was in negotiation until the end of the transition period and therefore the implementation of new processes has been done with little forward notice of the details of trading arrangements. This has, to date, caused some relatively minor short-term disruption.	The Company works closely with import and export agents as well astaking professional advice to ensure that we are compliant with the various new regulations now in force. The Company will continue to monitor local regulations as the new requirements settle down and will introduce new trading practises as are necessary.	↓

By order of the board

Melvyn Segal
Chief Financial Officer
27 September 2021

Environmental, Social and Governance

Transense's commitment to promoting a greener environment is integral to our mission. Our technologies can improve sustainability across the wide variety of markets in which we are present. Transense operates in line with the United Nations 17 Sustainable Development Goals (SDGs); the UN guidelines for member states to ensure they operate in line with its 2030 Agenda for Sustainable Development. As a leading developer of technology, Transense aims to "ensure sustainable consumption and production patterns" aligned with Goal 12 of the SDGs.

Reducing our impact on the environment

Transense has adopted a policy to safeguard the environment and minimize the generation of harmful substances as much as possible. We enable customers to do the same, through the supply of our value added technologies that improve efficiency, optimize performance and reduce emissions.

We operate in line with all relevant environmental legislation and regulatory requirements and train our employees to carry out their duties whilst being mindful of the environment and the Company's concern for it. Transense only uses approved waste disposal contractors to dispose of waste in an environmentally friendly manner, whilst promoting responsible energy use and recycling on site. We encourage and support our suppliers to have sound environmental policies in place.

Our technology is an enabling technology and aims to achieve a positive environmental impact for larger manufacturing companies who wish to use it to improve their products in areas of performance, fuel consumption, predictive maintenance, and unit up time as they work towards net zero emissions.

Social responsibility

The Board of Transense continually aim to manage their business in a socially responsible and ethical manner and act with integrity and behave responsibly as we execute our strategy.

Health and safety

We are committed to operating an environment that promotes Health and Safety (H&S). During the Covid-19 pandemic we regularly reviewed H & S procedures and considered risk assessments whilst also supporting homeworking during the height of the pandemic.

Employees

People are central to what we do. Transense strives to provide its team with good training and incentives which have been instrumental in retaining key employees. Our Health and Safety Policy enables employees to perform their work safely and efficiently in line with health and safety law and is reviewed annually with employees consulted before the integration of any new practices.

We are continually looking to develop a high performance culture through our recruitment, employee engagement, people development and resource management strategies.

Equal opportunities

The Group is committed to a policy of equal opportunity by which it ensures that all activities are based on merit.

Corporate Governance Statement

The Board is committed to high standards of corporate governance as appropriate to the Company's size and activities and sets out below key areas of Corporate Governance. The Board considers it appropriate to adopt the principles of the QCA Code published in April 2018. The extent of compliance with the ten principles that comprise the QCA Code, together with an explanation of any areas of non-compliance, and any steps taken or intended to move towards full compliance, are set out on the company website https://www.transense.com.

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

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

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 60

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 both AIM listed Surgical Innovations Group Plc and Solid State plc.

Melvyn Segal (Chief Financial Officer) Age 66

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 77

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.

Corporate Governance Statement (continued)

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.

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 and Risk Committee	Remuneration Committee
Nigel Rogers	11	11	1	-
Melvyn Segal	11	11	*1	-
Rodney Westhead	11	11	1	2

*attended part of the meeting only as not a Committee member

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 Report on pages 10-13, 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 2021 they did not choose to participate (2020: £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:

					Total emoluments	
	Basic salary	**Bonus**	**Benefits**	**Pension**	**Year ended 30 June 2021**	Year ended 30 June 2020
	£	**£**	**£**	**£**	**£**	£
Executive Directors						
N Rogers*	45,000	-	-	-	**45,000**	87,383
M Segal	120,250	-	7,488	-	**127,738**	160,247
D Ford**	-	-	-	-	-	169,999
G Storey-Macintosh**	-	-	-	-	-	180,410
Non-Executive Directors						
R Westhead	24,000	-	-	-	**24,000**	13,483
Total 2021	**189,250**	**-**	**7,488**	**-**	**196,738**	611,522
Total 2020	500,666	90,000	20,856	-	611,522	

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

These emoluments can be analysed as follows:	**2021**	2020
	£	£
Continuing directors remuneration excluding bonus	**196,738**	171,113
Bonus related to the disposal of iTrack	**-**	90,000
Remuneration of directors leaving with iTrack	**-**	350,409
Total	**196,738**	611,522

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 2020	At 30 June 2021	Earliest exercise date	Exercise price per share	Hurdle price per share
M Segal	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	**170,000**	12/08/21	£0.75	£2.00
M Segal	126,000	**126,000**	24/06/23	£0.62	£1.50

Directors' interests in the UDSOS were:	At 1 July 2020	At 30 June 2021	Earliest exercise date	Exercise price per share	Hurdle price per share
M Segal	74,000	**74,000**	24/06/23	£0.62	£1.50
N Rogers	400,000	**400,000**	24/06/23	£0.62	£1.50

Share price performance

The share price performance is disclosed in the Directors' Report on page 22.

Directors' report

The Directors present their annual report and audited financial statements for the year ended 30 June 2021.

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 13.

Results and Dividends

The results for the year ended 30 June 2021 show a profit after tax of £0.16m (2020: loss of £1.09m from continued operations and a total loss of £2.54m). The Directors do not recommend the payment of a dividend (2020: £nil).

Directors

The present Directors are listed on page 3.

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

Substantial Shareholdings

The following substantial shareholdings of 3% or more of the Company's share capital have been notified to the Company:

	Ordinary shares of 10p each	**%**
CriSeren	1,532,924	9.40%
Seneca	1,250,000	7.67%
P Lobbenberg	968,979	5.94%
WB Nominees	806,526	4.95%
Harwood Capital LLP	800,000	4.91%
Legal & General	540,000	3.31%
Javed Abrahams	525,474	3.23%
Gerald Oury	493,333	3.03%

Information correct as at 24 September 2021.

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 2021	Ordinary shares of 50p each 1 July 2020
R J Westhead	30,655	10,655
M Segal	44,888	30,888
N Rogers	200,000	108,700

Share price

The mid-price of the shares in the Company at 30 June 2021 was 90.5p (2020: 57p) and the range during the period was 47.5p to 96.5p (2020: 42.5p to 88.5p).

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 20.

Financial Instruments

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

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.

Following the grant of an exclusive licence to ATMS in June 2020 in respect of the iTrack Intellectual Property no further development expenditure on the iTrack product was capitalised in the year (2020: £0.38m).

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 2020/21.

Disclosure of information to Auditors

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.

Auditors

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

27 September 2021

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

Statement of Directors' responsibilities in respect of the Annual Report

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 United Kingdom.

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 United Kingdom have been followed, subject to any material departures and explained in the Financial Statements; and
- 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 group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 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 2021 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 UK adopted International Financial Reporting Standards (IFRSs). 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 2021 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the United Kingdom;
- 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 obtainedis sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- Challenging management on key assumptions included in their forecast scenarios.
- Considering the potential impact of forecast scenarios on the forecast cash position, specifically around trade and other receivables and inventory.
- Reviewing management's disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in therelevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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.

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

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 walk through 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.

Impairment of intangible assets

Matter
The Group has a material intangible asset balance which is required to be tested for impairment on an annual basis in accordance with International Accounting Standard 36 ‘Impairment of Assets’ (IAS 36). The total net book value of intangible assets at 30 June 2021 was £0.7m. Management assess intangible assets for potential impairment by reference to future cash flow forecasts.

Response
We reviewed management’s forecasts prepared. 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.

We challenged management on the key assumptions included within the forecasts and performed sensitivity analysis to understand the headroom available within those forecasts. Based on our review of the forecasts we do not consider there to be any indicators of material impairment.

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 audit 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 £26,500. 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 £23,850. 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 has been capped to 90% of group revenue.

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

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 and represents all of the revenue generated in the year.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information included in the annual report. 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. 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 24, 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.

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our assessment focused on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom, and relevant tax legislation.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and sample testing;
- obtaining an understanding of the entity's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment; and
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

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

One Central Boulevard
Blythe Valley Business Park
Solihull
West Midlands
B90 8BG
Date:

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Continuing operations			
Revenue	5	**1,773**	603
Cost of sales		**(385)**	(271)
Gross profit		**1,388**	332
Administrative expenses	6	**(1,581)**	(1,703)
Operating loss		**(193)**	(1,371)
Financial income	7	**-**	5
Financial expense	7	**(12)**	(17)
Other income		**48**	118
Loss before taxation		**(157)**	(1,265)
Taxation	10	**313**	175
Profit/(loss) for the year from continuing operations		**156**	(1,090)
Discontinued operations			
Loss for the year from discontinued operations		**-**	(1,452)
Profit/(loss) and total comprehensive income/(loss) for the year attributable to the equity holders of the parent		**156**	(2,542)
Basic and fully diluted profit/(loss) per share (pence)	24		
From continuing operations		**0.96**	(6.68)
From total profit/(loss) for the year		**0.96**	(15.59)

Notes to the financial statements are from pages 34 to 56.

Consolidated Balance Sheet
at 30 June 2021

	Note	30 June 2021 £'000	2021 £'000	30 June 2020 £'000	2020 £'000
Non current assets					
Property, plant and equipment	11	**211**		290	
Intangible assets	13	**770**		844	
Deferred tax	10	**47**		-	
			1,028		1,134
Current assets					
Inventories	16	**73**		63	
Corporation tax	10	**60**		175	
Trade and other receivables	17	**564**		1,677	
Cash and cash equivalents	18	**1,046**		1,193	
			1,743		3,108
Total assets			**2,771**		4,242
Current liabilities					
Trade and other payables	19	**(260)**		(854)	
Borrowings	20	**-**		(976)	
Lease liabilities	21	**(65)**		(61)	
			(325)		(1,891)
Non current liabilities					
Lease liabilities	21		**(104)**		(168)
Total liabilities			**(429)**		(2,059)
Net assets			**2,342**		2,183
Equity					
Issued share capital	23		**1,631**		5,451
Share premium			**-**		2,591
Share based payments			**82**		41
Retained earnings/(accumulated loss)			**629**		(5,900)
Total equity			**2,342**		2,183

These financial statements were approved by the board of Directors and authorised for issue on 27 September 2021 and were signed on its behalf by:

N F Rogers
Chairman

M Segal
Chief Financial Officer

Notes to the financial statements are from pages 34 to 56.

Company Balance Sheet
at 30 June 2021

	Note	30 June 2021 £'000	2021 £'000	30 June 2020 £'000	2020 £'000
Non current assets					
Property, plant and equipment	12	**211**		290	
Intangible assets	13	**770**		844	
Investments	14	**-**		-	
Deferred tax		**47**		-	
			1,028		1,134
Current assets					
Inventories	16	**73**		63	
Corporation tax	10	**60**		175	
Trade and other receivables	17	**564**		1,677	
Cash and cash equivalents	18	**1,046**		1,193	
			1,743		3,108
Total assets			**2,771**		4,242
Current liabilities					
Trade and other payables	19	**(260)**		(854)	
Borrowings	20	**-**		(976)	
Lease liabilities	21	**(65)**		(61)	
			(325)		(1,891)
Non current liabilities					
Lease liabilities	21		**(104)**		(168)
Total liabilities			**(429)**		(2,059)
Net assets			**2,342**		2,183
Equity					
Issued share capital	23		**1,631**		5,451
Share premium			**-**		2,591
Share based payments			**82**		41
Retained earnings/(accumulated loss)			**629**		(5,900)
Total equity			**2,342**		2,183

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006. The profit after tax for the year of the Parent Company was £156,000 (2020: loss of £2,749,000).

These financial statements were approved by the board of Directors and authorised for issue on 27 September 2021 and were signed on its behalf by:

N F Rogers
Chairman

M Segal
Chief Financial Officer

Notes to the financial statements are from pages 34 to 56.

Statement of Changes in Equity

Group	Share capital £'000	Share premium £'000	Translation reserve £'000	Share based payments £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2019	5,451	2,591	23	41	(3,358)	4,748
Comprehensive income for the year:						
Loss 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**
Comprehensive income for the year:						
Profit for the year	-	-	-	-	156	156
Share based payment	-	-	-	41	-	41
Share capital reduction	(3,820)	(2,591)	-	-	6,411	-
Expenses of capital reduction	-	-	-	-	(38)	(38)
Balance at 30 June 2021	**1,631**	**-**	**-**	**82**	**629**	**2,342**

Company	Share capital £'000	Share premium £'000	Share based payments £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2019	5,451	2,591	41	(3,151)	4,932
Comprehensive income for the year:					
Loss for the year	-	-	-	(2,749)	(2,749)
Balance at 30 June 2020	**5,451**	**2,591**	**41**	**(5,900)**	**2,183**
Comprehensive income for the year:					
Profit for the year	-	-	-	156	156
Share based payment	-	-	41	-	41
Share capital reduction	(3,820)	(2,591)	-	6,411	-
Expenses of capital reduction	-	-	-	(38)	(38)
Balance at 30 June 2021	**1,631**	**-**	**82**	**629**	**2,342**

Notes to the financial statements are from pages 34 to 56.

Consolidated and Company Cash Flow Statement
For the year ended 30 June 2021

		Group		Company	
		Year ended 30 June 2021	Year ended 30 June 2020	**Year ended 30 June 2021**	Year ended 30 June 2020
	Note	**£'000**	£'000	**£'000**	£'000
Profit/(loss) from operations		**156**	(2,542)	**156**	(2,749)
Adjustments for:					
Taxation	10	**(313)**	(171)	**(313)**	(175)
Loss on disposal of trade and assets		**-**	72	**-**	54
Net financial expense	7	**12**	9	**12**	12
Share based payment		**41**	-	**41**	-
Depreciation	11,12	**85**	538	**85**	530
Loss on disposal of fixed assets		**-**	18	**-**	17
Impairment of investments		**-**	-	**-**	3
Amortisation and impairment of intangible assets	13	**121**	504	**121**	504
Operating cash flows before movements in working capital		**102**	(1,572)	**102**	(1,804)
(Increase)/decrease in receivables	17	**(124)**	(177)	**(124)**	13
(Decrease)/increase in payables	19	**(594)**	477	**(594)**	225
(Increase) in inventories	16	**(10)**	(582)	**(10)**	(586)
Cash used in operations		**(626)**	(1,854)	**(626)**	(2,152)
Taxation received/(paid)		**381**	(4)	**381**	-
Net cash used in operations		**(245)**	(1,858)	**(245)**	(2,152)
Investing activities					
Interest received	7	**-**	8	**-**	5
Acquisitions of property, plant and equipment	11,12	**(6)**	(764)	**(6)**	(760)
Acquisitions of intangible assets	13	**(47)**	(513)	**(47)**	(513)
Investment in subsidiary	14	**-**	-	**-**	(5)
Proceeds from disposal of trade and assets (net of cash disposed of)	15	**1,237**	772	**1,237**	1,132
Net cash generated from/(used in) investing activities		**1,184**	(497)	**1,184**	(141)
Financing activities					
Capital reduction expenses	23	**(38)**	-	**(38)**	-
Loans advanced		**-**	1,585	**-**	1,585
Loans repaid		**(976)**	(609)	**(976)**	(609)
Interest paid		**(12)**	(17)	**(12)**	(17)
Payment of lease liabilities		**(60)**	(58)	**(60)**	(58)
Net cash (used in)/from financing activities		**(1,086)**	901	**(1,086)**	901
Net (decrease) in cash and cash equivalents		**(147)**	(1,454)	**(147)**	(1,392)
Cash and equivalents at the beginning of year		**1,193**	2,647	**1,193**	2,585
Cash and equivalents at the end of year	18	**1,046**	1,193	**1,046**	1,193

Notes to the financial statements are from pages 34 to 56.

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 2021 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 21.

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 United Kingdom ("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 2021 the Group had net cash balances of £1.05m (2020: £1.19m). Whilst the business may require short term working capital it is now considered that trading has reached cash neutral level and starting to generate cash. 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 exceeding 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.

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.
- The balance of iTrack II development costs are, with effect from July 2021 amortised over the period of the 10 year period of the licence agreement with Bridgestone reflecting the longer useful life. In 2020 the period of amortisation term was 3 years.

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 2021. 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, 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.

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;
- Revenue from subscription contracts, which ceased in the current year following the sale of the iTrack business, was 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
- In the previous year the Bridgestone support fee income was 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 three 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 and the iTrack royalty activity in respect of income from licensed technology. 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 continuing royalty income and discontinued iTrack activity have been shown as separate segments.

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 property, plant and equipment, 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;
Fixtures and Fitting 3 – 10 years;
Motor Vehicles 4 years; and
iTrack Equipment 1 – 3 years

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.

The assets’ estimated residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date.

Research and development

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

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Group intends to complete the intangible asset and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output 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 was capitalised up to 30 June 2020. The amortisation of this expenditure was previously amortised over a fixed 3 year period to August 2019 however as the development of iTrack II was 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 is 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, where applicable, for specific product issues based on an estimate of the likely cost arising, utilising data from 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.

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 retained earning reserve (accumulated loss at 30 June 2020) includes all current and prior period net retained profits and 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 2021 Continuing £'000	**Year ended 30 June 2021 Discontinued £'000**	Year ended 30 June 2020 Continuing £'000	Year ended 30 June 2020 Discontinued £'000
North America	**1,150**	**-**	282	235
South America	**244**	**-**	83	793
Australia	**28**	**-**	5	479
UK and Europe	**83**	**-**	148	-
Rest of the World	**268**	**-**	85	201
	1,773	**-**	603	1,708

Notes to the financial statements (continued)

5 Revenue and segmental reporting (continued)

Segments

Year ended 30 June 2021	Translogik £'000	SAW £'000	iTrack royalties £'000	Unallocated £'000	Total £'000
Sales	**764**	**177**	**832**	**-**	**1,773**
Gross profit	**385**	**171**	**832**	**-**	**1,388**
Overheads	**(114)**	**(917)**	**(47)**	**(503)**	**(1,581)**
Operating profit/(loss)	**271**	**(746)**	**785**	**(503)**	**(193)**
Other income	**-**	**48**	**-**	**-**	**48**
Net financial expense	**-**	**-**	**-**	**(12)**	**(12)**
Taxation	**-**	**164**	**102**	**-**	**266**
Deferred Tax	**-**	**-**	**-**	**47**	**47**
Profit/(loss) for the year	**271**	**(534)**	**887**	**(468)**	**156**

EBITDA reconciliation	**£'000**
Operating loss	**(193)**
Other Income	**48**
Depreciation and amortisation	**206**
EBITDA	**61**

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
Overheads	(121)	(783)	(2,759)	(799)	(4,462)
Operating profit/(loss)	128	(700)	(1,379)	(799)	(2,750)
Other income	-	118	-	-	118
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)	(1,371)	(2,750)
Other Income	-	118	118
Depreciation, amortisation and impairment	470	572	1,042
EBITDA	**(909)**	**(681)**	**(1,590)**

The directors have not disclosed Balance Sheet segmental information as no analysis is prepared at this level.

Notes to the financial statements (continued)

5 Revenue and segmental reporting (continued)

During the year ended 30 June 2021 there was 1 customer (2020: 2) whose turnover accounted for more than 10% of the Group's total continuing revenue as follows:

Year ended 30 June 2021	**Revenue £'000**	**Percentage of total**
Customer A	**915**	**52**
Customer B	**200**	**11**

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

Discontinued revenue in FY20 included Bridgestone as a customer, who have now acquired the iTrack business and from which all the royalty income now arises within continuing revenue.

All non-current assets are held in the UK.

6 Expenses and auditor's remuneration

Included in the loss are the following:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Depreciation of property, plant and equipment	**85**	**538**
Amortisation of intangible assets	**121**	**366**
Impairment of intangible assets	**-**	**138**
Loss on disposal of tangible fixed assets	**-**	**18**
(Gain)/loss on foreign exchange transactions	**(19)**	**30**

During the period £nil was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases (2020: £0.07m in respect of discontinued operations).

Auditors' remuneration for the Group and Company:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Audit of these financial statements	**31**	39
Fees payable for tax compliance services	**4**	4
Fees payable for tax research and development services	**3**	5

7 Finance income and expense

Recognised in statement of comprehensive income

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Finance income	**-**	5
Finance expense	**(12)**	(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 2021	Year ended 30 June 2020	**Year ended 30 June 2021**	Year ended 30 June 2020
Management and technical	**11**	24	**11**	21
Administration	**2**	9	**2**	2
Non-Executive Directors	**1**	2	**1**	2
	14	35	**14**	25

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

	Group		Company	
	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000	**Year ended 30 June 2021 £'000**	Year ended 30 June 2020 £'000
Wages and salaries	**771**	1,532	**771**	1,453
Share based payments (note 22)	**41**	-	**41**	-
Social security costs	**93**	199	**93**	182
Contributions to defined contribution pension plan	**30**	41	**30**	41
	935	1,772	**935**	1,676

The share based payment charge included in the accounts in respect of share options in the year was £41,000 (2020: potential charge of £2,000 not included in the accounts due to the small size of the charge).

9 Directors' remuneration

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Directors' emoluments	**189**	501
Directors' bonuses	**-**	90
Directors' benefits	**7**	21
	196	612
Employers national insurance	**22**	73
Share based payments (note 22)	**28**	-

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £127,738 (2020: £180,410). No company pension contributions were made to a money purchase scheme on his behalf (2020: 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 (2020: Nil).

The number of Directors accruing retirement benefits under money purchase schemes in the year was nil (2020: Nil).

The number of Directors who exercised share options in the year was Nil (2020: 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 (2020: Nil).

The share based payment charge in respect of Directors share options in the year was £28,000 (2020: Nil).

10 Taxation

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

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Current tax credit		
Current year	**(60)**	-
Adjustment for previous year	**(206)**	(175)
Deferred tax credit		
Current year	**(47)**	-
Tax credit in Statement of Comprehensive Income	**(313)**	(175)

Reconciliation of effective tax rate

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Loss before tax from continuing operations	**(157)**	(1,265)
Tax calculated at the average standard UK corporation tax rate of 19.00% (2020: 19:00%)	**(30)**	(240)
Expenses not deductible for tax purposes	**8**	2
Additional deduction for R&D expenditure	**(38)**	(145)
Current year losses for which no deferred tax asset was recognised	**-**	383
Recognition of deferred tax in respect of prior year losses	**(47)**	-
Prior year adjustment	**(206)**	(175)
Total tax credit	**(313)**	(175)
Corporation tax receivable	**60**	175
Deferred tax assets are:		
Recognised – in respect of tax losses	**47**	-
Unrecognised – in respect of tax losses and other timing differences	**5,670**	4,416

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 £23.1m (2020: £23.2m), 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% and in May 2021 the Finance Act 2021 was substantively enacted with a rate of 25% to apply from April 2023. The effective tax rate used to calculate the current tax for the year ended 30 June 2021 was 19.00% (2020: 19.00%). Unrecognised deferred tax balances at 30 June 2021 have been calculated using a rate of 25% (2020: 19%) as this was the substantively enacted rate at the year end dates.

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 2019	-	868	554	111	26	1,559
On transition to IFRS 16	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
Balance at 1 July 2020	272	-	404	174	10	860
Additions	-	-	6	-	-	6
Balance at 30 June 2021	**272**	**-**	**410**	**174**	**10**	**866**
Depreciation and impairment						
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
Balance at 1 July 2020	57	-	385	118	10	570
Depreciation charge for the year	57	-	13	15	-	85
Balance at 30 June 2021	**114**	**-**	**398**	**133**	**10**	**655**
Net book value						
At 1 July 2019	-	378	69	73	9	529
At 1 July 2020	215	-	19	56	-	290
At 30 June 2021	**158**	**-**	**12**	**41**	**-**	**211**

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

	2021 £'000	2020 £'000
Administrative expenses – continuing operations	**85**	90
Loss on discontinued operations	**-**	448
	85	538

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 2019	-	868	534	105	10	1,517
On transition to IFRS 16	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
Balance at 1 July 2020	272	-	404	174	10	860
Additions	-	-	6	-	-	6
Balance at 30 June 2021	**272**	**-**	**410**	**174**	**10**	**866**
Depreciation and impairment						
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
Balance at 1 July 2020	57	-	385	118	10	570
Depreciation charge for the year	57	-	13	15	-	85
Balance at 30 June 2021	**114**	**-**	**398**	**133**	**10**	**655**
Net book value						
At 1 July 2019	-	378	54	70	-	502
At 1 July 2020	215	-	19	56	-	290
At 30 June 2021	**158**	**-**	**12**	**41**	**-**	**211**

The right of use asset relates to the main property held under a 5 year lease. IFRS16 interest charges of £12,000 (2020: £16,000) are included in note 7 and lease liabilities are shown in note 21. The total cash outflow was £72,000 (2020: £72,000).

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 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
Balance at 1 July 2020	50	969	2,297	-	3,316
Additions	-	47	-	-	47
Disposals	-	(111)	-	-	(111)
Balance at 30 June 2021	**50**	**905**	**2,297**	**-**	**3,252**
Amortisation and impairment					
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
Balance at 1 July 2020	-	622	1,850	-	2,472
Amortisation for the year	-	74	47	-	121
Disposals	-	(111)	-	-	(111)
Balance at 30 June 2021	**-**	**585**	**1,897**	**-**	**2,482**
Net book value					
At 1 July 2019	50	542	279	75	946
At 1 July 2020	50	347	447	-	844
At 30 June 2021	**50**	**320**	**400**	**-**	**770**

Goodwill represents the excess of consideration paid for a business over the value of the net assets acquired and is not amortised.

Amortisation and impairment charge

The amortisation and impairment charge is recognised in the following line items in the Statement of Comprehensive Income:

	2021 £'000	2020 £'000
Administrative expenses – continuing operations	**121**	482
Loss on discontinued operations	**-**	22
	121	504

Notes to the financial statements (continued)

13 Intangible assets (continued)

Development Costs

Development expenditure on the new iTrack II was capitalised in the year amounting to £Nil (2020: £0.38m). These development costs have been deemed to have a useful economic life of 3 years.

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 cash flow 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	
				2021	2020
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 2019	61
Additions	5
Disposals	(63)
At 30 June 2020 and 2021	3
Impairment	
Impairment in the year ended 30 June 2020	3
At 30 June 2020 and 30 June 2021	3
Net book value	
At 30 June 2020	-
At 30 June 2021	**-**

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 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 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 2021	Year ended 30 June 2020	**Year ended 30 June 2021**	Year ended 30 June 2020
	£'000	£'000	**£'000**	£'000
Operating cash flows	**-**	(1,333)	**-**	(1,672)
Investing cash flows	**1,237**	(560)	**1,237**	(560)
Financing cash flows	**(976)**	976	**(976)**	976
Total net cash outflows	**261**	(917)	**261**	(1,256)

Notes to the financial statements (continued)

16 Inventories

	Group 30 June 2021 £'000	Group 30 June 2020 £'000	Company 30 June 2021 £'000	Company 30 June 2020 £'000
Raw materials	**38**	33	**38**	33
Finished goods	**35**	30	**35**	30
	73	63	**73**	63

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year ended 30 June 2021 amounted to £0.36m (2020: £0.32m). Inventories are stated net of impairment provisions of £0.016m (2020: £0.008m).

17 Trade and other receivables

	Group 30 June 2021 £'000	Group 30 June 2020 £'000	Company 30 June 2021 £'000	Company 30 June 2020 £'000
Amounts falling due within one year				
Trade receivables	**139**	142	**139**	142
Expected credit losses	**(4)**	(1)	**(4)**	(1)
	135	141	**135**	141
Other receivables	**39**	1,437	**39**	1,437
Accrued income	**276**	-	**276**	-
Prepayments	**114**	99	**114**	99
	564	1,677	**564**	1,677

As at 30 June 2021 there were no past due but not impaired trade receivables (2020: no past due but not impaired). Included within receivables is a rent deposit of £28,000 repayable after more than one year.

18 Cash and cash equivalents

	Group 30 June 2021 £'000	Group 30 June 2020 £'000	Company 30 June 2021 £'000	Company 30 June 2020 £'000
Cash and cash equivalents per Balance Sheet	**1,046**	1,193	**1,046**	1,193
Cash and cash equivalents per cash flow statements	**1,046**	1,193	**1,046**	1,193

Notes to the financial statements (continued)

19 Trade and other payables

	Group		Company	
	30 June 2021 £'000	30 June 2020 £'000	**30 June 2021 £'000**	30 June 2020 £'000
Current				
Trade payables	**103**	488	**103**	488
Non-trade payables and accrued expenses	**157**	366	**157**	366
	260	854	**260**	854

20 Borrowings

	Group		Company	
	30 June 2021 £'000	30 June 2020 £'000	**30 June 2021 £'000**	30 June 2020 £'000
Current				
Loans (see note 15)	**-**	**976**	**-**	976

21 Lease liabilities

	Group		Company	
	30 June 2021 £'000	30 June 2020 £'000	**30 June 2021 £'000**	30 June 2020 £'000
Current				
Amounts due in less than one year	**65**	61	**65**	61
Non-current				
Amounts due in one to five years	**104**	168	**104**	168
	169	229	**169**	229

22 Employee benefits

Defined contribution plans

The Group operates a defined contribution pension plan. The total expense relating to these plans in the year ended 30 June 2021 was £0.03m (2020: £0.04m).

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 share based payment charge in respect of share options in the year was £41,000 (2020: £2,000 potential charge not included in the accounts due to the small size of the charge).

Notes to the financial statements(continued)

22 Employee benefits (continued)

Unapproved Discretionary Share Option Scheme

At 30 June 2021 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 2020	Granted	Cancelled/ Expired	Exercised	30 June 2021			***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

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** %
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 2021, 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 2020	Granted	Cancelled	Exercised	30 June 2021			***First***	***Last***
109,000	-	(109,000)	-	-	£0.75	26.06.17	30.06.18	30.06.21
50,000	-	-	-	50,000	£1.00	26.06.17	30.06.20	30.06.27
5,000	-	-	-	5,000	£0.75	26.06.17	30.06.20	30.06.27
178,000	-	(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
-	8,000	-	-	8,000	£0.62	08.12.20	08.12.20	12.08.29
-	170,000	-	-	170,000	£0.75	08.12.20	08.12.20	12.08.29

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	£0.1102	£0.62	£0.62	52.40%	3	1.50%	Nil
8.12.20	£0.1013	£0.54	£0.62	52.40%	3	1.00%	Nil
8.12.20	£0.0823	£0.54	£0.75	52.40%	3	1.00%	Nil

Notes to the financial statements (continued)

23 Share capital

Issued share capital	Ordinary shares of 10 pence each 30 June 2021	30 June 2020	Deferred shares of 40 pence each 30 June 201	30 June 2020
In issue at 1 July	**16,307,282**	16,307,282	**9,548,948**	9,548,948
Share capital reduction	**-**	-	**(9,548,948)**	-
In issue at 30 June – fully paid	**16,307,282**	16,307,282	**-**	9,548,948

	30 June 2021 £'000	30 June 2020 £'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
Shares classified as equity	**1,631**	5,451

Resolutions were passed in the year and approved by court order on 26 January 2021 to cancel all the deferred shares and the share premium account. The respective amounts of £3,820,000 and £2,591,000 were transferred to the retained earnings reserve together with directly related expenses of £38,000.
There are also 130,458 warrants exercisable at £0.60 per share expiring 9 October 2021 which were exercised in August 2021.

24 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 (2020: 16,307,282). Unexercised options and warrants over the ordinary shares results in a highly immaterial number of dilutive shares included in the calculation of diluted loss per share as the exercise price of most options exceeds the average share price during the year.

	Year ended 30 June 2021 Number	Year ended 30 June 2020 Number
Weighted average number of shares – basic	**16,307,282**	16,307,282
Share option adjustment	**30,206**	**-**
Weighted average number of shares – diluted	**16,337,488**	16,307,282

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Profit/(loss) from continuing operations	**156**	(1,090)
Loss from discontinued operations	**-**	(1,452)
	156	(2.542)
Basic profit/(loss) per share from continuing operations	**0.96**	(6.68)
Basic loss per share from discontinued operations	**-**	(8.91)
Basic profit/(loss) per share	**0.96**	(15.59)

There are 1,435,085 share options and 130,458 warrants in place at 30 June 2021 (1,544,085 share options and 226,850 warrants at 30 June 2020).

Notes to the financial statements (continued)

25 Financial instruments

Financial risk management overview

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

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

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

Liquidity risk

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

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has a cash balance at year end totalling £1.05m (2020: £1.19m). 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 2021 or 2020. 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 (2020: 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 Group had no significant assets or liabilities denominated in foreign currencies at either 30 June 2021 or 30 June 2020 and which therefore could give rise to exchange gains and losses in the Statement of Comprehensive Income.

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)

25 Financial instruments (continued)

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

	30 June 2021 £000	30 June 2020 £000
Financial assets held at amortised cost		
Trade receivables	**135**	141
Other receivables	**39**	1,273
Accrued income	**276**	-
Cash and cash equivalents	**1,046**	1,193
	1,496	2,607
Financial liabilities held at amortised cost		
Trade payables	**103**	488
Borrowings	**-**	976
Lease liabilities	**169**	229
Accruals	**121**	315
Financial liabilities at amortised cost	**393**	2,008

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 £0.41m (2020: £0.58m) 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 2021 the Group's cash was divided between current accounts £0.15m (2020: £0.13m) and £0.9m in fixed rate monthly deposits (2020: £1.06m) with a weighted average interest rate for the year of 0.1% (2020: 0.1%). 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)

25 Financial Instruments (continued)

Maturity Analysis

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

		Group		Company
	30 June 2021	30 June 2020	**30 June 2021**	30 June 2020
	£'000	£'000	**£'000**	£'000
In less than one year	**73**	73	**73**	73
In one to two years	**73**	73	**73**	73
In two to five years	**36**	109	**36**	109
	182	255	**182**	255

Reconciliation of movements in total financing liabilities

	Year ended 30 June 2021		Year ended 30 June 2020	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
At start of the year	**1,205**	**1,205**	-	-
Lease liabilities on transition to IFRS16	**-**	**-**	287	287
Interest accrued	**12**	**12**	16	16
Payments of lease liabilities in the year	**(60)**	**(60)**	(58)	(58)
Loans advanced	**-**	**-**	1,585	1,585
Loan repaid	**(976)**	**(976)**	(609)	(609)
Interest paid in the year	**(12)**	**(12)**	(16)	(16)
Total financing liabilities at end of the year	**169**	**169**	1,205	1,205

26 Contingencies and commitments

The Company and Group had no capital commitments or contingent liabilities as at 30 June 2021 (2020: £nil).

27 Related parties and controlling party

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

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