



Registered number 01885075

Annual report and financial  
statements

For the year ended 30 June 2022

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## Directors and advisers

### Directors

N F Rogers (Executive Chairman) <sup>(1)</sup>  
M Segal (Chief Financial Officer)  
N S Hopkins (Chief Operating Officer) <sup>(2)</sup>  
R E Maughan (Business Development Director) <sup>(2)</sup>  
R J Westhead (Non-Executive Director) <sup>(1, 3)</sup>

1 Member of the Audit and Risk Committee

2 Appointed 1 December 2021

3 Member of the Remuneration Committee

### Company Secretary and Registered Office

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

### Auditor

Cooper Parry Group Limited  
Chartered Accountants & Statutory Auditor  
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### Bankers

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Bicester  
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### Nominated Adviser & Broker

Allenby Capital Limited  
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EC3A 6AB

### Registrars

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Neville House  
Steelpark Road  
Halesowen  
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**Registration Number** 01885075

## Financial Highlights

- Revenue up 49% to £2.63m (FY21: £1.77m)
- iTrack royalty increased 88% to £1.56m (FY21: £0.83m)
- Translogik probe revenue up 16% to £0.88m (FY21: £0.76m)
- SAW revenue up 11% to £0.20m (FY21: £0.18m) with substantially increased customer engagement
- Profit before taxation of £0.27m (FY21: loss of £0.16m)
- Earnings per share up more than fivefold to 5.36 pence (FY21: 0.96 pence)
- Cash and cash equivalents at year end of £1.06m (FY21: £1.05m)
- Completed share buybacks of £0.30m (FY21: £Nil)
- Distributable reserves at year end of £1.20m (FY21: £0.63m)

## Chairman's statement for the year ended 30 June 2022

I am pleased to report another year of strong financial results and good further progress in the development of each of the company's three business segments. The latest post year end monthly iTrack royalty income has an annualised run rate of in excess of £2m, Translogik probes revenues are approaching £1m per annum with ample scope for further growth, and increased business development activities for Surface Acoustic Wave (SAW) sensor technology are building a pipeline of potential customers in our key target market sectors.

### Business strategy

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

There are currently three business segments comprising royalty income from iTrack, Translogik tyre monitoring equipment, and the commercialisation of Surface Acoustic Wave (SAW) sensor technology.

Progress in the development of each of these segments during the year and plans for the future are set out in the Operating and Financial Review on pages 7 to 12. The directors set out mid-term strategic goals for the Company's businesses in June 2020, immediately following the completion of the iTrack licence with Bridgestone. Since that time, financial results have been in line with or ahead of expectations, and the directors continue to be pleased with progress.

### Financial overview

Growth in revenue, profitability and cash generation were each delivered at rates consistent with those set in the strategic goals in June 2020. This resulted in net earnings of 5.36 pence per share; a fivefold increase on the prior year level of 0.96 pence.

Net cash generation (before financing activities) in the year of £0.30m was re-invested in the purchase of Company shares (which were put into treasury) under the buy-back programme announced in February 2022. At the end of the financial year, the Company had net assets of £3.09m (FY21: £2.34m), reserves stood at £1.50m, of which £1.20m are distributable (FY21: £0.63m), and net cash and cash equivalents of £1.06m (FY21: £1.05m). The directors are confident of further progress in the upcoming financial year and propose to continue to re-invest a portion of internally generated cash flow in a new share buy-back programme of £0.65m announced today.

### Corporate Governance, board structure and composition

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 the scale of the Company and the relatively low risk profile of its operations.

The three directors who have served throughout the year each have many years' experience as both executive and non-executive directors of fully listed and AIM-quoted companies, and recognise the broader needs of shareholders and other stakeholders in all of their dealings. During the year the board was further strengthened by Nick Hopkins joining as Chief Operating Officer and Ryan Maughan (in a part time capacity) as Business Development Director. At the time of their appointment in December 2021 it was also announced that the board intend to appoint an additional independent non-executive director, and this process is currently underway.

## Chairman's Statement for the year ended 30 June 2022 (continued)

The directors maintain constructive dialogue with major shareholders on the development of the business and associated governance matters, and will continue to ensure that any feedback is addressed promptly and effectively. Furthermore, there are opportunities for regular engagement with all shareholders with full details set out on the company's website.

### Share buyback programme

In February 2022 the Company announced the commencement of a programme to conduct market purchases of ordinary shares of 10 pence each in the Company up to maximum aggregate purchase price of £0.30m. This programme was completed on 26 May 2022 with the Company having acquired 434,000 ordinary shares for treasury at an average price of 70 pence each.

During the financial year the share price fluctuated between 58.0 pence and 122.5 pence, and averaged approximately 85 pence. The directors consider that recent weakness in the share price reflects macro-economic and stock market driven concerns which are unrelated to the performance and prospects for the business. Accordingly, the directors continue to view the Company's shares as undervalued and have today announced a new programme of market purchases on similar terms to the previous programme but with a maximum aggregate purchase value of £0.65m, of which £0.50m is subject to the renewal of shareholder approval for such market purchases at the upcoming Annual General Meeting.

### Current trading and outlook

In the first two months of trading since the end of the financial year the total revenues have increased year on year by 19%.

The royalty income stream from iTrack is proving reliable and continuing to grow strongly with the post year annualised royalty run rate now comfortably exceeding the fixed overheads of the whole Company. In addition, our commercial relationships in Translogik are continuing to strengthen and offer further growth potential as fleet managers seek to make cost savings. Finally, we are achieving real traction with SAW technology across a range of high growth industry sectors, illustrated most recently with the collaboration with Meggitt in aerospace, which provide a sound basis for optimism for the future.

Accordingly, the directors are confident that the Company's business model is sufficiently resilient to withstand the current challenging global economic outlook and look to the future with confidence.

**Nigel Rogers**

**Executive Chairman**

**26 September 2022**

## Strategic Report

### Operating and Financial Review

#### Results for the year

Revenues for the year increased by nearly 50% to £2.63m (FY21: £1.77m), driven primarily by gathering momentum on royalty income from iTrack. Gross margin improved to 84.9% of revenue (FY21: 78.3%) amounting to £2.23m (FY21: £1.39m).

Administrative expenses underwent a planned increase to £1.97m (FY21: £1.58m), mainly as a result of additional headcount and travel to support development of the SAW business. The Earnings before Interest, Taxation, Depreciation and Amortisation adjusted for the charge for share-based payments was £0.62m (FY21: £0.10m), and the net profit before taxation was £0.27m (FY21: net loss of £0.16m).

There was a credit for taxation of £0.61m (FY21: £0.31m) arising from the increase in the deferred taxation asset relating to the use of previous years' tax losses in future. As the Board has growing confidence in the future profitability, the deferred taxation asset now reflects a forecast period of two years rather than the use of one year previously. In total the Company has UK tax losses available to carry forward at 30 June 2022 in excess of £22m, which are available for offset against future profits subject to HMRC agreement, of which approximately £2.58m is currently recognised for deferred taxation purposes (FY21: £0.19m).

The resulting net total comprehensive income attributable to equity shareholders was £0.88m (FY21: £0.16m) resulting in earnings per share of 5.36 pence (FY21: 0.96 pence).

#### Segmental review

##### *iTrack royalty income*

Royalty income from iTrack generated income of £1.56m during the year, representing an increase of 88% over the level in the first year of the licence to 30 June 2021 (FY21: £0.83m). By the end of the year, the installed base had risen to more than 2.75 times that which prevailed at the outset of the licence, and the annualised royalty run rate had increased to £1.88m, compared with £1.12m at 30 June 2021, and £0.64m at inception in June 2020.

Royalty income is denominated in United States Dollars (US\$). The rate of exchange changed adversely in the first year of the licence as Sterling strengthened against the US\$, however in the year to 30 June 2022 this reversed to close in the Company's favour. During the year the directors implemented a policy of hedging forward around 80% of estimated future income by up to one year to take advantage of this opportunity and achieved an average rate around USD 1.20 to GBP 1 which compared very favourably with the opening rate at the time of the deal being USD 1.25 and the peak rate during the financial year being just under USD 1.4. However since securing these rates the directors note that GBP has fallen by a further 10% against USD.

Bridgestone Corporation, Japan, continues to indicate that iTrack is a key strategic component of their mobility solutions business and express confidence in the future growth potential for this technology.

##### *Translogik tyre monitoring*

Our range of tyre monitoring equipment marketed under the Translogik brand generated revenue of £0.88m; an increase of almost 16% over the prior year (FY21: £0.76m), and the segmental result was up by a third to £0.36m (FY21: £0.27m).

The modular TLGX range is now firmly established and this has facilitated the decision to phase out the TL-G1 range which is now well underway. This process has provided many opportunities to up-sell products with more sophisticated features, which together with favourable exchange rates increased gross margins in this segment from 50.4% of revenue in FY21 to 55.7% in FY22.

## Strategic Report (continued)

The Directors believe that working closely with the leading global tyre manufacturers has resulted in the Translogik probe becoming a tool of choice to diagnose mandatory commercial vehicle tyre safety and condition inspection data for their fleet management systems, and this has substantially increased sales opportunities. The technology has been shown to deliver reduced costs and improved collection of data which helps commercial vehicle fleets comply with safety inspection regulations and manage the significant costs of their tyres more effectively, again, key objectives for the future. As market penetration continues to build, we are also becoming increasingly aware of opportunities for additional features and enhanced software compatibility to maintain leadership in this market sector. This process further cements our relationships with major tyre manufacturers. The business has continued to expand beyond these important clients, and has new relationships in the fleet management arena, including software developers and manufacturers of complementary hardware products.

### Surface Acoustic Wave (SAW)

SAW generated revenue of £0.20m (FY21: £0.18m) and operating overheads for the segment increased slightly from £0.92m to £1.14m, reflecting increased headcount adding new senior people to both business and technical development. Revenue was derived mainly from low volume production of instrumented shafts either for motorsport or for customer evaluation projects, whilst increased headcount was required to manage new business opportunities and technical support which are yet to deliver revenue.

There is a broad range of potential market applications for SAW technology which have been explored fully, especially over the past two years with the support of the commercial advisory panel (SAWCAP). Our market focus for SAW technology has now settled on four sectors in which there are applications with clear differentiated benefits.

*Target market sectors for SAW technology:*

#### **Aerospace**

The measurement of torque is common practice in all types of aerospace engines, and is used to improve safety, pilot control and engine reliability. Our SAW technology offers advantages in these applications due to its accuracy over other technologies. Our sensor system is robust, and compact in size and weight. Its ability to measure or compensate for temperature fluctuations, and immunity from background electromagnetic interference, make it the ideal choice.

The case for using SAW in aerospace applications was proven in 2016 by the specification of SAW sensor technology under licence from Transense on the GE ITEP programme to re-engine Apache and Blackhawk helicopters for the US Army. The First Engine to Test under this programme was built successfully earlier this year, and low volume production is planned to commence in 2024/25.

In May 2022, an amending agreement was signed between Transense and GE Aviation to extend the scope of the field of use of their licence to encompass work for the Hybrid Electric Altitude Testbed flight demonstrator (HEAT) Programme. This programme covers the build of a SAW torque measurement system for evaluation in both test laboratory and flight test conditions. Although there is no current intention for this programme to directly enter commercial production, Transense is involved in the development phase over the period to 2024 to provide technical know-how, limited supply of critical components and the provision of calibration services at agreed commercial rates.

More recently, in September 2022, the Company entered into an important collaboration with Meggitt SA, the leading designer and manufacturer of complete condition monitoring, vibration monitoring and measurement solutions for the aerospace and energy markets. Under a new Memorandum of Understanding, the Company will support Meggitt's evaluation of potential future market opportunities in the aerospace sector. Meggitt has indicated that our SAW technology has the potential to become a great addition to its Engine Sensing portfolio as part of its strategy to support global engine OEM customers. There is a shared aim to enter into a licensing agreement prior to 31 December 2023 covering one or more fields of use in aerospace.



## Strategic Report (continued)

### Electric Motors and Drives (EMD)

As the market for electrified vehicle powertrain develops rapidly, the quest to deliver improved efficiency and performance in electric drive systems is paramount. Maximising vehicle range for a given battery capacity is a key target of every powertrain development programme, alongside maintaining and improving the safety integrity of the powertrain system.

The present state of the art is to use advanced torque estimation techniques based on electrical current and rotational speed measurements. Accurate torque measurement is desirable but has not been possible using competing torque measurement systems. Using SAW sensors eliminates the need for estimation and gives reliable torque and temperature measurement from the motor rotor that can be used to improve both motor efficiency and safety.

In May 2022, the Company secured a place on the Advanced Propulsion Centre (APC) Technology Developer Accelerator Programme (TDAP) in a competitive process. Alongside grant funding of up to £0.13m, this programme provides access to advice and support from the APC and their delivery partners focusing on product development, market strategy, intellectual property management and networking. The initial phase of this work is underway and it will progress through the current financial year. Grant income of £0.02m was recognised in the year ended 30 June 2022, the remaining available funding is expected to be realised in the year to 30 June 2023 and 2024.

EMD also has links into the other sectors with increasing electrification in aerospace and industrial machinery.

### Industrial Machinery (including Off-Highway Vehicles, Heavy Industrial Engines and Robotics)

Industrial Machinery provides the backbone of many sectors, from mining and construction to agriculture, materials handling and logistics. Industrial machines are becoming increasingly complex with more features and controls, and are being developed to do more work for a given amount of power. There is also a clear drive to partly or fully automate machinery and deploy more robotics in industry.

The propulsion systems in off-highway vehicles and other machines transmit drive forces through a rotating shaft to drive the wheels or other systems such as hydraulic pumps. The demanding nature of these heavy-duty applications means that implementing traditional torque sensor technology is difficult and it is more common to rely on shaft speed data as an alternative.

The use of SAW sensing of torque and/or temperature can improve accuracy, efficiency and power distribution, all of which can also contribute to the ability to operate such machines remotely or on a fully autonomous basis. Transense SAW sensor technology is under ongoing trial by a major producer of agricultural machinery. The project is progressing on schedule, and is expected to strengthen the business case for the use of SAW in this sector.

The global market for industrial robotics is expanding rapidly and is accelerated by the advent of lower cost collaborative robots that are easier and less costly to deploy. These robots have a position and torque sensing system embedded into every joint to allow automated control and safe operation, which are generally reliant on strain gauge or displacement sensors. Whilst these sensors are low cost and suitable for simple applications, they lack the robustness required in some harsh environments and can be susceptible to electromagnetic interference. Furthermore, each of these existing technologies require an element of twist or flex in the robots joints, which means that the robotic arm will flex in operation limiting performance and repeatability.

Transense SAW sensor technology can provide an improved way to measure torque, rotation and temperature in a robotic system, virtually eliminating flex and creating high performing and more repeatable robots with more compact joints than has been possible previously.

## Strategic Report (continued)

### Motorsport and high-performance vehicles

Transense SAW technology has been in use for several years in premium motor sport driveline applications to measure delivered torque in race vehicle drivetrain for monitoring and regulatory compliance purposes. In September 2021, the Company entered into a five-year Joint Collaborative Agreement (JCA) with McLaren Applied Ltd to further develop non-contact torque products for this sector. Under the JCA, McLaren has exclusive access to the technology for the premium motor sport market in exchange for meeting minimum target revenues on an annual basis over five years. Progress under the JCA has been in line with our initial expectations and a number of new customer opportunities are in development.

The motorsport market offers limited scale as a consequence of the relatively low number of vehicles in operation, but is a proving ground for new automotive technology which may subsequently be adopted in mainstream vehicles. There is strong overlap with EMD as high volume performance vehicles are increasingly being developed using electric drivetrain.

### Business development activities

In view of the positive indications for the development of applications in which SAW offers benefits over other methods of torque measurement, and with clear target market sectors in view, it became appropriate during the year to inject additional business development resource. Ryan Maughan joined the Board in a part-time role as Business Development Director in December 2021, and his involvement has generated a growing pipeline of potential customer engagements which can be summarised as follows:

Number of potential customers by sector as at 26 September 2022 (July 2021)

	Aerospace	Electric Motors & Drives	Industrial Machinery	Performance Automotive	Total
Stage 4 - Contracted	1 (1)	0 (0)	0 (0)	1 (1)	2 (2)
Stage 3 – Contract under negotiation	1 (0)	0 (0)	0 (0)	0 (0)	1 (0)
Stage 2 – In development	1 (0)	1 (0)	1 (1)	0 (1)	3 (2)
Stage 1 – Active enquiry	4 (3)	10 (0)	4 (0)	0 (0)	18 (3)
<b>Total</b>	<b>7 (4)</b>	<b>11 (0)</b>	<b>5 (1)</b>	<b>1 (2)</b>	<b>24 (7)</b>

There is now a healthy and growing pipeline of active customer engagement, where the minimum requirements for an enquiry to be considered active are met. These include pre-qualification that the project is technically feasible, and is known to be supported by decision makers and budget holders in the customer organisation.

There will normally be a significant time lag in progressing enquiries from stage 1 to stage 4, and much more work to be done. It is also more than likely that timescales can be extended, and that some will not mature into revenue. Nevertheless, the progress made in recent months provides ample indication of future growth potential, and a number of projects are close to moving from enquiry stage to some form of paid engineering project, which will increase the revenue of this segment with no significant additional costs.

## Strategic Report (continued)

### ***Operations and engineering activities***

Nick Hopkins, who joined the Company to lead the SAW business during the reorganisation phase in 2020, became Chief Operating Officer and joined the Board in December 2021.

In parallel with the opening up of new commercial opportunities, resources have been applied in developing the technical and operational capabilities that will be required to satisfy increasing customer demand for chargeable development projects, leading into engineering support for transfer of SAW into production.

Unlike some alternative torque and temperature sensing devices, SAW components require a degree of customisation in order to unlock their unique benefits specific to each application and are therefore not sold “out of the box”. This calls for detailed application engineering, covering for example the methods for bonding components to OEM equipment, and calibrating the output signal for accuracy and repeatability across the temperature cycle.

To advance our knowledge and experience in these areas, Andy Bullock joined the Company in July 2022 in the newly created role of Technical Director. He brought a proven record of leading the design and development of complex electronic solutions and associated manufacturing processes. The primary focus is to build the engineering capability of the business to meet customer demand for practical support in application of SAW technology, both in-house for proto-typing, development and pilot production, and through the provision of technology transfer to potential licencees.

### ***Working in partnership***

It has been an important feature of the Company’s business model to work closely with some of the world’s largest and most respected companies in collaborative partnerships to facilitate market access that would otherwise challenge the financial resources of a specialist innovator. This has led to the successful licensing of SAW technology to GE and Emerson, and the iTrack licence granted to Bridgestone in 2020.

This approach is maintained in our recent announcement of the new collaboration with Meggitt in the aerospace sector. The directors consider that working alongside a company of Meggitt’s stature will expand our capacity to develop customers in this rapidly changing sector and will continue to support this partnership approach in other segments where suitable opportunities arise to increase access to markets, customers, supply chain and/or engineering and production capabilities.

### ***Prospects for SAW***

Taken as a whole, there has been much progress during the year and clear signs of traction across high value growth markets. The level and quality of customer engagement has increased substantially, and the engineering tasks required to enable customers to apply our technology in a more accessible manner are underway.

It will remain a time consuming process to convert qualified enquiries into development projects, and transition these through to full production, and doubtless not all will mature. The directors consider, however, that the prospects of future commercial success for SAW are building.

## Financial position and cash flow

The Company’s financial position strengthened further during the year with net assets increasing to £3.09m (FY21: £2.34m) as a result of the retention of net profits after taxation. Net available cash balances amounted to £1.06m (FY21: £1.05m), and the final quarter royalty income on iTrack receivable on 31 July 2022 stood at £0.47m (FY21: 0.26m).

Net cash generated from operations amounted to £0.41m (FY21: net cash used of £0.25m). This was re-invested in capital expenditure of £0.10m (FY21: £0.05m) and in the share buy-back programme during the final quarter of the year totaling £0.30m, leaving net cash balances unchanged over the year. The directors anticipate that the Company will continue to be cash generative for the foreseeable future, and will accumulate further cash balances well in excess of the buy-back programme currently proposed.

## Strategic Report (continued)

### Going concern

The Company meets its day to day working capital requirements through existing cash reserves and does not currently require an overdraft or other borrowing facility. The directors have prepared cash flow forecasts for the period to 30 June 2024 which indicate that there is a reasonable expectation that the Company will continue to operate within current and future cash resources throughout this period. Accordingly, these financial statements have been prepared on the going concern basis.

### 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 22	FY 21
<b>Turnover - continuing operations (£m)</b>	2.63	1.77
<b>Adjusted EBITDA – (£m) *</b>	0.62	0.10
<b>EBT - (£m)</b>	0.27	(0.16)
<b>EPS - attributable to shareholders (Pence)</b>	5.36	0.96
<b>Closing share price (Pence)</b>	62.5	90.5
<b>Net cash generated/(used) in operations (£m)</b>	0.41	(0.25)
<b>Closing cash balance (£m)</b>	1.06	1.05
<b>Cash per Share (Pence) **</b>	6.6	6.4
<b>Consolidated Net Assets (£m)</b>	3.09	2.34
<b>Net Assets/Share (Pence) **</b>	19.3	14.4
<b>Market Capitalisation at year end (£m) **</b>	10.00	14.76
<b>Shares in issue (million) **</b>	16.0	16.3











\*Adjusted EBITDA excludes the charge for share based payments £0.10m (2021: £0.04m)

\*\*Based on free shares in issue of 16,003,740 (2021: 16,307,282). Free shares are calculated based on the total issued share capital of 16,437,740 less Treasury shares 434,000.




## 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 FY 22	Year on Year change in risk FY21
<b>Covid - 19</b>	The Covid-19 pandemic continued into the financial year ended 30 June 2022 and has again impacted individuals, businesses, markets and economies substantially reducing the ability to travel overseas and meet with major customers and suppliers. During the second half of the financial year the impact began to reduce considerably and many and subsequently nearly all of the restrictions in place were removed.	Transense's exposure regarding Covid - 19 has continued to be fairly minimal despite most of the team having tested positive at some stage. The Company adopted Government guidelines throughout the period restrictions were in place and video conferencing has substantially mitigated the failure to be able to travel to visit non UK customers however in the second half of the year the team were able to travel abroad and meet some important customers.		
<b>Suppliers and Raw Materials</b>	Due to a combination of worldwide events, the latest being the conflict in Ukraine, lead times for acquiring stock for our products and services continues to be challenging and has put the Company in a position where the demand could outstrip the supply in turn impacting on customer relationships.	Towards the end of the year the Company substantially increased the level of inventory ordered and this together with some technical modifications enabling the use of more available components facilitated the ability to meet anticipated demand.		
<b>Foreign currency fluctuation</b>	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 during the year, as the dollar has strengthened, hedged against detrimental movements. The strengthening of the dollar has had a positive impact on the business.		
<b>People</b>	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 new employees, when required, is done so by experienced staff to ensure the correct calibre of individual is identified. The Company has successfully recruited new members to the SAW team in key roles working closely with a recruitment team specialising in our industry.		
<b>Global Companies and Competition</b>	Many of the customers 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.	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.		

## Strategic Report (continued)

Risk and Uncertainty	Details of Risk & Impact	Mitigation	Year on Year change in risk
<b>Commercialisation and Development of New Products</b>	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.	
<b>Intellectual Property</b>	<p>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.</p> <p>The risk exists that we fail to improve and generate new know how and where possible extend the scope and life of our patents.</p>	<p>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.</p> <p>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.</p>	
<b>Liquidity</b>	Transense has in the past found it necessary to raise funds to support losses and working capital requirements.	Following the completion of the Bridgestone deal the Company's finances have become substantially stronger and the operating cash flow 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.	

By order of the board

**Nigel Rogers**  
Executive Chairman  
26 September 2022

**Melvyn Segal**  
Chief Financial Officer  
26 September 2022

## Environmental, Social and Governance

Transense's commitment to promoting a greener environment continues to be of significant importance 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, optimise 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 61**

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 the Audit committee.

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 67**

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 78**

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.

#### **Nick Hopkins (Chief Operating Officer) Age 62**

Nick had several years of business experience in the electronics sector using SAW for Test and Instrumentation, following a military career which included the command of an Army Air Corps operational helicopter squadron and operational and capability equipment roles with the Joint Helicopter Command.



## Corporate Governance Statement (continued)

### Ryan Maughan (Business Development Director) Age 43

Ryan is an award-winning engineer and business leader with more than 20 years' experience in the high-performance, heavy-duty and off-highway automotive markets. Prominent in the development of power electronics, electric motors and drives (PEMD) for these demanding applications, he has successfully founded, scaled and sold three businesses in the electric vehicle space. He is currently CEO of eTech49 Limited, an advisory business specialising in disruptive hardware technology in PEMD. In addition, he is Chairman of EV North, an industry group representing the booming electric vehicle industry in the north of England, a Board member of the North East Local Enterprise Partnership and an advisor to a number of corporations.

\*Member of Audit & Risk committee

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

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

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

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

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 meetings attended	Audit Committee	Remuneration Committee
Nigel Rogers	9	9	1	-
Melvyn Segal	9	9	1*	-
Rodney Westhead	9	9	1	2
Nick Hopkins	5	5	-	-
Ryan Maughan	5	5	-	-

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

Nick Hopkins and Ryan Maughan joined the Board on 1 December 2021. The Board has 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.

## Corporate Governance Statement (continued)

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 7-14, the Board has in place a risk management policy and a risk management register for identifying, assessing and mitigating the Company's principal risks and uncertainties.

### Internal Financial Control

The Board is responsible for establishing and maintaining the Company's system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Company and the risk to which it is exposed, and by its very nature can provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they are appropriate to the nature and scale of the operations of the Company. The Directors will continue to reassess internal financial controls as the Company expands further.

### Board Committees

#### *Audit & 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, during the year ended 30 June 2022 two directors participated and total contributions were £4.6k (2021: £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  
6 Months: Nick Hopkins and Ryan Maughan

If the Company terminates without notice, the individual is entitled to a payment in lieu of notice being the value of the maximum notice period in his contract.

In the event of termination for unsatisfactory performance (if necessary, decided by an independent tribunal) or for reasons of misconduct, no compensation is payable.

### Directors' Emoluments

Information on Directors' emoluments is as follows:

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

Information on Directors' emoluments is as follows:

	Basic salary	Bonus	Benefits	Pension	Total emoluments	
					Year ended 30 June 2022	Year ended 30 June 2021
					£	£
<b>Executive Directors</b>						
N Rogers	45,000	-	-	-	<b>45,000</b>	45,000
M Segal	135,000	-	8,040	1,500	<b>144,540</b>	127,738
N Hopkins*	61,250	-	246	3,063	<b>64,559</b>	-
R Maughan*	42,288	-	-	-	<b>42,288</b>	-
<b>Non-Executive Directors</b>						
R Westhead	26,400	-	-	-	<b>26,400</b>	24,000
<b>Total 2022</b>	<b>309,938</b>	<b>-</b>	<b>8,286</b>	<b>4,563</b>	<b>322,787</b>	196,738
Total 2021	189,250	-	7,488	-	196,738	

\*appointed to the Board 1 December 2021

These emoluments can be analysed as follows:	2022	2021
	£	£
Continuing directors remuneration excluding bonus	<b>322,787</b>	196,738
<b>Total</b>	<b>322,787</b>	196,738

## 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.

	At 1 July 2021	At 30 June 2022	Earliest exercise date	Exercise price per share	Hurdle price per share
<b>Directors' interests in the EMI were:</b>					
M Segal	50,000	-	30/06/20	£1.00	£2.00
M Segal	170,000	<b>170,000</b>	12/08/21	£0.75	£2.00
M Segal	126,000	<b>126,000</b>	24/06/23	£0.62	£1.50
M Segal	-	<b>40,000</b>	30/09/24	£0.10	£1.50*
N Hopkins	***100,000	<b>100,000</b>	24/06/23	£0.62	**
N Hopkins	-	<b>25,000</b>	22/11/24	£0.10	£1.50*
R Maughan	-	<b>50,000</b>	22/11//24	£0.10	£1.50*

	At 1 July 2021	At 30 June 2022	Earliest exercise date	Exercise price per share	Hurdle price per share
<b>Directors' interests in the UDSOS were:</b>					
M Segal	74,000	<b>74,000</b>	24/06/23	£0.62	£1.50
M Segal	-	<b>35,000</b>	30/09/24	£0.10	£1.50*
N Rogers	400,000	<b>400,000</b>	24/06/23	£0.62	£1.50
N Rogers	-	<b>150,000</b>	30/09/24	£0.10	£1.50*
R Westhead	-	<b>25,000</b>	30/09/24	£0.10	£1.50*

\* The hurdle price commences at £1.50 (for 10 consecutive days) and rises to £2.00

\*\* The hurdle is based on the SAW Segment making a positive contribution after direct salary costs

\*\*\* Joined the Board in December 2021. The opening balance reflects share options granted prior to joining the board

### Share price performance

The share price performance is disclosed in the Directors' Report on page 23.

## Directors' report

The Directors present their annual report and audited financial statements for the year ended 30 June 2022.

### *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 14.

### *Results and Dividends*

The results for the year ended 30 June 2022 show a profit after tax of £0.88m (2021: £0.16m). The Directors do not recommend the payment of a dividend (2021: £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	1,610,004	10.06%
Seneca	1,250,000	7.81%
P Lobbenberg	968,979	6.05%
Javed Abrahams	674,096	4.21%
Harwood Capital LLP	660,000	4.12%
Legal & General	540,000	3.37%
Gerald Oury	493,333	3.08%

Information correct as at 24 September 2022. The total number of Ordinary Shares in issue (including 434,000 shares held as treasury shares) is 16,437,740 and, therefore, the total number of voting rights in the Company, which is the basis for the above percentages, totals 16,003,740.

## 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	Ordinary shares of 50p each
	30 June 2022	30 June 2021
N Rogers	265,000	200,000
M Segal	50,000	44,888
R J Westhead	30,655	30,655
R Maughan	18,363	-
N Hopkins	5,000	-

### Share price

The mid-price of the shares in the Company at 30 June 2022 was 62.5p (2021: 90.50p) and the range during the period was 58.0p to 122.5p (2021: 47.5p to 98.0p).

### 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 21.

### Financial Instruments

The directors adopt a low risk financial objective. The financial instruments are denominated in sterling, Euros and US dollars. In view of the significant exposure to US dollar income including the royalties, the Group now enters into forward contracts to sell US dollars for sterling at fixed rates in order to mitigate the risk of unexpected fluctuations in exchange rates (see note 22 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 or other products has been capitalised in the year (2021: £Nil).

## 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 2021/22.

### *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*

26 September 2022

**M Segal**  
*Chief Financial Officer*

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 2022 which comprise the consolidated Statements of Comprehensive Income, the Consolidated and Company Balance Sheets, 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 their preparation is applicable law and UK adopted international accounting standards.

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 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Our approach to the 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 and profits generated in the year and all of the net assets at year end.

### Key audit matters

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

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

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

### 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 £39,465. 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 1.5% of group revenue. In determining the level of testing to be performed during our audit work, we used performance materiality of £35,500.

The materiality for the parent company financial statements as a whole was set at £35,500. This has been determined with reference to the benchmark of the parent company's revenue which we consider to be an appropriate measure for a parent company such as this. Materiality has been capped to 90% of group materiality.

### 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.

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

### Conclusions relating to going concern (continued)

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; and
- 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 the relevant sections of this report.

### 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.

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

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

### 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  
Statutory Auditor

Sky View  
Argosy Road  
East Midlands Airport  
Caste Donington  
Derby  
DE74 2SA

Date:

## Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
<b>Continuing operations</b>			
Revenue	5	2,632	1,773
Cost of sales		(398)	(385)
<b>Gross profit</b>		<b>2,234</b>	<b>1,388</b>
Administrative expenses	6	(1,970)	(1,581)
Operating profit/(loss)		264	(193)
Financial expense	7	(12)	(12)
Other income		16	48
Profit/(loss) before taxation		268	(157)
Taxation	10	609	313
<b>Profit and total comprehensive income for the year attributable to the equity holders of the parent</b>		<b>877</b>	<b>156</b>
<b>Basic profit per share for the year (pence)</b>	21	<b>5.36</b>	0.96
Diluted profit per share for the year (pence)	21	5.22	0.96

The Company only has dormant subsidiaries and therefore its result is shown above and comprises all of the Consolidated statement of comprehensive income presented.

Notes to the financial statements are from pages 35 to 56.

## Consolidated and Company Balance Sheet at 30 June 2022

		30 June		30 June	
	Note	2022	2022	2021	2021
		£'000	£'000	£'000	£'000
<b>Non current assets</b>					
Property, plant and equipment	11	167		211	
Intangible assets	12	671		770	
Deferred tax	10	645		47	
			1,483		1,028
<b>Current assets</b>					
Inventories	14	88		73	
Corporation tax	10	-		60	
Trade and other receivables	15	1,133		564	
Cash and cash equivalents	16	1,055		1,046	
			2,276		1,743
<b>Total assets</b>			<b>3,759</b>		<b>2,771</b>
<b>Current liabilities</b>					
Trade and other payables	17	(560)		(260)	
Lease liabilities	18	(65)		(65)	
			(625)		(325)
<b>Non current liabilities</b>					
Lease liabilities	18		(42)		(104)
<b>Total liabilities</b>			<b>(667)</b>		<b>(429)</b>
<b>Net assets</b>			<b>3,092</b>		<b>2,342</b>
<b>Equity</b>					
Issued share capital	20		1,644		1,631
Share premium			65		-
Treasury Shares	20		(303)		-
Share based payments			180		82
Retained earnings			1,506		629
<b>Total equity</b>			<b>3,092</b>		<b>2,342</b>

These financial statements were approved by the board of Directors and authorised for issue on 26 September 2022 and were signed on its behalf by:

**N F Rogers**  
Chairman

**M Segal**  
Chief Financial Officer

Notes to the financial statements are from pages 35 to 56.



## Statement of Changes in Equity

Company and Group	Share Capital	Share Premium	Share based payments	Retained earnings	Treasury shares	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 July 2020</b>	5,451	2,591	41	(5,900)	-	2,183
<b>Comprehensive income for the year:</b>						
Profit for the year	-	-	-	156	-	156
Share based payment (note 19)	-	-	41	-	-	41
Share capital reduction (note 20)	(3,820)	(2,591)	-	6,411	-	-
Expenses of capital reduction (note 20)	-	-	-	(38)	-	(38)
<b>Balance at 30 June 2021</b>	<b>1,631</b>	<b>-</b>	<b>82</b>	<b>629</b>	<b>-</b>	<b>2,342</b>
<b>Comprehensive income for the year:</b>						
Profit for the year	-	-	-	877	-	877
Share based payment (note 19)	-	-	98	-	-	98
Warrants exercised (note 20)	13	65	-	-	-	78
Treasury shares (note 20)	-	-	-	-	(303)	(303)
<b>Balance at 30 June 2022</b>	<b>1,644</b>	<b>65</b>	<b>180</b>	<b>1,506</b>	<b>(303)</b>	<b>3,092</b>

Notes to the financial statements are from pages 35 to 56.

## Consolidated and Company Cash Flow Statement For the year ended 30 June 2022

	Note	Group and Company	
		Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
<b>Profit from operations</b>		<b>877</b>	156
Adjustments for:			
Taxation	10	(609)	(313)
Net financial expense	7	12	12
Share based payment	19	98	41
Depreciation	11	88	85
Amortisation and impairment of intangible assets	12	155	121
<b>Operating cash flows before movements in working capital</b>		<b>621</b>	102
(Increase) in receivables	15	(569)	(124)
Increase/(Decrease) in payables	17	300	(594)
(Increase) in inventories	14	(15)	(10)
<b>Cash generated / (used in) operations</b>		<b>337</b>	(626)
Taxation received		71	381
<b>Net cash generated / (used) in operations</b>		<b>408</b>	(245)
<b>Investing activities</b>			
Acquisitions of property, plant and equipment	11	(44)	(6)
Acquisitions of intangible assets	12	(56)	(47)
Proceeds from disposal of trade and assets		-	1,237
<b>Net cash (used in) investing activities</b>		<b>(100)</b>	1,184
<b>Financing activities</b>			
Capital reduction expenses	20	-	(38)
Treasury shares		(303)	-
Warrants exercised		78	-
Loans repaid		-	(976)
Interest paid		(12)	(12)
Payment of lease liabilities		(62)	(60)
<b>Net cash used in financing activities</b>		<b>(299)</b>	(1,086)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9</b>	(147)
<b>Cash and equivalents at the beginning of year</b>		<b>1,046</b>	1,193
<b>Cash and equivalents at the end of year</b>	16	<b>1,055</b>	1,046

In the year ended 30 June 2021, the investing activity cashflows included a £1,237,000 inflow in respect of the disposal of discontinued operations in June 2020 and financing activity cashflows a related £976,000 outflow.

Notes to the financial statements are from pages 35 to 56.

## Notes to the financial statements

### 1 General Information

Transense Technologies plc (the “Company”) is a public company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office and principal place of business is given on page 3. The consolidated financial statements of the Company as at and for the year ended 30 June 2022 (prior year ended 30 June 2021) comprise the Company and its subsidiaries (together referred to as “the Group” and individually as “Group entities”). The Company’s subsidiaries are dormant and have no external assets or liabilities. As the financial statements are the same for company and Group, all financial information therefore relates to the Company and Group and is shown headed as Company and Group. The nature of the Company’s and Group’s operations and its principal activities are discussed in the business review on page 22.

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 2022 the Group had net cash balances of £1.06m (2021: £1.05m). The business is now generating cash and the Directors have prepared cash flow forecasts to June 2024, including plausible downside sensitivities that might arise in respect of the impact of 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 development 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.

#### *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 2022. 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.

## 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; and
- License revenue is recognised in accordance with the contractual agreement for each deal.

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.

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.

## 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

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 from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- The expenditure attributable to the intangible asset during its development can be measured 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*

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.

#### *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*

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.

The group does not apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies. The group utilises forward exchange contracts to mitigate the risk of adverse exchange rate movements on foreign currency denominated revenue. These derivatives are measured at the fair market value, at the reporting date, with the fair value gain or loss movements arising being recognised within administrative expenses 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 or Monte Carlo Option Pricing Models. These models consider 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. The Monte Carlo model also evaluates the probability of different outcomes being achieved in respect of market based vesting conditions and is applied where a share price hurdle has to be exceeded..

#### *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.



## 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 earnings reserve includes all current and prior period net retained profits and losses.

Treasury shares are included in equity in respect of the Company's purchase of its own shares. These are stated at cost.

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 by destination and operating segments. The royalty income, received through a UK customer company, is included in the UK & Europe totals.

#### Revenue

	Year ended 30 June 2022	Year ended 30 June 2021 Restated
	£'000	£'000
North America	323	244
South America	123	83
Australia	41	28
Europe	387	228
UK	92	90
Rest of the World	109	268
	<b>1,075</b>	<b>941</b>
iTrack Royalty	<b>1,557</b>	<b>832</b>

Note comparatives are restated as they were shown incorrectly last year.

## Notes to the financial statements (continued)

### 5 Revenue and segmental reporting (continued)

#### Segments

	Translogik £'000	SAW £'000	iTrack royalties £'000	Unallocated £'000	Total £'000
<b>Year ended 30 June 2022</b>					
Sales	875	200	1,557	-	2,632
Gross profit	484	193	1,557	-	2,234
Overheads	(126)	(1,142)	(44)	(658)	(1,970)
Operating profit/(loss)	358	(949)	1,513	(658)	264
Other Income	-	16	-	-	16
Net Financial Expense	-	(12)	-	-	(12)
Taxation	-	-	-	609	609
Profit/(loss) for the year	358	(945)	1,513	(49)	877
<b>EBITDA reconciliation</b>					<b>£'000</b>
Operating profit					264
Other income					16
Depreciation and amortisation					243
<b>EBITDA</b>					<b>523</b>
<b>Note: Adjusted EBITDA (excluding share based payments)</b>					<b>621</b>
	Translogik £'000	SAW £'000	iTrack royalties £'000	Admin £'000	Total £'000
<b>Year ended 30 June 2021</b>					
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	(546)	887	(456)	156

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 2022 there were 2 customers (2021: 2) whose turnover accounted for more than 10% of the Group's total continuing revenue as follows:

Year ended 30 June 2022	Revenue £'000	Percentage of total
Customer A	1,557	59
Customer B	339	13

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

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 2022 £'000	Year ended 30 June 2021 £'000
Depreciation of property, plant and equipment	88	85
Amortisation of intangible assets	155	121
Loss/(Gain) on foreign exchange transactions	50	(19)

During the year £nil was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases (2021: £nil).

Auditors' remuneration for the Group and Company:

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Audit of these financial statements	37	31
Fees payable for tax compliance services	4	4
Fees payable for other tax and financial advice	-	3

### 7 Finance expense

*Recognised in statement of comprehensive income*

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Finance expense	(12)	(12)

## 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 and Company	
	Year ended 30 June 2022	Year ended 30 June 2021
Management and technical	13	11
Administration	2	2
Non-Executive Directors	1	1
	<b>16</b>	<b>14</b>

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

	Group and Company	
	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Wages and salaries	937	771
Share based payments (note 19)	98	41
Social security costs	115	93
Contributions to defined contribution pension plan	35	30
	<b>1,185</b>	<b>935</b>

The share based payment charge included in the accounts in respect of share options in the year was £98,000 (2021: £41,000).

### 9 Directors' remuneration

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Directors' emoluments	310	189
Directors' benefits	8	7
Directors' pension	5	-
	<b>323</b>	<b>196</b>
Employers national insurance	39	22
Share based payments (note 19)	82	28

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £135,000 (2021: £127,738). Company pension contributions made to a money purchase scheme on behalf of Directors was £4,543 (2021: £Nil). During the year, the highest paid Director received 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 (2021: Nil).

The number of Directors accruing retirement benefits under money purchase schemes in the year was 2 (2021: Nil).

The number of Directors who exercised share options in the year was Nil (2021: 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 (2021: Nil).

The share based payment charge in respect of Directors share options in the year was £82,000 (2021: 28,000).

### 10 Taxation

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

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
<b>Current tax credit</b>		
Current year	-	(60)
Adjustment for previous year	(11)	(206)
<b>Deferred tax credit</b>		
Current year	(598)	(47)
<b>Tax credit in Statement of Comprehensive Income</b>	<b>(609)</b>	<b>(313)</b>

#### Reconciliation of effective tax rate

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Profit/(loss) before tax	268	(157)
Tax calculated at the average standard UK corporation tax rate of 19.00% (2021: 19.00%)	51	(30)
Expenses not deductible for tax purposes	19	8
Additional deduction for R&D expenditure	-	(38)
Utilisation of losses brought forward for which no deferred tax asset was recognised	(23)	-
Recognition of deferred tax in respect of prior year losses	(645)	(47)
Prior year adjustment	(11)	(206)
<b>Total tax credit</b>	<b>(609)</b>	<b>(313)</b>
Corporation tax receivable	-	60
Deferred tax assets are:		
Recognised – in respect of tax losses	645	47
Unrecognised – in respect of tax losses and other timing differences	4,900	5,670

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 £22.8m (2021: £23.1m), which are available for offset against future profits of the same trade. There is no expiry date for tax losses. An appropriate deferred tax asset is being recognised as the Group is able to demonstrate a reasonable expectation of sufficient future taxable profits arising in order to utilise the losses.

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. Recognised and unrecognised deferred tax balances at 30 June 2022 have been calculated using a rate of 19% for reversals expected in the period to April 2023 and 25% for reversals after that date (2021: 25%) as this was the substantively enacted rate at the year end date. The recent budget on 23 September 2022, the Chancellor of the Exchequer announced that the corporation tax rate would not increase to a maximum of 25% however this has not been enacted as at year end nor at the time of signing the financial statements.

## Notes to the financial statements (continued)

### 11 Property, plant and equipment – Group and company

	Right-of-use- property assets £'000	Plant and Equipment £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>					
Balance at 1 July 2020	272	404	174	10	860
Additions	-	6	-	-	6
Balance at 30 June 2021	272	410	174	10	866
Balance at 1 July 2021	272	410	174	10	866
Additions	-	44	-	-	44
<b>Balance at 30 June 2022</b>	<b>272</b>	<b>454</b>	<b>174</b>	<b>10</b>	<b>910</b>
<b>Depreciation and impairment</b>					
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
Balance at 1 July 2021	114	398	133	10	655
Depreciation charge for the year	57	17	14	-	88
<b>Balance at 30 June 2022</b>	<b>171</b>	<b>415</b>	<b>147</b>	<b>10</b>	<b>743</b>
<b>Net book value</b>					
At 1 July 2020	215	19	56	-	290
At 1 July 2021	158	12	41	-	211
<b>At 30 June 2022</b>	<b>101</b>	<b>39</b>	<b>27</b>	<b>-</b>	<b>167</b>

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

	2022 £'000	2021 £'000
Administrative expenses – continuing operations	88	85
	<b>88</b>	<b>85</b>

The right of use asset relates to the main property held under a 5 year lease. IFRS16 interest charges of £12,000 (2021: £12,000) are included in note 7 and lease liabilities are shown in note 18. The total cash outflow was £74,000 (2021: £72,000).

## Notes to the financial statements (continued)

### 12 Intangible assets

#### Group and Company intangible assets

	Goodwill	Patents rights and Trademarks	Development costs	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
Balance at 1 July 2020	50	969	2,297	3,316
Additions	-	47	-	47
Disposals	-	(111)	-	(111)
<b>Balance at 30 June 2021</b>	<b>50</b>	<b>905</b>	<b>2,297</b>	<b>3,252</b>
Balance at 1 July 2021	50	905	2,297	3,252
Additions	-	56	-	56
<b>Balance at 30 June 2022</b>	<b>50</b>	<b>961</b>	<b>2,297</b>	<b>3,308</b>
<b>Amortisation and impairment</b>				
Balance at 1 July 2020	-	622	1,850	2,472
Amortisation for the year	-	74	47	121
Disposals	-	(111)	-	(111)
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>585</b>	<b>1,897</b>	<b>2,482</b>
Balance at 1 July 2021	-	585	1,897	2,482
Amortisation for the year	-	111	44	155
<b>Balance at 30 June 2022</b>	<b>-</b>	<b>696</b>	<b>1,941</b>	<b>2,637</b>
<b>Net book value</b>				
At 1 July 2020	50	347	447	844
At 1 July 2021	50	320	400	770
<b>At 30 June 2022</b>	<b>50</b>	<b>265</b>	<b>356</b>	<b>671</b>

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

## Notes to the financial statements (continued)

### 12 Intangible assets (continued)

#### Amortisation and impairment charge

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

	2022 £'000	2021 £'000
Administrative expenses – continuing operations	155	121
	<u>155</u>	<u>121</u>

#### 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 2024 based on currently contracted income levels and which support the carrying value of goodwill.

### 13 Investments in subsidiaries

The Group and Company have the following investments in subsidiaries:

	Status	Country of Incorporation	Class of shares held	Ownership	
				2022	2021
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
<b>Cost</b>	
At 1 July 2020	3
At 30 June 2021 and 2022	<u>3</u>
<b>Impairment</b>	
Impairment in the year ended 30 June 2020	3
At 30 June 2021 and 30 June 2022	<u>3</u>
<b>Net book value</b>	
At 30 June 2021	-
<b>At 30 June 2022</b>	<u>-</u>



## Notes to the financial statements (continued)

### 14 Inventories

#### Group and Company

	30 June 2022 £'000	30 June 2021 £'000
Raw materials	84	38
Finished goods	4	35
	<u>88</u>	<u>73</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year ended 30 June 2022 amounted to £0.39m (2021: £0.36m). Inventories are stated net of impairment provisions of £0.018m (2021: £0.016m).

### 15 Trade and other receivables

#### Group and Company

	30 June 2022 £'000	30 June 2021 £'000
<b>Amounts falling due within one year</b>		
Trade receivables	330	139
Expected credit losses	(4)	(4)
	<u>326</u>	<u>135</u>
Other receivables	23	39
Accrued income	441	276
Prepayments	343	114
	<u>1,133</u>	<u>564</u>

As at 30 June 2022 there were no past due but not impaired trade receivables (2021: no past due but not impaired). Included within receivables is a rent deposit of £18,000 (2021: £28,000) repayable after more than one year.

Accrued income receivable in US dollars shortly post year end was subject to forward contracts to sell dollars to sterling and has been stated net of the derivative liability value at 30 June 2022 in order to show the sterling amount realised.

Forward exchange contracts to sell a further 1.18m dollars from future expected receipts for £0.96m of sterling had an immaterial fair value at 30 June 2022 and have not been recorded as derivatives at 30 June 2022 in the Statement of Financial Position.

### 16 Cash and cash equivalents

#### Group and Company

	30 June 2022 £'000	30 June 2021 £'000
Cash and cash equivalents per Balance Sheet	1,055	1,046
Cash and cash equivalents per cash flow statements	<u>1,055</u>	<u>1,046</u>

## Notes to the financial statements (continued)

### 17 Trade and other payables

#### Group and Company

	30 June 2022 £'000	30 June 2021 £'000
<b>Current</b>		
Trade payables	377	103
Non-trade payables and accrued expenses	183	157
	560	260

### 18 Lease liabilities

#### Group and Company

	30 June 2022 £'000	30 June 2021 £'000
<b>Current</b>		
Amounts due in less than one year	65	65
<b>Non-current</b>		
Amounts due in one to five years	42	104
	107	169

### 19 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 2022 was £0.04m (2021: £0.03m).

#### Share-based payments – Group and Company

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

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

The fair value of services rendered in return for share-based payments granted is measured by reference to the fair value of those share-based payments. The estimate of the fair value of services received is measured with reference to the Black-Scholes or Monte Carlo option pricing models. These models consider the exercise price, share price at grant date, expected term and expected share price volatility with the Monte Carlo model also factoring in the probability of different outcomes where there are market related conditions attached to vesting. 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 variables are share price volatility and the probability of market based hurdles being met..

The share based payment charge in respect of share options in the year was £0.98m (2021: £0.04m).

## Notes to the financial statements (continued)

### 19 Employee benefits (continued)

#### Unapproved Discretionary Share Option Scheme

At 30 June 2022 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 2021	Granted	Cancelled/ Expired	Exercised	30 June 2021			First	Last
127,285	-	(127,285)	-	-	£3.750	15.08.13	15.08.13	06.03.22
1,800	-	-	-	1,800	£3.750	31.01.14	31.01.17	31.01.24
5,000	-	-	-	5,000	£3.750	27.10.14	31.01.17	27.10.24
5,000	-	-	-	5,000	£3.750	09.10.15	31.01.18	09.10.25
50,000	-	-	-	50,000	£0.750	13.08.19	12.08.21	12.08.29
474,000	-	-	-	474,000	£0.620	25.06.20	24.06.23	24.06.30
-	210,000	-	-	210,000	£0.100	01.10.21	30.09.24	30.09.31
-	50,000	-	-	50,000	£0.100	23.11.21	22.11.24	22.11.31

The assumptions used in the valuation of the old share options are as follows, the value attributable to the older options has been accounted for 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	£0.1107	£0.62	£0.62	52.40%	3.00	1.50%	Nil
01.10.21	£0.6970	£1.00	£0.10	30.00%	3.00	0.45%	Nil
23.11.21	£0.6970	£1.05	£0.10	30.00%	3.00	0.45%	Nil

#### Enterprise Management Incentive Option Scheme

At 30 June 2022, 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 2021	Granted	Cancelled/ Expired	Exercised	30 June 2021			First	Last
50,000	-	(50,000)	-	0	£1.000	26.06.17	30.06.20	30.06.27
5,000	-	-	-	5,000	£0.750	26.06.17	30.06.20	30.06.27
539,000	-	(32,000)	-	507,000	£0.620	25.06.20	24.06.23	24.06.30
8,000	-	-	-	8,000	£0.620	08.12.20	08.12.20	12.08.29
170,000	-	-	-	170,000	£0.750	08.12.20	08.12.20	12.08.29
-	40,000	-	-	40,000	£0.100	01.10.21	30.09.24	30.09.31
-	25,000	-	-	25,000	£0.100	23.11.21	22.11.24	22.11.31
-	93,000	-	-	93,000	£0.795	22.02.22	21.02.25	21.02.32
-	12,500	-	-	12,500	£0.675	08.06.22	07.06.25	07.06.32

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	£0.0388	£0.850	£1.000	28.08%	3	1.00%	Nil
26.06.17	£0.0834	£0.850	£0.750	28.08%	3	1.00%	Nil
25.06.20	£0.1093	£0.610	£0.750	52.40%	3	1.50%	Nil
08.12.20	£0.1107	£0.620	£0.620	52.40%	3	1.50%	Nil
08.12.20	£0.1107	£0.620	£0.620	52.40%	3	1.50%	Nil
01.10.21	£0.6970	£1.000	£0.100	30.00%	3	0.45%	Nil
23.11.21	£0.6970	£1.050	£0.100	30.00%	3	0.45%	Nil
22.02.22	£0.0875	£0.795	£0.795	52.40%	3	1.50%	Nil
08.06.22	£0.0875	£0.675	£0.675	52.40%	3	1.50%	Nil

## Notes to the financial statements (continued)

### 20 Share capital

Issued Share Capital	Ordinary shares of 10 pence each		Deferred shares of 40 pence each	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	Number	Number	Number	Number
In issue at 1 July	16,307,282	16,307,282	-	9,548,948
Share capital reduction	-	-	-	(9,548,948)
Shares issued in respect of warrants on 18 August 2021	130,458	-	-	-
<b>Issued at 30 June 2022/2021 – fully paid</b>	<b>16,437,740</b>	<b>16,307,282</b>	<b>-</b>	<b>-</b>

	30 June 2022	30 June 2021
	£'000	£'000
Allotted, called up and fully paid		
Ordinary shares of £0.10 each	1,644	1,631
Shares classified in shareholders' funds	1,644	1,631

There were 130,458 warrants exercised on 18 August 2021 at £0.60 per share.

In the previous year resolutions were passed and approved by court order 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.

### Treasury Shares

	Cost	Number of shares
	£	
As at 1 July 2021	-	-
Additions	303,254	434,000
<b>As at 30 June 2022</b>	<b>303,254</b>	<b>434,000</b>

## Notes to the financial statements (continued)

### 21 Basic and fully diluted loss per share

Basic profit per share is calculated by dividing the profit by the weighted average number of ordinary shares in issue during the year of 16,365,640 (2021: 16,307,282). This excludes treasury shares held by the Company.

	Year ended 30 June 2022 Number	Year ended 30 June 2021 Number
Weighted average number of shares – basic	16,365,640	16,307,282
Share option adjustment for potentially dilutive shares	431,808	30,206
Weighted average number of shares – diluted	<u>16,797,448</u>	<u>16,337,488</u>

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Profit	877	156
Basic profit per share	5.36	0.96
Diluted profit per share	<u>5.22</u>	<u>0.96</u>

There are 1,594,500 share options and no warrants in place at 30 June 2022 (1,435,085 share options and 130,458 warrants at 30 June 2021).

### 22 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 objectives, policies and processes for measuring and managing risk, and the 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 £1.06m (2021: £1.05m). The Directors consider there to be sufficient cash resources for the foreseeable future period in the context of the profitable trading now being achieved and that the Group remains a going concern with cash available for current investment plans. The Group has no external borrowing other than property lease liabilities arising under IFRS 16 .

#### *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.

## Notes to the financial statements (continued)

### 22 Financial instruments (continued)

#### *flow sensitivity analysis for variable rate instruments*

The Directors consider that the Group's exposure to interest rates is low (2021: low). Cash is invested in deposits with UK high street banks with no major changes expected in the short term from the relatively low rates. There are no borrowings and lease liabilities are subject to fixed rates (as part of the rental payments made).

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 receives royalty and other income denominated in US dollars which amounted to £2.07m for the year ended 30 June 2022. The Group had no other significant assets or liabilities denominated in foreign currencies at either 30 June 2022 or 30 June 2021 and which therefore could give rise to exchange gains and losses in the Statement of Comprehensive Income.

In order to manage the exposure to this dollar income, the Group enters into forward contracts to sell dollars and buy sterling at fixed rates in respect of the expected receipts in the next year (see note 15).

The Group has analysed the effects of both a 10% increase and decrease in the US dollar compared to the contracted rates and considers the impact would be approximately £0.20m on the consolidated operating profit.

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

	30 June 2022	30 June 2021
	£000	£000
<b>Financial assets held at amortised cost</b>		
Trade receivables	326	135
Other receivables	23	39
Accrued income	441	276
Cash and cash equivalents	1,055	1,046
	<u>1,845</u>	<u>1,496</u>
<b>Financial liabilities held at amortised cost</b>		
Trade payables	377	103
Lease liabilities	107	169
Accruals and other payables	103	121
	<u>587</u>	<u>393</u>

#### *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. Accordingly, a capital reduction was made to cancel deferred shares and transfer the amount standing to the credit of the share premium account to retained earnings to provide this flexibility as more cash is generated from operations. The Group is not subject to externally imposed capital requirements.

## Notes to the financial statements (continued)

### 22 Financial instruments (continued)

#### Credit risk

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

Financial instruments that may subject the Group to credit risk consist of cash, cash equivalents, and trade and other receivables. The maximum receivable credit exposure including accrued income was £0.8m (2021: £0.41m) which is the respective carrying amounts (which is not significantly different to their fair value and contractual cash flow). There were no material financial assets that were past due at the period end.

At 30 June 2022 the Group's cash was divided between current accounts £0.1m (2021: £0.15m) and £0.95m in fixed rate monthly deposits (2021: £0.9m) with a weighted average interest rate for the year of 0.1% (2021: 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.

#### Maturity Analysis

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

	Group and Company	
	30 June 2022	30 June 2021
	£'000	£'000
In less than one year	73	73
In one to two years	37	73
In two to five years	-	36
	<b>110</b>	<b>182</b>

#### Reconciliation of movements in total financing liabilities

	Year ended 30 June 2022	Year ended 30 June 2021
	Group and Company	Group and Company
	£'000	£'000
At start of the year	169	1,205
Interest accrued	9	12
Payments of lease liabilities in the year	(62)	(60)
Loan repaid	-	(976)
Interest paid in the year	(9)	(12)
<b>Total financing liabilities at end of the year</b>	<b>107</b>	<b>169</b>

## Notes to the financial statements (continued)

### 23 Contingencies and commitments

The Company and Group had no capital commitments or contingent liabilities as at 30 June 2022 (2021: £nil).

### 24 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.