

Transense Technologies plc

Annual report and financial
statements

Registered number 01885075
For the year ended 30 June 2016

Contents

Directors and advisers	3
Highlights	4
Chairman's statement	5
Chief Executive's report	8
Strategic Report	11
Statement of corporate governance	14
Remuneration report	16
Directors' report	19
Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements	22
Independent Auditor's report to the members of Transense Technologies plc	23
Consolidated Statement of Comprehensive Income	25
Consolidated Balance Sheet	26
Company Balance Sheet	27
Statement of Changes in Equity	28
Consolidated and Company Cash Flow Statement	29
Notes to the Financial Statements	30

Directors and advisers

Directors

D M Ford (Chairman)
G Storey (Chief Executive)
M Segal (Finance Director)
R J Westhead ^(1, 2, 3)
N F Rogers (Deputy Chairman) (appointed 28/07/2015) ^(1, 2, 3)

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

Secretary and Registered Office

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

Auditor

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

Bankers

HSBC Bank plc
1 Sheep Street
Bicester
Oxon OX26 7JA

Nominated Adviser & Broker

FinnCap
60 New Broad Street
London
EC2M 1JJ

Registrars

Neville Registrars
Neville House
Laurel Lane
Halesowen
B63 3DA

Registration Number 1885075

Highlights

- Revenues including licence fees £5.12m (2015: £1.25m)
- Disposal of loss making IntelliSAW division in October 2015
- Licence fees from Emerson of £3.04m following disposal of IntelliSAW business
- Profit from continuing operations £1.63m (2015: Loss £2.08m)
- Net profit for the year of £1.15m (2015: net loss of £3.12m)
- Net cash generated from operations of £0.84m (2015: £2.15m net cash consumed)
- Net cash at end of period of £3.65m (2015: £0.47m)
- Increased market recognition of value in SAW technology
- Imminent launch of iTrack II system for mining productivity
- Proposed new capital structure

Executive Chairman of Transense Technologies, David Ford, said:

“The Company has made a great deal of progress over the last year in positioning each of the two core businesses for future success. The Company is now in a robust financial condition and has the resources available to commit to building two distinct businesses with high growth potential.

The board is confident that the longer term prospects for the Company are promising, whilst maintaining a cautiously optimistic view of prospects for short term revenue growth and the achievement of break even.”

Chairman's statement

The Company has made a great deal of progress over the last year in strengthening financial resources and positioning each of the two core businesses for future success. Revenue from continuing operations was strongly ahead of the low base set in the prior year, and net profits came in line with the board's expectations.

Financial results and condition

Revenue from continuing activities totalled £5.12m. Revenues, before the IntelliSAW related license fee, increased by 67% to £2.08m (2015: £1.25m). The pre tax profit (before discontinued operations) totalled £1.60m, which included the licence fee of £3.04m before associated costs and £2.76m after costs (2015: loss £2.13m).

The total profit attributable to shareholders was £1.15m (2015: loss of £3.12m) resulting in earnings per ordinary share of 0.26 pence (2015: loss of 1.11 pence). The board do not recommend payment of a dividend.

Net cash balances at 30 June 2015 were £3.65m (2015: £0.47m).

Strategy

The Company provides innovative sensor systems for complex applications and operates two principal businesses, SAWSense and Translogik. A third operating business, IntelliSAW, was sold in October 2015.

The Company intends to continue to commercialise sensor technologies by working closely with global partners in order to build value for shareholders through the generation and distribution of net income, and/or the return of capital on realisation.

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

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

The Translogik product offerings are continually evolving with the focus on providing a comprehensive service to clients in the mining and truck industry and this strategy has resulted in the development of the new iTrack II kit which is set to be launched in September 2016 at MINExpo.

In the early part of the financial year the board decided to market the IntelliSAW division, in part due to concerns over the ongoing financial commitment to this loss making business. This decision resulted in the successful sale of the business to Emerson in October 2015, and the receipt of a one off licence fee for the use of the valuable intellectual property owned by the Company and required to operate the IntelliSAW division in future. The licence was restricted to the relatively narrow field of temperature monitoring in electrical switchgear in which IntelliSAW operates.

Chairman's statement (continued)

Our markets

SAW sensing in global industries

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

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

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

TPMS in Mining

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

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

Since the end of the commodities boom in 2012, the world's major mining groups have come under relentless pressure to reduce debt and operating costs. The initial impact of dramatically reduced capital spending programmes had a seriously adverse effect on the roll out of our iTrack system in previous years, and despite offering flexible finance options, decision timescales to adopt any new technology have continued to be elongated in this difficult climate.

In the meantime, working closely with a select group of individual mines, our product and service offering has been developed to provide compelling real time information which can be used to optimise haul truck dispatch operations, minimise down-time, and increase tyre life and mine productivity. These exciting developments work in conjunction with complementary third party IT platforms to provide invaluable insight into mine operations, and will be launched as iTrack II later this month.

Whilst these product range improvements have been under development, we have maintained a fairly cautious approach to geographical expansion, focusing attention on markets in Chile, Australia and South Africa in which we have highly effective teams and channel partners. We are now ready to consider increasing resources in additional territories such as the US, Canada and other territories in the Latin America region in the coming year.

Chairman's statement (continued)

Capital structure

The board recognises that the capital structure of the Company, which currently includes valueless Deferred Shares and a substantial Share Premium Account, is no longer fit for purpose. The Board are therefore bringing forward proposals at the forthcoming AGM for a reduction in share capital by the cancellation of the deferred shares and the share premium account. This will result in the Company having distributable reserves enabling the payment of dividends from income or return of capital to shareholders from major licensing transactions or partial disposals in future. Additionally, it is proposed that the ordinary share capital is subject to a 50:1 consolidation to mitigate the effect of prior dilutions on the unit price per share and to reduce trading spreads and transaction costs for shareholders in future dealings.

Prospects

The Company is now in a robust financial condition and has the financial resources available to commit to building two distinct businesses with high growth potential. The latent value of our core SAW technology is becoming recognised, and addresses the increasing information demands of our global partners, who are leaders in industrial equipment, automotive, aerospace and other high volume markets.

The imminent launch by Translogik of iTrack II into the mining sector is timely, meeting the needs of increased productivity, cost control, asset management and safety. It is envisaged that customer trials will commence towards the end of 2016, and adoption by customers will arise by the early part of 2017. Meanwhile, revenues from the sale of tread depth probes are building momentum, although a major breakthrough in high volume has yet to be achieved.

Accordingly, the board is confident that the longer term prospects for the Company are promising, whilst maintaining a cautiously optimistic view of prospects for short term revenue growth and the achievement of break even.

David M Ford
Group Chairman
20 September 2016

Chief Executive's report

During the year the Company reached a turning point in which revenues returned to growth from a low base and trading losses excluding the licence fees were reduced by half. The Company delivered a positive profit attributable to shareholders and an increase in cash reserves following a successful fundraising, grant of licence and disposal of the IntelliSAW business.

Meanwhile, background work and investment in our core technologies has positioned the Company well to deliver success in the longer term.

SAWSense

The grant of a licence and sale of the IntelliSAW business to Emerson for aggregate consideration of US\$5m in October 2015 marked a significant achievement in gaining validation of the inherent value of our core technology. The business was actively commercialising the use of SAW sensing for temperature measurement and control in electrical switchgear, but at the time of sale revenues had not reached break-even level.

The board determined that realisation of value for this activity by sale to a major global switchgear OEM was appropriate given the extent to which further commercialisation may deplete resources. By granting an exclusive licence to Emerson in this relatively narrow field, the Company has demonstrated the validity and value of the underlying technology and associated Intellectual Property ("IP").

Technical and commercial engagement with select global partners for other high volume applications are ongoing, with more than 20 live projects across multiple divisions of six major companies. These projects are generating sufficient short term revenue to cover internal R&D costs.

In the second half of the year, pilot production commenced of sensor kits to measure temperature, vibration and torque on a new range of industrial equipment recently launched by a large European OEM. Ramp up is expected to be gradual over a two to three year period as the new technology is taken up by end users. Several other applications are under evaluation with the same customer.

We continue to explore mass market automotive applications with a select group of global passenger car manufacturers, and believe that SAW sensors have unique capabilities to provide performance improvements in several areas. The disruptive nature of the technology does, however, give rise to understandable caution in the rate of adoption.

The relationship with General Electric Company ("GE"), as signalled previously by the completion of a Memorandum of Understanding announced in May 2015, has continued to flourish. We are actively collaborating on several development projects that are progressing towards commercialisation projects, covering multiple divisions of GE. One of these projects resulted in the completion of a licensing agreement, announced in July 2016, for non-exclusive use of Transense IP in certain specific torque applications for an initial fee rising to US\$0.75m and a perpetual royalty on future production.

Overall, we are pleased with progress in this business and confident of future prospects.

Chief Executive's report (continued)

Translogik

iTrack

Our iTrack products provides a range of features that allow mine operators to track their vehicles' tyre temperature and pressure, speed, braking and location in real-time and receive early warning of potential problems, hazards or opportunities.

During the year, all of our major customers experienced some degree of retrenchment and were subject to restrictions on capital and operational expenditure. In this climate, and despite the significant cost savings and productivity benefits that are evident from our systems, decision making timescales have been elongated.

Australia

We have opened a new iTrack dedicated data analytics control room in Mackay NSW, which has been very well received by service providers and mine owners. The control room allows us to provide critical tyre related alerts as well as performance related analytics. Trials are continuing with major mining companies with further trials expected following the introduction of iTrack II.

Chile

We have opened a new office in Antofagasta, which is considered the mining capital of Chile, and the same analytics service is also being offered there. Chile is also being used as a base to expand into other Latin American countries namely Brasil and Peru where we expect trials to be underway in the new financial year.

North America

We have appointed a consultant who is in the process of establishing a network of agents to include iTrack alongside other products they are already supplying into a range of mines.

New Product Innovations

Whilst market conditions have been subdued, we have taken the opportunity to design many more features and benefits into a brand new, iTrack II system, which is ready for launch at MINExpo 2016 in Las Vegas on 26-28 September 2016. Our intention is to maximise functionality and connectivity in a single comprehensive system, comprising rugged and reliable hardware, unparalleled connectivity with other technologies, and meaningful real-time output.

The control unit is mounted in each truck, and transmits live data across various protocols to iTrack servers at one of three global control centres. Dedicated iTrack experts are on hand to analyse live and historic data, determine trends and create custom reports and warnings. Mine operations will have access to tyre temperature, pressure, sensor function, GPS and speed data on easy to read, customisable screens. This data can provide invaluable signals, not only to avoid tyre failures and increase life, but also to increase truck speeds, availability and productivity. Our offer will be to provide the equipment on finance or operating lease although our preference will be towards operating leases with additional charges for data provision and monitoring services.

Early indications are positive and we await the outcome of the MINExpo and subsequent orders.

Chief Executive's report (continued)

Probe

The Probe is now being used in 43 different countries and sales in the last financial year were 60% ahead of the previous year. The number of System Integrators, Value Added Resellers and Service Providers using the probe would suggest 2017 will be another good year. Integration of the probe within the commercial bus and truck market has been completed by Goodyear with their ControlMax system, Bridgestone with Fleet Alalyser2, ContiTrade with Fleetfox and Michelin with iManage. The UK's Garage Equipment Association has recently granted approval which allows the probe to be used as an MOT audit device and our distributors Rema Tip Top in the UK and Squarerigger in the USA are both focusing on the passenger car market which is showing some potential.

Graham Storey

Chief Executive
20 September 2016

Strategic Report

Financial Review

Results for the year

Revenues from continuing activities totalled £5.12m and after excluding the licence fee, other revenues increased by 67% to £2.08m (2015: £1.25m). The pre-tax profit (before discontinued operations) totalled £1.60m, which included the licence fee of £3.04m before costs and £2.76m after costs (2015: loss £2.13m).

Translogik revenues grew by 79% to £1.63m, and SAWSense generated £0.45m of revenues (2015: £0.33m) from design, development and low volume production activities. SAWSense also produced a further £3.04m of revenues generated from the licensing of IP to Emerson following the sale of the IntelliSAW business. Gross margins excluding the licence fee were 64% (2015: 67%) reflecting a slight change in the mix between business activities.

Administrative overheads for the year amounted to £2.54m compared with £3.04m in the prior year.

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

	<u>2016</u>	<u>2015</u>
EPS (including discounted operations)	0.258	(1.060)
EPS (excluding discounted operations)	0.361	(0.700)

Taxation

The Company has UK tax losses available to carry forward at 30 June 2016 of approximately £16.7m, subject to HMRC agreement.

Certain elements of development expenditure undertaken by the company are eligible for enhanced research and development tax relief which generally relates to salary costs of technical staff. As a result of claims in 2015 and 2014 the Company has received tax credits of £0.08m and £0.07m respectively.

Cash flow and financial position

There was a net cash inflow of £3.18m (2015: outflow of £2.61m) during the year, arising from trading and £2.46m of proceeds arising from the share issue in July 2015.

Net cash generated by operations amounted to £0.84m, which included the benefit of the majority of the licence fee received from Emerson. The balance of the licence fee totalling £0.30m (USD0.40m), is being held in escrow due for release in October 2016 and is included in other receivables.

At 30 June 2016 the group had net cash balances of £3.65m (2015: £0.47m). A further US\$0.50m (or approximately £0.38m) was received in licensing revenue in August 2016.

Whilst it is anticipated that the Company will continue to consume cash to finance on-going activities in the short term, the directors consider that there are sufficient cash resources available to reach a break-even level of revenues, and accordingly are satisfied that the Company can continue trading as a going concern for the foreseeable future.

Strategic Report (continued)

Capital Structure

The Chairman's Statement refers to proposed changes in the Company's capital structure and a pro forma Balance Sheet as at 30 June 2016 reflecting the restructuring is set out below:

	Pro Forma 2016	Audited 2016
	£m	£m
Net Assets	6.92	6.92
Capital and Reserves		
Share Capital	4.72	11.55
Share Premium	-	17.22
Accumulated Reserves/(Deficit)	2.20	(21.85)
Shareholder's funds	6.92	6.92

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

Key Performance Indicators

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

KPI's (Excluding Discontinued Operations)		
	FY 16	FY 15
	£'000's	£'000's
Revenue	5,122	1,248
EBITDA	1,826	(1,945)
EBT	1,628	(2,127)
EPS (Including Discontinued Operations) - Pence	0.258	1.060
EPS (Ex Discontinued Operations) - Pence	0.361	0.700
Share Price - Pence	1.110	0.016
Cash	3,654	472
Cash/Share - Pence	0.774	0.099
Net Assets/Share - Pence	1.479	0.700
Staff Turnover	13%	9%

The positive movement from FY 15 to FY 16 in revenues, EBITDA, EBT and EPS reflects the licence fee income generated in the year and the increase in other revenues. The positive movement in the cash reflects the profitability in the year and the fund raising completed in July 2015.

Strategic Report (continued)

Principal risks and uncertainties

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

Risk and Uncertainty	Details of Risk & Impact	Mitigation
Intellectual Property	The SAWSense business is focussed on the design and manufacture of technologically advanced products and applications. Major investment is made in Development and we have 35 granted patents and significant in house know how. The risk exists that our intellectual property may be infringed by third parties or that we may inadvertently infringe third party rights. The impact resulting in loss of profitability and cash flow and loss of market share.	Procedures are in place to ensure we monitor new third party applications, ensure adequate protection for our key intellectual property including registration and avoid infringing third party rights.
Product Development	Developing new product and improving existing products requires constant assessment of investments and potential returns which can be uncertain. Changing customer requirements and technological innovation will always present a challenge to developing market leading product.	Development spend is regularly planned and reviewed. The Groups understanding of customer needs and expectations is greatly enhanced by working closely with customers on extensive product trials.
People	An experienced and knowledgeable team is essential to continually develop complex products for customers to be used in demanding environments. The market for skilled staff is extremely competitive and a failure to recruit and retain suitably qualified staff could impact the Groups ability to develop and deliver services and product.	Providing the existing team with good training and incentives is a key priority for the business and has been instrumental in retaining key staff. The recruitment and development of new employees, when required, is done so by experienced staff to ensure the correct calibre of individual is identified.
Economic	The mining Industry has experienced a major contraction in activity and expenditure following major falls in commodity prices as part of a global reduction in demand. The mining industry is crucial to the success of the Translogik division.	The development of iTrack has been designed to achieve greater efficiencies in mining and in turn produce substantial cost savings for mine owners/operators. The original iTrack will be replaced by iTrack 2 in September and this will build further on achieving meaningful and drive demand for the product.
Debtor Recoverability	The Group has £0.38m of debtors that are payable greater than 12 months (down from £0.67m last year). The risk of default would have a material impact on our results.	The long term debt has been diligently managed by the finance department and as a result the debtors remain up to date.
Liquidity	Transense is continually striving to achieve the point of consistent profitability and cash generation however until that point in time is reached the Group will be exposed to squeezes in liquidity which has in the past resulted in fund raises. The failure to raise additional funds, if required, can threaten the going concern status of Transense.	During the course of FY 16 the cash resources have increased by £3.2m as a result of a fund raise in June/July 2015 and the successful licensing and sale of IntelliSAW. The cash resources remain strong moving into FY17 and the Board monitor cash flow regularly and do not presently foresee any requirement for raising further funds.
Foreign currency fluctuation	Around 30 to 40% of purchases and sales are transacted in foreign currency, principally USD and to a smaller extent Euro's and Chilean Peso. Significant fluctuations could have an impact on results.	Transense's biggest exposure is with regards the USD and during the course of the last year the pricing policy has been based on 1.4 and above and the reduction in the GBP against the USD has produced Forex gains. Should the movement reverse the Group will consider forward purchases as an effective hedge.

By order of the board

Melvyn Segal
Finance Director
20 September 2016

Statement of corporate governance

The Company is quoted on the AIM Market of the London Stock Exchange and is therefore not required to comply with the provisions of the UK Corporate Governance Code. We do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider relevant to the Group and best practice.

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 22. Below is a brief description of the role of the Board and its Committees.

The Board

The Board, which presently consists of three executive and two non-executive directors, meets regularly throughout the year and receives timely information in a form and of a quality appropriate to enable it to discharge its duties.

Non-executive directors are not appointed for specified terms nor have an automatic right of reappointment.

Directors are subject to election by shareholders at the first AGM after their appointment and to retirement by rotation and re-election by shareholders in accordance with the Articles of Association whereby one third of the directors retire every year or, where there is not a multiple of three, the number nearest to but not exceeding one third retire from office.

Audit and Risk Committee

The Audit and Risk Committee is under the Chairmanship of Rodney Westhead, with Nigel Rogers also sitting. The Committee meets at least twice a year and has adopted terms of reference which give it responsibility for reviewing a wide range of financial matters. The Committee advises the Board on the appointment of external auditors and it discusses the nature and scope of their work.

Nomination Committee

Given its relatively small size, the Board as a whole fulfils the function of the Nomination committee.

Remuneration Committee

The policy on directors' remuneration is formulated by the Remuneration Committee, which consists of Nigel Rogers as Chairman and Rodney Westhead. The Committee is responsible for determining the contract terms, remuneration and other benefits of the executive directors. The non-executive directors' salaries are reviewed and set by the Board.

The report of the Remuneration Committee is set out on pages 16 to 18 below.

Accountability, Internal Control and Risk Management

The directors consider that these financial statements, reports and supplementary information present a fair and accurate assessment of the Company's position and prospects.

Statement of corporate governance (continued)

Going Concern

The financial report has been prepared on the going concern basis. The Group has made a profit for the year of £1.15m (2015: Loss of £3.12m). The Group has Accumulated Losses of £21.84m (2015: Accumulated Losses of £22.99m). The balance of cash and cash equivalents at 30 June 2016 is £3.65m (2015: Cash and cash equivalents £0.47m).

The Group meets its day to day working capital requirements through existing cash reserves and does not currently have an overdraft facility. The directors have prepared cash flow forecasts for the period to 31 December 2017. These forecasts indicate that the Group will continue to be able to operate within its current cash resources for the foreseeable future.

Internal Financial Control

The Board is responsible for the Group's system of internal control including financial, operational and compliance controls and risk management, and for reviewing its effectiveness. The Board has introduced procedures designed to meet the particular needs of the Group in managing the risks to which it is exposed, consistent with the guidance provided by the Turnbull Committee. These procedures include an annual review of the significant risks faced by the Group and an assessment of their potential impact and likelihood of occurrence. The Board is satisfied with the effectiveness of internal controls but, by their very nature, these procedures can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the need for an internal audit function. The Board has decided that, given the nature of the Group's business and assets and the overall size of the Group, the systems and procedures currently employed provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Group's assets, is in place. An internal audit function is therefore considered unnecessary.

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

The Remuneration Committee can also grant options over ordinary shares under its Enterprise Management Incentive Option Schemes (EMI) and options granted outside Company schemes, but approved by shareholders. These schemes potentially offer long term incentives to directors and key personnel.

In addition to the vote to be held on this Remuneration Report, shareholders will be given the opportunity to question the Remuneration Committee Chairman, Nigel Rogers, on any aspect of the Company's remuneration policy.

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

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

Base Salary and Benefits

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

Executive Share Option Schemes

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

Directors' Pension Policy

Executive directors are entitled to participate in the Company's pension scheme on the same basis as other full time employees, but during the year ended 30 June 2016 they did not choose to.

Remuneration report (continued)

Service Contracts

The service contracts provide for the following notice periods:

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

3 months: Nigel Rogers

No notice period: Rodney Westhead

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

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

Directors' Emoluments

Information on directors' emoluments is as follows:

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

Information on directors' emoluments is as follows:

	Basic salary	Fees	Benefits	Pension	Total emoluments 12 months ended 30 June 2016	12 months ended 30 June 2015
	£	£	£	£	£	£
Executive directors						
G Storey	158,400	-	4,617	-	163,017	161,998
M Segal	106,250	-	1,809	-	108,069	108,093
D Ford	109,050	-	3,098	-	112,148	111,800
Non-executive directors						
D Kleeman*	-	-	-	-	-	10,000
N Rogers	27,500	-	-	-	27,500	-
R Westhead	12,600	-	-	-	12,600	12,600
Total 2016	413,800	-	9,534	-	423,334	
Total 2015	386,300	-	8,191	-	404,491	

*resigned 31 December 2014

Remuneration report (continued)

Share based payment options have been granted under EMI for executive directors and under the Unapproved Directors Share Option Scheme (UDSOS) for non-executives. 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 2015	At 30 June 2016	Earliest exercise date	Exercise price per share	Hurdle price per share
Directors' interests in the UDSOS were:					
G Storey	805,000	805,000	22/12/12	4p	9p
Directors' interests in the EMI were:					
G Storey	3,195,000	3,195,000	22/12/12	4p	9p
G Storey	2,000,000	2,000,000	01/03/14	4p	9p
D Ford	3,195,000	3,195,000	22/12/12	4p	9p
D Ford	305,000	305,000	01/03/14	4p	9p
M Segal	1,500,000	1,500,000	02/08/14	10.25p	20p

Share price performance

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

On behalf of the Board

N F Rogers

Remuneration Committee
20 September 2016

Directors' report

The directors present their annual report and audited financial statements for the year ended 30 June 2016.

Business activities, review of the business and future developments

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

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

Following the disposal of IntelliSAW, a trading division of Transense, the principal activities of the group no longer include the manufacture of electrical switchgear management 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 statements, Chief Executives report and Strategic report on pages 5 to 13.

Results and Dividends

The results for the year ended 30 June 2016 show a profit of £1.15m (30 June 2015: £3.12m loss). The directors do not recommend the payment of a dividend (30 June 2015: £nil).

Directors

The present directors are listed on page 3.

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

Substantial Shareholdings

At 30 June 2016, the following substantial shareholdings of 3% or more of the Company's share capital have been notified to the Company:

	Ordinary shares of 1p each	%
John Peter Lobbenberg	43,449,023	9.2
CriSeren Investments	23,968,645	5.1

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 1p each	
	30 June 2016	1 July 2015
G Storey	3,934,353	3,934,353
R J Westhead	282,777	282,777
D Ford	277,777	277,777
M Segal	1,144,444	1,144,444
N Rogers	3,000,000	-

Share price

The mid price of the shares in the Company at 30 June 2016 was 1.10p (30 June 2015: 1.55p) and the range during the period was 1.10p to 1.68p (30 June 2015: 0.90p to 6.50p).

Share based payment option schemes

The Remuneration Committee is responsible for the operation and administration of the Company's UDSOS and EMI Schemes. In an increasingly competitive market the Committee regards the provision of options as an important incentive for other members of staff as well as directors.

Details of share based payment options granted to directors are disclosed in the Remuneration Report on page 18.

Financial Instruments

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

Indemnification of Directors

Qualifying third party indemnity provisions (as defined in Section 413 of the Companies Act 2006) are in force for the benefit of the directors who held office during 2015/16.

Disclosure of information to auditor

The directors confirm that:

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

Directors' report (continued)

Auditors

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

By order of the board

D M Ford
Chairman

20th September 2016

G Storey
Chief Executive

1 Landscape Close
Weston on the Green
Oxon
OX25 3SX

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 they have been prepared in accordance with IFRSs as adopted by the EU; 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

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

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

We have audited the financial statements of Transense Technologies plc for the year ended 30 June 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheet, the consolidated and company statements of changes in equity, the consolidated and company cash flow statements and the related notes set out on pages 25 to 55. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Independent Auditor's report to the members of Transense Technologies plc (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Rebecca Eagle
(Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP, Statutory Auditor
Chartered Accountants
The Colmore Building
Colmore Circus
Birmingham
B4 6AT

20th September 2016

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

		Year ended 30 June		Year ended 30 June	
	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Continuing operations					
Revenue	5		5,122		1,248
Cost of sales			(1,036)		(409)
Gross profit			<u>4,086</u>		<u>839</u>
Administrative expenses					
Bad debt		-		(357)	
Other administrative expenses		(2,541)		(2,683)	
		<u>-</u>		<u>-</u>	
			<u>(2,541)</u>		<u>(3,040)</u>
Operating profit/(loss)			<u>1,545</u>		<u>(2,201)</u>
Financial income	11		51		74
Profit/(loss) before taxation			<u>1,596</u>		<u>(2,127)</u>
Taxation	12		29		48
Profit/(loss) from continuing operations			<u>1,625</u>		<u>(2,079)</u>
Discontinued operations					
Loss from discontinued operation	6		(472)		(1,041)
Profit/(loss) and total comprehensive income/(loss) for the year			<u><u>1,153</u></u>		<u><u>(3,120)</u></u>
Basic and fully diluted profit/(loss) per share (pence)					
Continuing operations			0.36		(0.70)
Discontinued operations			(0.10)		(0.36)
Total operations	25		<u><u>0.26</u></u>		<u><u>(1.06)</u></u>

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

Notes to the financial statements are from pages 30 to 55.

Consolidated Balance Sheet at 30 June 2016

	Note	Year ended 30 June		Year ended 30 June	
		2016	2016	2015	2015
		£'000	£'000	£'000	£'000
Non current assets					
Property, plant and equipment	13	313		316	
Intangible assets	15	894		806	
Trade lease receivables	19	383		668	
			1,590		1,790
Current assets					
Inventories	17	571		584	
Corporation tax		74		45	
Trade and other receivables	18	1,742		655	
Cash and cash equivalents	20	3,654		472	
		6,041		1,756	
Assets of disposal group held for sale	7	-		307	
			6,041		2,063
Total assets			7,631		3,853
Current liabilities					
Trade and other payables	21	(667)		(418)	
Current tax liabilities		(41)		(48)	
		(708)		(466)	
Liabilities of disposal group held for sale	7	-		(79)	
Total liabilities			(708)		(545)
Net assets			6,923		3,308
Equity					
Issued share capital	23		11,546		9,779
Share premium			17,218		16,523
Accumulated loss			(21,841)		(22,994)
			6,923		3,308

These financial statements were approved by the board of directors and authorised for issue on 20th September 2016 and were signed on its behalf by:

D M Ford
Chairman

G Storey
Chief Executive

Company registered number: 1885075

Notes to the financial statements are from pages 30 to 55.

Company Balance Sheet at 30 June 2016

	Note	Year ended 30 June		Year ended 30 June	
		2016 £'000	2016 £'000	2015 £'000	2015 £'000
Non current assets					
Property, plant and equipment	14	295		291	
Intangible assets	15	894		806	
Investments	16	3		3	
Trade lease receivables	19	383		668	
			1,575		1,768
Current assets					
Inventories	17	571		584	
Corporation tax		74		45	
Trade and other receivables	18	1,689		641	
Cash and cash equivalents	20	3,641		415	
		5,975		1,685	
Assets of disposal group held for sale	7	-		249	
			5,975		1,934
Total assets			7,550		3,702
Current liabilities					
Trade and other payables	21	(802)		(408)	
Current tax liabilities		(46)		(40)	
		(848)		(448)	
Liabilities of disposal group held for sale	7	-		(102)	
Total liabilities			(848)		(550)
Net assets			6,702		3,152
Equity					
Issued share capital	23		11,546		9,779
Share premium			17,218		16,523
Accumulated loss			(22,062)		(23,150)
			6,702		3,152

These financial statements were approved by the board of directors and authorised for issue on 20th September 2016 and were signed on its behalf by:

D M Ford
Chairman

G Storey
Chief Executive

Company registered number: 1885075

Notes to the financial statements are from pages 30 to 55.

Statement of Changes in Equity

Group

Group	Share capital £'000	Share premium £'000	Shares to be issued £'000	Cumulative losses £'000	Total equity £'000
Balance at 1 July 2014	9,724	16,329	249	(19,882)	6,420
Loss for the year	-	-	-	(3,120)	(3,120)
Transfer between reserves	55	194	(249)	-	-
Share based payments	-	-	-	8	8
Balance at 30 June 2015	9,779	16,523	-	(22,994)	3,308
Profit for the year	-	-	-	1,153	1,153
Shares issued and share premium	1,767	695	-	-	2,462
Balance at 30 June 2016	11,546	17,218	-	(21,841)	6,923
Company	Share capital £'000	Share premium £'000	Shares to be issued £'000	Cumulative losses £'000	Total equity £'000
Balance at 1 July 2014	9,724	16,329	249	(19,981)	6,321
Loss for the year	-	-	-	(3,177)	(3,177)
Transfer between reserves	55	194	(249)	-	-
Share based payments	-	-	-	8	8
Balance at 30 June 2015	9,779	16,523	-	(23,150)	3,152
Profit for the year	-	-	-	1,088	1,088
Shares issued and share premium	1,767	695	-	-	2,462
Balance at 30 June 2016	11,546	17,218	-	(22,062)	6,702

Consolidated and Company Cash Flow Statement

For the year ended 30 June 2016

	Note	Group		Company	
		Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Profit/(loss) before taxation from continuing operations		1,596	(2,217)	1,368	(3,267)
Adjustments for:					
Financial income	11	(51)	(74)	(51)	(74)
Depreciation	13,14	111	88	107	67
Amortisation of intangible assets	15	170	160	170	160
Share based payment	22	-	8	-	8
(Loss)/profit on discontinued operation	6	(472)	(1,041)	(309)	42
Profit on Disposal of discontinued operation		32	-	32	-
Operating cash flows before movements in working capital		1,386	(2,986)	1,317	(3,064)
Decrease/(increase) in receivables	18	(802)	754	(763)	778
(Decrease)/increase in payables	21	249	(216)	407	(238)
Decrease /(increase) in inventories	17	13	154	13	154
Decrease in trade lease receivables	19				
Cash generated/(used) in operations		846	(2,284)	974	(2,370)
Taxation (paid)/recovered		(7)	139	(7)	139
Net cash generated/used in operations		839	(2,145)	967	(2,231)
Investing activities					
Interest received	11	51	74	51	74
Acquisitions of property, plant and equipment	13,14	(130)	(251)	(111)	(235)
Acquisitions of intangible assets	15	(258)	(60)	(258)	(63)
Assets/liabilities held for sale	7	218	(228)	115	(147)
Net cash used in investing activities		(119)	(465)	(203)	(371)
Financing activities					
Proceeds from issue of equity share capital	23	2,462	-	2,462	-
Net cash from financing activities		2,462	-	2,462	-
Net increase/(decrease) in cash and cash equivalents		3,182	(2,610)	3,226	(2,602)
Cash and equivalents at the beginning of year		472	3,082	415	3,017
Cash and equivalents at the end of year	20	3,654	472	3,641	415

Notes to the financial statements

1 General Information

Transense Technologies plc (the “Company”) is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 3. The consolidated financial statements of the Company as at and for the year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as “the Group” and individually as “Group entities”). The nature of the Group’s operations and its principal activities are discussed in the business review on page 19.

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

2 Basis of preparation

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

3 Going Concern

At 30 June 2016 the group had net cash balances of £3.65m (2015: £0.47m). A further US\$0.50m (or approximately £0.38m) was received in licensing revenue in August 2016. Whilst it is anticipated that the Company will continue to consume cash to finance on-going activities in the short term, the directors consider that there are sufficient cash resources available to reach a break-even level of revenues, and accordingly are satisfied that the Company 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 were no new standards, amendments to standards or interpretations that were mandatory for the first time for the financial year beginning 1 July 2015 that resulted in any material impact on the Groups 2016 consolidated financial statements.

Notes to the financial statements (continued)

4 Accounting policies (continued)

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

Standard	IASB effective date	EU effective date
IFRS 9 Financial instruments	1 January 2018	Not yet EU endorsed
IFRS 14 Regulatory Deferral accounts	1 January 2016	EU is not intending to endorse
IFRS 15 Revenue from contracts with customers	1 January 2018	Not yet EU endorsed
Amendments to IFRS1 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	1 January 2016
Clarification of Acceptable Depreciation and Amortisation – Amendments to IAS 16 and IAS 38	1 January 2016	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016	1 January 2016
Amendments to IAS 16 and IAS 41: Bearer Plants	1 January 2016	1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception Disclosure Initiative	1 January 2016	Not yet EU endorsed
Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements	1 January 2016	1 January 2016
IFRS 16 Leases	1 January 2019	Not yet EU endorsed
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	Not yet EU endorsed
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018	Not yet EU endorsed
Amendments to IAS 7: Disclosure Initiative	1 January 2017	Not yet EU endorsed

Notes to the financial statements (continued)

4 Accounting policies (continued)

Significant accounting judgements and sources of estimation uncertainty

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

- Determining when intangible assets are impaired is a judgement which requires an estimate of the value in use of the asset based on management's best estimate of the future cash flows that the assets are expected to generate. This also requires significant judgement as there are limited historic cash flows on which to base the future cash flows on. Discussions are held within the Group between the relevant technical, commercial and finance employees on the expected future cash flows of patents in individual territories;
- Judgement is also applied when patent costs are reviewed in particular when considering patents in products and territories that are not integral to the future business plans.
- Distinguishing the research and development phases of new products and determining whether the recognition requirements for the capitalisation of development costs are met and their subsequent amortisation period requires judgement. After capitalisation management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.
- Exceptional items are identified separately on the face of the statement of comprehensive income when they have a significant impact on the trading performance. A judgement exists as to what items may be classified as exceptional.

Measurement convention

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

Basis of consolidation

Subsidiaries

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 30 June 2016.

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

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

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

Notes to the financial statements (continued)

4 Accounting policies (continued)

Revenue recognition

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

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

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

Segment reporting

As referred to in the Chairman's statement the Group, with the successful sale of IntelliSAW, now has two reportable segments being the unique trading divisions, SAWsense and Translogik, which make use of technology developed by the group to measure and record temperature, pressure and torque.

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

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

Property, plant and equipment

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

Depreciation of property, plant and equipment

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

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

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

Notes to the financial statements (continued)

4 Accounting policies (continued)

Research and development

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

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

All new expenditure on research and development activities in the year has been capitalised. The amortisation of this expenditure will be over 3 years to align with the products anticipated life.

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

Patent fees

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

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

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

Intangible assets and goodwill

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

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

Notes to the financial statements (continued)

4 Accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill

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

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

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

Investments in subsidiary undertakings

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

Pension costs

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

Operating lease agreements

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

Current taxation

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

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

Deferred taxation

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

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

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

Notes to the financial statements (continued)

4 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

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

Foreign currencies

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

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

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

Share-based payment transactions

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

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

Provisions

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

Trade receivables

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

Trade payables

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

Notes to the financial statements (continued)

4 Accounting policies (continued)

Inventories

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

Leasing

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

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

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

Short term deposit

The short term deposit shown within other debtors represents funds held in escrow in relation to the disposal of IntelliSAW fee and the associated license fee income. These funds mature in October 2016 with no expected impairment.

5 Revenue and segmental reporting

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

Revenue

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
North America	3,506	316
Chile	576	454
United Kingdom & Europe	541	301
Australia	409	85
Rest of the World	90	92
	5,122	1,248

Notes to the financial statements (continued)

5 Revenue and segmental reporting (continued)

Segments

	Translogik £'000	SAWsense £'000	Total £'000
Year ended 30 June 2016			
Sales	1,633	3,489	5,122
Gross profit	936	3,150	4,086
Allocated overheads	(955)	(329)	(1,284)
Contribution	(19)	2,821	2,802
Group overheads			(1,206)
Loss from discontinued operations			(472)
Profit before taxation			1,124
Taxation			60
Profit for the year			1,184
Year ended 30 June 2015			
Sales	922	326	1,248
Gross profit	562	277	839
Allocated overheads	(578)	(644)	(1,222)
Contribution	(16)	(367)	(383)
Group overheads			(1,743)
Loss from discontinued operations			(1,042)
Profit before taxation			(3,168)
Taxation			48
Profit for the year			(3,120)

Notes to the financial statements (continued)

5 Revenue and segmental reporting (continued)

During the year ended 30 June 2016 there was 1 (year ended 30 June 2015: 1) customer whose turnover accounted for more than 10% of the Group's total revenue as follows:

Year ended 30 June 2016	Revenue £'000	Percentage of total
Customer A	3,037	59%
Year ended 30 June 2015	Revenue £000	Percentage of total
Customer A	391	31%

All non-current assets are held in the UK, with the exception of some property, plant and equipment, and a motor vehicle of £0.04m (year ended 30 June 2015: £0.04m) which is held in China and Chile.

6 Discontinued operation

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

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

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

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

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

	2016 £'000	2015 £'000
Revenue	51	389
Expenses	(555)	(1,430)
Loss before tax	(504)	(1,041)
Tax expense	-	-
Loss for the year	(504)	(1,041)
Profit before tax on disposal as above	32	
Related tax expense	-	
Net loss on disposal	(472)	
Loss for the year from discounted operations	(472)	(1,041)

Notes to the financial statements (continued)

6 Discontinued operation (continued)

The carrying amount of the disposal group in the prior year was summarised as follows:

Group	2016 £'000	2015 £'000
Inventories	-	170
Trade and other recoverable	-	137
Trade and other payables	-	(79)
	<u>-</u>	<u>228</u>

Cash flows from (used in) discontinued operations

	2016 £'000	Group 2015 £'000	2016 £'000	Company 2015 £'000
(Debt)/cash used in operating activities	(472)	(1,041)	(309)	42
(Debt)/cash used in investing activities	218	-	115	-
(Debt)/cash from financing activities	-	-	-	-
	<u>(254)</u>	<u>(1,041)</u>	<u>(194)</u>	<u>42</u>

7 Assets held for sale

Assets classified as held for sale

	30 June 2016 £'000	Group 30 June 2015 £'000	30 June 2016 £'000	Company 30 June 2015 £'000
Inventories	-	170	-	170
Trade and other receivables	-	137	-	79
	<u>-</u>	<u>307</u>	<u>-</u>	<u>249</u>

Liabilities classified as held for sale

	Group 30 June 2016 £'000	30 June 2015 £'000	Company 30 June 2016 £'000	30 June 2015 £'000
Trade and other payables	-	79	-	102
	<u>-</u>	<u>79</u>	<u>-</u>	<u>102</u>

8 Expenses and auditor's remuneration

Included in the profit are the following:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Depreciation of property, plant and equipment	111	88
Amortisation of intangible assets	170	160
Operating lease rentals payable – Land & Building	82	129
Gain on foreign exchange transactions	(160)	(45)
	<u>111</u>	<u>88</u>

Notes to the financial statements (continued)

8 Expenses and auditor's remuneration (continued)

Auditors' remuneration for the Group and Company:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Audit of these financial statements	<u>35</u>	<u>35</u>

9 Staff numbers and costs

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

	Number of employees	
	Year ended 30 June 2016	Year ended 30 June 2015
Management and technical	21	25
Administration	5	5
Non-executive directors	2	2
	<u>28</u>	<u>32</u>

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

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Wages and salaries	1,653	1,968
Share based payments (note 22)	-	8
Social security costs	162	194
Contributions to defined contribution pension plans	16	16
	<u>1,831</u>	<u>2,186</u>

10 Directors' remuneration

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Directors' emoluments	414	386
Directors benefits	10	8
	<u>424</u>	<u>394</u>
Employers national insurance	52	49
Share based payments (note 22)	-	-
Fees payable for consulting services	-	10
	<u>-</u>	<u>10</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £163,017 (2015: £161,998). No company pension contributions were made to a money purchase scheme on his behalf (2015: nil). During the year, the highest paid director did not receive any additional share options awards. The highest paid director did not exercise share options under long term incentive schemes and no shares were received or receivable by the director in respect of qualifying services under a long term incentive scheme (2015: nil).

Notes to the financial statements (continued)

10 Directors' remuneration

The number of directors accruing retirement benefits under money purchase schemes in the year was nil (2015: nil).

The number of directors who exercised share options in the year was nil (2015: nil)

The number of directors in respect of whose services were received or receivable under long term incentive schemes was nil (2015: nil).

11 Finance income and expense

Recognised in profit or loss

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Finance income	45	65
Interest income on cash on deposit	6	9
Total finance income	<u>51</u>	<u>74</u>

12 Taxation

Recognised in the statement of comprehensive income

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Current tax expense		
Current year	1	45
Adjustment for previous year	(30)	3
Tax credit in statement of comprehensive income	<u>(29)</u>	<u>48</u>

Notes to the financial statements (continued)

12 Taxation (continued)

Reconciliation of effective tax rate

	Year ended 30 June 2016	Year ended 30 June 2015
	£'000	£'000
Profit/(loss) for the year	1,124	(3,120)
Total tax credit	-	(48)
Profit/(loss) before tax	<u>1,124</u>	<u>3,168</u>
Tax calculated at the average standard UK corporation tax rate of 20.00% (2014: 20.75%)	225	(657)
Expenses not deductible for tax purposes	36	59
Current year losses for which no deferred tax asset was recognised	-	550
Adjustment for overseas profits	(14)	-
Research and development tax relief/tax credit	(70)	(48)
Losses surrendered for research and development credit	-	48
Utilisation of capital losses	(6)	-
Utilisation of trading losses	(170)	-
Prior year adjustment	(30)	-
Total tax credit	<u>(29)</u>	<u>(48)</u>
A deferred tax asset has not be recognised in respect of the following item:		
Tax Losses	<u>3,361</u>	<u>3,671</u>

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) has been enacted. This will reduce the company's future current tax charge accordingly. Deferred tax has been calculated at the rate of 20% substantively enacted at the balance sheet date. The effect of this change is that profits arising in 2016 are taxable at a rate of approximately 20.00%. The deferred tax asset as at 30 June 2016 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

The Group has tax losses, subject to agreement by HM Revenue and Customs, in the sum of £16.76m (2015: £17.66m), which are available for offset against future profits of the same trade. There is no expiry date for tax losses. An appropriate asset will be recognised when the Group can demonstrate a reasonable expectation of sufficient taxable profits to utilise the temporary differences.

The June 2015 Budget announced that the rate will further reduce to 19% by 2017 and a further reduction to 18% by 2020 which was reduced further to 17% in the 2016 Budget. These further reductions in the main UK corporation tax rate have yet to be enacted.

As a result the effective tax rate used to calculate the current tax for the period ended 30 June 2016 was 20.00% (2015: 20.75%).

Notes to the financial statements (continued)

13 Property, plant and equipment – Group

	Plant and Equipment £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost				
Balance at 1 July 2014	591	34	10	635
Additions	113	136	-	249
Currency adjustment on non UK assets	7	-	-	7
	<u>711</u>	<u>170</u>	<u>10</u>	<u>891</u>
Balance at 30 June 2015	711	170	10	891
Balance at 1 July 2015	711	170	10	891
Additions	105	9	16	130
Disposal	(77)	(18)	-	(95)
	<u>739</u>	<u>161</u>	<u>26</u>	<u>926</u>
Balance at 30 June 2016	739	161	26	926
Depreciation and impairment				
Balance at 1 July 2014	478	2	2	482
Depreciation charge for the period	52	34	2	88
Currency adjustment on non UK assets	5	-	-	5
	<u>535</u>	<u>36</u>	<u>4</u>	<u>575</u>
Balance at 30 June 2015	535	36	4	575
Balance at 1 July 2015	535	36	4	575
Depreciation charge for the period	87	21	3	111
Disposal	(55)	(18)	-	(73)
	<u>567</u>	<u>39</u>	<u>7</u>	<u>613</u>
Balance at 30 June 2016	567	39	7	613
Net book value				
At 1 July 2014	113	32	8	153
At 1 July 2015	176	134	6	316
	<u>172</u>	<u>122</u>	<u>19</u>	<u>313</u>
At 30 June 2016	172	122	19	313

Notes to the financial statements (continued)

14 Property, plant and equipment – Company

	Plant and equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost				
Balance at 1 July 2014	526	26	10	562
Additions	110	125	-	235
Balance at 30 June 2015	636	151	10	797
Balance at 1 July 2015	636	151	10	797
Additions	103	8	-	111
Balance at 30 June 2016	739	159	10	908
Depreciation and impairment				
Balance at 1 July 2014	436	1	2	439
Depreciation charge for the period	47	18	2	67
Balance at 30 June 2015	483	19	4	506
Balance at 1 July 2015	483	19	4	506
Depreciation charge for the period	84	20	3	107
Balance at 30 June 2016	567	39	7	613
Net book value				
At 1 July 2014	90	25	8	123
At 1 July 2015	153	132	6	291
At 30 June 2016	172	120	3	295

Notes to the financial statements (continued)

15 Intangible assets

Group and company intangible assets

	Goodwill £'000	Patents rights and trademarks £'000	Development costs £'000	Total £'000
Cost				
Balance at 1 July 2014	50	1,435	1,079	2,564
Additions	-	63	-	63
Adjustment	-	(3)	-	(3)
Balance at 30 June 2015	50	1,495	1,079	2,624
Balance at 1 July 2015	50	1,495	1,079	2,624
Additions	-	82	176	258
Balance at 30 June 2016	50	1,577	1,255	2,882
Amortisation and impairment				
Balance at 1 July 2014	-	939	719	1,658
Amortisation for the period	-	52	108	160
Balance at 30 June 2015	-	991	827	1,818
Balance at 1 July 2015	-	991	827	1,818
Amortisation for the period	-	62	108	170
Balance at 30 June 2016	-	1,053	935	1,988
Net book value				
At 1 July 2014	50	496	360	906
At 1 July 2015	50	504	252	806
At 30 June 2016	50	524	320	894

Amortisation and impairment charge

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

	2016 £'000	2015 £'000
Administrative expenses	170	160
	170	160

Notes to the financial statements (continued)

15 Intangible assets (continued)

Development Costs

Development expenditure of the new iTrack II was capitalised in the year was £0.18m (2015: £nil). It has been determined that this will have a useful economic life of 3 years. The amount of research and development expenditure expensed in the Income Statement for the year was £nil (2015: £0.12m)

Impairment testing

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

The recoverable amount of goodwill is determined from value-in-use calculations, which use budgeted cash flows for year one and cash flow projections for years 2 to 5, an average growth rate of 8% has been applied to these. For cash flow after year 5 and up to the useful life of the goodwill, a steady state based on year 5 cash flow has been assumed.

The key assumptions forming inputs to cash flows are revenues and margins. The forecasts have been discounted at a pre-tax discount rate of 10%.

16 Investments in subsidiaries

The Group and Company have the following investments in subsidiaries:

	Status	Country of Incorporation	Class of shares held	Ownership 2016	2015
Translogik RFID Ltd	Dormant	UK	Ordinary Shares	100%	100%
IntelliSAW Inc.	Dormant	USA	Ordinary Shares	100%	100%
Translogik Ltd (Formerly Cranwick Ltd)	Dormant	UK	Ordinary Shares	100%	100%
Transense K.K.	Dormant	Japan	Ordinary Shares	100%	100%
Transense Technologies Chile SPA	Trading	Chile	Ordinary Shares	100%	N/A
Transense Electronics Technology (Shanghai) Co. Ltd	Dormant	China	Ordinary Shares	100%	N/A

The following investments are included in the Company balance sheet at £3k. (2015: £3k).

	Year ended 30 June 2016 £'000	Company Year ended 30 June 2015 £'000
Transense KK	3	3
	<u>3</u>	<u>3</u>

Notes to the financial statements (continued)

17 Inventories

	Group & Company	
	30 June 2016 £'000	30 June 2015 £'000
Raw materials	224	174
Finished goods	347	410
	<u>571</u>	<u>584</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year ended 30 June 2016 amounted to £0.76m (2015: £0.64m). The write-down of inventories to net realisable value amounted to £nil (2015: £nil).

18 Trade and other receivables

	Group		Company	
	30 June 2016 £'000	30 June 2015 £'000	30 June 2016 £'000	30 June 2015 £'000
Amounts falling due within one year				
Trade receivables	508	200	478	188
Allowance for doubtful debts	(8)	(75)	(8)	(75)
	<u>500</u>	<u>125</u>	<u>470</u>	<u>113</u>
Other receivables	176	94	168	92
Trade finance lease receivables	539	304	539	304
Short term deposit	301	-	301	-
Accrued income	32	-	32	-
Prepayments	194	132	179	132
	<u>1,742</u>	<u>655</u>	<u>1,689</u>	<u>641</u>

As at 30 June 2016 there were no past due but not impaired trade receivables.

19 Trade leases and unearned finance income

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

	Group and Company			
	Minimum lease payments due			
30 June 2016	Within 1 year £'000	1 to 5 years £'000	after 5 years £'000	Total £'000
Lease payments	539	383	-	922
Unearned finance income	(23)	(5)	-	(28)
	<u>516</u>	<u>378</u>	<u>-</u>	<u>894</u>

Notes to the financial statements (continued)

20 Cash and cash equivalents

	30 June 2016 £'000	Group 30 June 2015 £'000	30 June 2016 £'000	Company 30 June 2015 £'000
Cash and cash equivalents per balance sheet	3,654	472	3,641	415
Cash and cash equivalents per cash flow statements	3,654	472	3,641	415

21 Trade and other payables

	Year ended 30 June 2016 £'000	Group Year ended 30 June 2015 £'000	Year ended 30 June 2016 £'000	Company Year ended 30 June 2015 £'000
Current				
Trade payables	327	148	320	144
Provisions	53	-	53	-
Amounts due to group undertakings	-	-	157	-
Non-trade payables and accrued expenses	287	270	272	264
	637	418	802	408

22 Employee benefits

Defined contribution plans

The Group operates a defined contribution pension plan.

The total expense relating to these plans in the year ended 30 June 2016 was £0.02m (year ended 30 June 2015: £0.02m).

Share-based payments – Group and Company

The Group and Company has two share option plans, the Unapproved Discretionary Share Option Scheme and Enterprise Management 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) to selected employees or directors of the Company. No consideration is payable for the grant of an option. Options are not transferable or assignable.

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

The fair value of services rendered in return for share-based payments granted is measured by reference to the fair value of those share-based payments. The estimate of the fair value of services received is measured with reference to the Black-Scholes options pricing model. The Black-Scholes model takes into account the exercise price, share price at grant date, expected term and expected share price volatility. The volatility level depends on the date of grant and for the current live options has varied from 59.2% to 108.0%. (2015: 59.2% to 108.0%). The risk free interest rate adopted was 0.65% (2015: 0.65 %) and an expected dividend yield of nil pence (2015: nil). The key variable is share price volatility. For the year ended 30 June 2016 the charge to the profit and loss for the year was £nil (2015: £0.01m)

Notes to the financial statements (continued)

22 Employee benefits (continued)

Unapproved Discretionary Share Option Scheme

At 30 June 2016 the following share options remained outstanding under the Company's Unapproved Discretionary Share Option Scheme. The new Share Options granted on 27 October 2014 were in respect of an US employee.

Number of Options					Option Price	Date of Grant	Date of Exercise	
1 July 2015	Granted	Cancelled/ Expired	Exercised	30 June 2016			First	Last
805,000	-	-	-	805,000	04.00p	22.12.11	22.12.12	22.12.17
6,704,236	-	(6,704,236)	-	-	07.50p	15.08.13	15.08.13	06.03.22

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

Date of grant	Estimated fair value	Share price	Option price	Expected volatility	Expected Life – Years	Risk free rate	Expected dividends
				%		%	%
27.10.14	£0.0115	£0.0625	£0.0750	72.26%	1.50	0.65%	Nil

Enterprise Management Incentive Option Scheme

At 30 June 2016, 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 2015	Granted	Cancelled	Exercised	30 June 2016			First	Last
13,240,000	-	-	-	13,240,000	04.00p	22.12.11	22.12.12	22.12.17
1,000,000	-	(1,000,000)	-	-	07.05p	05.03.12	05.03.13	05.03.22
1,000,000	-	-	-	1,000,000	06.25p	10.05.12	25.12.12	10.05.22
1,500,000	-	-	-	1,500,000	10.25p	02.08.12	02.08.13	02.08.22
800,000	-	(400,000)	-	400,000	07.25p	09.07.13	09.07.16	09.07.23
250,000	-	(250,000)	-	-	07.25p	13.01.14	13.01.17	13.01.24
2,305,000	-	-	-	2,305,000	04.00p	05.02.14	01.03.14	31.01.18

23 Share Capital

Issued Share Capital	Ordinary shares of 1 pence		Deferred shares of 9 pence	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
On issue at 1 July 2015	295,671,094	290,131,984	75,807,138	75,807,138
Issued for cash Ordinary Shares at £0.01 on 9 July 2014	-	5,539,110		
Issued for cash Ordinary Shares at £0.01 on 28 July 2015	135,063,334	-		
Issued for cash Ordinary Shares at £0.01 on 7 August 2015	41,580,000	-		
On issue at 30 June 2016– fully paid	472,314,428	295,671,094	75,807,138	75,807,138

Notes to the financial statements (continued)

23 Share capital (continued)

	30 June 2016 £'000	30 June 2015 £'000
Allotted, called up and fully paid		
Ordinary shares of £0.01 each	4,723	2,956
Deferred shares of £0.09 each	6,823	6,823
	11,546	9,779
Shares classified as liabilities		-
Shares classified in shareholders' funds	11,546	9,779
	11,546	9,779

The Deferred Shares have very limited rights which are deferred to the Ordinary Shares and effectively carry no value as a result. Accordingly, the holders of the Deferred Shares are not entitled to receive notice of, attend or vote at general meetings of the Company, nor are they entitled to receive any dividends or any payment on a return of capital until at least £10,000,000 has been paid on each Ordinary Share. No application was made for the Deferred Shares to be admitted to trading on AIM. The Company was given power to arrange for all the Deferred Shares to be transferred to a custodian or to be purchased for nominal consideration only without the prior sanction of the holders of the Deferred Shares. No share certificates for the Deferred Shares were issued.

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group and Company			
	Land & Buildings 30 June 2016 £'000	Other Lease 30 June 2016 £'000	Land & Buildings 30 June 2015 £'000	Other Lease 30 June 2015 £'000
Less than one year	63	-	122	-
Between one and five	252	-	449	-
More than five years	158	-	221	-
	473	-	792	-

The operating lease relates to the lease of premises which is used by the Group and Company. During the period £0.08m was recognised as an expense in the statement of comprehensive income in respect of operating leases (year ended 30 June 2015: £0.11m).

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

Basic loss per share is calculated by dividing the profit after taxation of £1.15m (2015: loss of £3.12m) by the weighted average number of ordinary shares in issue during the year of 458,108,483 (2015: 295,534,513). Unexercised options over the ordinary shares are not included in the calculation of diluted loss per share as they are anti-dilutive.

	Year ended 30 June 2016 Number	Year ended 30 June 2015 Number
Weighted average number of shares – basic	458,108,483	295,534,513
Share option adjustment	-	-
Weighted average number of shares – diluted	458,108,483	295,534,513

Notes to the financial statements (continued)

25 Basic and fully diluted loss per share (continued)

	Year ended 30 June 2016	Year ended 30 June 2015
	£'000	£'000
Earnings/(loss) from continuing operations	1,656	(2,079)
From continuing operations	_____	_____
Basic earnings per share	<u><u>0.36</u></u>	<u><u> </u></u>
Loss from discontinued operations	(472)	(1,041)
From discontinued operations	_____	_____
Basic earnings per share	<u><u>(0.10)</u></u>	<u><u>(0.36)</u></u>
Earnings attributable to shareholders		
Basic earnings per share	<u><u>0.26</u></u>	<u><u>(1.06)</u></u>

There are 20,095,000 share options at 30 June 2016 (2015: 18,445,000) that are not included within diluted earnings per share because they are anti-dilutive.

26 Financial instruments

Financial risk management overview

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

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

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

Liquidity risk

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

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group has a cash balance at period end totalling £3.65m (2015: £0.47m). Note 2 describes the potential uncertainties relating to the liquidity risk. The Group has no external borrowing and finances its operations by raising equity finance on the Alternative Investment Market (AIM).

Financial Assets and Liabilities

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

Notes to the financial statements (continued)

26 Financial instruments (continued)

Cash flow sensitivity analysis for variable rate instruments

Due to the current unprecedented low rates of interest a change of 100 basis points in interest rates at the reporting date would not have created any material change in the profit or loss for 2016 or 2015.

The directors consider that the Group's exposure to interest rates is low (2015: low). Cash is invested in deposits with UK high street banks. Low and falling interest rates will reduce returns on these balances. This note is in relation to the company's compliance with IFRS 7.

Market risk

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

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

Functional currency of Group operation	Euro £'000	US Dollar £'000	Australian Dollar £'000	Japanese Yen £'000	Chinese Yuan £'000
Sterling	215	729	5	(3)	(1)
Chilean Peso	-	-	-	-	-
US Dollar	-	-	-	-	-
At 30 June 2016	215	729	5	(3)	(1)
Sterling	68	107	1	54	(3)
Chilean Peso					
US Dollar					
At 30 June 2015	68	107	1	54	(3)

Notes to the financial statements (continued)

26 Financial instruments (continued)

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

	30 June 2016 £000	30 June 2015 £000
Financial assets		
Loans and receivables comprising:		
Trade receivables	500	125
Amounts receivable under long term contracts	922	972
Short term deposit	301	-
Cash and cash equivalents	3,654	472
	5,377	1,569
Financial liabilities		
Other financial liabilities at amortised cost		
Trade payables	326	148
Payments on account	46	-
Accruals	214	201
Financial liabilities at amortised cost	586	349

There was a short term deposit account held at the year end date of £0.30m (2015: £nil).

There was £0.92m of gross trade finance lease assets held on the balance sheet at the year end date. (2015: £0.97m).

Management of capital

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

The board recognises that the capital structure of the Company, which currently includes effectively worthless Deferred Shares and a substantial Share Premium Account, is no longer fit for purpose. The Board are therefore bringing forward proposals at the forthcoming AGM for a reduction in share capital by the cancellation of the deferred shares and the share premium account. This will result in the Company having distributable reserves enabling the payment of dividends from income or return capital to shareholders from major licensing transactions or partial disposals in future. Additionally, it is proposed that the ordinary share capital is subject to a 50:1 consolidation to mitigate the effect of prior dilutions on the unit price per share. This is designed to reduce trading spreads and transaction costs for shareholders in future dealings.

27 Credit risk

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

Financial instruments that may subject the Group to credit risk consist of cash, cash equivalents, and trade and other receivables. The maximum credit exposure was £1.42m (2015: £1.30m) 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 2016 the Group's cash was divided between current accounts £0.634m (2015: £0.15m) and £3.02m in fixed rate monthly deposits (2015: £0.32m) with a weighted average interest rate for the year of 0.25% (2015: 0.25%). Cash and cash equivalents are held only in high street banks.

Notes to the financial statements (continued)

27 Credit risk (continued)

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

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

28 Contingencies and commitments

Group

The Group had no capital commitments or contingent liabilities as at 30 June 2016 (2015: £nil).

Company

The Company has no capital commitments or contingencies as at 30 June 2016 (2015: £nil).

29 Warrants

Warrants outstanding as at 30 June 2016 totalled 4,307,344 exercisable at 1.5p per share and expiring on 28 July 2017. (2015: 412,434).

30 Related parties

Group

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

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

	Group and Company	
	Year ended 30 June 2016 £000	Year ended 30 June 2015 £000
Key management emoluments	-	162
Social security costs	-	21
	<u>-</u>	<u>183</u>
	<u><u>-</u></u>	<u><u>183</u></u>