Transense Technologies plc

Directors' report and financial statements

Registered number 01885075

For the year ended 30 June 2013

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Directors and advisers

Directors
D G Kleeman (Chairman) (1 2 3)
G Storey (CEO)
R J Westhead (1 2 3)
D M Ford
M Segal (FD)

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

Secretary and Registered Office

D M Ford
66 Heyford Park
Camp Road
Upper Heyford
Bicester OX25 5HD

Auditor

KPMG Audit Plc
Arlington Business Park
Theale
Reading RG7 4SD

Bankers

HSBC Bank plc
1 Sheep Street
Bicester
Oxon OX26 7JA

Nominated Adviser & Broker

N+1 Singer
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Registrars
Neville Registrars
Neville House
Laurel Lane
Halesowen
B63 3DA

Registration Number 1885075

Chairman's statement

This has been a transformational year for Transense, in which we have seen market acceptance of our range of technologically driven products, with, quarter on quarter, the number of enquiries received from and quotations submitted to actual and potential customers growing at record levels, as has the number of field trials

Sales in the 12 months to 30th June 2013 amounted to £1,517,000, almost double the level achieved in the comparable previous 12 month period The pre-tax loss for the year amounted to £2,443,000 compared to £3,398,000 for the 18 month accounting period to 30th June 2012

It has been more than four years since the existing senior management team was formed Its first requirement was to understand the nature of the patented technology that had been developed and to evaluate the opportunities for its application in the market place The commercial approach adopted meant moving the Company away from its roots of granting licences to third parties, and into designing, building, testing and marketing a set of products and sensors for utilisation by major manufacturers or service providers closely linked with engineering, and with the automotive and mining industries

This strategy has taken time, capital and effort to roll out, however its success is now evident Products had to be developed and tested at length, engineers, software experts and a sales force had to be recruited, and an extensive and worldwide marketing initiative had to be undertaken Income for several years was modest, but the operational structure had to be implemented and the associated costs absorbed This resulted in extensive trading losses We are grateful for the continued to support shown to us by our shareholders in our fundraisings during this period of corporate development

We are now seeing the outcome of our efforts In the autumn of 2012 we received the first significant order for our iTrack system from an Anglo-American subsidiary in South Africa and a repeat order has recently followed Our US division, IntelliSAW, is also benefitting from health and safety policies implemented across the world with its batteryless and wireless temperature monitoring systems installed in electrical switchgear cabinets, providing real-time continuous information and early warnings of potential failures or overheating In addition, our SAWsense division continues to develop applications for torque measurement for the automotive, aviation and wind turbine industries – long term projects with the potential for delivering a royalty revenue stream

It has therefore been a year of great progress The loyalty of our staff has been a key feature We thank them, and hope that the incentivisation measures in place and our encouraging progress will provide appropriate rewards for their years of patience as Transense s strategic plans were enacted and their continuing endeavours will drive the success of the business

What is clear is that we have a proven set of products, which ascertain changes in temperature, pressure and torque, providing instantly accessible information to customers These sensors give Transense a real competitive advantage We are budgeting for large revenue increases and the recent and successful fundraise should enable us to take the Company to a more viable financial state I look forward to reporting our further progress in a few months' time

D G Kleeman
Chairman
13th September 2013

Chief Executive's report

Transense has made excellent commercial and operational progress during the last financial year The Company is pleased to have secured significant contracts in both the Translogik and IntelliSAW divisions and sales momentum is continually increasing

Translogik

Our Translogik division has concentrated on marketing its iTrack system and probes

iTrack

iTrack is a tyre pressure monitoring system aimed initially at earth moving vehicles enabling fleet operators to monitor the pressure and temperature of tyres to reduce risks of blow-out and tyre wear, vehicle damage, and to reduce downtime for vehicles having 24 hour per day utilisation

Further to our Anglo American orders for Translogik's iTrack system, two further orders for mines in Chile, managed by our distributor, Otraco have followed post year end, as announced in August 2013 With a combined sales value of approximately £2 5 million, the Company believes these two major contracts signify market acceptance of the iTrack solution and have led to an increased level of enquiries regarding the system from around the world, as awareness of the benefits grows, both in terms of safety and cost savings that the system offers mine operators

It took almost two years from commencing system pilots, to securing end-user orders which was much longer than originally anticipated The Board believes that an inflexion point has been reached and, with a number of long-term field trials already underway, we are confident that further material deployments will follow

We have high hopes for the receipt of further valuable orders from South Africa, Australia and Chile in the current financial year Consideration is being given to the possibility of the leasing of the system and our technology to the customers of a period of several years as an alternative to an outright sale

iProbes and tags

Volumes for Translogik's iProbes and RFID (Radio Frequency Identification) tags for commercial tyre casings are also growing as the wide-scale adoption of tyre RFID systems with major tyre OEMs accelerates, driven by the requirements to improve operational efficiency and provide cost savings in logistics, production and quality control The recent move by Michelin to open up its RFID patents free of charge in an effort to promote a global tyre RFID standard should see the demand for RFID enabled products within the tyre management industry grow strongly over the next few years

In May this year we received a substantial order from Dunlop Japan for iProbe kits (including RFID tags) resulting in total sales to date of around £295,000 of which £235,000 arose after our year end The value of this order alone was close to the total value of all probes sold in the corresponding period in the previous year In addition to this, the Company also received two more orders from its value added resellers in North America and Europe Probe sales in the last 6 months of the financial year were over 4 times the value of sales in the comparable January-June period in 2012, providing a substantive market validation of our innovative tools for this global market

The Translogik tyre probe allows key tyre measurements to be taken with high precision and (in an independent customer testing procedure) up to 60% faster than conventional methods, providing significant benefit to fleet operators Integration of the iProbe and its data capture capability with the electronic systems of large fleet companies can be a lengthy process but, once tested and approved for commercial use by end-customers, pilot projects are increasingly converting into material orders We are therefore confident of the potential to generate repeat orders from existing customers and further adoption of Translogik tyre management solutions

Chief Executive's Report *(continued)*

IntelliSAW

IntelliSAW has also benefitted from the worldwide emphasis by industry on health and safety at work Its customers recognise the need for early warning signals of potential overheating in switchgear, thereby reducing the risk of expensive and potentially harmful failures in electrical sub-stations ensuring better availability of power supply Whilst sales progress for IntelliSAW's sensors has been slower than originally anticipated, the number of trial installations has materially increased worldwide, particularly in the emerging markets

IntelliSAW has completed a number of installations with highlights including a first full factory fit-out at the new state-of-the-art, Fuxin Special Steel Company (FSSC) Steel Plant in China, an initial implementation for POSCO, South Korea's largest steel manufacturer, and initial orders from Saudi Arabia and Taiwan Additionally, multiple pilots are continually supported by the Company's partners in various territories including the Americas, Europe, the Middle East, China, Southeast Asia and India and are expected to lead to further orders in due course

IntelliSAW's market is large and growing but the sales cycle is lengthy and slow Potential customers require exhaustive testing, and invariably wait for suitable opportunities to close down installations temporarily before incorporating our sensors and related equipment into their units As with iTrack, the period between the first point of contact and the placing of an order can cover an extensive period over which we have little to no control Order intake, therefore, is difficult to budget, and results from quarter to quarter can vary hugely, thereby materially affecting our financial reporting However, we are encouraged by the growth in enquiries received, the addition of further partners and in the number of pilots pending or underway and reasonably expect that sales trends will become more visible and sales budgeting more readily and reliably accomplished

Successful Placing and Open Offer

During the period June and July 2013 the Company completed two successful placings and an over-subscribed Open Offer which straddled the year end and raised approximately £5 million in aggregate gross proceeds to support the rapidly growing pipeline of business This additional capital is being used to maximise the growth potential of the business particularly through sales and field channel support and quality control This fundraising allows additional resources to be made available across the Group as Translogik and IntelliSAW seek to achieve near and medium-term revenue growth The fundraising also supports, the Company's newly established trading division, SAWsense, focused on commercialising our valuable library of patents and sensor expertise as it continues its longer-term development projects with existing partners such as General Motors, McLaren and Intelwind as well as other new areas of opportunity both in the automotive and non-automotive fields

Outlook

The last twelve months have been the most successful in terms of revenue in the Company's history and indications in recent months are that this pattern of growth is continuing into the coming year Having invested heavily in R&D developing products and a worldwide partner and distribution network, the Company has moved into a new phase of growth, with rapid expansion underpinned by our strengthened balance sheet We look forward to the coming years with considerable confidence

Graham Storey
CEO
13th September 2013

Finance Director's Report

The Group's Financial Highlights for the year were as follows

	2013 £000's	2012 * £000's	Change
Group Revenue	1,517	765	98%
EBITDA	(2,157)	(2,343)	8%
Net Loss after Taxation	(2,383)	(2,560)	7%
Loss per share	-1 20p	-1 6p	25%
Shareholders' Funds	3,392	1,757	93%
Cash	1,989	195	

* 2012 Comparisons are unaudited figures extracted from management accounts for the twelve months to 30 June 2012 or as at 30 June 2012

Summary of Financial Review

- Transense achieved record revenues for the 12 month period and achieved 98% growth on the equivalent period to 30 June 2012
- Recently announced orders from Anglo American (Kumba Iron Ore), Otraco and Dunlop Japan (Sumitomo) have resulted in record visibility of revenue for the financial year to 30 June 2014
- Both the EBITDA & Net Loss after Taxation have improved in the year to 30 June 2013, reflecting the major improvement in revenue generation and ongoing cost management This has also been achieved despite the inclusion of a full year of the expenses of our IntelliSAW office against 9 months of full operational cost in the comparative period
- Shareholders' funds and cash resources have benefitted from the fundraising that straddled the year end and produced a total inflow of new funds, net of costs, of around £4 9 million
- The fundraising completed in July 2013, referred to above, was the first to be completed from a position of having a major order on board and one where the proceeds of the fundraising could be used substantially for expansion purposes by increasing sales support and channel support Further investment will also be made in quality control, in product and software development, and to market and promote our industry leading products Some related overhead and working capital expansion is expected as a function of growing our operations in support of actual and anticipated sales growth
- Transense has nearly 40 active patents that are constantly reviewed on a rolling basis and any patents that are considered of no value are fully amortised This policy ensures that we concentrate expenditure on those patents that are relevant and valuable to the business
- Transense have in excess of £13 million of tax losses to carry forward against future trading profits This should ensure that in the first few years of profitability the tax charge will be virtually zero and once the losses have been exhausted Transense should be eligible to pay tax at the reduced rate of 10% based on the current Patent Box legislation

Melvyn Segal FCA
Financial Director
13th September 2013

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 Nevertheless, by continuous review, the Company ensures that proper standards of corporate governance are in operation and the principles of the Combined Code are followed so far as is practicable and appropriate given the size and nature of the Company

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 13 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 David Kleeman 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 David Kleeman 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 8 to 10 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

Going Concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the reason below

At 30 June 2013, the Group had net assets of £3 4 million and a positive cash balance of £1 99 million As a result of the successful fundraising in June and July 2013 the Company raised Gross funds of around £5 million which included funds that were introduced after the year end totalling £2 92 million (£2 6 million after expenses)

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 2014 These forecasts indicate that the Group will continue to be able to operate within its current cash resources for the foreseeable future

Statement of corporate governance *(continued)*

Internal Financial Control

Non-audit services provided by the auditors are reviewed by the Audit Committee to ensure that independence is maintained

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

During this development period of the Group's growth and with limited turnover, the Remuneration Committee considers that it is not appropriate at the present time to augment salaries with annual bonuses The salaries paid compare adequately with the salaries of Directors and senior executives in public companies in similar development situations

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, David Kleeman, 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 do 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

The Chief Executive's salary was last increased in 2011

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

All executive Directors are entitled to enter, and are members of, the Company s defined contribution pension scheme, to which the Company contributes the equivalent of 10% of their basic salary Executive Directors participate in the Company's pension scheme on the same basis as other full time employees, but did not choose to participate in the scheme during the year ended 30 June 2013

Remuneration report *(continued)*

Service contracts

As at 30 June 2013 the Directors had rolling service contracts, which include the following policies

The notice period required by either the Company or Graham Storey to terminate his contract is 3 months,

The notice period required by either the Company or David Kleeman is one month,

There is no notice period with respect to Rodney Westhead's contract,

There is no notice period with respect to David Ford's contract,

There is no notice period with respect to Melvyn Segal's contract

After the year end arrangements were in place to revise the Executive Director's service contracts and details of this revision will be reflected in the 2014 final accounts

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 page 10

Information on directors' emoluments is as follows

					Total emoluments	
					12 Months ended 30 June 2013	18 Months ended 30 June 2012
	Basic Salary £	Fees £	Benefits £	Pension £	2013 £	2012 £
Executive directors						
G Storey	151,250	-	2,571	-	**153,821**	226,667
M Segal	50,000	-	1,843	-	**51,843**	11,220
D Ford	104 250	-	2 057	-	**106,307**	153,495
Non-executive directors						
D Kleeman	-	38,333	-	-	**38,333**	60,088
R Westhead	12,000	-	-	-	**12,000**	18,000
Total 2013	**317,500**	**38,333**	**6,471**	-	**362,304**	
Total 2012	293 979	167,678	7 813	-	469,470	

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 2012	At 30 June 2013	Earliest exercise date	Exercise price per share	Hurdle price per share
Directors' interests in the UDSOS were					
D G Kleeman	100 000	-	04/01/09	23p	-
R Westhead	60 000	60 000	01/02/11	10p	40p
G Storey	2 805 000	2 805 000	22/12/12	4p	9p
D Ford	305 000	305 000	22/12/12	4p	9p
M Segal	625 000	625 000	01/02/11	10p	40p
Directors' interests in the EMI were					
G Storey	3 195 000	3 195 000	22/12/12	4p	9p
D Ford	3 195 000	3 195 000	22/12/12	4p	9p
M Segal	-	1 500 000	02/08/14	10 25p	20p

Share price performance

The share price performance is disclosed in the Directors Report on page 12

On behalf of the Board

D G Kleeman
Chairman Remuneration Committee
13th September 2013

Directors' report

The Directors present their annual report and audited financial statements for the year ended 30 June 2013

Business activities, review of the business and future developments

The principal activities of the Company continue to be 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

With the formation of Translogik Limited in April 2009 the principal activities of the Group were extended to include 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

Following the formation of IntelliSAW, a Trading Division of Transense, the principal activities of the group were further extended to include the provisions of electrical switchgear management

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, CEO's and Finance Director's Statements on pages 2 to 5

Results and Dividends

The results for the year ended 30 June 2013 show a loss of £ 2,383,000 (18 months ended 30 June 2012 £3,325,000 loss) The Directors do not recommend the payment of a dividend (18 months ended 30 June 2012 £nil)

Directors

The present Directors are listed on page 1

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

Substantial Shareholdings

At 30 June 2013, 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	35,961,703	15 78
Octopus Investments Nominees Limited	16,088,136	7 06
T D Direct Investing Nominees	13,909,350	6 10
Nortrust Nominees Limited*	12,666,667	5 56
Barclayshare Nominees Limited	9,276,809	4 07
Chase Nominees Limited	7,904,660	3 47

* Legal & General Investment Management Limited holds 12,000,000 of the Nortrust Nominees holding

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 2013	1 July 2012
D G Kleeman*	3 006,663	3,006,663
G Storey	3 798,856	3,798,856
R J Westhead	282,777	282,777
D Ford	277,777	277,777
M Segal	1,144 444	1 144 444

*D G Kleeman also holds 463,267 non beneficial shares (2012 463,267)

Directors' report *(continued)*

Share price

The mid price of the shares in the Company at 30 June 2013 was 8p (18 months ended 30 June 2012 10 75p) and the range during the period was 17 65p to 6 1p (18 months ended 30 June 2012 12 38p to 3 38p)

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 10

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 23 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 2012/13

Policy and practice on payment of suppliers

The Group s policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and then abide by these terms At 30 June 2013 trade creditors represented 72 days' purchases (18 months ended 30 June 2012 45 days)

Disclosure of information to auditor

The Directors who hold office at the date of approval of this Directors report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditors

Our auditors, KPMG Audit Plc has instigated an orderly wind down of business The Board has decided to put KPMG LLP forward to be appointed as auditors and resolution concerning their appointment will be put to the forthcoming AGM of the company

By order of the board

D G Kleeman
Director

G Storey
CEO

66 Heyford Park
Bicester
Oxon
OX25 5HD

13th September 2013

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the Group and Parent Company 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 IFRSs as adopted by the EU and applicable law and have elected to prepare the Group and 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

KPMG Audit Plc
Arlington Business Park
Theale
Reading
RG7 4SD
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 2013 set out on pages 16 to 44 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU 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 13, 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 of the parent company's affairs as at 30 June 2013 and of the group's loss for the period then ended,
• the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU
• the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

Peter Selvey, (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
RG7 4SD

13th September 2013

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	Note	Year ended 30 June 2013	18 months ended 30 June 2012
		£000	£000
Revenue	4	**1,517**	1 014
Cost of Sales		**(500)**	(449)
Gross Profit		**1,017**	565
Administrative Expenses		**(3,464)**	(3 997)
Operating loss		**(2,447)**	(3 432)
Financial Income	8	**4**	34
Loss before Taxation		**(2,443)**	(3 398)
Taxation	9	**60**	73
Loss for the Period		**(2,383)**	(3 325)
Basic and fully diluted loss per share (pence)	22	**(1 20)**	(2 24)

There are no other recognised income or expenses in either period

Notes to the financial statements are from pages 21 to 44

The results are from continuing activities

Consolidated Balance Sheet
at 30 June 2013

	Note	2013	Year ended 30 June 2013	2012	18 months ended 30 June 2012
		£000	£000	£000	£000
Non current assets					
Property, plant and equipment	10	**137**		149	
Intangible assets	12	**989**		1,188	
			1,126		1,337
Current assets					
Inventories	15	**315**		140	
Corporation tax		**61**		73	
Trade and other receivables	16	**440**		299	
Cash and cash equivalents	17	**1,989**		195	
			2,805		707
Total assets			**3,931**		2,044
Current liabilities					
Trade and other payables	18	**(488)**		(254)	
Current tax liabilities		**(51)**		(33)	
Total liabilities			**(539)**		(287)
Net assets			**3,392**		1,757
Equity					
Issued share capital	20		**9,102**		8,591
Share premium			**13,144**		9,753
Warrant reserve	26		**378**		430
Accumulated loss			**(19,232)**		(17,017)
Total equity			**3,392**		1,757

These financial statements were approved by the board of directors on 13th September 2013 and were signed on its behalf by

D G Kleeman
Director

G Storey
CEO

Company registered number 1885075

Notes to the financial statements are from pages 21 to 44

Company Balance Sheet
at 30 June 2013

	Note	Year ended 30 June 2013		18 months ended 30 June 2012	
		2013	**2013**	2012	2012
		£000	**£000**	£000	£000
Non current assets					
Property plant and equipment	11	**95**		91	
Intangible assets	13	**989**		1,184	
			1,084		1 275
Current assets					
Inventories	15	**315**		132	
Corporation tax		**61**		73	
Trade and other receivables	16	**440**		339	
Cash and cash equivalents	17	**1,969**		183	
			2,785		727
Total assets			**3,869**		2 002
Current liabilities					
Trade and other payables	18	**(485)**		(246)	
Current tax liabilities		**(51)**		(33)	
Total liabilities			**(536)**		(279)
Net assets			**3,333**		1 723
Equity					
Issued share capital	20		**9,102**		8 591
Share premium			**13,144**		9 753
Warrant reserve	26		**378**		430
Accumulated loss			**(19,291)**		(17 051)
Total equity			**3,333**		1 723

These financial statements were approved by the board of directors on 13th September 2013 and were signed on its behalf by

D G Kleeman
Director

G Storey
CEO

Company registered number 1885075

Notes to the financial statements are from pages 21 to 44

Statement of Changes in Equity

Group

	Share Capital £000	Share premium £000	Warrant reserve £000	Cumulative losses £000	Total equity £000
Balance at 1 January 2011	8,145	8,956	710	(14,047)	3,764
Loss for the year				(3,325)	(3,325)
Shares and warrants issued and share premium	446	797	-	-	1,243
Transfer between reserves	-	-	(280)	280	-
Share based payments	-	-	-	75	75
Balance at 30 June 2012	**8,591**	**9,753**	**430**	**(17,017)**	**1,757**
Loss for the year				(2,383)	(2,383)
Shares and warrants issued and share premium	511	3,391	-	-	3,902
Transfer between reserves	-	-	(52)	52	-
Share based payments	-	-	-	116	116
Balance at 30 June 2013	**9,102**	**13,144**	**378**	**(19,232)**	**3,392**

Company

	Share Capital £000	Share premium £000	Warrant reserve £000	Cumulative losses £000	Total equity £000
Balance at 1 January 2011	8,145	8,956	710	(13,367)	4,444
Loss for the year				(4,039)	(4,039)
Shares and warrants issued and share premium	446	797	-	-	1,243
Transfer between reserves	-	-	(280)	280	-
Share based payments	-	-	-	75	75
Balance at 30 June 2012	**8,591**	**9,753**	**430**	**(17,051)**	**1,723**
Loss for the year				(2,408)	(2,408)
Shares and warrants issued and share premium	511	3,391	-	-	3,902
Transfer between reserves	-	-	(52)	52	-
Share based payments	-	-	-	116	116
Balance at 30 June 2013	**9,102**	**13,144**	**378**	**(19,291)**	**3,333**

Consolidated Cash Flow Statement
For the year ended 30 June 2013

	Note	Group		Company	
		Year ended 30 June 2013 £000	18 months ended 30 June 2012 £000	**Year ended 30 June 2013 £000**	18 months ended 30 June 2012 £000
Loss Before Tax		**(2,443)**	(3 398)	**(2,468)**	(4 107)
Financial Income	8	**(4)**	(34)	**(4)**	(34)
Depreciation	10,11	**72**	78	**52**	39
Amortisation	12,13	**218**	320	**218**	301
Loss on disposal of fixed assets		**-**	11	**-**	11
Share Based payments	20	**116**	75	**116**	75
Operating cashflows before movements in working capital		**(2,041)**	(2,948)	**(2,086)**	(3,715)
(Increase)/decrease in receivables	16	**(141)**	101	**(101)**	918
Increase/(decrease) in payables	18	**234**	(113)	**239**	70
(Increase)/decrease in inventories	15	**(175)**	(99)	**(183)**	(122)
Cash used in Operations		**(2,123)**	(3 059)	**(2,131)**	(2,849)
Taxation recovered		**90**	65	**90**	65
Net cash used in operations		**(2,033)**	(2 994)	**(2,041)**	(2 784)
Investing activities					
Interest received	8	**4**	34	**4**	**34**
Proceeds from disposal of fixed and investment assets		**-**	72	**-**	72
Acquisitions of property, plant & equipment	10 11	**(60)**	(112)	**(56)**	(103)
Acquisitions of intangible assets	12 13	**(19)**	(114)	**(23)**	(283)
Net cash used in investing activities		**(75)**	(120)	**(75)**	(280)
Financing activities					
Proceeds from issue of equity share capital & warrants	20	**3,902**	1 243	**3,902**	1,243
Net cash from financing activities		**3,902**	1,243	**3,902**	1,243
Net increase/(decrease) in cash & cash equivalents		**1,794**	(1,871)	**1,786**	(1,821)
Cash and equivalents at the beginning of the period		**195**	2 066	**183**	2 004
Cash and equivalents at the end of the period	17	**1,989**	195	**1,969**	183

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 1 The consolidated financial statements of the Company as at and for the period ended 30 June 2013 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 11

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") 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

Going Concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the reason below

At 30 June 2013, the Group had net assets of £ 3 4 million and a positive cash balance of £ 1 99 million As a result of the successful fundraising in June 2013 further funds were introduced after the year end totalling £2 92 million (£2 6 million after expenses)

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 2014 These forecasts indicate that the Group will continue to be able to operate within its current cash resources for the foreseeable future

Notes *(continued)*

3 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 2012 that resulted in any material impact on the Groups 2013 consolidated financial statements

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

- Annual improvement to IFRS 1 First-time adoption of IFRSs' (mandatory for year commencing on or after 1 January 2013)
- Annual improvement to IAS 1 'Presentation of financial statements – comparative information beyond minimum requirements and presentation of the opening statement of financial position and related notes (mandatory for year commencing on or after 1 January 2013)
- Annual improvement to IAS 16 'Property, plant and equipment' – classification of servicing equipment (mandatory for year commencing on or after 1 January 2013)
- Annual improvement to IAS 32 'Financial instruments presentation' – income tax consequences of distributions (mandatory for year commencing on or after 1 January 2013)
- Annual improvement to 'IAS 34 Interim financial reporting' – segment assets and liabilities (mandatory for year commencing on or after 1 January 2013)
- IFRS 10 'Consolidated Financial Statements and IAS 27 (2011) 'Separate Financial Statements (mandatory for year commencing on or after 1 January 2013)
- IFRS 11 Joint Arrangements' and Amendments to IAS 28 (2008) 'Investments in Associates and Joint Ventures' (mandatory for year commencing on or after 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (mandatory for year commencing on or after 1 January 2013)
- IFRS 13' Fair Value Measurement (mandatory for year commencing on or after 1 January 2013)
- Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities (mandatory for year commencing on or after 1 January 2013)
- Amendments to IAS 36 Recoverable amount disclosures for non-financial assets (mandatory for year commencing on or after 1 January 2014)
- Amendments to IAS 39 Continuing hedge accounting after derivative novations (mandatory for year commencing on or after 1 January 2014)
- IFRS 9 'Financial Instruments' (mandatory for year commencing on or after 1 January 2015)

Notes *(continued)*

Significant accounting judgements and sources of estimation uncertainty

The accounting policy descriptions set out areas where management make certain judgements and estimations The key areas that might have a significant risk of causing material adjustment within the next financial year are as follows

- Management have considered the basis of preparation as disclosed in note 2
- Estimations focus on areas such as carrying values, values in use and estimated lives of intangible assets,
- Determining when intangible assets are impaired is a judgement which requires an estimate of the value in use of the asset based on management best estimate of the future cash flows that the assets are expected to generate This requires significant judgement as there are limited historic cash flows to base the future cash flows on Discussions are held within the Company between the relevant technical, commercial and finance employees on the expected future cash flows of patents in individual territories, and
- Judgement is applied when patent costs are reviewed in particular relating to patents in territories that were not integral to the future business plans

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

Subsidiaries are entities controlled by the Group Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities In assessing control, the Group takes into consideration potential voting rights that are currently exercisable The acquisition date is the date on which control is transferred to the acquirer The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

Notes *(continued)*

3 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 when the work is completed and invoiced, and
- Product sales to customers are recognised on customer acceptance of the goods

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

Segment reporting

The Group has one reportable segment being the use of SAW technology to measure temperature, pressure and torque This is the Group's principal focus and the operations are managed as one business unit because it encompasses one technology

The business segment includes royalties, engineering support and sale of product in relation to this technology

Information regarding the Group's single segment is included in the primary statements and notes to the financial statements Revenue is 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

Motor Vehicles 4 years

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

Research and development

All new expenditure on research and development activities is recognised as an expense in the year in which it is incurred

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 a maximum of fifteen 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

Any impairment in value is recognised immediately in the statement of comprehensive income

Notes *(continued)*

3 Accounting policies *(continued)*

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 cost of the acquisition and the net 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

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

Non-current asset investments

Investments classified as available for sale are measured at value through other comprehensive income

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit and loss If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit and loss

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

Notes *(continued)*

3 Accounting policies *(continued)*

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 enacted or substantially enacted at the balance sheet date

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits

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

Foreign currencies

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group s presentational currency Sterling at foreign exchange rates ruling at the balance sheet date The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be

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 Expected volatility is estimated by considering historic average share price volatility

Warrants

Fair value is measured using a Black-Scholes-Merton option pricing model The key assumptions used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability exercise restrictions and behavioural considerations

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

Loans receivable

Loans receivable are stated at their nominal value, less any impairment if the loan is not considered fully recoverable

Notes *(continued)*

3 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

4 Revenue and segmental reporting

The table below sets out information for the Group's operating segments, the use of SAW technology

	Year ended 30 June 2013	18 months ended 30 June 2012
	£000	£000
Sale of goods	**1,361**	918
Royalties	**19**	63
Engineering support income	**137**	33
Total revenues	**1,517**	1,014

	Year ended 30 June 2013	18 months ended 30 June 2012
	£000	£000
North America	**233**	303
United Kingdom & Europe	**363**	432
Rest of the World	**921**	279
	1,517	1 014

During the year ended 30 June 2013 there were 2 (18 months ended 30 June 2012 2) customers whose turnover accounted for more than 10% of the Group's total revenue as follows

Year ended 30 June 2013	**Turnover £000**	**Percentage of total**
Customer A	**320**	**21%**
Customer B	**258**	**17%**

18 months ended 30 June 2012	Turnover £000	Percentage of total
Customer A	136	13%
Customer B	101	10%

All non-current assets are held in the UK except for property, plant and equipment of £42,000 (18 months ended 30 June 2012 £62,000) which is held in the United States of America

Notes *(continued)*

5 Expenses and auditor's remuneration

Included in the loss are the following

	Year ended 30 June 2013 £000	18 months ended 30 June 2012 £000
Depreciation of property, plant and equipment	**72**	78
Amortisation of intangible assets	**218**	320
Operating lease rentals payable – property plant and equipment	**90**	73

Auditors remuneration

	Year ended 30 June 2013 £000	18 months ended 30 June 2012 £000
Audit of these financial statements	**25**	22
Amounts receivable by auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	**-**	5
Other services	**-**	32

Notes *(continued)*

6 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 2013	18 months ended 30 June 2012
Management and technical	**25**	17
Administration	**3**	3
Non-executive directors	**2**	2
	30	22

The aggregate payroll costs of these persons were as follows

	Year ended 30 June 2013 £000	18 months ended 30 June 2012 £000
Wages and salaries	**1,753**	1,903
Share based payments (note 19)	**116**	75
Social security costs	**169**	172
Contributions to defined contribution pension plans	**17**	32
	2,055	2,182

7 Directors' remuneration

	Year ended 30 June 2013 £000	18 months ended 30 June 2012 £000
Directors' emoluments	**324**	302
Share based payments (note 19)	**52**	26
Fees payable for consulting services	**38**	168

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £153,520 (2012 £218,854) No company pension contributions were made to a money purchase scheme on his behalf (2012 nil) During the year, the highest paid director did not receive any share options awards and 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 (2012 Nil)

	Year ended 30 June 2013	18 months ended 30 June 2012
	Number of directors	
Retirement benefits are accruing to the following number of directors under Money purchase schemes	-	-
The number of directors who exercised share options was	-	-
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	-	-

Notes *(continued)*

8 Finance income and expense

Recognised in profit or loss

	Year ended 30 June 2013 £000	18 months ended 30 June 2012 £000
Finance income		
Interest income on cash on deposit	**4**	34
Total finance income	**4**	34

9 Taxation

Recognised in the statement of comprehensive income

	Year ended 30 June 2013 £000	18 months ended 30 June 2012 £000
Current tax expense		
Current year	**60**	73
Tax credit in statement of comprehensive income	**60**	73

Notes *(continued)*

9 Taxation *(continued)*

Reconciliation of effective tax rate

	Year ended 30 June 2013	18 months ended 30 June 2012
	£000	£000
Loss for the year	(2,383)	(3,325)
Total tax credit	(60)	(73)
Loss before tax	(2,443)	(3,398)
Tax using UK Corporation tax rate of 23 75% (2012 26%)	580	883
Non deductible expenses	(99)	(101)
Current year losses for which no deferred tax asset was recognised	(398)	(633)
Research and development credit	60	73
Losses surrendered for research and development credit	(83)	(150)
Total tax credit	60	73

Deferred tax

A deferred tax asset has not been recognised in respect of the following items

Tax Losses	3,243	2,884
Deductible temporary differences	-	-
	3,243	2,884

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively The effect of this change is that profits arising in 2012 are taxable at a rate of approximately 23 75% The deferred tax asset as at 30 June 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The Group has tax losses, subject to agreement by HM Revenue and Customs, in the sum of £13,655,000 (2012 £11,976,000), 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 March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement These further reductions in the main UK corporation tax rate were substantively enacted on 2 July 2013 The rate (currently 23%) will reduce to 21% from 1 April 2014 and to 20% from 1 April 2015 This will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

As a result the effective tax rate used to calculate the current tax for the period ended 30 June 2013 was 23 75% (2012 26%)

As a result the deferred tax asset as at 30 June 2013 has been calculated at 23 75%

10 Property, plant and equipment – Group

	Plant and Equipment £000	Motor Vehicles £000	Total £000
Cost			
Balance at 1 January 2011	386	43	429
Additions	112	-	112
Transfer from intangibles	15	-	15
Disposal	-	(32)	(32)
Balance at 30 June 2012	513	11	524
Balance at 1 July 2012	513	11	524
Additions	56	-	56
Transfer from Intangibles	4	-	4
Balance at 30 June 2013	**573**	**11**	**584**
Depreciation and impairment			
Balance at 1 January 2011	295	20	315
Depreciation charge for the period	69	9	78
Disposal	-	(18)	(18)
Balance at 30 June 2012	364	11	375
Balance at 1 July 2012	364	11	375
Depreciation charge for the period	72		72
Balance at 30 June 2013	**436**	**11**	**447**
Net book value			
At 1 January 2011	91	23	114
At 1 July 2012	149	-	149
At 30 June 2013	**137**	**-**	**137**

Notes *(continued)*

11 Property, plant and equipment – Company

	Plant and Equipment £000	Motor Vehicles £000	Total £000
Cost			
Balance at 1 January 2011	286	43	329
Additions	22	-	22
Transfer of Translogik assets	137	-	137
Disposal	-	(32)	(32)
Balance at 30 June 2012	445	11	456
Balance at 1 July 2012	445	11	456
Additions	56	-	56
Balance at 30 June 2013	**501**	**11**	**512**
Depreciation and impairment			
Balance at 1 January 2011	268	20	288
Depreciation charge for the period	30	9	39
Transfer of Translogik assets	56	-	56
Disposal	-	(18)	(18)
Balance at 30 June 2012	354	11	365
Balance at 1 July 2012	354	11	365
Depreciation charge for the period	52	-	52
Balance at 30 June 2013	**406**	**11**	**417**
Net book value			
At 1 January 2011	18	23	41
At 1 July 2012	91	-	91
At 30 June 2013	**95**	**-**	**95**

Notes *(continued)*

12 Intangible assets – Group

	Goodwill £000	Patents rights and trademarks £000	Development costs £000	Total £000
Cost				
Balance at 1 January 2011	100	1 188	1 094	2,382
Additions	-	110	4	114
Transfers to fixed assets	-	-	(15)	(15)
Disposals	-	(15)	-	(15)
Balance at 30 June 2012	100	1 283	1 083	2 466
Balance at 1 July 2012	100	1 283	1 083	2 466
Additions	-	73	-	73
Transfers to fixed assets			(4)	(4)
Adjustment to consideration paid	(50)	-	-	(50)
Balance at 30 June 2013	**50**	**1,356**	**1,079**	**2,485**
Amortisation and impairment				
Balance at 1 January 2011	-	620	342	962
Amortisation for the period	-	159	161	320
Disposal	-	(4)	-	(4)
Balance at 30 June 2012	-	775	503	1 278
Balance at 1 July 2012	-	775	503	1 278
Amortisation for the period	-	110	108	218
Balance at 30 June 2013	-	**885**	**611**	**1,496**
Net book value				
At 1 January 2011	100	568	752	1 420
At 1 July 2012	100	508	580	1 188
At 30 June 2013	**50**	**471**	**468**	**989**

Amortisation and impairment charge

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

	2013 £000	2012 £000
Administrative expenses	**218**	320
	218	320

Notes *(continued)*

12 Intangible assets – Group *(continued)*

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 SAW technology

The recoverable amount of goodwill and intangible assets 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 intangible assets, 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%

13 Intangible assets – Company

	Goodwill	Patents rights £000	Development costs £000	Total £000
Cost				
Balance at 1 January 2011	-	1,134	1,041	2,175
Additions	-	110	-	110
Transfer of Translogik assets	100	54	38	192
Disposal	-	(15)	-	(15)
Balance at 30 June 2012	100	1,283	1,079	2,462
Balance at 1 July 2012	100	1,283	1,079	2,462
Additions	-	73	-	73
Adjustment to consideration paid	(50)	-	-	(50)
Balance at 30 June 2013	**50**	**1,356**	**1,079**	**2,485**
Amortisation and impairment				
Balance at 1 January 2011	-	620	342	962
Amortisation for the year	-	155	146	301
Transfer of Translogik assets	-	4	15	19
Disposal	-	(4)	-	(4)
Balance at 30 June 2012	-	775	503	1,278
Balance at 1 July 2012	-	775	503	1,278
Amortisation for the year	-	110	108	218
Balance at 30 June 2013	**-**	**885**	**611**	**1,496**
Net book value				
At 1 January 2011	-	514	699	1,213
At 1 July 2012	100	508	576	1,184
At 30 June 2013	**50**	**471**	**468**	**989**

Notes *(continued)*

13 Intangible assets – Company *(continued)*

Amortisation and impairment charge

The amortisation and impairment charge has been charged to the parent company loss for the period

	Year ended 30 June 2013 £000	18 months ended 30 June 2012 £000
Other operating expenses	**218**	301
	218	301

14 Investments in subsidiaries

The Group and Company have the following investments in subsidiaries

	Status	Country of Incorporation	Class of shares held	Ownership 2013	2012
Translogik Ltd	Dormant	UK	Ordinary Shares	**100%**	100%
Translogik RFID Ltd	Dormant	UK	Ordinary Shares	**100%**	100%
IntelliSAW Inc	Trading	USA	Ordinary Shares	**100%**	100%
Cranwick Ltd	Dormant	UK	Ordinary Shares	**100%**	-

Following the transfer of the Translogik business from Translogik Ltd to Transense Technologies plc in 2011 the former company has remained dormant and arrangements were made to have the company voluntarily dissolved and this was completed in July 2013 During the period under review a new company, Cranwick Limited was incorporated and will remain a dormant subsidiary and arrangements are in place to have the name changed to Translogik Limited The investments are included in the Company balance sheet at £Nil (2012 £Nil) During the period ended 30 June 2012 an overseas entity IntelliSAW Inc was set up as a 100% owned subsidiary

IntelliSAW Inc researches and develops technology for the monitoring and improvement of electrical switchgear systems in conjunction with generating and supporting sales and associated administration made by the holding company

Notes *(continued)*

15 Inventories

	Group 30 June 2013 £000	30 June 2012 £000	Company 30 June 2013 £000	30 June 2012 £000
Stock	**315**	140	**315**	132
	315	140	**315**	132

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year ended 30 June 2013 amounted to £ 500,000 (18 months ended 30 June 2012 £ 449,000) The write-down of inventories to net realisable value amounted to £nil (18 months ended 30 June 2012 £nil)

16 Trade and other receivables

	Group 30 June 2013 £000	30 June 2012 £000	Company 30 June 2013 £000	30 June 2012 £000
Trade receivables	**289**	152	**289**	150
Amounts due from group undertakings	**-**	-	**-**	44
Other receivables	**66**	72	**66**	70
Prepayments	**85**	75	**85**	75
	440	299	**440**	339

There are no sums in both the Group and Company that are expected to be recovered in more than 12 months

17 Cash and cash equivalents

	Group 30 June 2013 £000	30 June 2012 £000	Company 30 June 2013 £000	30 June 2012 £000
Cash and cash equivalents per balance sheet	**1,989**	195	**1,969**	183
Cash and cash equivalents per cash flow statements	**1,989**	195	**1,969**	183

Notes *(continued)*

18 Trade and other payables

	Group		Company	
	Year ended 30 June 2013 £000	18 months ended 30 June 2012 £000	**Year ended 30 June 2013 £000**	18 months ended 30 June 2012 £000
Current				
Trade payables	**335**	144	**324**	136
Amounts due to group undertakings	**-**	-	**39**	-
Non-trade payables and accrued expenses	**153**	110	**122**	110
	488	254	**485**	246

All trade and other payables are current

19 Employee benefits

Defined contribution plans

The Group operates a defined contribution pension plan

The total expense relating to these plans in the year ended 30 June 2013 was £17 000 (18 months ended 30 June 2012 £32,000)

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, expected share price volatility which depending on the date of grant varies from 59 2% to 94 2% In the previous year one figure was applied across the board for volatility (2012 71 7%), risk free interest rate of 0 65% (2012 0 65 %) and expected dividend yield of nil pence (2012 £nil) The key variable is share price volatility

Notes *(continued)*

19 Employee benefits *(continued)*

Unapproved Discretionary Share Option Scheme

At 30 June 2013 the following share options remained outstanding under the Company's Unapproved Discretionary Share Option Scheme

Number of Options				*Option Price*	*Date of Grant*	*Date of Exercise*	
1 July 2012	Granted	Cancelled/ Expired	30 June 2013			*First*	*Last*
100,000		(100,000)	-	23 00p	12 12 07	12 12 08	12 12 12
60,000			60,000	10 00p	01 02 09	01 02 11	31 01 14
625,000			625,000	10 00p	01 02 09	01 02 11	31 01 14
3,110,000			3,110,000	4 00p	22 12 11	22 12 12	22 12 17
7,090,000			7,090,000	4 00p	06 03 12	06 03 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** %
22 12 11	£0 0043	£0 0375	£0 0400	59 21%	1 50	0 65%	Nil
06 03 12	£0 0135	£0 0889	£0 0750	72 26%	1 50	0 65%	Nil

Enterprise Management Incentive Option Scheme

At 30 June 2013, 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 2012	Granted	Cancelled	30 June 2013			*First*	*Last*
14,640,000			14,640,000	4 00p	22 12 11	22 12 12	22 12 17
1,000,000			1,000,000	7 05p	05 03 12	05 03 13	05 03 22
1,000,000			1,000,000	6 25p	10 05 12	25 12 12	10 05 22
	1,500,000		1,500,000	10 25p	02 08 12	02 08 14	02 08 22

Notes *(continued)*

19 Employee benefits *(continued)*

The assumptions used in the valuation of the share options are as follows

Date of grant	Estimated fair value	Share price	Option price	Expected volatility %	Expected Life - Years	Risk free rate %	Expected dividends %
22 12 11	£0 0043	£0 0375	£0 0400	59 21%	1 50	0 65%	Nil
05 03 12	£0 0115	£0 0750	£0 0750	72 26%	1 50	0 65%	Nil
10 05 12	£0 0099	£0 0625	£0 0625	74 08%	1 50	0 65%	Nil
02 08 12	£0 0307	£0 1425	£0 1025	94 20%	2 0	0 65%	Nil

Previous directors

As at 30 June 2013, the following options remained outstanding in respect of a previous Board Member who has resigned but was allowed to retain his options

Number of Options				*Option Price*	*Date of Grant*	*Date of Exercise*	
1 July 2012	Granted	Cancelled	30 June 2013			*First*	*Last*
375,000	-	-	375 000	10 00p	16 09 08	01 01 09 - 01 01 11	31 12 12 - 31 12 15
250 000	-		250,000	10 00p	01 02 09	01 02 11	31 01 14

The value attributable to the above shares has been accounted for in earlier periods

20 Share Capital

Issued Share Capital	Ordinary shares of 1 pence 30 June 2013	30 June 2012	Deferred shares of 9 pence 30 June 2013	30 June 2012
On issue at 1 July 2012	**176,854,505**	132 207 136	**75,807,138**	-
Issued for cash Ordinary Shares at £0 01 on 30 December 2011	-	44 647 369	-	-
Issued for cash Ordinary Shares at £0 01 on 5 July 2012	**12,000,504**	-	-	-
Issued for cash Ordinary Shares at £0 01 on 1 August 2012	**5,559,496**	-	-	-
Issued for cash Ordinary Shares at £0 01 on 11 April 2013	**3,000,000**	-	-	-
Issued for cash Ordinary Shares at £0 01 on 7 June 2013	**26,576,630**	-	-	-
Warrants exercised for Ordinary Shares at £0 01	**3,959,583**	-	-	-
Deferred Shares at £0 09 created on 1 July 2010	-	-	-	75 807 138
On issue at 30 June 2013– fully paid	**227,950,718**	176 854 505	**75,807,138**	75 807 138

Notes *(continued)*

20 Share Capital *(continued)*

	30 June 2013 £000	30 June 2012 £000
Allotted, called up and fully paid		
Ordinary shares of £0 01 each	2,279	1,768
Deferred shares of £0 09 each	6,823	6,823
	9,102	8,591
Shares classified as liabilities	-	-
Shares classified in shareholders' funds	9,102	8,591
	9,102	8,591

In June 2013 the Company raised net funds of £2 1m with 29,576,630 new shares being issued

Each Ordinary Share resulting from the Share Re-organisation has the same rights (including voting and dividend rights and rights on a return of capital) as each Existing Ordinary Share

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

As a result of the June 2013 fundraising, additional funds of £2 92 million were received in July 2013

21 Operating leases

Non-cancellable operating lease rentals are payable as follows

	Group and Company			
	Land & Buildings 30 June 2013 £000	Other Lease 30 June 2013 £000	Land & Buildings 30 June 2012 £000	Other Lease 30 June 2012 £000
Less than one year	44	8	35	8
Between one and five	-	-	44	-
More than five years	-	-		-
	44	8	79	8

The operating lease relates to a company car and the lease of premises which is used by the Group and Company During the period £90,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (18 months ended 30 June 2012 £73,000)

Notes *(continued)*

22 Basic and fully diluted loss per share

Basic loss per share is calculated by dividing the loss after taxation of £2,383,000 (2012 £ 3,325,000) by the weighted average number of ordinary shares in issue during the year of 199,347,274 (2012 147,859,462) Unexercised options and warrants over the ordinary shares are not included in the calculation of diluted loss per share as their effect is anti-dilutive

23 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 balances at period end totalling £ 1,989,000 (2012 £ 195,000) 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)

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

Foreign exchange rate risk is insignificant as substantially all sales are denominated in sterling the Group's functional currency

At the reporting date the interest rate profile of the Group s interest-bearing financial instruments was

	30 June 2013	30 June 2012
	£'000	£'000
Variable rate instruments	**155**	118
Financial assets	**1,833**	77

The fair values of the Group s financial instruments are measured using inputs other than quoted prices that are directly or indirectly observable

All cash held at year end is accessible on demand

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 2013 or 2012

The directors consider that the Group's exposure to interest rates is low (2012 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 FRS 26

Notes *(continued)*

23 Financial instruments *(continued)*

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

24 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, unsecured loan stock receivables and trade and other receivables The maximum credit exposure was £289,000 (2012 £152,000) 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 2013 the Group's cash was divided between current accounts £155,000 (2012 £118,000) and £1,833,000 in fixed rate monthly deposits (2012 £77,000) with a weighted average interest rate for the year of 0 25% (2012 1 68%) Cash and cash equivalents are held only in high street banks

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

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

25 Contingencies and commitments

Group

The Group had no capital commitments or contingent liabilities as at 30 June 2013 (2012 £nil)

Company

The Company has no capital commitments or contingencies as at 30 June 2013 (2012 £nil)

26 Warrants

During the period 3,959,583 of the 33,932,568 outstanding options at 1 July 2012 were exercised (2012 22,467,430) The fair value of the warrants has been calculated using the Black Scholes Merton model The inputs into the model were as follows

	12 Months ended 30 June 2013	18 months ended 30 June 2012
Weighted average share price	**4.5p**	4 5p
Weighted average exercise price	**4.5p**	4 5p
Expected volatility	**45.37%**	45 37%
Risk free rate	**3.37%**	3 37%
Expected dividend yield	**Nil**	Nil

Expected volatility was determined using as a base the share price movements recorded over a 12 month period and taking into account any specific factors impacting during the period This has created a warrant reserve net of apportioned issue costs in equity of £378,000 (2012 £430,000)

Notes *(continued)*

27 Related parties

Group

Transactions with key management personnel who are defined as the Directors of the Company and their immediate relatives control 1per cent of the voting shares of the Company

The compensation of key management personnel (being the directors) is as follows

	Group and Company	
	Year ended 30 June 2013 £000	18 months ended 30 June 2012 £000
Key management emoluments including social security costs	**192**	287
Company contributions to money purchase pension plans	**-**	-
Compensation for loss of office	**-**	-
Share related awards	**9**	17
	201	304

Company

Other related party transactions

	Sales to		**Administrative expenses incurred from**	
	Year ended 30 June 2013 £000	18 months ended 30 June 2012 £000	**Year ended 30 June 2013 £000**	18 months ended 30 June 2012 £000
Subsidiary companies	**-**	345	**1,065**	828
	-	345	**1,065**	828

	Receivables outstanding		**Payables outstanding**	
	Year ended 30 June 2013 £000	18 months ended 30 June 2012 £000	**Year ended 30 June 2013 £000**	18 months ended 30 June 2012 £000
Subsidiary companies	**-**	-	**39**	-
	-	-	**39**	-