RNS Number : 1604I
Tan Delta Systems PLC
12 May 2025

Tan Delta Systems PLC

("Tan Delta" or the "Company")

Full year results for the twelve months ended 31 December 2024

Tan Delta Systems plc (AIM:TAND), a leading provider of intelligent monitoring and maintenance systems for commercial and industrial equipment announces its audited results for the twelve months ended 31 December 2024.

FINANCIAL HEADLINES

- Revenue of £1.22m, down 16% (2023: £1.46m)
- Gross margin increased to 62.1% (2023: 59.6%)
- Loss before tax of £1.17m (2023: £1.05m adjusted*)
- Cash of £3.08m as at 31 December 2024 of (31 December 2023: £4.55m)

CUSTOMER HEADLINES

- Increased pipeline to £35million (31 December 2023: £2.5 million)
- 20 active trials underway
- 2 new distributor agreements signed in the Middle East
- Working in partnership with four of the world's leading engine manufacturers

OPERTIONAL HEADLINES

- Continued product development to ensure our products are easier to install and commission
- Advancements made into value added services using data generated from our sensors
- Development underway of a sensor for water based fluids. Project co-funded by a major engine OEM
- Sensors approved by accredited organisation during the year

SENIOR MANAGEMENT CHANGES

- Joy Alvarez appointed to the board as Non-Executive Director on 9 April 2024
- John Higginbottom appointed to the board as CFO/COO on 5 July 2024
  Steve Johnson, former CFO resigned from the Company on 4 July 2024

**Adjustments relate to IPO costs and share option charge*

SIMON TUCKER, CHAIRMAN OF TAN DELTA, COMMENTED:

"With minimal marketing, the company enjoys significant interest in its real time oil analysis based equipment monitoring solutions. The business enjoys a fundamental base for its position in the market which is its unique core technology and, after several years supplying small numbers to some notable entities such as SHELL, all important credibility. It has developed a focused pipeline of sales opportunities where and is now supporting multiple evaluations that range from the world's largest online retailer who operates hundreds of thousands of gearboxes, to operators of power generators across the middle east. The opportunity is very significant. By their nature the decision and planning to adopt Tan Delta and integrate it into their maintenance and operating plans are significant and long term commitments which require careful planning which takes time to come to fruition and a conversion into sale contracts that realise a customer with repeat sales for many years into the future. This is the reason for the build-up of the sales pipeline and the relatively slow conversion. Given the significant size of some of our opportunities, anyone of which is transformational for the business, the Board has actively guided the management team to focus on these to minimise closure times, before seeking to expand further, and we expect to start to see this happening in the near future."

For enquiries, please contact:

Tan Delta Systems plc +44 845 094 8710

Chris Greenwood, CEO

John Higginbottom, CFO

Zeus (Nominated Adviser and Broker) +44 203 829 5000

David Foreman, James Hornigold, Ed Beddows (Investment Banking)

Nick Searle (Sales)

CHIEF EXECUTIVE'S STATEMENT

Introduction

2024 was a year of strategic groundwork for Tan Delta. Revenue did not meet our initial growth expectations, down 16% to £1.22 million (2023: £1.46 million). This variance was driven primarily by the extended timelines required to mature high-value customer opportunities, reflecting both the complexity and potential scale of our pipeline. We now have over 20 active trials and a commercial pipeline exceeding £35 million, a tenfold increase from the end of 2023. Our challenge has not been a lack of opportunity - in fact, the scale and quality of engagements in our pipeline continue to grow. Conversion of trials to order and the time that takes has been frustrating at times and we have taken numerous steps in our customer engagement processes to standardise our approach to planning and executing trials to address this from which we are already seeing very early positive signs. Much of this is linked to the larger size and scale opportunities now being seen. The key is strategic focus: prioritising the right opportunities where our technology can deliver the greatest impact and applying greater commercial discipline to accelerate conversion. Throughout 2024, we refined our sales processes to sharpen this focus, aligning more closely around defined success criteria and ROI delivery. These steps are already improving visibility into near-term revenue potential, while building a stronger foundation for long-term scalability.

We expanded our production and supply chain capacity to support a fivefold increase in output, appointed a dedicated production manager, and made key hires across engineering, quality, and operations. A dedicated salesperson in the Middle East was recruited in the first half of the year. This will better enable us to respond as trial projects mature into scaled rollouts. Commercially, we signed two new distribution agreements in the Middle East and grew our regional pipeline from zero to over £14 million. We also deepened traction with OEMs, now working in active collaboration with four of the world's seven major engine manufacturers. These partnerships, alongside our increased focus on pilot program success criteria and ROI delivery, are strengthening our path to scaled adoption.

Tan Delta's mission and unique value proposition remains clear: To deploy our unique oil sensing technology and related analytics which has been independently and practically proven to deliver unparalleled sensitivity, accuracy and actionable insight enabling an increasingly diverse global market to reduce their total cost of ownership of critical assets through the safe reduction in oil usage and maintenance costs whilst the continuous real time monitoring prevents unplanned downtime and unnecessary breakdowns. All of which has a positive impact on the environment through a reduced carbon footprint.

Financial Summary

Revenue for the year ended 31 December 2024 was lower than the prior year at £1.22 million (2023: £1.46 million). Our pipeline continues to grow, and we are expecting conversions to flow naturally from that growth through a more normalised sales cycle. To build customer confidence, we have conducted multiple trials of our technology, many of which have exceeded expectations in terms of performance and insights gained. However, often these trials evolve becoming more extensive than anticipated resulting in extended timelines as customers consider the application and benefits of our systems across their equipment portfolio.

A prior year adjustment was made to the financial statements to correct an over expense to the share option reserve in the previous year. A reconciliation of this adjustment can be found in Note 24.

Gross profit margin of 6.12% was achieved (2023: 59.6%), which is in line with our expectations with the improvement primarily due to the specific mix of products sold. We anticipate being able to sustain this level of margin. Our product delivers excellent value and payback to our customers, which in turn means that we believe our product can sustain price increases in line with inflation.

Overheads increased on the prior year, slowly growing resources commensurate with customer and product development activity. Investing wisely ensures we can support business opportunities until conversion and the associated cash generation - whereupon we will permit further growth for the next phase of growth.

At the end of the year, cash and cash equivalents stood at £3.08 million (£4.55 million in 2023). Inventory increased by £0.37 million during the year to £0.73 million as we increased production to meet expected increases in sales. This increase in inventory provides the ability to deliver against increased customer demand alongside scaling manufacturing volumes to align not only with our revenue goals, but with our confidence of conversion of our rapidly growing sales pipeline.

Operations Summary

In terms of operations our target for this year was to rationalise and simplify our supply chain and associated systems and to further enhance our customer support function to continually improve the assistance given to existing and potential customers.

Our systems are in the process of being upgraded to enable us to react to future demand and provide a seamless interface for our customers, and we have also appointed a new quality manager.

We invested in product development primarily around our integral data analytics and online platform to deliver simpler, more meaningful insights, as well as enhancing our solutions to make sure that they are easy to install and integrate ensuring that we maintain our market leading sensor and associated product portfolio. As part of this, we have appointed a new hardware engineer and technical author.

We have also bolstered our operations team by recruitment in the key areas of production and logistics to enable us to quickly react to the expected increases in demand. Other key hires include a new Chief Finance Officer/Chief Operating Officer who brings a wealth of both financial and operational experience, focusing mainly on our day-to-day operations to free up time for critical business development activities whilst retaining financial oversight.

Sales and Marketing

We have seen growing traction in the market, with opportunities and sales during the period spanning several regions and sectors. Around 75% of commercial sales to date have been concentrated in the power generation, industrial equipment and mining sectors with early adoption also emerging in marine, O&G and rail.

Geographically, our solutions are now in use across the UK, Europe, North & South America, Asia and the Middle East, validating the global applicability of our technology. While revenue during the period was below expectations, driven primarily by longer-than-anticipated trial-to-conversion cycles, our commercial momentum continues to build. Our active sales pipeline has grown significantly from £2.5 million at the end of 2023 to over £35 million driven by increased demand for predictive maintenance and sustainability-led asset monitoring. The pipeline is well diversified: over 60% relates to the power generation and equipment rental sectors, with the remainder split across marine, oil & gas, logistics, water utilities, and OEM partnerships.

Whilst the continued growth in pipeline has been encouraging the actual revenue of £1.22 million was lower than previous year. Conversion of this pipeline is now almost exclusively dependent on customer trials whilst as a board we are constantly exploring ways to circumvent this, currently we have to accept that trials are necessary for all significant opportunities and need to be factored into the timeline for conversion.

We currently have over 20 active trials, including engagements with a global logistics firm monitoring tens of thousands of assets, two Middle East rental companies (each with over 2,000 fleet assets), and a UK utility trial monitoring critical gearboxes with potential to scale. Additionally, we are collaborating with several major engine OEMs on multiple projects across marine and power generation applications. These trials typically follow a 6-month to 18- month cycle from initial commercial discussions to installation and conversion, depending on the complexity of integration, length of trial required and the required ROI demonstration.

A key driver of purchasing decisions across segments remains our proven ability to reduce operational costs and unplanned downtime. In one example, our solution demonstrated potential savings exceeding 3,500 per asset per year, a compelling figure for fleet-based operators. Post-period end, we initiated integration discussions with three of the world's largest asset monitoring solution providers, which could enable significant scale and new market access through established ecosystems.

As our pipeline continues to expand, we are evolving our go-to-market strategy. We have deliberately narrowed our focus to a few high-potential market segments, where we are aligning sales, marketing, and product efforts. This approach is designed to drive deeper market penetration, improve brand awareness, and more effectively educate customers on the distinct ROI and reliability advantages of our sensor technology. To support this focus, we have engaged a new marketing agency to help refine our positioning and outreach. Upcoming activities include launching a refreshed website and customer portal, releasing new customer-endorsed case studies, coordinating social media campaigns, and presenting white papers at leading industry events in the UK, North America, and Europe. These efforts are designed to support the conversion of our growing pipeline into repeatable and scalable revenue.

Products

We have continued product development targeted at ensuring that our products are easier to install and commission,

Beyond hardware, we are advancing into value-added services by leveraging the vast amount of real-time data our sensors generate. Through our newly developed advanced AI analytics, predictive maintenance capabilities, and a cloud-based platform, we aim to enable the transition from a sensor provider to a data-driven solutions business. This strategic shift enables us to offer enhanced operational insights to customers, driving efficiency, reducing downtime, and unlocking recurring revenue streams through subscription-based services. We have delivered an architecture which allows the flexible deployment of our analytics so that our solution can easily adapt to any current customer ecosystem or IT security demands. Customer demand for this type of solution is growing and allows us to become a Key Strategic Partner to our customers.

We are progressing well with the development of a new sensor for water-based fluids such as coolant, driven by demand from a major engine OEM who has co-funded the project. This product deepens our value in the engine market segment and once validated, will form part of a multi-sensor solution on each asset. Launch is targeted for Q2 2025.

During last year we also tasked TUV (a global organisation that offers solutions for quality, safety and sustainability) with undertaking a series of independent tests to verify the performance of our sensors when looking at overall oil degradation, particulate contamination and fuel dilution. This was successfully concluded with TUV producing both a summary and detailed test report, with an overall conclusion reached by TUV, "During wear metal sensitivity, fuel dilution and end of life tracking testing, the Tan Delta OQSxG2 oil quality sensor was shown to be a very precise and repeatable instrument".

Market and Outlook

Our core sensing technology and analytics continue to be the gold standard for innovative predictive maintenance, based on real-time oil condition, this combined with the fact that all equipment operators want to get more from their assets for less, puts us in a unique position to disrupt the various huge global industrial and commercial markets who can directly benefit from this approach. This is further evidenced by the continued growth in our pipeline, the sheer number of active trials underway (many nearing completion) and the growing number of strategic engagements we have with global OEMs. We remain focused on conversion of the large opportunities and work on these in early 2025 has been continuing.

Summary

In final summary, as always, I would like to convey my very sincere thanks to all of our stakeholders, in particular our excellent staff, our shareholders, our board and key suppliers. Without their continued support, dedication and patience we would not have the opportunity to continue our journey towards sustainable growth and realisation of commercial success.

STRATEGIC REPORT

The directors present their strategic report for the year ending 31 December 2024.

Business Review

The principal activity of Tan Delta is the development and supply of oil condition monitoring equipment into a diverse range of global market delivering services that enable operators of rotating equipment, from trucks and ships to generators and wind turbines, to reduce oil consumption, maintenance costs, breakdowns and carbon footprint.

The Key Performance Indicators (KPIs) used by the board to monitor performance are revenue growth, gross profit margin, adjusted profit margin and cash conversion. These measures are in line with the Company's strategic objectives of delivering profitable growth which in turn drive shareholder value.

Market Review

The addressable market for Oil Condition Monitoring Equipment is significant. We estimate that there are millions of assets with moving parts (rotating equipment) worldwide, from trucks or ships to generators or wind turbines. The desire of equipment operators to achieve greater reliability, operating cost reduction and efficiency has created a 200 billion global sensor market which is anticipated to reach approximately 500 billion by 2032 with an expected Compound Annual Growth Rate (CAGR) of 8.4% from 2023 to 2032.

Tan Delta has strategically targeted key sectors, including Power Generation, Mining, Commercial Marine, Agriculture, and Transportation. Our product offering is continuously refined to address the specific needs and challenges of these markets, delivering clear and compelling value propositions that drive the adoption of our sensing technology.

Financial Review

Whilst revenue for the year fell by 16% (2024: £1.22 million, 2023: £1.46 million), the Company saw a significant improvement in convertible pipeline opportunities. Although conversion in 2024 was lower than anticipated the opportunities still exist and we remain focused on order acquisition in 2025.

Revenues:

Revenue in the year was generated by sales of oil condition monitoring equipment from a wide range of customers and sectors.

We saw a decrease in revenue achieved in the UK due to a slower than expected roll out with a number of customers. Europe and Rest of the World revenue was consistent with 2023, although many of the higher value opportunities are in the Middle East.

Gross profit:

Gross profit margin improved from 60% in 2023 to 62%, whilst ensuring that our product offering has an attractive return for our customers. Inflation on supply was reduced compared to previous years, any future cost pressure can be passed on through pricing and mitigated by good supply chain management.

Operating expenses:

Operating expenses grew as we deployed the capital raised at the prior year IPO into sales, marketing, and product development teams. There have also been incremental costs as a full year of additional costs related to the listing have been incurred. We have grown the team in order to support our growth strategy and in line with our plans. We have continued to invest in growing the Company's sales and marketing activities alongside developing our product offering.

Loss/profit before tax:

Loss before tax was £1.17 million in 2024 (2023: £1.05 million adjusted loss before tax). During the year, operating expenses increased because of investments in sales, marketing, and product development alongside incremental costs of being a plc. Prior year costs included £0.7million of IPO costs whereas in the current year there are no IPO costs.

Finance income and expenses:

Cash reserves were invested in interest earning bank accounts generating interest income of £0.17 million. (2023: £0.04 million)

Interest expense was accounted for on the right of use asset as per IFRS 16.

Cash:

The year-end cash balance for 2024 was £3.08 million (2023: £4.55 million).

Accounting policies:

The financial information has been prepared consistently in accordance with the UK adopted International Accounting Standards.

Use Of Non-GAAP Financial Performance Measures

This Annual Report and Financial Statements include disclosures and analysis that feature metrics not defined by generally accepted accounting principles ('GAAP') under UK-adopted IFRS. We consider this information, alongside comparable GAAP measures, beneficial to investors. Management utilises these financial metrics, in conjunction with the most directly comparable GAAP measures, to assess our operational performance. It's important not to view non-GAAP measures independently or as replacements for financial data presented in accordance with GAAP.

In the following table we provide a reconciliation of non-GAAP measures:

	12 months ended 31-Dec-24	Restated 12 months ended 31-Dec-23
Adjusted operating profit or (loss) before tax		
Reported operating profit or (loss)	**(1,337,051)**	(1,079,201)
Non-underlying items:		
IPO costs		(658,975)
Share Option Costs	**(36,905)**	(19,091)
Adjusted operating profit or (loss)	**(1,300,146)**	(401,135)
Adjusted profit or loss before tax		
Reported profit or (loss)	**(1,173,402)**	(1,049,500)
Non-underlying items:		
IPO costs		(658,975)
Share Option Costs	**(36,905)**	(19,091)
Adjusted profit or (loss)	**(1,136,497)**	(371,434)

A prior year adjustment was made to the financial statements to correct an over expense to the share option reserve in the previous year. Share option costs had been recognised incorrectly for the full year instead of recognising share option charges for five months since they were issued in August 2023.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	12 months ended 31-Dec-24 £	Restated 12 months ended 31-Dec-23 £
Revenue	4	**1,215,328**	1,457,344
Cost of sales		**(460,990)**	(588,034)
Gross profit		**754,338**	869,310
Administrative expenses	5	**(2,091,389)**	(1,948,511)
(Loss) Profit from operations			
Adjusting items	6	**(36,905)**	(678,066)
Excluding adjusting items		**(1,300,146)**	(401,135)
(Loss) / Profit from operations		**(1,337,051)**	(1,079,201)
Interest expense	7	**(2,612)**	(6,414)
Interest Income	8	**166,261**	36,115
(Loss) / Profit before tax			
Adjusting items		**(36,905)**	(678,066)
Excluding adjusting items		**(1,136,497)**	(371,434)
(Loss) /Profit before tax		**(1,173,402)**	(1,049,500)
Taxation	9	**5,682**	7,215
(Loss) / Profit for the period attributable to equity holders of the Company		**(1,167,720)**	(1,042,285)
Other comprehensive income			
Total other comprehensive income		**-**	-
Total comprehensive (loss) / profit for the period attributable to equity holders of the Company		**(1,167,720)**	(1,042,285)
Basic and diluted earnings per share (£)	10	**(0.02)**	**(0.02)**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Note	As at 31-Dec-24	Restated As at 31-Dec-23

		31-Dec-24	31-Dec-23
		£	£
Non-current assets			
Intangible assets	11	**111,928**	143,836
Right of use asset	12	**66,922**	93,690
Property, plant and equipment	13	**73,923**	55,680
		252,773	293,206
Current assets			
Inventories	14	**733,136**	365,326
Trade and other receivables	15	**309,619**	274,643
Cash and cash equivalents	16	**3,083,552**	4,555,003
		4,126,307	5,194,972
Total assets		**4,379,080**	5,488,178
Current liabilities			
Trade and other payables	17	**514,936**	465,832
Short term borrowings	18	-	-
Short term lease liability	18	**28,221**	27,388
		543,157	493,220
Non-current liabilities			
Long term borrowings	18	-	-
Long term lease liability	18	**43,949**	72,169
		43,949	72,169
Total liabilities		**587,106**	565,389
Net assets		**3,791,974**	4,922,789
Equity attributable to equity holders of the Company			
Ordinary share capital	19	**73,224**	73,224
Share premium account	20	**5,426,204**	5,426,204
Other reserves	21	**55,994**	19,089
Retained earnings	20	**(1,763,448)**	(595,728)
Total equity		**3,791,974**	4,922,789

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Share capital	Share premium account	Restated Other reserves	Restated Retained earnings / losses	Restated Total equity
		£	£	£	£	£
Balance at 1 January 2023		**452**	**1,564,692**	**-**	**(1,068,436)**	**496,708**
Share issue on IPO		23,074	5,426,203	-	-	5,449,277
Bonus issue of shares		49,698	(49,698)	-	-	-
Cancellation of share premium		-	(1,514,993)	-	1,514,993	-
Share option costs		-	-	76,907	-	76,907
Share option costs adjustment	24			(57,818)		(57,818)
Comprehensive income:						
Loss for the period		-	-		(1,042,285)	(1,042,285)
Balance at 31 December 2023		**73,224**	**5,426,204**	**19,089**	**(595,728)**	**4,922,789**

	Note	Share capital	Share premium account	Other reserves	Retained earnings / losses	Total equity
		£	£	£	£	£
Balance at 1 January 2024		**73,224**	**5,426,204**	**19,089**	**(595,728)**	**4,922,789**
Ordinary share capital		-	-	-	-	-

Comprehensive income:			-		
Loss for the period	-	-	-	(1,167,720)	(1,167,720)
Share option costs	-	-	36,905	-	36,905
Balance at 31 December 2024	**73,224**	**5,426,204**	**55,994**	**(1,763,448)**	**3,791,974**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	12 months ended 31-Dec-24 £	Restated 12 months ended 31-Dec-23 £
Cash flows from operating activities			
Loss before Tax		**(1,173,402)**	(1,049,500)
Adjustments for non-cash/non-operating items:			
Depreciation		**25,231**	24,219
Amortisation of intangible assets		**51,911**	20,274
Amortisation of right of use assets		**26,769**	26,769
Taxation		**5,682**	7,215
Tax paid / received		**-**	-
Share Options Costs		**36,905**	19,087
Loss on disposal of plant and equipment		**-**	5,854
Interest income		**(166,261)**	(36,115)
Interest expense		**2,612**	6,414
Operating cash flows before movements in working capital		**(1,190,554)**	(975,783)
Increase in inventories		**(367,803)**	(125,195)
(Increase) / decrease in trade and other receivables		**(34,974)**	44,532
Increase in trade and other payables		**49,096**	98,654
Net cash used in operating activities		**(1,544,235)**	(957,792)
Cash flows from investing activities			
Investments in Property & Equipment		**(43,473)**	(21,756)
Investments in Intangible assets		**(20,003)**	(42,836)
Net cash from / (used in) investing activities		**63,476**	(64,592)
Cash flows from financing activities			
Repayment of debt		**-**	(64,347)
Repayment of lease		**(30,000)**	(30,000)
Proceeds from investments in Bank		**166,261**	36,115
Issuance of equity		**-**	5,449,278
Net cash from / (used in) financing activities		**136,261**	5,391,046
Net (decrease) / increase in cash and cash equivalents		**(1,471,451)**	4,368,662
Cash and cash equivalents at the beginning of the period		**4,555,003**	186,341
Cash and cash equivalents at the end of the period	16	**3,083,552**	4,555,003

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

4. Revenue from contract customers

	12 months ended 31-Dec-24 £	12 months ended 31-Dec-23 £
United Kingdom	**385,068**	**688,545**
Europe	**391,350**	**314,597**
Rest of the World	**438,910**	**454,202**
	1,215,328	**1,457,344**

Segmental reporting

The Chief Operating Decision Maker ("CODM") has been identified as the directors. The CODM reviews the Company's internal reporting in order to assess performance and allocate resources. The CODM has determined that there is one single operating segment, the manufacture and sale of oil sensors.

5. Administrative expenses by nature

Included in Administrative expenses is auditors' fees of £59,631 (2024) and £58,355 (2023). The auditors were also paid £150,000 in 2023 relating to reporting accountant work (non-audit services) (2024: £nil). Employee benefits and expenses (including directors) were £1,261,265 in 2024 (2023: £733,070). During the year ended 31 December 2024, the Company capitalised staff costs of £20,003 (2023: £42,836). This amount has been included within intangibles in the statement of financial position. Research and development expenditure recognised as an expense in 2024 is £25,757 (2023: £3,461).

Directors' remuneration

	12 months ended 31-Dec-24	12 months ended 31-Dec-23
	£	£
Directors' emoluments		
Salaries and benefits	329,397	179,405
Pension contributions	12,385	6,111
	341,782	185,516

In FY 24 the highest paid director received £146,684 (2023: £115,774). There was no compensation for loss of office for the directors that resigned during the year.

In FY 23 the Company granted 1,253,745 share options in line with the disclosures made in the companies Admission document to two Executive directors. The options have an exercise price of 26p. Steve Johnson's shares (250,749) were cancelled on 5 July 2024.

	Number of shares granted as at 1 January 2024	Awards lapsed /surrendered /cancelled in the year	Number of awards over shares at 31 December 2024
Executive directors			
Chris Greenwood	1,002,996	-	1,002,996
Steve Johnson	250,749	250,749	-
Total	1,253,745	250,749	1,002,996

Total remuneration inclusive of directors

	12 months ended 31-Dec-24	12 months ended 31-Dec-23
	£	£
Salaries and benefits	1,238,078	754,028
Pension contributions	43,190	21,878
Total remuneration	**1,281,268**	**775,906**
Less: capitalised product development costs	20,003	42,836
	1,261,265	**733,070**

Average number of employees (including directors)

	12 months ended 31-Dec-24	12 months ended 31-Dec-23
Employees (including directors)	15	11

6. Adjusting items

	12 months ended 31-Dec-24	Restated 12 months ended 31-Dec-23
	£	£
IPO costs	-	658,975
Share Option Costs	**36,905**	19,089
	36,905	678,064

A prior year adjustment was made to the financial statements to correct an over expense to the share option reserve in the previous year. Share option costs had been recognised incorrectly for the full year (£76 907) instead of recognising share option charges for five months (£19 089) since they were issued in August 2023.

This results in the loss for the year 31 December 2023 decreasing by £57,818, with the closing balance of the share option reserve also decreasing by this amount to a revised closing balance of £19,089.

7. Interest expense

	12 months ended 31-Dec-24	12 months ended 31-Dec-23
	£	£
Interest on bank loans	-	2,993
Interest on finance leases	**2,612**	3,421
	2,612	6,414

8. Interest income

	12 months ended 31-Dec-24 £	12 months ended 31-Dec-23 £
Interest Income	**166,261**	36,115

9. Taxation

	12 months ended 31-Dec-24	Restated 12 months ended 31-Dec-23
Normal taxation:		
- current year charge	**5,682**	7,215
- prior year charge	**-**	-
Charge to the statement of comprehensive income	**5,682**	7,215

The total charge for the year can be reconciled to the accounting profit as follows:		
Loss / Profit before taxation	**(1,173,402)**	(1,049,500)
Tax calculated at tax rate of 25% (2023: 23.52%)	**293,351**	246,846
Non-deductible expenses & Allowances		
IPO Costs	**-**	(154,995)
Share option costs	**(9,226)**	(18,088)
Share option costs adjustment	**-**	13,601
Professional fees	**(37)**	(28)
IFRS Adoption :IFRS 16	**-**	(56,856)
Fixed asset differences	**4,684**	(1,891)
R&D expenditure	**6,568**	7,619
Trading losses	**(281,062)**	(21,227)
Employer pension	**(74)**	(372)
Surrender of tax losses for R&D tax credit refund	**(8,522)**	(8,783)
Tax rate change	**-**	1,389
	5,682	7,215

In 2024 Tan Delta used 25% (2023:23.52%) as the corporate effective tax rate. The Company was not liable for corporation tax during the past two years due to taxable losses being sustained in each of the years reported. A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams. The Company will recognise a deferred tax asset when there is clear visibility of profits. Accumulated tax losses carried forward were £2.2m (31 Dec 20223 : £1.1m).

10. Earnings per share

	12 months ended 31-Dec-24 £ per share	Restated 12 months ended 31-Dec-23 £ per share
Earnings per share are as follows:		
Basic and diluted earnings per share	**(0.02)**	**(0.02)**

The calculations of basic and diluted earnings per share are based upon:		
(Loss) / Profit for the period attributable to the owners	**(1,167,720)**	(1,042,285)
	Number	Number
Weighted average number of ordinary shares	**73,223,800**	58,802,550

The calculation of basic earnings per share is based on the results attributable to ordinary shareholders divided by the number of ordinary shares outstanding as if the bonus issue and share split had occurred at the beginning of the earliest period presented. The earnings per share calculations for the period and prior period presented are based on the new number of shares.

The number of shares in issue at the end of the period is used as the denominator in calculating basic earnings per share. As the Company is loss making the effect of instruments that convert into ordinary shares is considered anti-dilutive, hence there is no difference between the diluted and non-diluted loss per share.

During the period ended 31 December 2023, the Company completed a 110 for 1 bonus share issue and a subdivision of shares. The Company also issued 23,074,000 as part of the IPO process on 18 August 2023. Prior to the bonus issue there were 451,800 shares at £0.001, after the bonus issue and shares issued at IPO there are 73,223,800 shares at £0.001.

11. Intangible assets

	Intangible assets £

2024	
Cost	
Beginning of the year	164,110
Additions	20,003
Disposals	-
End of the year	184,113
Accumulated amortisation	
Beginning of the year	(20,274)
Amortisation	(51,911)
Disposals	-
End of the year	(72,185)
Carrying amount End of the year	**111,928**

	Intangible assets
2023	
Cost	
Beginning of the year	121,274
Additions	42,836
Disposals	-
End of the year	164,110
Accumulated amortisation	
Beginning of the year	-
Amortisation	(20,274)
Disposals	-
End of the year	(20,274)
Carrying amount End of the year	**143,836**

Intangible assets comprise the costs incurred during the development of Tan Delta Systems products and software. They are amortised on a straight-line basis over their estimated useful lives from the date they are available for use.

An amortisation period of three years has been adopted based on the expected period of commercial advantage of the technology. Useful lives are reconsidered if circumstances relating to the asset change or if there is an indication that the initial estimate requires revision.

12. Right of use asset

	Right of use asset **£**
2024	
Cost	
Beginning of the year	200,764
Additions	-
Disposals	-
End of the year	200,764
Accumulated amortisation	
Beginning of the year	(107,074)
Amortisation	(26,768)
Disposals	-
End of the year	(133,842)
Carrying amount End of the year	**66,922**

	Right of use asset **£**
2023	
Cost	
Beginning of the year	200,764
Additions	-
Disposals	-
End of the year	200,764
Accumulated amortisation	
Beginning of the year	(80,305)
Amortisation	(26,769)
Disposals	-
End of the year	(107,074)

Carrying amount End of the year	**93,690**

The Company leases one property for commercial use with a lease term of 10 years (remaining lease term is 2 years and 5 months). All lease payments, in substance, are fixed over the term and are capitalised as part of the right-of-use asset. All expected future cash out flows are reflected within the measurement of the lease liabilities at each year end.

13. Property, plant and equipment

	Plant and machinery	Office equipment	Furniture and fixtures	Tenants Improvements	Total
	£	£	£	£	£
2024					
Cost					
Beginning of the year	67,847	17,933	8,561	10,966	**105,307**
Additions	17,392	25,920	162	-	**43,474**
Disposals	-	-	-	-	**-**
End of the year	85,239	43,853	8,723	10,966	**148,781**
Accumulated depreciation					
Beginning of the year	(31,762)	(5,577)	(3,792)	(8,496)	**(49,627)**
Depreciation	(12,982)	(8,883)	(1,173)	(2,193)	**(25,231)**
Disposals	-	-	-	-	**-**
End of the year	(44,744)	(14,460)	(4,964)	(10,689)	**(74,858)**
Carrying amount End of the year	**40,495**	**29,393**	**3,758**	**277**	**73,923**

	Plant and machinery	Office equipment	Furniture and fixtures	Tenants Improvements	Total
	£	£	£	£	£
2023					
Cost					
Beginning of the year	59,954	22,806	6,745	10,966	**100,471**
Additions	8,962	9,477	3,316	-	**21,755**
Disposals	(1,069)	(14,350)	(1,500)	-	**(16,919)**
End of the year	67,847	17,933	8,561	10,966	**105,307**
Accumulated depreciation					
Beginning of the year	(16,505)	(11,006)	(2,987)	(5,975)	**(36,473)**
Depreciation	(15,890)	(4,007)	(1,801)	(2,521)	**(24,219)**
Disposals	633	9,436	996	-	**11,065**
End of the year	(31,762)	(5,577)	(3,792)	(8,496)	**(49,627)**
Carrying amount End of the year	**36,085**	**12,356**	**4,769**	**2,470**	**55,680**

Subsequent to 1 January 2023, property, plant and equipment are depreciated using the straight-line method and also reassessed for useful estimated life. Prior to that assets were depreciated using the reducing balance method. Tan Delta adopted a comprehensive change, that is both new and old assets are depreciated using the straight-line method prospectively. The change from reducing balance to straight line method resulted in a depreciation charge increase of £12,239 in 2023.

14. Inventories

	12 months ended 31-Dec-24	12 months ended 31-Dec-23
	£	£
Raw Materials	**369,547**	164,302
Finished goods	**371,692**	207,928
Total	**741,239**	372,230
Less : Provision	**(8,103)**	(6,904)
	733,136	365,326

The cost of inventories recognised as an expense in the year ended 31 December 2024 amounted to £360,554 (2023: £432,833). This is included in cost of sales in the statement of profit or loss and comprehensive income. During the year ended 31 December 2024, the Company wrote off a total stock value of £nil (2023: £nil).

15. Trade and other receivables

	12 months ended 31-Dec-24	12 months ended 31-Dec-23
	£	£
Amounts falling due within one year:		
Trade receivables	**187,978**	144,381

Other receivables	**83,987**	87,006
Tax recoverable	**12,897**	7,215
Prepayments	**24,757**	36,041
	309,619	**274,643**

Refer Note 21 to the financial statements for further details on expected credit losses.

16. Cash and cash equivalents

	12 months ended 31-Dec-24	12 months ended 31-Dec-23
	£	**£**
Cash at banks	**3,083,552**	**4,555,003**

Included in cash and cash equivalents are balances held either in instant access accounts or in accounts where funds can be accessed when giving the bank thirty-two days' notice. These balances have accordingly been classified as cash and cash equivalents.

17. Trade and other payables

	12 months ended 31-Dec-24	12 months ended 31-Dec-23
	£	**£**
Trade payables	**380,324**	305,150
Other payables	**30,778**	21,099
Other Taxation and social security	**29,789**	24,740
Accruals	**64,414**	90,905
Deferred Income	**9,631**	23,938
	514,936	465,832

18. Borrowings and liabilities

	12 months ended 31-Dec-24	12 months ended 31-Dec-23
	£	**£**
Current:		
Bank loans	**-**	-
Lease liability	**28,221**	27,388
	28,221	27,388
Non-current:		
Bank loans	**-**	-
Lease liability	**43,949**	72,169
	43,949	72,169

19. Share capital

	12 months ended 31-Dec-24	12 months ended 31-Dec-23
	£	**£**
Allotted, called up and fully paid		
Opening share capital	**(73,224)**	(452)
Bonus Issue	**-**	(49,698)
Ordinary shares of 23,074,000 @ £0.001 each	**-**	(23,074)
Total	**(73,224)**	(73,224)

Called up share capital represents the nominal value of shares that have been issued. All classes of shares have full voting, dividends, and capital distribution rights.

On 1 June 2023, the ordinary shares were subdivided from £0.01 to £0.001 (45,180 shares to 451,800 shares). Subsequently a bonus issue was made for all the shareholders holding 451,800 shares at that date. The bonus issue offered 110 ordinary shares for every 1 ordinary share in issue, with a nominal value of £0.001 per share. This increased the number of ordinary shares in issue by 49,698,000 to 50,149,800.

On 18 August 2023 the Company issued 23,074,000 at £0.001 per share increasing the total number of shares in issue to 73,223,800.

20. Share Premium

In anticipation of re-registering the Company as a public limited Company, at a general meeting of the Company 1on 1 June 2023, it was resolved that the Company would reduce its share premium account by £1.52m by crediting the Profit and Loss Account.

Share premium account

This represents the excess value recognised from the issue of ordinary shares above nominal value.

21. Share Based Payments

When the Company listed on Aim in Augst 2023 it instituted an EMI share options scheme. The Company granted 1,253,745 share options in line with the disclosures made in the companies Admission document. The options have an exercise price of 26p. These options are granted in five equal tranches and will vest annually over five years. The fair value of each option granted was estimated on the grant date using the Black Scholes option pricing model with the following assumptions:

Tranche	1	2	3	4	5
1. Stock Price	0.26	0.26	0.26	0.26	0.26
2. Exercise Price	0.26	0.26	0.26	0.26	0.26
3. Expected Term (years)	5.5	6	6.5	7	7.5
4. Volatility (annualised %)	45%	45%	43%	44%	44%
5. Dividend Yield *	-	-	-	-	-
6. Risk-Free Interest Rate *	4.70%	4.70%	4.70%	4.70%	4.70%
Fair Value	0.12	0.13	0.13	0.13	0.14

On 5 July 2024 250,749 shares granted to Steve Johnson were cancelled.

	Number of shares granted as at 1 January 2024	Number of shares granted in the year	Awards lapsed /surrendered /cancelled in the year	Awards exercised in the year	Number of awards over shares at 31 December 2024	Expiry date
Executive directors						
Chris Greenwood	1,002,996	-	-	-	1,002,996	31/12/2028
Steve Johnson	250,749	-	(250,749)	-	-	
Total	**1,253,745**	**-**	(250,749)	**-**	**1,002,996**	

Other reserve

This represents the cumulative fair value of share options charged to the statement of comprehensive income net of the transfers to the profit and loss reserve on exercised and cancelled/lapsed options.

	12 months ended 31-Dec-24	Restated 12 months ended 31-Dec-23
Share option charges for share based payments	**£**	**£**
Opening Balance	19,089	-
Share option costs	36,905	19,089
Closing balance	**55,994**	**19,089**

22. Financial instruments and risk management

The Company has exposure to the following risks from its use of financial instruments;

- Market risk
- Liquidity risk
- Credit risk
- Foreign exchange risk

This note presents information about the Company's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk as well as the Company's management of capital. The Board of directors has the overall responsibility for the establishment and oversight of the Company`s risk management framework.

The table below sets out the Company's classification of financial assets and liabilities in the statement of financial position. There were no financial assets and liabilities in the following category in 2024 and 2023 financial periods;

- Financial assets and liabilities at fair value through profit and loss.

The category has therefore been excluded from the tables below:

	12 months ended 31-Dec-24	12 months ended 31-Dec-23
	£	**£**

Categories of financial instruments

Financial assets		
Receivables and cash	**3,393,171**	4,829,646

Financial liabilities		
Payables	**587,106**	565,389

		Financial liabilities at amortised cost	Financial assets at amortised cost	Total carrying value	Fair value
2024	**Note**				
		£	**£**	**£**	**£**
Assets		**-**	**3,393,171**	**3,393,171**	**3,393,171**
Trade and other receivables	**14**	-	309,619	309,619	309,619
Bank balance and cash	**15**	-	3,083,552	3,083,552	3,083,552
Liabilities		**587,106**	**-**	**587,106**	**587,106**
Trade and other payables	**16**	514,936	-	514,936	514,936
Borrowings & leases	**17**	72,170	-	72,170	72,170
2023					
Assets		**-**	**4,829,646**	**4,829,646**	**4,829,646**
Trade and other receivables	**14**	-	274,643	274,643	274,643
Bank balance and cash	**15**	-	4,555,003	4,555,003	4,555,003
Liabilities		**565,389**	**-**	**565,389**	**565,389**
Trade and other payables	**16**	465,832	-	465,832	465,832
Borrowings & leases	**17**	99,557	-	99,557	99,557

The estimated net fair values as at 31 December 2024 have been determined using available market information as outlined below. This value is indicative of the amounts the Company could realise in the normal course of business.

The fair value of receivables, bank balances, and payables approximate their carrying amount due to the short-term maturities of these instruments. The fair value of finance lease liabilities is not significantly different to their carrying values, as the carrying values approximate their fair values.

Financial assets and liabilities disclosures require the measurement of fair values which differ from the carrying values of these financial assets and liabilities. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The valuation of the Company's financial instruments is based on market observables whereby the owned assets and owed liabilities are similar to, but not the same as, those traded in an active market. In this case, the fair values of the financial instruments reported requires the

use of inputs that are unobservable in the market. As such the fair value hierarchy of the entity's financial instruments is a level 3.

Fair value hierarchy

All financial instruments measured at fair value must be classified into one of the levels below:

- Level 1: Quoted prices in active markets;
- Level 2: Level 1 quoted prices are not available, but fair value is based on observable market data; and
- Level 3: Inputs that are not based on observable market data.

Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Company's income or expenses. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Interest rate risk management

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to fluctuations in interest rates (i.e. cash flow interest rate risk) on its bank balances and finance leases. It does not at present hedge its exposure to adverse interest rate movements.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	12 months ended 31-Dec-24	**12 months ended 31-Dec-23**
	£	**£**
Variable rate instruments		
Asset		
Bank balance and cash	**3,083,552**	4,555,003
Liability		
Borrowings & leases	**72,170**	99,557

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables in particular foreign currency rates remain constant:

Variable rate instruments	**(Decrease) / increase in equity and profit or loss**	
	100bp increase	100bp decrease
	£	**£**
2024		
Asset		
Bank balance and cash	**30,836**	**(30,836)**
Liability		
Borrowings & leases	**722**	**(722)**
2023		
Asset		
Bank balance and cash	45,550	(45,550)
Liability		
Borrowings & leases	996	(996)

Liquidity risk

Liquidity risk arises when there are insufficient liquid assets (cash and readily convertible securities) available to meet financial obligations. There were no material changes in the exposure to liquidity risk and its objectives, policies and processes for managing and measuring the risk during the current financial year.

The Company'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 Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses in the short-term including the servicing of financial obligations this excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as natural disasters.

The following liquid resources are available:

	12 months ended 31-Dec-24	**12 months ended 31-Dec-23**
	£	**£**
Trade and other receivables	**309,619**	274,643
Bank balance and cash	**3,083,552**	4,555,003
Total	**3,393,171**	**4,829,646**

The table below analyses the Company's financial liabilities which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

2024	**Note**	**Carrying Amount**	**Contractual cash flows**	**0-12 months**	**1-3 years**
		£	**£**	**£**	**£**
Trade and other payables	**16**	514,936	514,936	514,936	-
Borrowings & leases	**17**	72,170	75,000	30,000	45,000
Total		**587,106**	**589,936**	**544,936**	**45,000**
2023					
Trade and other payables	**16**	465,832	465,832	465,832	-
Borrowings & leases	**17**	99,557	105,000	30,000	75,000
Total		**565,389**	**570,832**	**495,832**	**75,000**

Credit risk

This risk represents the risk that the borrower or counterparty fails to meet an obligation when it falls due. The exposures may arise, for instance from deterioration in the borrower's financial position, from a reduction in the value of securities held as collateral and from entering into contracts under which counterparties have an obligation to repay. In order to minimise the risk, the Company endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored.

IFRS 9 requires the use of forward-looking information to recognise expected credit losses - the 'expected credit loss model'. Recognition of credit losses is not dependent on the Company first identifying a credit loss event, instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current economic conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

When the Company becomes aware of a financial asset that is irrecoverable, the Company writes off the financial asset through the profit and loss. The Company considers its maximum exposure per class to be as followed:

	12 months ended 31-Dec-24	12 months ended 31-Dec-23
	£	£
Trade and other receivables	**309,619**	274,643
Bank balance and cash	**3,083,552**	4,555,003
Total	**3,393,171**	**4,829,646**

Cash and cash equivalents

The Company determines appropriate internal credit limits for each counterparty. In determining these limits, the Company considers the counterparty's credit rating established by an accredited ratings agency and performs internal risk assessments.

The Company holds its cash balances in financial institutions with a rating of A+ and BBB+.

Given these credit ratings, management does not expect any counterparty to fail to meet its obligations. While cash and cash equivalents are subject to the impairment requirements of IFRS9, no impairment losses were identified.

	Exposure at Default (EAD)	Probability of possible defaults (PD)	Loss given default (LGD)	Expected credit losses (ECL)
2024	**£**			**£**
Cash & Cash equivalents	3,083,552	0%	0%	-

	Exposure at Default (EAD)	Probability of possible defaults (PD)	Loss given default (LGD)	Expected credit losses (ECL)
2023	**£**			**£**
Cash & Cash equivalents	4,555,003	0%	0%	-

Trade receivables

The Company has adopted a simplified approach for determining expected credit losses which considers the lifetime of assets. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The expected credit losses are calculated based on the probable defaults which are considered on the historic payment trends of the customer, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Company assesses impairment regularly of trade receivables on a collective basis as they possess shared credit risk characteristics based on grouping debt by days overdue. On that basis the expected credit loss allowance was determined to be immaterial.

The ageing of trade receivables and credit loss allowances at the reporting date were:

	Exposure at Default (EAD)	Probability of possible defaults (PD)	Loss given default (LGD)	Expected credit losses (ECL)
2024	**£**			**£**
Current	74,659	0%	0%	-
1 - 30 days	49,378	0%	0%	-
31 - 60 days	9,197	0%	0%	-
Over 61 days	54,744	0%	0%	-
Total	**187,978**			-

	Exposure at Default (EAD)	Probability of possible defaults (PD)	Loss given default (LGD)	Expected credit losses (ECL)
2023	**£**			**£**
Current	82,519	0%	0%	-
1 - 30 days	37,540	0%	0%	-
31 - 60 days	9,048	0%	0%	-
Over 61 days	15,274	0%	0%	-
Total	**144,381**			-

Foreign exchange risk

Foreign exchange risk arises when the Company enters into transactions in a currency other than its functional currency. The Company's policy is, where possible, to settle liabilities denominated in a currency other than its functional currency with cash already denominated in that currency.

23. Related Party transactions

During the year, the key management personnel remuneration included within staff costs are as follows:

	12 months ended 31-Dec-24	12 months ended 31-Dec-23
Key management personnel compensation	**£**	**£**

(Directors' remuneration)		
Short-term employee benefits	341,782	185,516
Post-employment benefits	-	-
Termination benefits	-	-
Equity compensation benefits	-	-
Total	**341,782**	**185,516**

Key management personnel are considered to be the directors of Tan Delta Systems plc.

24. Prior year adjustment

A prior year adjustment was made to the financial statements to correct an over expense to the share option reserve in the previous year. Share option costs had been recognised incorrectly for the full year (£76,907) instead of recognising share option charges for five months (£19,089) since they were issued in August 2023.

This has therefore impacted the following lines of the financial statements:

	2023 c/f balance	**Adjustment**	**Restated 2023 c/f balance**
Admin expenditure	(2,006,329)	57,818	(1,948,511)
Other reserves	76,907	(57,818)	19,089

25. Events after reporting period

No adjusting or significant non-adjusting events have occurred between reporting date and the date of authorisation.

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