

## **Tan Delta Systems plc**

('Tan Delta', or the 'Company')

### **Interim results for the six months ended 30 June 2024**

Tan Delta (AIM:TAND), a leading provider of intelligent monitoring and maintenance systems for commercial and industrial equipment is pleased to report its financial results for the six months ended 30 June 2024 ('H1 2024' or 'the Period').

#### **Financial highlights:**

- H1 revenue of £0.66m (H1 2023: £0.96m)
- Gross profit margin of 61% (H1 2023: 61%)
- Loss before tax of £0.53m (H1 2023: loss of £0.30m)
- £3.62m cash as at 30 June 2024 (H1 2023: £0.33m)

Commenting on the results, Chris Greenwood, Tan Delta CEO said:

“The year to date has been an exciting and fast-moving period of operational and sales development. The Company ends the period with £3.62m of cash, a significant and growing pipeline of new customers and contracts. Despite some frustration with the speed of conversion, included in our pipeline are four specific pending contracts worth £4.5m of which I am optimistic that at least £1.85m will close and be shipped during the current year.”

#### **For further enquiries:**

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#### **Chairman statement**

The Board is pleased with the progress made by the Company during H1. Due to the timing of conclusion of certain projects, revenue for H1 2024 was £0.66m which underpins the expected second half increase in conversion of pending sales opportunities. In particular, we are actively working to conclude four potential contracts with new customers with an aggregate value of up to £4.5m. These are expected to progress following completion of ongoing trials during H2 and as such the Board remains cautiously optimistic about achieving full year market expectations despite the slower H1.

The high level of standardisation of our product offer across different market segments (application & geographic) has enabled us to grow our capacities (production, deployment support and sales) more efficiently than anticipated which is reflected in our lower than expected overheads and thus a loss of £0.53m for the period despite the lower revenues during the Period.

In anticipation of the forthcoming closure and delivery of some of our sales pipeline we have increased our stock of product during H1, with a specific focus on being able to achieve customer supply time expectations. Cash balances remains healthy at £3.62m as at 30 June 2024.

#### **Operational**

During the Period, we have completed our investment to increase production capacity which has expanded our ability to support an annual revenue run rate of £12m; a further doubling of this capacity is achievable within four months with additional investment of only £50k which we expect to execute during 2025 to support anticipated demand. This

increase in production capacity was achieved alongside our investments in product support that has included simplified sensor configuration and improved documentation which enables more efficient and quicker installations by customers.

### **Sales**

We are engaged with a substantial and growing number of customers across multiple application and geographic segments. From Biogas genset operators in Germany, to ports in the USA, mines in Chile, engine manufacturers in Europe and one of the world's largest global retail and distribution business. All have common objectives: to reduce their oil use; maintenance costs; and improve reliability and the regard our sensor as a reliable and effective route to achieve these ambitions.

We have good visibility on contract orders worth approximately £25m, of which two, valued at £1.85m (in aggregate) are expected to convert into sales during the current year following the successful completion of trials. These specific opportunities are mostly in the Middle East and focused on power generation and other engine-based applications. In addition to these defined contract opportunities we also have a growing raft of strategic ones. These include applications such as large Port Cranes, where we have recently kicked off a trial with The Georgia Ports Authority in USA where they have 90 cranes, each of which would require 6 sensors. Separately, we have recently started a trial with one of the world's largest retail distribution businesses to help them enhance reliability and maintenance planning of automated conveyor systems in their logistics centres. We have no shortage of opportunities and are systematically engaging with customers to learn about their specific needs and develop implementation plans, this all bodes extremely well for the future.

### **Outlook**

The Board is pleased with progress made to develop the business and is looking forward to seeing this groundwork reflected in the forecasted sales in H2 and beyond. We see a growing array of opportunities across real time oil analysis-based equipment monitoring and management which is where our core technology delivers valuable data and insight. The Company has built a substantial pipeline of opportunities, which is continuing to grow, and includes a mix of substantial near term contract opportunities and longer-term strategic ones which could be of exceptional value. Of course, the immediate focus of the management team are the £1.85m of pending contracts which we hope to close and ship in the current financial year. As such the outlook for the future of the Company remains very positive.

### **Notes to editors**

Tan Delta is an industrial-tech business that enables operators of commercial and industrial equipment reduce operating and maintenance costs and improve reliability. Our business is built around our unique proprietary core sensor technology that analyses lubrication oil in real time generating data rich with insight which with the application of analytics converts into actionable information for equipment operators that can enable oil consumption and associated cost savings of up to 50%. Our customers include operators of all types of equipment that rely upon engines and gearboxes, from the largest ships to mining trucks, generators, and wind turbines, applicable applications are ubiquitous and worldwide.

[www.tandeltasystems.com](http://www.tandeltasystems.com)

## Statement of profit or loss and other comprehensive income

		(Unaudited) Six months ended 30 June 2024 £000	(Audited) Six months ended 30 June 2023 £000	(Audited) Year ended 31 Dec 2023 £000
	Note			
<b>Revenue</b>	3	<b>658</b>	959	1,457
Cost of sales		(254)	(373)	(588)
<b>Gross profit</b>		<b>404</b>	586	869
Other operating income		0	0	0
Distribution costs		0	0	0
Administrative expenses		(1,022)	(409)	(1,270)
Non-underlying items	4	0	(471)	(736)
<b>Profit from operations</b>				
- Excluding non-underlying items		(618)	177	(401)
- Non-underlying items	4	0	(471)	(736)
<b>Total (Loss) / Profit from operations</b>		<b>(618)</b>	(294)	(1,137)
Interest expense	5	(1)	(4)	(6)
Interest Income	5	90	0	36
<b>Profit /(Loss) before tax</b>				
- Excluding non-underlying items		(529)	173	(371)
- Non-underlying items	4	0	(471)	(736)
<b>Total (Loss) / Profit before tax</b>		<b>(529)</b>	(298)	(1,107)
Taxation	6	0	0	7
<b>(Loss) / Profit for the period attributable to equity holders of the Company</b>		<b>(529)</b>	(298)	(1,100)
<b>Other comprehensive income</b>				
Total other comprehensive income		0	0	0
<b>Total comprehensive (loss) / profit for the period attributable to equity holders of the Company</b>		<b>(529)</b>	(298)	(1,100)
<b>Basic and diluted earnings per share (pence)</b>	7	<b>(0.72)</b>	<b>(0.59)</b>	<b>(0.02)</b>

## Statement of financial position

		(Unaudited) 30 June 2024 £000	(Audited) 30 June 2023 £000	(Audited) 31 Dec 2023 £000
	Note			
<b>Non-current assets</b>				
Intangible assets		129	141	144

Right of use asset		80	107	94
Property, plant and equipment		82	61	55
		291	309	293
<b>Current assets</b>				
Inventories		506	229	365
Trade and other receivables	8	308	277	274
Cash and cash equivalents	9	3,618	332	4,555
		4,432	838	5,194
<b>Total assets</b>		4,723	1,147	5,487
<b>Current liabilities</b>				
Trade and other payables	10	(244)	(786)	(466)
Short term borrowings	11	0	(24)	0
Short term lease liability	11	(28)	(27)	(27)
		(272)	(837)	(493)
<b>Non-current liabilities</b>				
Long term borrowings	11	0	(26)	0
Long term lease liability	11	(58)	(86)	(72)
		(58)	(112)	(72)
<b>Total liabilities</b>		(330)	(949)	(565)
<b>Net assets</b>		4,393	198	4,922
<b>Equity attributable to equity holders of the Company</b>				
Ordinary share capital	12	73	50	73
Share premium account	13	5,426	0	5,426
Reserves Account		77	0	77
Retained earnings/(accumulated losses)	13	(1,183)	148	(654)
<b>Total equity</b>		4,393	198	4,922

#### Statement of changes in equity

	Share capital	Share premium account	Reserves Account	Retained earnings / (accumulated losses)	Total equity
	£000	£000	£000	£000	£000
<b>Balance at 1 January 2023</b>	<b>0</b>	<b>1,565</b>	<b>0</b>	<b>(1,069)</b>	<b>496</b>
Ordinary share capital	0	0	0	0	(0)
<i>Comprehensive income:</i>					
Bonus issue of shares	50	(50)	0	0	0
Cancellation of share premium	0	(1,515)	0	1,515	0
Profit for the period	0	0	0	(298)	(298)
<b>Balance at 30 June 2023</b>	<b>50</b>	<b>(0)</b>	<b>0</b>	<b>148</b>	<b>198</b>

<b>Balance at 30 June 2023</b>	<b>50</b>	<b>(0)</b>	<b>0</b>	<b>148</b>	<b>198</b>
Ordinary share capital	0	0	0	0	0
Share issue on IPO	23	5,426	0	0	5,449
Share option costs	0	0	77	0	77
<i>Comprehensive income:</i>					
Profit for the period	0	0	0	(802)	(802)
<b>Balance at 31 December 2023</b>	<b>73</b>	<b>5,426</b>	<b>77</b>	<b>(654)</b>	<b>4,922</b>

<b>Balance at 31 December 2023</b>	<b>73</b>	<b>5,426</b>	<b>77</b>	<b>(654)</b>	<b>4,922</b>
Ordinary share capital	0	0	0	0	0
<i>Comprehensive income:</i>					
Profit for the period	0	0	0	(529)	(529)
<b>Balance at 30 June 2024</b>	<b>73</b>	<b>5,426</b>	<b>77</b>	<b>(1,183)</b>	<b>4,393</b>

## Statement of cash flows

	(Unaudited) Six months ended 30 June 2024 £000	(Audited) Six months ended 30 June 2023 £000	(Audited) Year ended 31 Dec 2023 £000
Note			
<b>Cash flows from operating activities</b>			
(Loss) / Profit before Tax	(529)	(298)	(1,107)
<i>Adjustments for non-cash/non-operating items:</i>			
Depreciation	13	5	24
Amortisation of intangible assets	25	5	20
Amortisation of right of use assets	13	13	27
Taxation	0	0	7
Share option costs	0	0	77
Loss on disposal of plant and equipment	0	0	6
Interest income	(90)	0	(36)
Interest expense	1	4	6
<b>Operating cash flows before movements in working capital</b>	<b>(567)</b>	<b>(271)</b>	<b>(976)</b>
(Increase)/decrease in inventories	(141)	11	(125)
(Increase)/decrease in trade and other receivables	(34)	43	45
Increase/(decrease) in trade and other payables	(222)	419	99
<b>Net cash generated from operating activities</b>	<b>(964)</b>	<b>202</b>	<b>(957)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(39)	(2)	(22)
Purchase of intangibles assets	(10)	(25)	(43)
Proceeds from investment in bank	90	0	36

<b>Net cash used in investing activities</b>	<b>41</b>	<b>(27)</b>	<b>(29)</b>
<b>Cash flows from financing activities</b>			
Borrowings and finance lease obligations	<b>(14)</b>	<b>(29)</b>	<b>(94)</b>
Issuance of equity	<b>0</b>	<b>0</b>	<b>5,449</b>
<b>Net cash used in financing activities</b>	<b>(14)</b>	<b>(29)</b>	<b>5,355</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(937)</b>	<b>146</b>	<b>4,369</b>
Cash and cash equivalents at the beginning of the period	<b>4,555</b>	<b>186</b>	<b>186</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>9</b>	<b>3,618</b>	<b>332</b>
			<b>4,555</b>

## Notes to the condensed interim financial statements

### 1. General information

The interim financial statements were approved by the Board of Directors on the 27<sup>th</sup> of September 2024.

### 2. Basis of preparation

The interim financial statements of the Company are for the six months ended 30 June 2024.

The financial statements were prepared under International Financial Reporting Standards ('IFRS'). The comparative figures were audited and prepared in accordance to International Financial Reporting Standards ('IFRS') and the provisions of the Companies Act 2006.

The condensed interim financial statements for H1 2024 do not include all the information and disclosures required in the annual financial statements and have not been audited or reviewed by an auditor pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. However, selected explanatory notes are included to explain events and transactions that are significant for an understanding of the changes in the Company's financial position and performance in the period.

The condensed interim financial statements for H1 2024 have been prepared based on the accounting policies expected to be adopted for the year ending 31 December 2024. These accounting policies are drawn up in accordance with adopted International Accounting Standards ('IAS') and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and adopted by the EU.

AIM-listed companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has taken advantage of this exemption.

### 3. Revenue from contract customers

	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
	<b>Six months ended</b>	<b>Six months ended</b>	<b>Year ended</b>
<b>Geographical reporting</b>	<b>30 June 2024</b>	<b>30 June 2023</b>	<b>31 Dec 2023</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
United Kingdom	<b>204</b>	526	689
Europe	<b>206</b>	191	314
Rest of the World	<b>248</b>	242	454

	658	959	1,457
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#### 4. Non-underlying items

	(Unaudited) Six months ended 30 June 2024 £000	(Audited) Six months ended 30 June 2023 £000	(Audited) Year ended 31 Dec 2023 £000
IPO costs	0	(471)	(736)
	0	(471)	(736)

#### *IPO costs*

On Admission to AIM on 18 August 2023, the Company issued 23,074,000 new ordinary shares, taking the number of ordinary shares in issue to 73,223,800. Total proceeds amounted to circa £6.0m. The costs associated with the IPO, which were committed at 30 June 2023 amounted to £0.47m and at 30 December 2023 £0.74m. The costs were recognised as non-underlying expenses in the income statement.

#### 5. Finance expenses and income

	(Unaudited) Six months ended 30 June 2024 £000	(Audited) Six months ended 30 June 2023 £000	(Audited) Year ended 31 Dec 2023 £000
Interest expense on bank loans	0	(2)	(3)
Interest expense on finance leases	(1)	(2)	(3)
Finance Expenses	(1)	(4)	(6)
Interest income on bank balances	90	0	36
Finance Income	90	0	36

#### 6. Income tax expense

No income has yet been recognised in H1 2024 in relation to R&D tax credits available from HMRC through the SME R&D relief scheme.

#### 7. Earnings per share

Earnings per share are as follows:

	(Unaudited) Six months ended 30 June 2024	(Audited) Six months ended 30 June 2023	(Audited) Year ended 31 Dec 2023
Basic and diluted earnings per share (pence)	(0.72)	(0.59)	(0.02)

The calculations of basic and diluted earnings per share are based upon:

	£000	£000	£000
(Loss) / Profit for the period attributable to the owners	(529)	(298)	(1,100)
	Number	Number	Number
Weighted average number of ordinary shares	73,223,800	50,149,800	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 30 June 2023, the Company completed a 110 for 1 bonus share issue and a subdivision of shares. Prior to the bonus issue there were 451,800 shares at £0.001, after the bonus issue there are 50,149,800 shares at £0.001. On Admission to AIM on 18 August 2023, the Company issued 23,074,000 new ordinary shares, taking the number of ordinary shares in issue to 73,223,800.

#### 8. Trade and other receivables

	(Unaudited) Six months ended 30 June 2024 £000	(Audited) Six months ended 30 June 2023 £000	(Audited) Year ended 31 Dec 2023 £000
<b>Amounts falling due within one year:</b>			
Trade receivables	213	161	144
Other receivables	46	63	94
Prepayments	49	53	36
Tax recoverable	0	0	0
	<b>308</b>	<b>277</b>	<b>274</b>

#### 9. Cash and cash equivalents

	(Unaudited) Six months ended 30 June 2024 £000	(Audited) Six months ended 30 June 2023 £000	(Audited) Year ended 31 Dec 2023 £000
Cash at bank available on demand	3,618	332	4,555
	<b>3,618</b>	<b>332</b>	<b>4,555</b>

#### 10. Trade and other payables

(Unaudited)	(Audited)	(Audited)
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	Six months ended 30 June 2024 £000	Six months ended 30 June 2023 £000	Year ended 31 Dec 2023 £000
Trade payables	(112)	(390)	(304)
Other payables	(61)	(15)	(22)
Other Taxation and social security	(30)	(15)	(26)
Accruals	(28)	(295)	(96)
Deferred Income	(13)	(71)	(18)
	(244)	(786)	(466)

## 11. Borrowings and lease liabilities

	(Unaudited) Six months ended 30 June 2024 £000	(Audited) Six months ended 30 June 2023 £000	(Audited) Year ended 31 Dec 2023 £000
<b>Current:</b>			
Bank loans	0	(24)	0
Lease liability	(28)	(27)	(27)
	(28)	(51)	(27)
<b>Non-current:</b>			
Bank loans	0	(26)	0
Lease liability	(58)	(86)	(72)
Total borrowings	(58)	(112)	(72)

Banks loans comprise a Coronavirus Business Interruption Loan provided by Lloyds. The loan was taken out in August 2021 and fully repaid in August 2023.

## 12. Share capital

	(Unaudited) Six months ended 30 June 2024 £000	(Audited) Six months ended 30 June 2023 £000	(Audited) Year ended 31 Dec 2023 £000
<b>Allotted, called up and fully paid</b>			
Ordinary shares of 50,149,800 @ £0.001 each	0	50	0
Ordinary shares of 73,223,800 @ £0.001 each	73	0	73
	73	50	73

### *Called up share capital*

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 Admission to AIM on 18 August 2023, the Company issued 23,074,000 new ordinary shares, taking the number of ordinary shares in issue to 73,223,800 from 50,149,800.

### **13. Reserves**

In anticipation of re-registering the Company as a public limited company ('plc'), at a general meeting of the Company on 1 June 2023, it was resolved that the Company would reduce its share premium account by an amount of £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.

#### *Retained earnings.*

This represents cumulative net gains and losses less distributions made.

### **14. Post balance sheet events**

No adjusting events have occurred between reporting date and the date of authorisation of the condensed interim report.

### **15. Availability**

Further copies of this interim announcement are available on the Tan Delta Systems plc website, [www.tandeltasystems.com](http://www.tandeltasystems.com).