

Tracsis plc

(‘Tracsis’, ‘the Company’ or ‘the Group’)

Unaudited Interim results for the six months ended 31 January 2020

Tracsis, a leading provider of software, hardware and services for the rail, traffic data and wider transport industries, is pleased to announce its unaudited interim results for the six months ended 31 January 2020.

Financial Highlights:

- Revenue increased 41% to £26.4m (2019: £18.8m)
- Adjusted EBITDA* of £5.6m (2019: £4.2m), after adoption of IFRS 16 in the current period
- Adjusted EBITDA* increased 23% to £5.2m (2019: £4.2m) on a like for like basis, excluding IFRS 16
- Operating profit before exceptional items increased 8% to £2.6m (2019: £2.4m)
- Cash balances of £26.0m (31 July 2019: £24.1m, 31 January 2019: £18.7m)
- Interim dividend deferred, pending a further review later in the year

Operational Highlights:

- Strong H1 performance from all parts of the Group especially our Traffic and Data division which had a strong start to the year
- Acquired businesses in 2019, Compass Informatics, CTM and Bellvedi all performed well with integration and synergy savings already being realised
- Continued investment in technology base across all areas of the business
- Several large tenders in the final stages of negotiation across our Rail Technology division

Post period end Highlights:

- Acquisition of iBlocks Limited in March 2020 which adds new capabilities and products to our Rail Technology product offering especially in the areas of smart ticketing
- Important initial contract win for OnTrac (our risk and safety management software business) which is expected to result later this year in a multi-year enterprise wide licence deployment
- Covid-19 has had an immediate impact on our Events and Traffic Data business units and as a result we have taken a series of immediate actions to mitigate the impact as much as possible

Chris Barnes, Chief Executive Officer, commented:

“We are pleased with the first half performance which was in line with expectations. All of the acquisitions from 2019 performed well, and we were also delighted in March to have completed the iBlocks acquisition which increases our rail technology product portfolio and takes us into exciting new areas of the rail industry. Despite the recent Covid-19, crisis our Rail Technology & Services business currently remains resilient and we are in the final stages of negotiating several large multi-year software and hardware contract opportunities. Our Traffic & Data Services division is however being majorly impacted by Covid-19 and as a result we have taken a series of actions to mitigate the impact on the business as much as possible, with the full year outcome currently under review. The Group continues to have substantial cash balances and strong cash flow.”

* EBITDA full definition and reconciliation is presented at note 9. Reconciliation of the impact of IFRS 16 is included in note 3

Enquiries:

Tracsis plc

Tel: 0845 125 9162

Chris Barnes, CEO / Max Cawthra, CFO

finnCap Ltd

Tel: 020 7220 0500

Christopher Raggett / Charlie Beeson, Corporate Finance

Andrew Burdis, Corporate Broking

The information communicated in this announcement is inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

Chairman & Chief Executive Officer's Report

Introduction

The Group has reported a further period of growth, with a strong performance across both divisions which is in line with expectations, and provides a good platform for delivery of full year results.

The Group adopted IFRS 16 for the first time this period, and the impact of this on the Income Statement is summarised below. The impact on the Balance Sheet as at 31 January 2020 was to recognise a 'Right of Use Asset' of £1.0m, and a 'Lease Liability' of £1.1m.

	2020	2020	2019
	As reported	Pre- IFRS 16	Pre- IFRS 16
	£m	£m	£m
Revenue	26.4	26.4	18.8
Adjusted EBITDA (note 9)	5.6	5.2	4.2
Adjusted Pre-Tax Profit (note 9)	4.8	4.8	3.9
Profit before tax	2.4	2.4	2.1

Trading Progress and Prospects

A summary of performance in the period is as follows:

Rail Technology & Services

Summary segment results:

Revenue	£11.9m	(H1 2019: £9.9m)
EBITDA	£4.1m	(H1 2019: £3.5m)
Profit before Tax	£3.9m	(H1 2019: £3.5m)

Software & Consultancy

Total revenues from the Group's rail software, hosting and consulting offerings were £9.6m (2019: £7.9m) taking account of all of the various revenue streams. The revenue contribution from Bellvedi was £0.7m, and therefore like for like revenues were £8.9m giving organic growth of some 13% on the previous period. Software sales again benefited from high renewal rates for existing products, and also income from multi-year contract wins from previous years which we are currently implementing for our clients. Bellvedi has performed well since acquisition and remains a key part of our TRACS Enterprise offering.

As highlighted previously, the Group continues to invest heavily in our technology base, and continues to make good progress developing the next generation of products for the transport industry. We remain focused on the following key areas:

- Operational performance software – TRACS Enterprise and a range of standalone product solutions
- Safety and Risk Management Software – Rail Hub and VR on demand capability

- RCM data acquisition software – Centrix
- Activity Based Ticketing software – smartTIS
- Automated Delay Repay software – One Click and smartREPAY

During the Covid-19 crisis, we currently continue to work remotely on a business as usual basis with all of our rail clients. We continue to see good levels of interest in our software solutions and we are in the final stages of negotiating several large multi-year software licencing contracts which we expect to close over the coming weeks. We do though expect an impact in our delay repay businesses where revenues will be impacted by the significant decline in rail passenger numbers.

Remote Condition Monitoring

Revenues of £2.3m were ahead of the previous year (2019: £2.0m), which represents very good trading in the core UK market and organic growth of 15% on the previous period. As we entered the new Network Rail Control period, past experience would suggest a sharp reduction in revenues in the first year, but this has not materialised as yet. Our Remote Condition Monitoring business benefited from an extremely strong second half performance in 2019 and this is unlikely to repeat in 2020 given the buying patterns of the business' key customer, but nonetheless current trading remains solid and in line with expectations.

We are expecting imminent product type approval of a new RCM product which is designed to support Network Rail and others in their implementation of a risk-based maintenance approach linked to broader condition monitoring.

Our key concern with regards Covid-19 is whether we will be impacted by the closure of partner production facilities in the UK due to the future tightening of government lockdown restrictions, and we continue to monitor this situation.

Traffic & Data Services (T&DS)

Summary segment results:

Revenue	£14.5m	(H1 2019: £8.9m)
EBITDA	£1.5m	(H1 2019: £0.7m)
Profit before Tax	£0.9m	(H1 2019: £0.2m)

Our Traffic & Data Services division has historically been highly second-half weighted given the timing of our events work and also the timing of other traffic surveys. However, H1 performance was good and ahead of expectations, with organic growth of 6%. There was also a very strong contribution from the acquired businesses CTM and Compass Informatics, where integration is progressing well. These businesses contributed around £5.1m of additional revenue versus the same period last year which was ahead of expectations.

Our Traffic Data business performed well in H1 with an increasing focus on data analytics and the utilisation of the technology solutions developed in partnership with Vivacity Labs. The business secured a large multi-year contract in Ireland and continues to win work across a wide UK transport client base.

Compass Informatics has performed well in the period, working on a combination of long term projects with its Irish client base, and also exciting projects for UK based utility companies. We have also invested in a business development team to pursue opportunities in the UK which seeks to exploit cross selling opportunities with our existing UK traffic and transport client base.

Our events businesses SEP and CTM both performed well in H1, in particular CTM which has delivered a very strong first half performance supported by multi-year client contracts at fixed venues and also some other positive trading.

We have also been investing in our technology base with a focus in three areas:

- Automated rail passenger counts software – PCDS
- Event traffic monitoring and management - Tracsis Live Technology (TLT)
- Traffic insights / path tracing – Felicity portal

Covid-19 has had an immediate impact on our events and traffic data business units, which will have a major impact on H2 performance. A number of large UK events have now been cancelled or postponed to the Autumn and this trend is continuing. We are also seeing significant disruption to our Traffic Data collection and Passenger Analytics activities that were scheduled to take place over the coming weeks, given road traffic and rail passenger activity will be heavily reduced and hence not representative. As a result, we have taken a series of immediate actions to mitigate the impact as much as possible through a reduction in casual labour costs, the redeployment of staff, reducing all discretionary spend, and taking advantage of the Government's Job Retention scheme. We continue to look at a range of medium to long term structures for this Division depending on the full impact of the Covid-19 crisis.

Overseas

The acquisition of Compass Informatics during the previous year, has increased our Ireland presence significantly. Slow progress continues to be made in other geographic areas where we operate, though we continue to be fully occupied servicing our core UK market in the short term.

Acquisitions

On 10 March we completed the acquisition of iBlocks Limited, a UK based software company that specialises in the provision of smart ticketing solutions, automated delay repay and the development of mission critical back office systems that are used by the Rail Delivery Group, the wider community of train operating companies (TOCs) and the rail supply chain. This acquisition strategically aligns with our objective of strengthening our rail product portfolio in areas where we can offer a unique market proposition, gain access to strategically important partnerships and leverage the cross-selling opportunities that exist across our Rail Technology division.

Dividend

The Board has decided to defer the payment of the interim dividend in view of the current Covid-19 crisis, and this decision will be reviewed later in the year once the Group has more clarity about the ongoing effects of the pandemic on the business. The Board will consider what actions are in the best interests of shareholders, and this could result

in the combination of an interim and full year dividend for the year ended 31 July 2020, or the retention of cash in the business to invest in future growth opportunities. The interim dividend would have had a cash cost of around £0.3m had it been paid, which has therefore been retained in the business.

Income statement

A summary of the Group's results is set out below.

	Unaudited	Unaudited	Unaudited	Audited
	Six months	Six months	Six months	Year
	ended	ended	ended	ended
	31 January	31 January	31 January	31 July
	2020	2020	2019	2019
	As reported¹	Pre- IFRS 16	Pre- IFRS 16	Pre- IFRS 16
	£'000	£'000	£'000	£'000
Revenue	26,365	26,365	18,750	49,219
Adjusted EBITDA (note 9)	5,586	5,230	4,239	10,514
Adjusted Pre-Tax Profit (note 9)	4,805	4,766	3,873	9,683
Profit before tax	2,419	2,396	2,121	6,559

¹ The results for the six month period ended 31 January 2020 are not directly comparable with the prior year due to the adoption of IFRS 16 leases. Further details are provided in note 3 to the financial statements, which sets out the impact of the adoption of IFRS 16 on the primary statements.

Sales revenue is analysed further below:

	Unaudited	Unaudited	Audited
	Six months	Six months	Year
	ended	Ended	Ended
	31 January	31 January	31 July
	2020	2019	2019
	£'000	£'000	£'000
Rail Technology & Services	11,878	9,895	21,934
Traffic & Data Services	14,487	8,855	27,285
Total revenue	26,365	18,750	49,219

Balance sheet

The Group continues to have significant levels of cash and remains debt free. Cash balances at 31 January were £26.0m (31 January 2019: £18.7m, 31 July 2019: £24.1m). Cash generation was good, though was naturally impacted by the unwinding of the positive year end working capital movements from the previous year end where cash generation was extremely strong, which were fully anticipated, and related to larger than previous VAT payments given the increased seasonal event work, revenue in advance and also staff bonuses. A summary of cash flows is set out below:

	Six months ended 31 January 2020 £'000	Six months ended 31 January 2019 £'000	Year ended 31 July 2019 £'000
Net cash flow from operating activities	2,670	2,400	12,374
Net cash used in investing activities	(222)	(3,937)	(7,723)
Net cash used in financing activities	(507)	(2,089)	(2,876)
Movement during the period	1,941	(3,626)	1,775

Outlook

The Board was pleased with the first half performance. We have secured a number of new contract wins which will help to secure future organic growth, and we are pleased to have secured the recent iBlocks acquisition, which adds an exciting new product range to our portfolio and enhances our overall Rail Technology & Services offering which is well aligned to our future growth strategy. Covid-19 clearly presents us with some significant challenges to H2 performance and therefore full year outturn, in particular within our Traffic & Data Services Division where the impact has been most felt, though our Rail Technology & Services Division currently remains resilient. The Group has substantial cash balances and strong cash flow, and the Board remain confident in the long term prospects for the business post Covid-19, in view of the positive growth drivers in the transport markets that the Group currently serves. Our key priority during these unprecedented times is the health and wellbeing of our employees, our clients and their families.

Chris Cole
Non-Executive Chairman

Chris Barnes
Chief Executive Officer

2 April 2020

Tracsis plc
Condensed consolidated interim income statement for the six months ended 31 January 2020

		Unaudited 6 months ended 31 January 2020	Unaudited 6 months ended 31 January 2019	Audited Year ended 31 July 2019
	Note	£'000	£'000	£'000
Revenue	4	26,365	18,750	49,219
Cost of sales		(10,463)	(7,107)	(20,163)
Gross profit		15,902	11,643	29,056
Administrative costs		(13,291)	(9,411)	(22,360)
Adjusted EBITDA *	4	5,586	4,239	10,514
Depreciation		(781)	(366)	(831)
Adjusted profit **		4,805	3,873	9,683
Amortisation of intangible assets		(1,628)	(990)	(2,251)
Other operating income		-	-	260
Share-based payment charges		(566)	(474)	(1,034)
Operating profit before exceptional items		2,611	2,409	6,658
Exceptional items		-	(177)	38
Operating profit		2,611	2,232	6,696
Finance income		42	29	58
Finance expense		(30)	(9)	(21)
Share of result of equity accounted investees		(204)	(131)	(174)
Profit before tax		2,419	2,121	6,559
Taxation		(472)	(424)	(1,488)
Profit for the period		1,947	1,697	5,071
Other comprehensive income		(71)	-	17
Total recognised income for the period		1,876	1,697	5,088
Earnings per ordinary share				
Basic	5	6.76p	5.97p	17.78p
Diluted	5	6.56p	5.78p	17.26p

* Earnings before finance income, tax, depreciation, amortisation, exceptional items, other operating income, and share-based payment charges and share of result of equity accounted investees – see note 9

** Earnings before finance income, tax, amortisation, exceptional items, other operating income, share-based payment charges, and share of result of equity accounted investees. – see note 9

Tracsis plc
Condensed consolidated interim balance sheet as at 31 January 2020

	Note	Unaudited At 31 January 2020 £'000	Unaudited At 31 January 2019 £'000	Audited At 31 July 2019 £'000
Non-current assets				
Property, plant and equipment		2,579	2,476	2,678
Right of Use assets		985	-	-
Intangible assets		37,184	31,550	38,812
Investments – equity		350	350	350
Loans due from associated undertakings		250	250	250
Investments in equity accounted investees		894	1,141	1,098
Deferred tax assets		744	634	667
		42,986	36,401	43,855
Current assets				
Inventories		384	357	381
Trade and other receivables		8,452	8,330	9,729
Cash and cash equivalents		26,045	18,703	24,104
		34,881	27,390	34,214
Total assets		77,867	63,791	78,069
Non-current liabilities				
Finance lease and hire-purchase contracts		270	138	285
Lease Liabilities		419	-	-
Contingent consideration payable	10	4,975	2,700	5,304
Deferred tax liabilities		5,701	4,520	5,942
		11,365	7,358	11,531
Current liabilities				
Finance lease and hire-purchase contracts		287	119	277
Lease liabilities		644	-	-
Trade and other payables		13,329	10,879	16,936
Contingent consideration payable	10	1,151	834	879
Current tax liabilities		793	495	505
		16,204	12,327	18,597
Total liabilities		27,569	19,685	30,128
Net assets		50,298	44,106	47,941
Equity attributable to equity holders of the Company				
Called up share capital		115	114	115
Share premium reserve		6,364	6,314	6,343
Merger reserve		3,921	3,627	3,921
Retained earnings		39,952	34,051	37,545
Translation reserve		(54)	-	17
Net assets		50,298	44,106	47,941

Tracsis plc – Consolidated statement of changes in equity

For the six months ended 31 January 2020

Unaudited	Share Capital £'000	Share Premium Reserve £'000	Merger Reserve £'000	Retained Earnings £'000	Translation Reserve £'000	Total £'000
At 1 August 2018	113	6,243	3,160	32,593	-	42,109
Impact on initial application of IFRS 15 (net of tax)	-	-	-	(713)	-	(713)
Adjusted balances at 1 August 2018	113	6,243	3,160	31,880	-	41,396
<i>Total comprehensive income for the period</i>						
Profit for the six month period ended 31 January 2019 and total comprehensive income	-	-	-	1,697	-	1,697
Total Comprehensive income for the period	-	-	-	1,697	-	1,697
<i>Transactions with owners of the Company</i>						
Share based payment charges	-	-	-	474	-	474
Exercise of share options	1	71	-	-	-	72
Shares issued as consideration for business combinations	-	-	467	-	-	467
Total transactions with owners of the Company	1	71	467	474	-	1,013
At 31 January 2019	114	6,314	3,627	34,051	-	44,106
<i>Audited</i>						
At 1 August 2018	113	6,243	3,160	32,593	-	42,109
Impact on initial application of IRS 15 (net of tax)	-	-	-	(667)	-	(667)
Adjusted balances at 1 August 2018	113	6,243	3,160	31,926	-	41,442
<i>Total comprehensive income for the period</i>						
Profit for the year ended 31 July 2019	-	-	-	5,071	-	5,071
Other comprehensive income for the year ended 31 July 2019	-	-	-	-	17	17
Total Comprehensive income for the period	-	-	-	5,071	17	5,088
<i>Transactions with owners of the Company</i>						
Dividends	-	-	-	(486)	-	(486)
Share based payment charges	-	-	-	1,034	-	1,034
Exercise of share options	1	100	-	-	-	101
Shares issued as consideration for business combinations	1	-	761	-	-	762
Total transactions with owners of the Company	2	100	761	548	-	1,411
At 31 July 2019	115	6,343	3,921	37,545	17	47,941

Tracsis plc – Consolidated statement of changes in equity (continued)

For the six months ended 31 January 2020

Unaudited	Share Capital £'000	Share Premium Reserve £'000	Merger Reserve £'000	Retained Earnings £'000	Translation Reserve £'000	Total £'000
At 1 August 2019	115	6,343	3,921	37,545	17	47,941
Impact on initial application of IFRS 16 (net of tax) – note 3	-	-	-	(106)	-	(106)
Adjusted balances at 1 August 2019	115	6,343	3,921	37,439	17	47,835
<i>Total comprehensive income for the period</i>						
Profit for the six month period ended 31 January 2020	-	-	-	1,947	-	1,947
Other comprehensive income for the period ended 31 January 2020	-	-	-	-	(71)	(71)
Total Comprehensive income for the period	-	-	-	1,947	(71)	1,876
<i>Transactions with owners of the Company</i>						
Share based payment charges	-	-	-	566	-	566
Exercise of share options	-	21	-	-	-	21
Total transactions with owners of the Company	-	21	-	566	-	587
At 31 January 2020	115	6,364	3,921	39,952	(54)	50,298

Tracsis plc

Condensed consolidated interim statement of cash flows for the six months to 31 January 2020

	Unaudited Six months to 31 Jan 2020	Unaudited Six months to 31 Jan 2019	Audited Year ended 31 July 2019
Note	£'000	£'000	£'000
Operating activities			
Profit for the period	1,947	1,697	5,071
Finance income	(42)	(29)	(58)
Finance expense	30	9	21
Depreciation	781	366	831
Loss on disposal of plant & equipment	-	-	12
Non-cash exceptional items	-	-	(99)
Other operating income	-	-	(260)
Amortisation of intangible assets	1,628	990	2,251
Effect of foreign exchange adjustments	(71)	-	17
Share of result of equity accounted investees	204	131	174
Income tax charge	472	424	1,488
Share based payment charges	566	474	1,034
Operating cash inflow before changes in working capital	5,515	4,062	10,482
Movement in inventories	(3)	(104)	(128)
Movement in trade and other receivables	1,219	(126)	(1,349)
Movement in trade and other payables	(3,571)	(847)	4,877
Cash generated from operations	3,160	2,985	13,882
Interest received	42	29	58
Interest paid	(30)	(9)	(21)
Income tax paid	(502)	(605)	(1,545)
Net cash flow from operating activities	2,670	2,400	12,374
Investing activities			
Purchase of plant and equipment	(222)	(445)	(731)
Proceeds from disposal of plant and equipment	-	-	165
Acquisition of subsidiaries (net of cash acquired)	-	(3,092)	(6,757)
Equity investments and loans to investments	-	(400)	(400)
Net cash flow used in investing activities	(222)	(3,937)	(7,723)
Financing activities			
Dividends paid	-	-	(486)
Proceeds from the exercise of share options	21	72	101
Lease Liability payments	(323)	-	-
Hire purchase repayments	(148)	(96)	(342)
Payment of contingent consideration	(57)	(2,065)	(2,149)
10			
Net cash flow used in financing activities	(507)	(2,089)	(2,876)
Net increase/(decrease) in cash and cash equivalents	1,941	(3,626)	1,775
Cash and cash equivalents at beginning of period	24,104	22,329	22,329
Cash and cash equivalents at end of period	26,045	18,703	24,104

Notes to the consolidated interim report

For the six months ended 31 January 2020

1 Basis of preparation

Tracsis plc (the 'Company') is a company domiciled in England. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 January 2020 comprises the Company and its subsidiaries (together referred to as the 'Group'). The principal activities of the Group are the provision of software, services and technology for the rail industry ('Rail Technology & Services'), along with traffic surveys, event planning and traffic management, and data analytics including software development ('Traffic Data & Services') (see note 4).

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 July 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The interim financial information for each of the six month periods ended 31 January 2020 and 31 January 2019 has not been audited and does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. The information for the year ended 31 July 2019 does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, but is based on the statutory accounts for that year, on which the Group's auditors issued an unqualified report and which have been filed with the Registrar of Companies.

The principal risks and uncertainties are largely unchanged from the previous year end with the exception of the Covid-19 threat which is new in the current year. These risks and uncertainties are expected to be unchanged for the remainder of the financial year, Further details are provided on pages 9 to 12 of the Annual Report & Accounts for the year ended 31 July 2019. The Board considers risks on a periodic basis and has maintained the key risks as follows, on a Group wide basis:

- Covid-19 – short term disruption to the T&DS Division and potentially the wider Group, and the potential for future economic slowdown in the medium term
- Impact of EU Referendum
- Rail industry structure changes
- Reduced government spending
- Reliance on certain key customers
- Competition
- Attraction and retention of key employees
- Technological changes
- Customer pricing pressure
- Project delivery
- Health & Safety
- Brand reputation
- Integration risk

The condensed consolidated interim financial information was approved for issue on 2 April 2020.

2 Accounting Policies

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 July 2019 and which will form the basis of the 2020 Annual Report except as described below. The basis of consolidation is set out in the Group's accounting policies in those financial statements.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended 31 July 2019.

3 Changes in accounting policies

The following amendments to financial reporting standards were adopted from 1 August 2019, the start of the new financial year. None of them have had a significant impact on the Group other than IFRS 16 which is detailed in further below:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments

IFRS 16 Leases

The Group has adopted IFRS 16 "Leases" from 1 August 2019. It has brought most leases on to the balance sheet, eliminating the distinction between operating leases and finance leases, and recognising a right-of-use asset and a corresponding lease liability. Rentals on operating leases which were previously charged to the income statement, have been replaced by depreciation charge on the asset and interest expense on the lease liability. The Group has adopted IFRS 16 using the modified retrospective approach with the cumulative effect of initially adopting IFRS 16 recognised as an adjustment to retained earnings at 1 August 2019 with no restatement of comparative information. The group has applied the practical expedient to grandfather the definition of a lease on transaction. This means that it has applied IFRS 16 to all contracts entered into before 1 August 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

3 Changes in accounting policies (continued)

Impact on Retained Earnings at 1 August 2019

	£'000
Recognition of Property, Plant and Equipment	1,302
Trade and other receivables (rent prepaid)	(58)
Trade and other payables (rent accrual derecognised)	36
Current lease liabilities	(628)
Non-current lease liabilities	(758)
Retained earnings	(106)

Impact on the condensed consolidated interim income statement for the six months ended 31 January 2020:

	As reported (IFRS 16) £'000	Adjustments £'000	Amounts pre- IFRS 16 £'000
Revenue	26,365	-	26,365
Cost of sales	(10,463)	-	(10,463)
Gross profit	15,902	-	15,902
Administrative costs	(13,291)	(39)	(13,330)
Adjusted EBITDA *	5,586	(356)	5,230
Depreciation	(781)	317	(464)
Adjusted profit **	4,805	(39)	4,766
Amortisation of intangible assets	(1,628)	-	(1,628)
Other operating income	-	-	-
Share-based payment charges	(566)	-	(566)
Operating profit before exceptional items	2,611	(39)	2,572
Exceptional items	-	-	-
Operating profit	2,611	(39)	2,572
Finance income	42	-	42
Finance expense	(30)	16	(14)
Share of result of equity accounted investees	(204)	-	(204)
Profit before tax	2,419	(23)	2,396
Taxation	(472)	-	(472)
Profit for the period	1,947	(23)	1,924
Other comprehensive income	(71)	-	(71)
Total recognised income for the period	1,876	(23)	1,853

3 Changes in accounting policies (continued)

Impact on the condensed consolidated interim balance sheet as at 31 January 2020:

	As reported (IFRS 16) £'000	Adjustments £'000	Amounts pre- IFRS 16 £'000
Non-current assets			
Property, plant and equipment	2,579	-	2,579
Right of Use assets	985	(985)	-
Intangible assets	37,184	-	37,184
Investments – equity	350	-	350
Loans due from associated undertakings	250	-	250
Investments in equity accounted investees	894	-	894
Deferred tax assets	744	-	744
	42,986	(985)	42,001
Current assets			
Inventories	384	-	384
Trade and other receivables	8,452	53	8,505
Cash and cash equivalents	26,045	-	26,045
	34,881	53	34,934
Total assets	77,867	(932)	76,935
Non-current liabilities			
Hire-purchase contracts	270	-	270
Lease liabilities	419	(419)	-
Contingent consideration payable	4,975	-	4,975
Deferred tax liabilities	5,701	-	5,701
	11,365	(419)	10,946
Current liabilities			
Hire-purchase contracts	287	-	287
Lease liabilities	644	(644)	-
Trade and other payables	13,329	48	13,377
Contingent consideration payable	1,151	-	1,151
Current tax liabilities	793	-	793
	16,204	(596)	15,608
Total liabilities	27,569	(1,015)	26,554
Net assets	50,298	83	50,381
Equity attributable to equity holders of the Company			
Called up share capital	115	-	115
Share premium reserve	6,364	-	6,364
Merger reserve	3,921	-	3,921
Retained earnings	39,952	83	40,035
Translation reserve	(54)	-	(54)
Net assets	50,298	83	50,381

4 Revenue and Segmental analysis

a) Revenue

Sales revenue is summarised below:

	Six months ended 31 January 2020 £'000	Six months ended 31 January 2019 £'000	Year Ended 31 July 2019 £'000
Rail Technology & Services	11,878	9,895	21,934
Traffic & Data Services	14,487	8,855	27,285
Total revenue	26,365	18,750	49,219

A geographical analysis of revenue is provided below:

	Six months ended 31 January 2020 £'000	Six months ended 31 January 2019 £'000	Year ended 31 July 2019 £'000
United Kingdom	23,621	17,834	45,511
North America	75	101	106
Rest of the World	2,669	815	3,602
Total	26,365	18,750	49,219

b) Segmental Analysis

The Group has divided its results into two segments being 'Rail Technology and Services' and 'Traffic & Data Services'. The Group has a wide range of products and services and products and services for the rail industry, such as software, hosting services, consultancy and remote condition monitoring, and these have been included within the Rail Technology & Services segment as they have similar customer bases (such as Train Operating Companies and Infrastructure Providers), whereas traffic data collection and event planning & traffic management have similar economic characteristics and distribution methods and so have been included within the Traffic & Data Services segment.

In accordance with IFRS 8 'Operating Segments', the Group has made the following considerations to arrive at the disclosure made in these financial statements. IFRS 8 requires consideration of the Chief Operating Decision Maker ("CODM") within the Group. In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Board of Directors, who review internal monthly management reports, budgets and forecast information as part of this. Accordingly, the Board of Directors are deemed to be the CODM.

Operating segments have then been identified based on the internal reporting information and management structures within the Group. From such information it has been noted that the CODM reviews the business as two operating segments, receiving internal information on that basis. The management structure and allocation of key resources, such as operational and administrative resources, are arranged on a centralised basis.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

Information regarding the results of the reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance. There are no material inter-segment transactions, however, when they do occur, pricing between segments is determined on an arm's length basis. Revenues disclosed below materially represent revenues to external customers.

	Six months ended 31 January 2020			
	Rail Technology & Services £000	Traffic & Data Services £000	Unallocated £000	Total £000
Revenues				
Total revenue for reportable segments	11,878	14,487	-	26,365
Consolidated revenue	11,878	14,487	-	26,365
Profit or loss				
EBITDA for reportable segments	4,122	1,464	-	5,586
Amortisation of intangible assets	-	-	(1,628)	(1,628)
Depreciation	(251)	(530)	-	(781)
Share-based payment charges	-	-	(566)	(566)
Share of result of equity accounted investees	-	-	(204)	(204)
Interest receivable/payable(net)	(9)	(8)	29	12
Consolidated profit before tax	3,862	926	(2,369)	2,419
	Six months ended 31 January 2019			
	Rail Technology & Services £000	Traffic & Data Services £000	Unallocated £000	Total £000
Revenues				
Total revenue for reportable segments	9,895	8,855	-	18,750
Consolidated revenue	9,895	8,855	-	18,750
Profit or loss				
EBITDA for reportable segments	3,562	677	-	4,239
Amortisation of intangible assets	-	-	(990)	(990)
Depreciation	(69)	(297)	-	(366)
Exceptional items	-	(177)	-	(177)
Share-based payment charges	-	-	(474)	(474)
Share of result of equity accounted investees	-	-	(131)	(131)
Interest receivable/payable(net)	-	-	20	20
Consolidated profit before tax	3,493	203	(1,575)	2,121

Year ended 31 July 2019

	Rail Technology & Services £000	Traffic & Data Services £000	Unallocated £000	Total £000
Revenues				
Total revenue for reportable segments	21,934	27,285	-	49,219
Consolidated revenue	21,934	27,285	-	49,219
Profit or loss				
EBITDA for reportable segments	6,932	3,582	-	10,514
Amortisation of intangible assets	-	-	(2,251)	(2,251)
Depreciation	(166)	(665)	-	(831)
Exceptional items	(60)	(1)	99	38
Other operating income	-	-	260	260
Share-based payment charges	-	-	(1,034)	(1,034)
Interest receivable/payable(net)	-	-	37	37
Share of results of equity accounted investees	-	-	(174)	(174)
Consolidated profit before tax	6,706	2,916	(3,063)	6,559

31 January 2020

	Rail Technology & Services £'000	Traffic & Data Services £000	Unallocated £000	Total £000
Assets				
Total assets for reportable segments (exc. cash)	5,418	6,982	-	12,400
Intangible assets and investments	-	-	38,678	38,678
Deferred tax assets	-	-	744	744
Cash and cash equivalents	10,479	4,750	10,816	26,045
Consolidated total assets	15,897	11,732	50,238	77,867
Liabilities				
Total liabilities for reportable segments	(10,893)	(4,849)	-	(15,742)
Deferred tax	-	-	(5,701)	(5,701)
Contingent consideration	-	-	(6,126)	(6,126)
Consolidated total liabilities	(10,893)	(4,849)	(11,827)	(27,569)

	31 January 2019			
	Rail Technology & Services £'000	Traffic & Data Services £000	Unallocated £000	Total £000
Assets				
Total assets for reportable segments (exc. cash)	5,330	5,833	-	11,163
Intangible assets and investments	-	-	33,291	33,291
Deferred tax assets	-	-	634	634
Cash and cash equivalents	8,335	3,710	6,658	18,703
Consolidated total assets	13,665	9,543	40,583	63,791
Liabilities				
Total liabilities for reportable segments	(7,933)	(3,698)	-	(11,631)
Deferred tax	-	-	(4,520)	(4,520)
Contingent consideration	-	-	(3,534)	(3,534)
Consolidated total liabilities	(7,933)	(3,698)	(8,054)	(19,685)

	31 July 2019			
	Rail Technology & Services £'000	Traffic & Data Services £000	Unallocated £000	Total £000
Assets				
Total assets for reportable segments (exc. cash)	3,257	9,531	-	12,788
Intangible assets and investments	-	-	40,510	40,510
Deferred tax assets	-	-	667	667
Cash and cash equivalents	12,866	5,817	5,421	24,104
Consolidated total assets	16,123	15,348	46,598	78,069
Liabilities				
Total liabilities for reportable segments	(10,568)	(7,435)	-	(18,003)
Deferred tax	-	-	(5,942)	(5,942)
Contingent consideration	-	-	(6,183)	(6,183)
Consolidated total liabilities	(10,568)	(7,435)	(12,125)	(30,128)

5 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the Half Year to 31 January 2020 was based on the profit attributable to ordinary shareholders of £1,947,000 (Half Year to 31 January 2019: £1,697,000, Year ended 31 July 2019: £5,071,000) and a weighted average number of ordinary shares in issue of 28,795,000 (Half Year to 31 January 2019: 28,406,000, Year ended 31 July 2019: 28,521,000), calculated as follows:

Weighted average number of ordinary shares

In thousands of shares

	Six months ended 31 January 2020	Six months ended 31 January 2019	Year ended 31 July 2019
Issued ordinary shares at start of period	28,749	28,334	28,334
Effect of shares issued related to business combinations	-	7	54
Effect of shares issued for cash	46	65	133
Weighted average number of shares at end of period	28,795	28,406	28,521

Diluted earnings per share

The calculation of basic earnings per share for the Half Year to 31 January 2020 was based on the profit attributable to ordinary shareholders of £1,947,000 (Half Year to 31 January 2019: £1,697,000, Year ended 31 July 2019: £5,071,000) and a weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares of 29,665,000 (Half Year to 31 January 2019: 29,359,000, Year ended 31 July 2019: 29,387,000).

Adjusted EPS

In addition, Adjusted Profit EPS is shown below on the grounds that it is a common metric used by the market in monitoring similar businesses. A reconciliation of this figure is provided below:

	Six months ended 31 January 2020	Six months ended 31 January 2019	Year ended 31 July 2019
	£'000	£'000	£'000
Profit attributable to ordinary shareholders	1,947	1,697	5,071
Amortisation of intangible assets	1,628	990	2,251
Share-based payment charges	566	474	1,034
Exceptional items	-	177	(38)
Other operating income	-	-	(260)
Adjusted profit for EPS purposes	4,141	3,338	8,058

Weighted average number of ordinary shares

In thousands of shares

For the purposes of calculating Basic earnings per share	28,795	28,406	28,521
Adjustment for the effects of all dilutive potential ordinary shares	29,665	29,359	29,387
<hr/>			
Basic adjusted earnings per share	14.38p	11.75p	28.25p
Diluted adjusted earnings per share	13.96p	11.37p	27.42p

6 Seasonality

The Group offers a wide range of products and services within its overall suite, meaning that revenues can fluctuate depending on the status and timing of certain sales. Some of these are exposed to high levels of seasonality for example:

- The Group's Traffic & Data Services division derives significant amounts of revenue from work taking place at certain times of the year and is highly exposed to seasonality, in particular for SEP and CTM which has a very high level of seasonality based on the timing of events, but also Traffic Data where work typically takes place when the weather conditions are more predictable;
- Ontrac and Compass Informatics both perform some significant software development projects and the specific timing of these can vary depending on the commercial terms;
- Revenues from remote condition monitoring are also driven by the size and timing of significant orders received from major customers;
- Finally, the timing of certain software licence renewals, new sales, and also major project implementations along with consultancy offerings can also impact on when work is performed, revenues are delivered and therefore recognised.

As such, the overall Group continues to be exposed to a high degree of seasonality throughout the year and reporting period. The impact of Covid-19 will have a significant impact on the second half of the financial year, in particular the Traffic & Data Services Division.

7 Dividends

The Board has decided to defer the payment of the interim dividend in view of the current Covid-19 crisis, and this decision will be reviewed later in the year once the Group has more clarity about the ongoing effects of the pandemic on the business. The Board will consider what actions are in the best interests of shareholders, and this could result in the combination of an interim and full year dividend for the year ended 31 July 2020, or the retention of cash in the business to invest in future growth opportunities. The interim dividend would have had a cash cost of around £0.3m had it been paid, which has therefore been retained in the business.

The cash cost of the dividend payments made is shown below:

	Six months ended 31 January 2020 £000	Six months ended 31 January 2019 £000	Year ended 31 July 2019 £000
Final dividend for 2017/18 of 0.90p per share paid	-	-	257
Interim dividend for 2018/19 of 0.80p per share paid	-	-	229
Total dividends paid	-	-	486

The dividends paid or proposed in respect of each financial year ended 31 July is as follows:

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £000	2014 £000	2013 £000	2012 £000
Interim dividend for 2011/12 of 0.20p per share paid	-	-	-	-	-	-	-	-	48
Final dividend for 2011/12 of 0.35p per share paid	-	-	-	-	-	-	-	-	87
Interim dividend for 2012/13 of 0.30p per share paid	-	-	-	-	-	-	-	75	-
Final dividend for 2012/13 of 0.40p per share paid	-	-	-	-	-	-	-	102	-
Interim dividend for 2013/14 of 0.35p per share paid	-	-	-	-	-	-	89	-	-
Final dividend for 2013/14 of 0.45p per share paid	-	-	-	-	-	-	119	-	-
Interim dividend for 2014/15 of 0.40p per share paid	-	-	-	-	-	106	-	-	-
Final dividend for 2014/15 of 0.60p per share paid	-	-	-	-	-	164	-	-	-
Interim dividend for 2015/16 of 0.50p per share paid	-	-	-	-	137	-	-	-	-
Final dividend for 2015/16 of 0.70p per share paid	-	-	-	-	195	-	-	-	-
Interim dividend for 2016/17 of 0.60p per share paid	-	-	-	167	-	-	-	-	-
Final dividend for 2016/17 of 0.80p per share paid	-	-	-	225	-	-	-	-	-
Interim dividend for 2017/18 of 0.70p per share paid	-	-	198	-	-	-	-	-	-
Final dividend for 2017/18 of 0.90p per share paid	-	-	257	-	-	-	-	-	-
Interim dividend for 2018/19 of 0.80p per share paid	-	229	-	-	-	-	-	-	-
Final dividend for 2018/19 of 1.0p per share paid	-	287	-	-	-	-	-	-	-
Interim dividend for 2019/20 proposed	-	-	-	-	-	-	-	-	-

The total dividends paid or proposed in respect of each financial year ended 31 July is as follows:

	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total dividends paid per share	n/a	1.8p	1.6p	1.4p	1.2p	1.0p	0.8p	0.7p	0.55p

8 Related party transactions

The following transactions took place during the year with other related parties:

	Purchase of goods and services			Amounts owed to related parties		
	H1 2020	H1 2019	FY 2019	H1 2020	H1 2019	FY 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Leeds Innovation Centre Limited (1)	-	67	78	-	13	-
Nexus Leeds Limited (1)	115	-	73	5	-	19
Citi Logik Limited (2)	-	-	-	-	-	-
Nutshell Software Limited (2)	63	107	254	-	-	12
Vivacity Labs Limited (2)	176	101	202	51	69	36
WSP UK Limited	5	-	-	-	-	-

	Sale of goods and services			Amounts owed by related parties		
	H1 2020	H1 2019	FY 2019	H1 2020	H1 2019	FY 2019
	£'000	£'000	£'000	£'000	£'000	£'000
WSP UK Limited (3)	1,190	1,337	3,709	33	38	1,364
Citi Logik Limited (2)	-	-	-	-	-	-
Vivacity Labs Limited (2)	20	-	-	-	-	-
Nutshell Software Limited (2)	-	-	10	-	-	-

(1) Leeds Innovation Centre Limited and Nexus Leeds Limited are companies which is connected to The University of Leeds. Tracsis plc rents its office accommodation, along with related office services, from this company. All transactions took place at arm's length commercial rates.

(2) Citi Logik Limited, Nutshell Software Limited and Vivacity Labs Limited are related parties by virtue of the Group's shareholding in these entities.

(3) WSP UK Limited (WSP) is a company which is connected to Chris Cole who serves as non-executive Chairman of Tracsis plc and also of WSP Global Inc, WSP's parent company. Sales to WSP took place at arm's length commercial rates and were not connected to Mr Cole's position at WSP.

9 Reconciliation of adjusted profit metrics

In addition to the statutory profit measures of Operating profit and profit before tax, the Group quotes Adjusted EBITDA and Adjusted profit. These figures are relevant to the Group and are provided to provide a comparison to similar businesses and are metrics used by Equities Analysts who cover the Group as they better reflect the underlying performance of the group, and its ability to generate cash. The largest components of the adjusting items, being depreciation, amortisation, share based payments, and share of associates are 'non cash' items and so separately analysed in order to assist with the understanding of underlying trading. Adjusted EBITDA is defined as Earnings before finance income, tax, depreciation, amortisation, exceptional items, other operating income, and share-based payment charges and share of result of equity accounted investees. Adjusted EBITDA can be reconciled to statutory profit before tax as set out below:

	Six months ended 31 January 2020 £'000	Six months ended 31 January 2019 £000	Year ended 31 July 2019 £000
Profit before tax	2,419	2,121	6,559
Finance income / expense – net	(12)	(20)	(37)
Share-based payment charges	566	474	1,034
Exceptional items	-	177	(38)
Other operating income	-	-	(260)
Amortisation of intangible assets	1,628	990	2,251
Depreciation	781	366	831
Share of result of equity accounted investees	204	131	174
Adjusted EBITDA	5,586	4,239	10,514

Adjusted profit is defined as Earnings before finance income, tax, amortisation, exceptional items, other operating income, share-based payment charges, and share of result of equity accounted investees. Adjusted profit can be reconciled to statutory profit before tax as set out below:

	Six months ended 31 January 2020 £'000	Six months ended 31 January 2019 £000	Year ended 31 July 2019 £000
Profit before tax	2,419	2,121	6,559
Finance income / expense – net	(12)	(20)	(37)
Share-based payment charges	566	474	1,034
Exceptional items	-	177	(38)
Other operating income	-	-	(260)
Amortisation of intangible assets	1,628	990	2,251
Share of result of equity accounted investees	204	131	174
Adjusted profit	4,805	3,873	9,683

Adjusted EBITDA reconciles to adjusted profit as set out below:

	Six months ended 31 January 2020 £'000	Six months ended 31 January 2019 £000	Year ended 31 July 2019 £000
Adjusted EBITDA	5,586	4,239	10,514
Depreciation	(781)	(366)	(831)
Adjusted profit	4,805	3,873	9,683

10 Contingent Consideration

During the financial year ended 31 July 2019, the Group acquired Cash & Traffic Management Limited, Compass Informatics Limited and Bellvedi Limited. Under the share purchase agreements in place for each of these acquisitions, contingent consideration is payable which is linked to the profitability of the acquired businesses for a two to four year period post acquisition. The maximum amount payable is £750,000 for Cash & Traffic Management Limited, €2,000,000 for Compass Informatics Limited and £7,900,000 for Bellvedi Limited. The fair value of the amount payable was assessed at £600,000 for Cash & Traffic Management Limited, £1,132,000 for Compass Informatics Limited and £4,057,000 for Bellvedi Limited.

The movement on contingent consideration can be summarised as follows:

	31 January 2020 £000	31 January 2019 £000	31 July 2019 £000
At the start of the year	6,183	3,265	3,265
Arising on acquisition	-	2,334	5,789
Cash payment	(57)	(2,065)	(2,149)
Release to Statement of Comprehensive Income	-	-	(722)
At the end of the year	6,126	3,534	6,183

The ageing profile of the remaining liabilities can be summarised as follows:

	31 January 2020 £000	31 January 2019 £000	31 July 2019 £000
Payable in less than one year	1,151	834	879
Payable in more than one year	4,975	2,700	5,304
Total	6,126	3,534	6,183

11 Events after the Balance Sheet date

On 10 March 2020, the Group acquired iBlocks Limited for an initial consideration of £14.0m plus additional performance consideration linked to future performance. The Group is currently evaluating the fair value of the assets and liabilities acquired.

Statement of Directors' Responsibilities

The Directors confirm to the best of their knowledge that:

- i) The condensed consolidated interim financial information has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union;
- ii) The interim management report includes a fair review of the information required by the FSA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Directors of Tracsis plc and their functions are listed below.

Further information for Shareholders

Company number:	05019106
Registered office:	Nexus Discovery Way Leeds LS2 3AA
Directors:	Chris Cole (Non-Executive Chairman) Chris Barnes (Chief Executive Officer) Max Cawthra (Group Finance Director) Lisa Charles-Jones (Non-Executive Director) Liz Richards (Non-Executive Director) Mac Andrade (Non-Executive Director)
Company Secretary:	Max Cawthra