Tracsis plc

Annual Report & Accounts 2020

Contents

Strategic Report

Our Business at a Glance	2
Strategy and Business Model	3
Chairman and Chief Executive Officer's Report (incorporating Business Review and Future Developments)	4
Risk Management	9
Covid-19 review	14
Key Performance Indicators	15
Section 172 Statement	16

Governance

Board of Directors	18
Directors' Report	19
Directors' Remuneration Report	22
Corporate Governance	26
Statement of Directors' Responsibilities	28
Independent Auditor's Report to the members of Tracsis plc	29

Financial Statements

Consolidated Statement of Comprehensive Income	37
Consolidated Balance Sheet	38
Consolidated Statement of Changes in Equity	39
Consolidated Cash Flow Statement	40
Notes to the Consolidated Financial Statements	41
Company Balance Sheet	88
Company Statement of Changes in Equity	89
Notes to the Company Balance Sheet	90

Group Information	100

Strategic Report

Our Business at a Glance

Tracsis plc was founded in January 2004 to commercialise world class research and expertise developed in the field of transport scheduling and software optimisation technologies.

In the subsequent years Tracsis has grown rapidly, diversified into related transport technologies, and successfully executed a strategy that has seen it make a total of fourteen acquisitions and three investments. Today, the Group specialises in the provision of software and a wide range of services for the rail, traffic data and wider transport industries.

Tracsis' products and services are used to increase efficiency, reduce cost and improve the operational performance and decision making capabilities for its customers. The Group has a blue chip client base which includes the majority of UK transport operators and the business also works extensively with large transport authorities and infrastructure operators such as Network Rail, the Department for Transport, a wide range of government agencies & local authorities, a variety of large engineering and infrastructure companies, plus event organisers.

The Group's products and services comprise two principal offerings:

- **Rail Technology & Services**
  - Software: Industry strength optimisation, rail management, planning, timetabling safety & risk management software, smart ticketing and delay-repay software that cover a variety of asset and information classes, plus related hosting services;
  - Remote Condition Monitoring (RCM): Technology and reporting for critical infrastructure assets in real time, to identify problems and aid with preventative maintenance;
  - Professional Services: Consulting and technology related professional services across the operational and strategic planning horizon for traffic and transport customers and network operators

- **Traffic & Data Services:**
  - Collection, collation and analytical services of traffic and passenger/customer data within rail, traffic and pedestrian rich environments;
  - Event planning, traffic management and parking for outdoor and sporting event markets;
  - Systems development and data analytics that combine geographical information systems (GIS), location technologies, data analytics and field computing from transportation, asset management, planning, and environmental customers

Tracsis has multiple offices in the UK and Ireland which service our growing client base.

The business drives growth both organically and via strategic acquisition and has made fourteen acquisitions since coming to market in 2007.

Financial highlights
for the year ended 31 July 2020:

- Revenue: £48.0m (2019: £49.2m)
- Statutory Profit before Tax: £4.1m (2019: £6.6m)
- Adjusted EBITDA*: £10.5m (2019: £10.5m)
- Cash balances: £17.9m (2019: £24.1m)

*Reconciliation provided in note 31.

Strategic Report

Strategy and Business Model

Our vision for Tracsis is to become a leading provider of high value, niche technology solutions and services for the global traffic and transportations markets. Our business model remains focussed on specialist offerings that have high barriers to entry, are sold on a recurring basis under contract, and to a retained customer base that is largely blue chip in nature. Our vision is being achieved via the delivery of a three pronged strategy.

1) Manageable, industry-led organic growth through continual innovation of products and services and an excellent close working relationship with our customers.

2) International expansion into select overseas markets that share problems with the industries we currently serve.

3) Reinvesting Group profits to fund further accretive acquisitions that meet with our disciplined investment criteria.

We believe our strategy will allow Tracsis to continue the growth trajectory we have achieved since IPO in 2007 and deliver further significant value to shareholders in the short, medium and long term. Achievements made in the past year in respect of our business strategy can be summarised as follows:

	Strand of Strategy:	**Developments 2019/20:**
1	**Organic** further sales from existing products to UK	• Further significant contract awarded for the provision of TRACS Enterprise software product with another major UK rail operator, which includes the renewal of some existing systems already licenced by the customer, plus significant levels of additional functionality through the TRACS Enterprise suite, including ATTUne • Continued strong trading at our Infrastructure businesses – Remote Condition Monitoring and Ontrac, including securing a major order for the provision of remote condition monitoring technology, plus associated Centrix software and related support services • High levels of software renewals and recurring revenue • Traffic & Data Services Division impacted by Covid-19 due to the cancellation and postponement of significant amounts of Event work and also Traffic Surveys, which had an impact on organic revenue and profitability
2	**Overseas Markets** show promise and remain relatively untapped	• Full year contribution from Compass Informatics Limited acquisition which was acquired in January 2019, and increases the Group's presence in Ireland • Existing overseas sales in Ireland, Sweden and New Zealand all continued
3	**Acquisitions**	• Completed the acquisition of iBlocks Limited, a 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 industry • Further potential targets evaluated during the year

Strategic Report

Chairman & Chief Executive Officer's Report

Introduction

The year ended 31 July 2020 was on the whole a satisfactory year, with a strong performance from the Rail Technology & Services Division compensating for evident challenges caused by Covid-19, primarily in respect of the Traffic & Data Services Division. As we reflect on the previous twelve months, having completed the acquisition of iBlocks Limited, navigated the early phases of Covid-19, generated revenues of £48m, whilst maintaining EBITDA margin, and ended the year with almost £18m of cash, the Board is pleased with the resilient performance.

Business Overview

Tracsis specialises in providing a wide range of products and services to clients within the transport and traffic sector. The Group's market offering can be broadly categorised into two distinct strands:

1. **Rail Technology & Services:**

    - **Operational Software**: A suite of software products covering timetabling, resource and rolling stock planning and optimisation, real time performance and control, service recovery, retail services, delay attribution and delay repay;
    - **Infrastructure Software**: A range of software products that are used to collect, manage, visualise and analyse rail asset information. They deliver improvements in safety, productivity and communication by automating heavily regulated business processes and reducing risk;
    - **Remote Condition Monitoring**: Rail approved data loggers and sensors to monitor asset performance and predict failure modes (level crossings, interlockings, switch machines, bus-bars etc.) supported by our own data acquisition software platform;
    - **Consultancy**: Rail operations consultancy expertise and training covering operational planning and modelling, franchise and concession support, data capture and evaluation and innovative bespoke software tool development; and
    - **Transit and Ticketing solutions**: the provision of Smart Ticketing software and TIS accredited Account Based Back Office capable of performing the full cycle from tap capture through to fare generation, payment collection and revenue settlement.

2. **Traffic & Data Services**:

    - **Traffic Surveys**: Traditional and advanced transport data collection for all travel modes using ANPR, video and mobile network data, manual survey methods, big data sources and, increasingly, AI technology;
    - **Transport Insights**: Provision of innovative and effective transport related advice, saving time and cost and generating increased efficiencies through the provision of sustainable transport solutions supported by data hosting and visualisation tools;
    - **Passenger Analytics**: Software-delivered passenger research and statistical analysis for transport operators using our skilled market research staff and digital data collection tools (activities include passenger counting, ticket audits, mystery shopping and market research);
    - **Location Analytics**: Software, mobile app and analytical platform development combining Geographic Information Systems (GIS), location technologies, data analytics and field computing across different industrial sectors (rail, automotive, bus, utilities, environmental etc.); and
    - **Event Transport Management**: covering planning, control, consultancy, signage, CSAS/PATO and car parking. Technologies like Tracsis Live Technology (TLT) are also offered to improve traffic monitoring and traffic flow in and out of major event venues.

Covid-19

The Board estimates that Covid-19 had an impact on Group revenues of around £10m when compared against the Group's internal budget for the year, taking account of acquisitions made in the previous year. The majority of this was felt within the Traffic & Data Services Division within which large Events and Transport Data Collection projects were either cancelled or postponed. The Group's cost base in respect this part of the Group consists of a number of casual workers who it was not necessary to utilise given the circumstances. Accordingly, some of the loss of revenue from this part of the Group was offset by the reduced cost base.

Chairman & Chief Executive Officer's Report continued

The Rail Technology & Services Division was generally unaffected by the pandemic other than a reduction in delay-repay related revenues given the significant reduction in rail passenger numbers that occurred post the implementation of the March lockdown in the UK.

Our key priority during these unprecedented times was the health and wellbeing of our employees, our clients and their families. As such, the vast majority of staff immediately transitioned to working at home which on the whole was deemed to be a success. The Company also placed a number of staff on furlough but ensured that they retained their full remuneration until July 2020.

The business has also taken actions to reduce its fixed cost base which have now all been fully implemented. All our offices are open and have been signed off as 'Covid secure'. The majority of staff continue to work from home although small numbers of staff have returned to the office.

Financial Summary

Group revenues of £48.0m (2019: £49.2m) were slightly less than the previous year, due to the challenges of Covid-19. This was mitigated to some extent by a full year contribution from acquisitions made in the previous year which were not impacted by Covid-19 (Bellvedi and Compass Informatics), and also the acquisition of iBlocks Limited in the year. Overperformance versus budget in our Rail Technology & Services Division was an important contributor to the overall results.

The Group has also adopted IFRS 16 in the year which brought 'Right of Use Assets' on to the Balance Sheet and a corresponding "Lease Liability". At 31 July 2020 the impact of the transition was a Right of Use asset recognised of £1.4m and a 'Lease Liability' of £1.7m. The impact on EBITDA was £0.8m, with a corresponding reduction in overheads and so had no significant impact on Profit before Tax.

Adjusted EBITDA* of £10.5m (£9.6m excluding the impact of IFRS 16) was adverse compared to the previous year on a like for like basis (2019: £10.5m) due to the impact of Covid-19 on the Traffic & Data Services Division. Adjusted Profit** was £8.6m, less than the previous year (2019: £9.7m). Statutory Profit before Tax was £4.1m (2019: £6.6m) after taking account of large charges in respect of amortisation, share based payment charges, and a share of results of associated undertakings. In addition, the Group has recognised a net credit of £0.1m relating to exceptional items. This credit includes an exceptional credit adjustment to fair value of contingent consideration payable at year end of £1.5m, offset by exceptional deal costs of £0.2m, plus impairments against the Citi Logik investment and TCS acquisition of £1.2m in total.

At 31 July 2020, the Group's cash balances were £17.9m (2019: £24.1m), and cash generation continues to be strong. Cash balances are reduced compared to the previous year due to the acquisition of iBlocks Limited. All contingent consideration due in the year has been paid. The Group has also paid all VAT, PAYE and Corporation Tax due and has not taken advantage of any Government Support in respect of taxes, but has claimed grant money in respect of furloughed staff in the year with support to the Income Statement of c. £0.7m.

* 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 6 for reconciliation. 2020 prepared under IFRS 16, 2019 prepared under IAS 17

** 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 6 for reconciliation. 2020 prepared under IFRS 16, 2019 prepared under IAS 17

Trading Progress and Prospects

<u>Rail Technology & Services</u>

Summary segment results:

Revenue	£25.6m	(2019: £21.9m)
Adjusted EBITDA *	£9.2m	(2019: £6.9m)
Adjusted Profit before Tax	£8.6m	(2019: £6.7m)

After making significant investment in our products and people, overall EBITDA margin within the Rail Technology & Services Division was an improvement on the previous year, which was pleasing.

Software

Sales of Operational Software and Infrastructure software, excluding current year acquisitions, increased to £17.7m (2019: £15.2m) which represents strong growth. This takes account of the various revenue streams from our TRACS, ATTUne, Ontrac, COMPASS, Retail & Operations, and Delay-Repay product suites. As always, all software products continue to benefit from high renewal rates from existing clients.

Work continues on implementing our TRACS Enterprise product at two major TOCs which were secured in previous years and we were delighted to have secured a third major Operator during the year where work on the implementation started in the year. There remains a significant market opportunity for this offering, which we hope to be able to further tap into.

Chairman & Chief Executive Officer's Report continued

Our Bellvedi business has traded very well during the year and the ATTUne product forms an integral part of the overall TRACS Enterprise solution. Bellvedi also secured a significant RSSB grant to develop innovative dynamic train planning software over the next two years which was very pleasing.

Ontrac traded well in the year and secured a number of good bespoke software development contracts, and remains supported by high levels of recurring revenue. The business also secured an important initial contract win which is expected to result in a multi-year enterprise wide licence deployment in due course. Work on the 'Discovery' and 'Design' commenced in the year, and remains ongoing with the target of securing a major multi year licence and support contract. Ontrac's software product offering focuses on driving improvements in risk management and safety for rail infrastructure operators which continues to be a high priority area of interest across the rail industry.

Our Delay Repay business traded well prior to the start of Covid-19 but naturally suffered an adverse impact due to significantly reduced passenger journeys. Even in spite of this, revenues were still ahead of the previous year and the business continues to operate from a modest cost base. Tracsis as a Group processed over 70% of all industry delay repay claims during the reporting period.

Remote Condition Monitoring (RCM)

Revenues of £4.8m compare very well against the previous year (2019: £4.9m), which was a very strong comparative period due to the end of Network Rail's 'Control Period 5' in March 2019. The Group did not expect such a strong year but naturally was delighted to be able to support its key customer in the first year of the new 'Control Period 6' that runs to 31 March 2024. During the year we received formal approval for the Busbar units, and have now begun to ship the first of these units. This remains a key growth area for the future. MPEC's product offering focuses on driving improvements in asset performance for rail infrastructure owners which is a key factor in improving overall rail performance and reducing maintenance costs.

We announced a major order in May 2020 and this was largely fulfilled by the end of the financial year.

Consultancy

Consultancy and professional services revenue was £2.2m (2019: £1.8m) which was a very good performance and shows the continued resilience in this part of the Group as it transitions away from a historical reliance on franchise bid work. We have been pleased to secure work with various government bodies, infrastructure providers, a range of other train operating companies (TOCs), and multi-disciplinary engineering companies.

Acquisitions: iBlocks Limited

In the three months post acquisition, iBlocks contributed revenue of £0.9m which was in line with expectations for the short period. We are seeing good levels of interest in iBlocks' smart ticketing product offering which in a post Covid world is well aligned to future rail passenger requirements. Integration into the wider Tracsis Group is going well and iBlocks forms part of a wider Customer Experience product offering.

<u>Traffic & Data Services</u>

Summary segment results:

Revenue	£22.4m	(2019: £27.3m)
Adjusted EBITDA*	£1.3m	(2019: £3.6m)
Adjusted Profit before Tax	£nil	(2019: £2.9m)

Traffic Surveys, Transport Insights and Passenger Analytics

Revenues of £10.0m were delivered in the year (2019: £14.7m), which were adverse to the previous year due to the impact of Covid-19 which had an immediate and severe impact with much work either being cancelled or postponed. The business was trading well prior to the Covid-19 pandemic and had a strong order book as it entered the crisis, but this naturally did not materialise. However, a huge amount of credit must be given to the entire team as it delivered the Spring and Summer work as part of the major National Road Traffic Census in spite of Covid-19 which was a major achievement and a valuable source of revenue during challenging times. Cost reduction measures have been implemented in this part of the Group to ensure that it is well placed to weather the challenging market conditions that inevitably lie ahead. We are still waiting for postponed work to be rescheduled which we now expect to be workable in Spring 2021.

Our Passenger Analytics team performed its traditional manual count work during the Autumn but the Spring counts did not take place due to Covid-19 meaning that revenues were adverse to the previous year. However, the business was supported by the software product that it had developed in previous years for automatic train loading data, which is expected to be a key technology platform for potential future growth.

Chairman & Chief Executive Officer’s Report continued

Location Analytics

This was the first full year contribution from Compass Informatics since its acquisition in 2019 and it has performed very well during the year, with work also continuing regardless of Covid-19. Most of the work was derived from its existing customer base in Ireland, across a wide range of bodies and clients, but the business also delivered some major UK based projects for a range of utility companies. Overall revenues of £5.5m (2019: £2.4m) were pleasing.

The Group sought to launch a full UK Analytics and GIS offering though due to challenges caused by Covid-19, this has been placed on hold given the current economic climate.

Event Transport Management

Revenues in this part of the Group were naturally significantly impacted by Covid-19 with total revenues of £6.9m (2019: £10.2m) which was the same as the previous year given the cancellation and postponement of many of the events that were scheduled to take place across the Spring and Summer and had already been booked in. Revenues should have been much higher given the full year contribution from CTM that was expected in this year following its acquisition in January 2019.

Despite the pandemic, the business continued to secure some new work, and also has been supported by the work that takes place at its fixed venue clients.

Cost reduction measures have been implemented in this part of the Group to ensure that we proactively manage the cost base whilst maintaining sufficient operational expertise so that we can mobilise the teams to quickly respond to the post Covid return to normal.

EBITDA margin was less than the previous year due to the impact of Covid-19.

Dividends

In February 2012, the Board implemented a progressive dividend policy. In view of the challenges and uncertainty caused by Covid-19, the Group decided not to pay an interim dividend for the six months ended 31 January 2020 and committed to reviewing it at the full year stage. The Board does not consider it appropriate to pay a final dividend this year. The impact on cash of not paying the dividend is around £0.6m. The Board is committed to restoring the progressive dividend policy in the future and will review this at the earliest appropriate opportunity.

Acquisitions

We were pleased to have completed the acquisition of iBlocks Limited (iBlocks) in the year, which is a business that we have known for a number of years now. We believe the unique technology offering that iBlocks has developed along with long established client relationships will open up an exciting new area of opportunity for Tracsis. The smart/account based ticketing market in particular is an area of the rail industry that is expected to see future industry change and growth.

Established in 2000, iBlocks is 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.

The Directors believe that smart/account based ticketing and automated delay repay is a sizeable and natural growth area for the rail industry and that iBlocks is well placed to help facilitate the move towards a paperless ticketing environment. The acquisition will enhance Tracsis Group’s overall technology and software offering and should be significantly earnings enhancing.

The acquisition consideration comprised an initial cash payment of £12.5m which was funded out of Tracsis cash reserves and the issue of 192,926 new ordinary shares in Tracsis with a value of £1.5m. An additional payment of £3m was made on a pound for pound basis to reflect the net current asset position of the business at completion. Additional contingent consideration of up to £8.5m is payable subject to iBlocks achieving certain stretched profit financial targets in the three years post acquisition. An amount of £3.3m has been included in the Balance Sheet as the best estimate of the amount payable at the year end date.

The UK’s decision to leave the European Union

The Group does not expect to be impacted by Brexit. Current sales to European Union customers represent around 12% of overall Group sales, and there continues to be no significant reliance on a supply chain involving European Union suppliers or workforce.

Chairman & Chief Executive Officer's Report continued

People

As always, the Group is thankful to the whole team for their hard work during the year, especially during the unprecedented times which have been challenging for many members of the team. It has been pleasing to see the business come together to support colleagues.

In September 2020 we announced that Max Cawthra would be standing down as Chief Financial Officer in 2021 and that Andy Kelly would be joining the business. The Board would like to thank Max for the contribution he has made since joining Tracsis in 2010, since then the Group has grown significantly, both organically and by acquisition, which Max has played a key part in achieving. We look forward to Andy joining us, who the Board believe is a very strong replacement.

Revised Group Structure

From 1 August 2020 onwards, the Group has been reorganised into a new structure in order to align with key areas of future transport industry growth. This will be adopted for future external reporting purposes too.

Rail Technology & Services:

- Rail Operations (includes core Operational Planning Software and Bellvedi)
- Customer Experience (includes iBlocks, Travel Compensation Services and Tracsis Passenger Analytics)
- Rail Infrastructure (includes MPEC and Ontrac)

Data, Analytics Consultancy and Events:

- Traffic Data
- Events (includes SEP and CTM)
- Analytics/GIS (includes Compass Informatics)
- Transport Consultancy

Our GIS business Compass Informatics and Consultancy offering will be expanded to be 'Groupwide' offerings and will operate across the whole of the Group but will be reported within the Data, Analytics Consultancy and Events sector.

In addition, on 1 August 2020 the Group implemented a central shared services model covering HR, IT, Quality, Health and Safety and Risk with the objective of implementing best practice across the Group and accelerating the integration of the different business units.

Summary and Outlook

Q1 trading has been in line with the Board's expectations. As we look to the remainder of the financial year, we are aspiring to achieve modest revenue growth and EBITDA margin improvement despite the ongoing challenges of Covid-19, and we expect our cash position to remain equally as strong.

These are unprecedented times and whilst the Board believes it has successfully navigated the first phase of the Covid-19 crisis, and is well structured for the future, it is vigilant about short term trading conditions in particular with regards to its Traffic & Data Services Division. At the time of writing, the impact on the Rail Technology & Services Division has not been significant but the Board continues to monitor the situation and will respond should challenges arise.

We are confident that the medium to long term growth prospects for all parts of the Group are unchanged and we therefore remain committed to our overall strategic growth and investment plans. We will continue to proactively manage costs whilst the Covid-19 pandemic continues to impact the Group whilst maintaining the skills and capacity required to respond post the pandemic.

Chris Cole, Chairman **Chris Barnes, Chief Executive Officer**

4 December 2020

Strategic Report

Risk Management

Key risks
The board carefully considers the risks facing the Group and endeavour to minimise the impact of those risks. The key risks are as follows:

Description/Potential impact:	Area of Group impacted:	Mitigation:	Change in the year:
Coronavirus (Covid-19)			
The business, like most businesses in the UK and wider World has been impacted by Covid-19 in the year. Further details are provided on page 14, where a full impact assessment has been included. The impact has been most notable within our Events and Traffic Data collection where no mass gatherings have been able to take place, and 'lockdowns' have impacted on trading conditions.	All parts of the Group but mainly Traffic & Data Services	Full details of the mitigating actions are provided on page 14.	Increased given that the risk is new and emerged during the year.
Rail industry structure changes			
The present structure and organisation of the UK rail industry may be changed in the future, or by a future government, which may have an impact on the Group. The Group continues to derive a significant proportion of its results from the UK rail industry.	1. Rail Technology & Services	Several of the Group's products and services are expected to be still required regardless of any changes to the structure of the industry as they have a clear value proposition (some more than others) and return on investment. The Group expects that industry requirements for certain of its solutions would continue, regardless of the structure. However, in certain circumstances, there is little mitigation against certain structural changes.	Increased due to the Williams review on rail franchising, which is due to be published, and also the Emergency Measures Agreements (EMA) and subsequent Emergency Recovery Measures Agreements (ERMAs) for the Train Operating Companies caused by Covid-19, and the reduction in passenger numbers
Cyber Security Incident			
A malicious cyber-attack, security breach or denial of service etc- National Cyber Security Centre (NCSC) information and guidance to UK businesses, indicates that such an incident should attract a high probability rating. This may lead to business continuity or disaster recovery problems.	All parts of the Group	The Group's outsourced IT Services Provider manages some elements of operational risk. Certain subsidiaries have Cyber Essentials Certification which provides a security foundation / baseline. There is planned to be a staged move to ISO27001 certification which should improve the Group's cyber security stance and will require maintenance of a dedicated IT Security Risk Register. The Group has appointed a Head of Quality, Risk, Safety & Compliance. Business unit level business continuity plans to capture localised risk and mitigation.	Increased in the year

Risk Management continued

Description/Potential impact:	Area of Group impacted:	Mitigation:	Change in the year:
<u>Reduced government spending</u>			
The Group derives revenues directly and indirectly from the UK and Irish governments, and would be significantly impacted if these public funding streams were reduced, for example due to a specific spending review in view of Covid- 19, or other general spending reviews, a general election, or a change of government, though this may also lead to additional opportunities.	1. Traffic & Data Services 2. Rail Technology & Services	As the Group grows and diversifies its revenue streams, the exposure to government spending should reduce but will always be a risk for parts of the Traffic & Data Services Division due to the nature of its customer base, which cannot be mitigated against. For the Rail Technology & Services Division, the Group seeks to ensure that its offerings have a clear return on investment and value proposition, to ensure demand remains high.	Increased in the year given the increased political issues from the impact of leaving the European Union, and the introduction of EMAs and ERMAs as noted above for the various Train Operating Companies and Owning Groups. Government spending in areas relevant to the Group in light of the Covid-19 pandemic is currently unknown.
<u>Reliance on certain key customers</u>			
The Group has a large number of customers but derives a significant amount from one key customer for a large part of its Rail Technology & Services offering. There can be no guarantee as to the timing or quantum of any potential future orders from this customer. In addition, the Group's Traffic & Data Services division operates under a number of Framework Agreements with one large customer from whom a significant amount of revenue is obtained. Across the Group, there are a number of key customers which contribute to large amounts of revenue. The Group's remains exposed to the largest customer's funding cycles and procurement processes.	1. Rail Technology & Services 2. Traffic & Data Services	As the Group continues to grow both organically and by acquisition, the exposure to and reliance on any one customer will reduce, relative to total Group revenue. Although there will always be an exposure to certain key customers, it manages this risk by managing customer requirements proactively to understand their needs and respond to them to ensure that its products and services are embedded with the customer as much as possible.	The business acquired in the year has its own key customers to add to the exposure, as do the businesses acquired in the previous year. Due to a reduced level of revenue from the Traffic & Data Services Division due to Covid-19, the amount of revenue from the Group's largest customer has increased. Total revenues from the Group's largest customer were 21% of Group revenue (2019: 18%). The Traffic & Data Services Division derived £2.7m (2019: £3.7m) from one particular customer.
<u>Project Delivery</u>			
The Group has several significant contracts with major UK Train Operating Companies and Infrastructure Providers which contain a number of deadlines for implementation, in accordance with the contractual requirements and timeframes. Certain events within the Traffic & Data Services Division are significant and require large staff deployments and delivery.	1. Rail Technology & Services 2. Traffic & Data Services	The Group continues to deploy an extensive delivery team, following a sustained major recruitment exercise, and has worked with the clients to establish a programme and project plan to ensure that the deliverables can be achieved. Event related work is subject to significant advance planning.	Increased in Rail Technology & Services in the year due to the additional Rail Technology contracts secured, but decreased within Traffic & Data Services given the reduction in the number of major Events delivered due to Covid-19

Risk Management continued

Description/Potential impact:	Area of Group impacted:	Mitigation:	Change in the year:
<u>Attraction and retention of key employees</u>			
The Group has a number of key individuals, plus a wide and diverse workforce. Skills and expertise in the Group's key markets are specialist and can be difficult to find or develop, and so growth of the business may be impacted should key individuals leave employment, or if the business is unable to attract, recruit and develop staff for its growth plans.	All parts of the Group.	The Group seeks to offer competitive remuneration packages, and also offers various share incentive schemes to staff in order to attract and retain good calibre employees. The Group seeks to offer career development opportunities in order to offer its staff with opportunities to progress within the business. Increased levels of staff engagement have taken place given Covid-19 and the challenges of working from home.	Unchanged in the year.
<u>Technological changes</u>			
The Group has a variety of product and service offerings which may be threatened should competitors or other new market entrants develop rival technology develop more effective ways of doing things, which potentially make some of the Group's services redundant and could potentially lead to reduced levels of business.	1. Traffic & Data Services 2. Rail Technology & Services	The Group continues to invest in its development team for its technology products to ensure that they remain up to date and also relevant to the customer base. It also receives feedback from its clients about their requirements from the products which helps to ensure that they remain relevant. Some of the Group's offerings continue to be protected by customer relationships, Framework Agreements, contractual terms and also a barrier to entry is the significant development costs required to enter the market, which provides some protection. A new 'Innovation Hub' was launched in the year.	Unchanged in the year.
<u>Competition</u>			
The success of the Group could lead to increased competition, in particular in Traffic & Data Services where our products and services can be more easily replicated. The Group has a wide range of product and service offerings and some are more exposed to more competition than others. When tendering for certain major contracts within the Group's Rail Technology & Services Division, competition from European companies seeking to enter the UK market has been experienced.	1. Traffic & Data Services 2. Rail Technology & Services	The Group pays close attention to pricing and customer satisfaction for areas subject to the most competition and seeks to be competitively priced where possible. The Group attempts to ensure its products and services have a clear value proposition and return on investment with the objective of getting its products and services embedded within its customer base to reduce the exposure to potential new entrants.	Unchanged in the year.

Risk Management continued

Description/Potential impact:	Area of Group impacted:	Mitigation:	Change in the year:
Health & Safety			
The Group has a large number of employees operating at a variety of temporary and permanent locations across the country, and also travelling to and from these locations.	1. Traffic & Data Services 2. Rail Technology & Services	Dedicated Group led Health & Safety team trained to IOSH & NEBOSH standards. Access to and support from external Consultancy who are retained by contract. Dashcams and tracker devises installed in company vehicles and partnership with external provider to manage driver risk and check licencing. Internal assurance activity provided by peripatetic risk-based auditing. Employee activity assessed for risk and documented safe systems of work in force	Decreased due to additional risk assessment and safe systems of work, as well as increased levels of internal auditing, improved information management, investigation of incidents, safety surveillance activity and policy re-rewrites. Group Health & Safety Manager appointed from August 2020. Risk partly reduced given the reduction in Traffic Data and Event related work in the year due to the impact of Covid-19, though partly increased on due to the reopening of offices following Covid-19 which required a thorough risk assessment to ensure staff return to a safe working environment.
Customer pricing pressure			
Price pressure from customers may potentially result in margins being reduced over time if lower revenues are achieved than those which were achieved historically.	1. Traffic & Data Services 2. Rail Technology & Services	The Group seeks to operates a lean organisation structure in order to mitigate pricing pressure, and constantly searches for ways to ensure that its cost base operates efficiently and effectively. Pricing for tenders and enquiries is submitted accordingly on the most favourable commercial terms. The Group is committed to ensuring customer satisfaction and offering a compelling return on investment for its products with a clear value proposition, so that the customer base will continue to adopt its products due to their quality and business case, with price being of lower concern.	Increased in the year as the industry emerges from Covid-19, and it is expected to be more competitive in certain parts of the Group due to the prevailing economic conditions.
Brand reputation			
Any adverse publicity concerning the Group, or any of its subsidiary businesses may have an impact on future trading prospects if the Group's brand is adversely affected as a result of this.	All parts of the Group	As part of its Corporate Governance, the Board maintains regular dialogue with Operational staff and Heads of Department and so is made aware of any issues so that corrective action can be taken if necessary. Trained and qualified staff are in key appointments, there is an internal incident reporting mechanism, and structured risk management model.	No change in the year.

Risk Management continued

Description/Potential impact:	Area of Group impacted:	Mitigation:	Change in the year:
<u>Regulatory breach</u>			
There may be a Privacy event, data breach or loss of personal data as defined by GDPR, or deviation from regulatory compliance leading to a fine or enforcement order imposed on the business by a Court, Regulator or Regulatory body - such as the FCA, HSE, ICO etc	All parts of the Group	Staff training on GDPR, and Group Data Protection Officer who is IAPP Certified Information Privacy Manager trained. Effective Group level Corporate governance mechanisms exercised. Senior Management generate Corporate and Social Responsibility policy and culture. Directors briefed on AIM rules in conjunction with Nominated Advisor, and regular dialogue maintained with finnCap throughout the year.	No change in the year
<u>Impact of EU Referendum</u>			
The decision to leave the European Union may have a potential impact on the macroeconomic conditions in the UK, from which the Group derives the majority of its revenue and profit, which may impact on the Group's customers, in particular those revenues derived from the public sector should this lead to any reduction in government spending. The Group has customers in Ireland and Sweden.	All parts of the Group	Tracsis continues to operate within specific niche verticals of the traffic data and transport markets. The Group believes that its market offering and the sectors in which it operates provides it with good resilience to external influences although continues to be vigilant of these influences.	Increased in the year as the date for leaving the European Union gets closer.
<u>Integration risk</u>			
The Group has made one acquisition in the year, and made three in the previous year. It plans to integrate each acquired business to various extents. In particular, the Group is combining SEP and CTM into one Combined Events Business, and has integrated Bellvedi and iBlocks into its existing Rail Technology & Services Division.	1. Traffic & Data Services 2. Rail Technology & Services	A plan exists for the integration of each of the acquired businesses.	No change in the year.

Strategic Report

Covid-19 review

Introduction

- On 11 March 2020 the World Health Organisation declared a global pandemic after the outbreak of the Covid-19 virus
- In line with many other businesses in the United Kingdom and across the wider world, the Group has been impacted by Covid-19
- Action has been taken to mitigate the impact accordingly

Impact on the Tracsis business during 2019/20

- There has been a significant impact on current macroeconomic conditions in the UK and worldwide
- The Rail Technology & Services Division continued to trade well and was generally not impacted by the pandemic with the exception of significantly reduced delay-repay related revenues. Several major pieces of Software work were delivered or secured
- The Traffic & Data Services Division was badly impacted with the cancellation or postponement of several major events and data collection projects which had an estimated impact of around £10m against our budgeted revenues, but the business still delivered a major project despite the crisis and also secured small amounts of Covid-19 related work at fixed venues
- The Group did not suffer any significant bad debts due to its generally blue-chip nature of its customer base
- The Group agreed to extend the contingent consideration periods of two previous acquisitions

Mitigating actions taken by the Group

- The Group ensured the vast majority of staff worked from home in line with government guidelines
- Staff welfare regularly checked, and a health & wellbeing site section set up on Intranet, and staff surveys undertaken
- Many staff were placed on 'Furlough' and the Group received Coronavirus Job Retention Scheme grant monies
- Several staff from businesses impacted were redeployed elsewhere in the Group
- The Group has taken action to reduce its cost base mainly in the Traffic & Data Services Division by a number of measures such as redundancies, salary reductions, no payment of bonuses
- Full risk assessments of offices have been undertaken with small numbers of staff beginning to return to offices, prior to the revised Government guidance for staff to work from home if possible

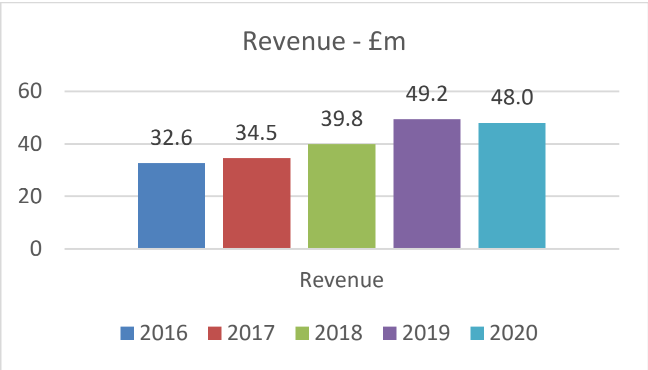
Expected impact on the business for 2020/21 and beyond

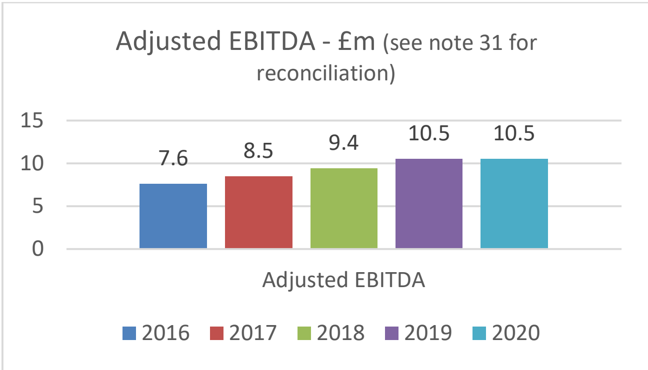
- It is expected that there will be a significant impact around future macroeconomic conditions in the UK and worldwide
- Cost reduction measures across the whole Group, but mainly within the Traffic & Data Services Division have been implemented – mostly in the year ended 31 July 2020 and some during the year ending 2021
- Reduced levels of delay-repay revenues are again expected to continue into 2021
- Reduced levels of Traffic Data Collection work versus normal have been factored in to the Group's strategy though a return to more normal market conditions is expected at some point in the future, likely beyond 2020-21
- Reduced levels of Event work versus normal are expected to take place though again a return to more normal market conditions is expected at some point in the future, likely beyond 2020-21
- Potential short term disruption to procurement of Train Operating Companies who have entered into ERMAs

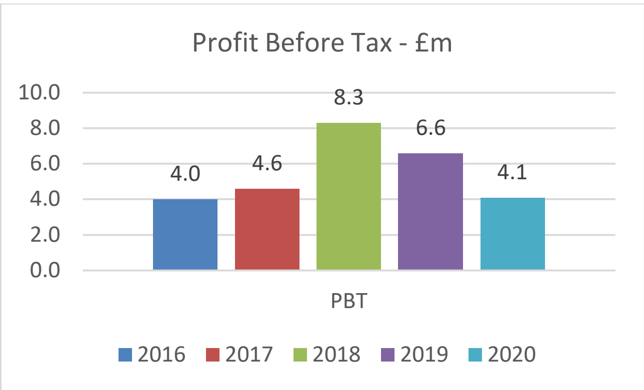
Strategic Report

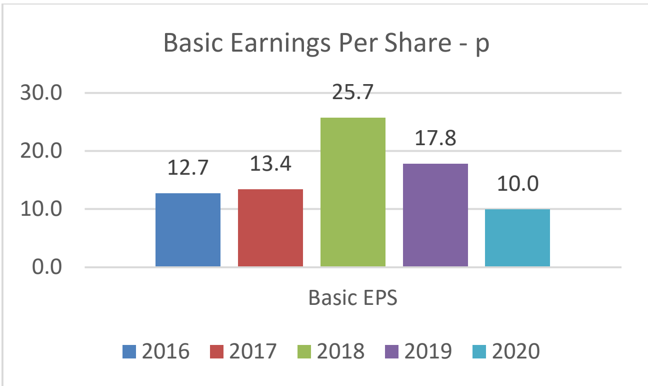
Key Performance Indicators

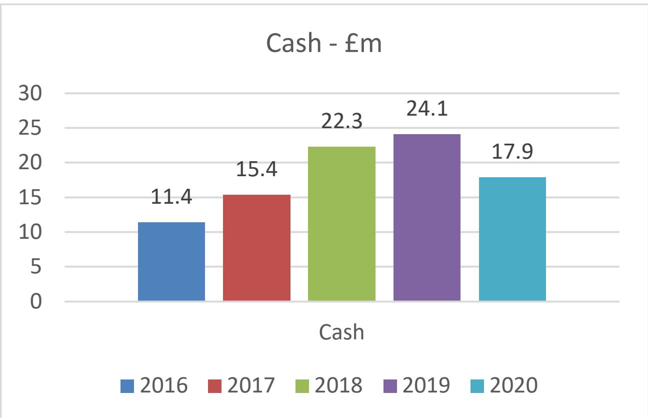
1. The Group's main Key Performance Indicators (KPIs) assessed at Group Level are as follows:
    a. Sales revenue and various profit metrics such as EBITDA, Profit before Tax, Earnings Per Share) versus the annual budget, updated forecast and previous year
    b. Cash balances
2. Additional Key Performance Indicators specific to specific divisions:
    a. Rail Technology & Services
        i. Sales to key UK clients, and contracted revenue for various Software products
        ii. Sales to overseas customers in target markets
        iii. Staff utilisation and chargeability
        iv. Delivery of major projects against customer deliverables and deadlines
        v. Sales prospects and forecasts versus budget and prior year
    b. Traffic & Data Services:
        i. Customer enquiries and conversion rates,
        ii. Number of events and event days, plus casual staff costs relative to revenue
        iii. Cross selling of products and services to the existing customer base
        iv. Synergy savings achieved from consolidating business units
        v. Sales prospects and forecasts versus budget and prior year











Note re basis of preparation and adoption of IFRS 15 and IFRS 16:

2016 to 2018 financial statements prepared under IAS 18 ('Revenue'), 2019 and 2020 financial statements prepared under IFRS 15 ('Revenue from Contracts with Customers')

2016 to 2019 financial statements prepared under IAS 17 ('Leases'), 2020 financial statements prepared under IFRS 16 ('Leases'). 2020 Adjusted EBITDA includes £0.8m adjustment in respect of IFRS 16 when compared to 2019. A reconciliation is provided in note 32

Strategic Report

Section 172 Statement

Broader Stakeholder Interests

Directors of the Group must consider Section 172 of the Companies Act 2006 which requires them to act in the way that would most likely promote the success of the Group for the benefit of all its stakeholders. The Board and its committees consider who its key stakeholders are, the potential impact of decisions made on them taking into account a wider range of factors, including the impact on the Group's operations and the likely consequences of decisions made in the long term. The Group's key stakeholders, material issues and how the Board and the Group have engaged with them during the year is set out below.

The Directors promote a culture within Tracsis of treating everyone fairly and with respect and this extends to all principal stakeholders including shareholders, employees, consultants, suppliers, customers and the communities where it is active.

Strategy

Details of the Group's long term strategy is provided on page 3 which indicates a combination of organic growth and growth by acquisition. A strategy review took place in September 2019 and is expected be updated again in early to mid 2021 and thereafter become an annual exercise. The Board believes that this strategy has been successful in the past and will lead to further growth in the future.

Employees

The CEO provides a monthly performance update to each member of the Senior Leadership Team throughout the Group which keeps them informed of what is happening across the wider Group. Our employees were naturally impacted by Covid-19 but we supported them throughout. Our key priority during these unprecedented times was the health and wellbeing of our employees, our clients and their families. As such, the vast majority of staff immediately transitioned to working at home which on the whole was deemed to be a success, and many other staff were placed on 'furlough' in order for the business to claim Coronavirus Job retention Scheme (CJRS) grant monies. The Group continued to support the staff in question by topping up salaries to 100% until July 2020. During Covid-19 'lockdown', more frequent business updates were issued to the team, and these were also shared with the wider employee base.

Prior to Covid-19, the CEO and CFO held meetings at various offices across the Group and provided the opportunity for all staff to engage with them and ask questions in a more informal setting over a team lunch. This has not happened since Covid-19, but instead, regular 'lunch and learn' sessions have been set up which offer all employees the opportunity to learn about the Group's various product and service offerings. The Tracsis intranet was also launched in the year and was updated during Covid-19 to include a health and wellbeing section which provided support to employees as they worked remotely. Due to the financial impact of Covid-19, the Group had to make several colleagues redundant, mainly within the Traffic & Data Services Division.

Business conduct and ethics

The Group is committed to high standards of business conduct and ethics. Further details are provided in the Governance section on pages 18 to 27.

Shareholders

Responsibility for managing shareholder relationships rests with CEO and CFO who have completed two roadshows in the year for the final results from the previous year and interim results from the current year, and also various ad hoc meetings throughout the year covering both UK and overseas investors. The interim roadshow was held virtually given the travel restrictions imposed by Covid-19. These roadshows cover both existing and potential new investors. The Chairman has also had some contact with institutional shareholders too. The Group encourages all shareholders to attend AGMs normally, though the forthcoming AGM is likely to be held virtually given the challenge of Covid-19.

Clients

The Group has a wide range of current and prospective clients across its various Divisions and business units. Regular contact is maintained through a variety of relationships at all levels throughout the organisation. The Group has a number of large projects that are ongoing at any point in time which require regular dialogue and close liaison with the customer base. In the past, the Group has held user days for various product offerings but these have not taken place in the year due to the impact of Covid-19. Regular contact with clients is maintained through video conference facilities

Section 172 Statement continued

Community
One of the Group's subsidiaries, Bellvedi Limited, has been awarded the Diamond Award for payroll giving, which is the highest of five awards that can be given, and represents that the business has over 30% of employees taking part in the scheme and the Company pays the administration fees and matches donations. The Group has also sponsored a number of athletes and has made several donations to the Community.

Suppliers
The majority of the Group's costs are staff costs. In respect of external suppliers, the Group has a policy of treating all suppliers fairly and paying in accordance with agreed payment terms which are generally within 30 days of invoice. The Group provides details of its payment practices twice a year and the January 2020 report indicated that the average time taken to pay invoices was 25 days, and that 76% of invoices were paid within 30 days. The July 2020 report indicated that the average time taken to pay invoices was 21 days and that 78% of invoices were paid within 30 days.

Regulation
As a listed business, Tracsis is required to comply with all AIM rules and has done so during the year. Some of the Group's subsidiary companies are certified for ISO 27001, and certain ones are also certified for ISO 9001. The Group has recently commenced an initiative to obtain ISO 27001 certification for more of its subsidiary companies and has a plan for rolling this out over the coming year.

Health Safety and Environment
The Group's Traffic Data Collection and Event based work are deemed to carry the highest risk from a Health & Safety perspective, as the majority of the Group's other operations are office based which are deemed to be low risk. The Group employed a Divisional Health & Safety Manager during the year whose role has since been expanded into a Groupwide role with the title of Group Health & Safety Manager. During the year, the Group had one RIDDOR which related to outside work. Risk assessments have been completed for all of the Group's offices as staff have returned to work, to ensure that workplaces are deemed 'Covid secure'.

Each of the Board members consider that they have acted together, in good faith in a way most likely to promote the success of the Group for the benefit of its broader range of stakeholders as a whole taking into account section 172 (1) (a-f) of the Companies Act 2006.

The strategic report has been approved by the Board of Directors and signed on their behalf.

Max Cawthra,
Director Tracsis plc
Nexus
Discovery Way
Leeds,
United Kingdom
LS2 3AA

Governance

Board of Directors

Executive Directors

Chris Barnes (45) Chief Executive Officer

Chris was appointed as Chief Executive Officer on 1 May 2019. Prior to joining Tracsis, Chris was Managing Director of Ricardo UK Limited's automotive consulting division, and had previously held a number of senior roles within Ricardo plc. Chris has a Master's degree in Engineering, Economics and Management from the University of Oxford and is an alumnus of Harvard Business School.

Max Cawthra (42) Chief Financial Officer

Max joined Tracsis in September 2010 as Financial Controller and was promoted to the Board in August 2011. Max is a Chartered Accountant, having trained with EY in Leeds. Prior to joining Tracsis, Max spent seven years at Persimmon plc in a variety of roles.

Non-Executive Directors

Chris Cole (74) Independent Non-Executive Chairman

Chris is Non-Executive Chairman of WSP Global Inc. (listed on the Toronto Stock Exchange), the successor to WSP Group plc. Chris brings significant general business and public market experience to the Board from his current and previous roles.

Member of Audit Committee, Remuneration Committee and Nominations Committee.

Lisa Charles-Jones (49) Independent Non-Executive Director

Lisa is currently HR Director at Parkdean Resorts. She is a HR professional and worked for LSL Property Services plc for 13 years, which is listed on the Main Market of the London Stock Exchange, firstly as Head of HR and for the last ten years as Group HR Director. She is a member of the Chartered Institute of Personnel and Development and holds an MBA from the University of Durham. Lisa is also a Non-executive Director of Countrywide plc and holds Directorships at a registered charity The Percy Hedley Foundation, and at the Housing Association Bernicia Housing. Lisa brings a wide range of HR experience to the Board.

Member of Audit Committee, Remuneration Committee and Nominations Committee.

Liz Richards (62) Independent Non-Executive Director

Liz was previously Group Finance Director of Callcredit Information Group, from 2000 to 2015. Callcredit is a consumer data business, which grew from a start-up in 2000 to a £150m turnover business with over 1,000 employees. Following its significant growth and success, the business was sold in 2014 for circa £500m. Liz is a Chartered Accountant, having trained with EY, and currently is Non-executive Director and audit committee chair of Dot Digital plc which is listed on AIM, and also LINK Scheme Ltd, the UK ATM network operator, and also a Board Governor at Leeds Trinity University. Prior to Callcredit, Liz worked in a variety of finance roles. Liz brings extensive Finance experience to the Board.

Member of Audit Committee, Remuneration Committee and Nominations Committee.

Mac Andrade (44) Independent Non-Executive Director

Mac was appointed to the Board on 1 November 2018. Mac has held various senior roles at FirstGroup Plc, Network Rail, Scottish & Southern Energy and National Grid. Mac brings extensive rail industry expertise and knowledge to the Board.

Member of Audit Committee, Remuneration Committee and Nominations Committee.

Governance

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 July 2020.

Tracsis plc ('the Company') is a public limited company incorporated and domiciled in the United Kingdom and under the Companies Act 2006. The address of the Company's registered office is Nexus, Discovery Way, Leeds, United Kingdom, LS2 3AA.

The Company is listed on AIM, part of the London Stock Exchange.

The Group financial statements were authorised for issue by the Board of Directors on 4 December 2020.

Further information on the activities of the business, the Group strategy and an indication of the outlook for the business are presented in the Chairman and Chief Executive Officer's Statement and the Strategy and Business Model sections of the report.

Financial results
Details of the Group's financial results are set out in the Consolidated Statement of Comprehensive Income, other primary statements and in the Notes to the Consolidated Financial Statements on pages 37 to 87.

Dividends
In February 2012, the Board implemented a progressive dividend policy. In view of Covid-19, the Group decided not to pay an interim dividend for the six months ended 31 January 2020 and committed to reviewing it at the full year stage. The Board does not consider it appropriate to pay a final dividend this year. The impact on cash of not paying the dividend is around £0.6m. The Board is committed to restoring the progressive dividend policy in the future and will review this at the earliest appropriate opportunity.

Directors
The directors who serve on the Board and on Board Committees during the year are set out on page 18.

Under the Articles of Association of the Company, one third of the directors are subject to retirement by rotation at the forthcoming Annual General Meeting, notice of which accompanies this Report and Accounts. Accordingly, Lisa Charles-Jones and Mac Andrade retire by rotation and, being eligible, offer themselves for re-election. In relation to the re-elections of each of the directors, the Board is satisfied that each of these directors continues to be effective and to demonstrate commitment to the Company.

Information in respect of directors' remuneration is given in the Directors' Remuneration Report on pages 22 to 25.

Directors' shareholdings
Directors' beneficial interests in the shares of the Company, including family interests, at 31 July 2020 and 2019 were as follows:

	31 July 2020		**31 July 2019**	
	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Chris Barnes	-	-	-	-
Max Cawthra	168,022	0.58%	168,022	0.59%
Chris Cole	7,000	0.02%	7,000	0.02%
Lisa Charles-Jones	-	-	-	-
Liz Richards	-	-	-	-
Mac Andrade	4,118	0.01%	-	-

None of the Directors had any interests in the share capital of subsidiaries. Further details of share options held by the directors are set out in the Directors' Remuneration Report.

Directors' Report continued

Substantial shareholdings

At 3 December 2020, being the latest practicable date prior to the publication of this document, the Company has been advised of the following shareholdings of 3% or more in the issued share capital of Tracsis plc:

	Number of shares	% of issued shares
Schroder Investment Management	2,382,920	8.2%
Unicorn Asset Management	2,319,000	8.0%
Tellworth Investments	2,163,557	7.4%
Ennismore Fund Management	1,567,655	5.4%
Charles Stanley	1,498,829	5.1%
AXA Framlington Investment Managers	1,426,473	4.9%
Downing	1,312,836	4.5%
Franklin Templeton Fund Management	1,105,300	3.8%
Canaccord Genuity Wealth Management	1,017,100	3.5%
NFU Mutual	934,700	3.2%
Rathbones	884,273	3.0%

Payment of suppliers

It is the Group's policy to pay suppliers in accordance with the terms and conditions agreed in advance, providing all trading terms and conditions have been met. All payments are made in the ordinary course of business and the Group expects to pay all supplier debts as they become due.

Trade payable days for the Group at 31 July 2020 were 42 days (2019: 59 days).

Research and development

During the year the Group incurred £3,048,000 (2019: £2,166,000) of expenditure on research and development activity mainly relating to software development, which has been charged to the Income Statement in accordance with the Group's accounting policy.

Financial instruments

Details of the Group's exposure to financial risks are set out in Note 26 to the financial statements.

Employment policy

It is the policy of the Group to operate a fair employment policy. No employee or job applicant is less favourably treated than another on the grounds of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely on merit. The Directors encourage employees to be aware of all issues affecting the Group and place considerable emphasis on employees sharing in its success through its employee share option schemes. In addition, the Group is committed to training courses, with a number of staff undertaking apprenticeships and other technical training, and is also to career development and internal promotion where possible within the Group. Further details on employee engagement is provided in the Section 172 statement on pages 16 and 17, and the Covid-19 review section on page 14.

Environment

The Group adheres to all environmental regulations and has, where possible, utilised environmental-sustaining policies such as recycling and waste reduction.

The Group is classed as large under the Companies Act 2006 and therefore falls under the scope of the Streamlined Energy & Carbon Reporting requirements, applicable for the first time in this financial year. No individual UK registered company within the Group is a large company that consumes more than 40,000 KWH of energy per year

Future business developments

Details of these are provided in the strategic report, and the Chairman & Chief Executive Officer's report on pages 2 to 8.

Directors’ Report continued

Significant Contracts

There are a number of significant contracts in operation across the Group.

- Tracsis plc has some large contracts with Train Operating Companies from which it derives significant amounts of revenue;
- MPEC Technology Limited, a subsidiary company, has a significant Framework Agreement with a major railway infrastructure provider, from which it has historically derived a significant amount of business;
- Tracsis Traffic Data Limited, another subsidiary company, has a significant contract with a major worldwide engineering consultancy company from which it has historically derived a significant amount of business;
- Ontrac Limited works extensively with a major railway infrastructure provider, from which it has historically derived a significant amount of business;
- SEP Limited, and Cash & Traffic Management Limited both have a number of significant, multi-year contracts with a number of key clients;
- Compass Informatics Limited has a range of contracts with government bodies and private sector organisations; and
- iBlocks Limited has some significant contacts with Train Operating Companies and also industry association bodies

Auditor

KPMG LLP resigned as the Group’s auditor in the year, and Grant Thornton UK LLP were appointed. A resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

Provision of information to auditor

All of the current Directors have taken all steps that they ought to have taken to make themselves aware of any information needed by the Company’s auditor for the purposes of their audit and to establish that the auditor is aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

Third party indemnity provisions

All directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Events after the Balance Sheet date

There were no post balance sheet events requiring disclosure.

By order of the Board

Max Cawthra
Company Secretary

4 December 2020

Nexus
Discovery Way
Leeds
United Kingdom
LS2 3AA

Governance

Directors’ Remuneration Report

As a company listed on AIM, the Company is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the “Regulations”), nor is it required to comply with the principles relating to directors’ remuneration in the UK Corporate Governance Code 2018 (the “Code”).

Unaudited information:

Tracsis plc, presents its remuneration report below.

Remuneration committee

The Remuneration Committee is described in the Report on Corporate Governance. The remuneration for each Executive Director is determined by the Remuneration Committee, which comprises the Non-Executive Directors. None of the committee members has any personal financial interest, other than as shareholders, in the matters to be decided.

Service contracts

It is the Group’s policy to enter into service contracts or letters of appointment with all Directors. Specific terms are:

	Date of contract	Commencement date	Unexpired term	Notice period
Executive Directors				
Chris Barnes	04.02.19	04.02.19	Indefinite	6 months
Max Cawthra	20.09.10	20.09.10	Indefinite	3 months
Non-Executive Directors				
Chris Cole	28.04.14	28.04.14	Indefinite	3 months
Lisa Charles-Jones	25.08.16	25.08.16	Indefinite	3 months
Liz Richards	01.09.16	01.09.16	Indefinite	3 months
Mac Andrade	01.11.18	01.11.18	Indefinite	3 months

None of the service contracts or letters of appointment provide for any termination payments.

Remuneration policy

The remuneration packages for Directors and senior management have been structured so as to fairly compensate them for their contribution to the Group and to encourage them to remain within the Group, plus motivating them to deliver the Group’s strategy. The basic components of these packages include:

Basic salary and bonus arrangements

Each Director receives an annual salary or Directors’ fee for his/her services. These salaries are reviewed annually by the Remuneration Committee and take into account the financial performance of the Group and market conditions. The Group operates a bonus scheme, which is based on profit related targets and also personal objectives. The Remuneration Committee is entitled to decide whether any bonuses are payable, and if so, what amounts should be granted to Executive Directors.

External appointments

The committee recognises that its directors may be invited to become executive or non-executive directors of other companies or to become involved in charitable or public service organisations. As the Committee believes that this can broaden the knowledge and experience of the directors to the benefit of the Group, it is the Group’s policy to approve such appointments provided that there is no conflict of interest and the commitment is not excessive. The director concerned can retain the fees relating to any such appointment.

Directors' Remuneration Report continued

Pensions and benefits in kind

All staff, Executive Directors and senior management are entitled to participate in the stakeholder pension plan established by the Group. Benefits are provided to certain Executive Directors, including private health cover. The Group does not provide any company cars to any of its Directors. The Group makes employer pension contributions to the pension schemes at a rate of 10% of basic salary for Chris Barnes and 5% of basic salary for Max Cawthra. Chris Barnes elected to exchange employer pension contributions for additional salary. There was no additional cost to the Group in respect of this arrangement.

Directors' remuneration

Directors' remuneration for the year ended 31 July 2020 is set out below

	Basic salary £000	Pension Conts £'000	Bonus £000	Benefits in kind £000	Total 2020 £000	Total 2019 £000
Executive Directors						
Chris Barnes	275	-	25	-	**300**	150
Max Cawthra	156	7	15	-	**178**	229
	431	7	40	-	**478**	379
Non-Executive Directors						
Chris Cole	60	-	-	-	**60**	50
Lisa Charles-Jones	33	-	-	-	**33**	28
Liz Richards	33	-	-	-	**33**	28
Mac Andrade	30	-	-	-	**30**	19
	156	-	-	-	**156**	125

Directors' interests in share options in the Executive Share Option Schemes

	At 1 August 2019	Granted	Lapsed	Exercised	At 31 July 2020	Exercise price pence	Date from Which Exercisable	Expiry date
Executive Directors								
Chris Barnes (note a)	21,417	38,961	-	-	60,378	0.4p	01/05/2022	01/05/2029
Max Cawthra	40,535	-	-	-	40,535	0.4p	Fully vested	15 Dec 2025 / 6 Jan 2027
Non-Executive Directors								
Chris Cole	-	-	-	-	-	-	-	-
Lisa Charles-Jones	-	-	-	-	-	-	-	-
Liz Richards	-	-	-	-	-	-	-	-
Mac Andrade	-	-	-	-	-	-	-	-

In accordance with Corporate Governance best practice, the Group no longer grants stock options to Non-Executive Directors. This ensures objectivity and independence within the Board's decision making process.

Directors' Remuneration Report continued

Directors' interests in shares options in the Executive Share Option Schemes (continued)

Note a

In connection with Chris Barnes' appointment as a Director of the Group, the Remuneration Committee agreed a share option award to compensate Chris for unvested incentives forfeited from his previous employer on joining Tracsis. As such, Chris was awarded 21,417 share options in Tracsis plc with an exercise price of 0.4p, that can be exercised on or after 4 February 2022 being three years since Chris joined the Group.

In addition, Chris participated in the 2019 LTIP as follows:

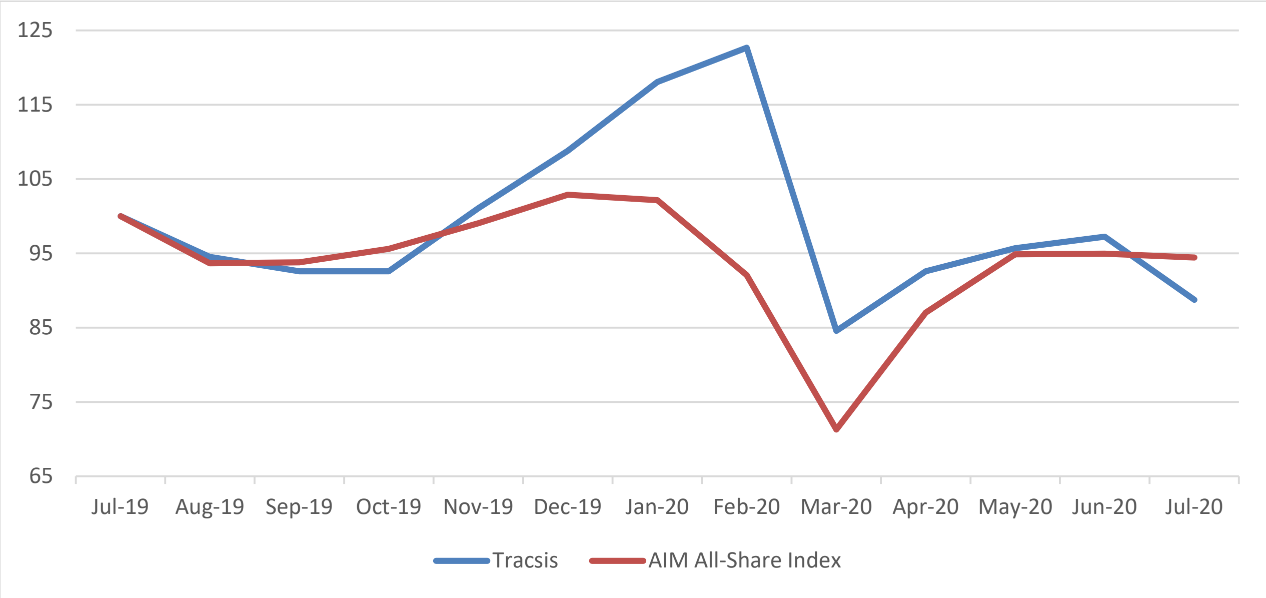
- Chris Barnes granted a maximum of 38,961 options
- Full award is only payable should statutory diluted EPS for the year ending 31 July 2022 be 25.92p, and TSR versus the peer group is in the top quartile
- Should statutory diluted EPS for the year ending 31 July 2022 be less than 22.92p, and TSR versus the peer group is less than the median, no options will be awarded
- For scenarios between the above range, the options will be exercisable on a sliding scale basis in both instances
- Any options vesting will be able to be exercised from 3 December 2022 onwards, being three years from the grant date

The aggregate amount of pre-tax gains made by directors on the exercise of share options was £nil (2019: £nil). No directors received or were due to receive any shares under long term incentive schemes other than under the share options schemes set out above.

Directors' Remuneration Report continued

Performance graph

The following graph shows the Company's share price (rebased) compared with the performance of the FTSE AIM all-share index (rebased) for the period from 1 August 2019 to 31 July 2020.



The committee has selected the above index because it is most relevant for a company of Tracsis's size and sector.

On behalf of the Board

Lisa Charles-Jones
Chair of the Remuneration Committee
4 December 2020

Governance

Corporate Governance

Tracsis plc was listed on AIM on 27 November 2007. The Group recognises the importance of, and is committed to, high standards of corporate governance. Tracsis plc, as an AIM Company, adopts the Quoted Company Alliance's Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 (updated April 2018) (the "QCA Code") which supports the Group's long term success and strategy for growth. The Board believes that the Group currently complies with the provisions of the QCA Code in all areas with the exception of the formal board evaluation. Further details of the Group's compliance with the QCA code can be found on the Group's website https://www.tracsis.com/investors/corporate-governance..

The Board

There are currently six Board members, comprising two Executive Directors and four Non-Executive Directors. The role of the Non-Executive Directors is to bring independent judgement to Board deliberations and decisions. Chris Cole was appointed as a Non-Executive Chairman of the Board in 2014 to oversee Board meetings and field all concerns regarding the executive management of the Group and the performance of the Executive Directors. A biography of each Director appears on page 18. The Directors each have diverse backgrounds and a wide range of experience is available to the Group. The Board meets ten times a year to review the Group's performance and to review and determine strategies for future growth. The Board has delegated specific responsibilities to its committees as set out below.

Each of the Directors is subject to either an executive services agreement or a letter of appointment as set out on page 22. Tracsis plc's Articles of Association require directors to retire from office and submit themselves for re-election on a one third rotation at each Annual General Meeting. Lisa Charles-Jones and Mac Andrade will be retiring at the Annual General Meeting and submitting themselves for re-election.

Board meetings and attendance

Board meetings were held on 10 occasions during the year. The table below shows attendance at the meetings whether in person or by telephone. The Company Secretary records attendance at all board meetings including where attendance is by telephone conference.

	Board Meetings (total/poss)	Nomination Committee Meetings	Remuneration Committee Meetings	Audit Committee Meetings
Chris Barnes	10/10	-	-	-
Max Cawthra	10/10	-	-	-
Chris Cole	10/10	-	1/1	1/2
Lisa Charles-Jones	10/10	-	1/1	2/2
Liz Richards	10/10	-	1/1	2/2
Mac Andrade	10/10	-	1/1	1/2

Independence of Non-Executive Directors

The Directors consider all Non-Executive Directors to be independent.

Board committees

Nomination Committee

The Nomination Committee comprises Chris Cole as Chairman, Lisa Charles-Jones, Liz Richards, and Mac Andrade. The committee's primary responsibilities are to make recommendations to the Directors on all new appointments of Directors and senior management, interviewing nominees, to take up references and to consider related matters.

Remuneration Committee

The Remuneration Committee comprises Lisa Charles-Jones as Chairperson, Liz Richards, Mac Andrade and Chris Cole as attendee. The committee's primary responsibilities are to review the performance of the Executive Directors and to determine the terms and conditions of service of senior management and any Executive Director appointed to the Board (including the remuneration of and grant of options to any such person under any share scheme adopted by the Group).

Corporate Governance continued

Audit Committee

The Audit Committee similarly comprises Liz Richards as Chairperson, Lisa Charles-Jones, Mac Andrade and Chris Cole as attendees. The audit committee's primary responsibilities are to monitor the financial affairs of the Group, to ensure that the financial performance of the Group is properly measured and reported on, and to review reports from the Group's auditor relating to the accounting and internal controls. The Audit Committee oversaw the change of auditor from KPMG LLP to Grant Thornton UK LLP during the year. The significant issues considered by the Audit Committee relating to the Group's financial statements include Revenue recognition, Intangible Assets, and Contingent Consideration, as detailed in note 4 to the financial statements.

Non audit services

In accordance with its policy on non audit services provided by the Group's auditor, the Audit Committee reviews and approves the award of any such work. The Audit Committee refers to the Board for approval of any work comprising non audit services where the fees for such work represent more than 25% of the annual audit fee. During the year, Grant Thornton UK LLP did not provide any non audit services (2019: KPMG LLP £nil).

Auditor independence and conflicts of interest

The Audit Committee continues to evaluate the independence and objectivity of the external auditor and takes into consideration all United Kingdom professional and regulatory requirements. Consideration is given to all relationships between the Group and the audit firm (including in respect of the provision of non audit services). The Audit Committee considers whether, taken as a whole, and having regard to the views, as appropriate, of the external auditor and management, those relationships appear to impair the auditor's judgement or independence. The Audit Committee feels they do not.

Internal audit

The Audit Committee agrees that there should be no internal audit function of the Group at this time considering the size of the Group and the close involvement of senior management over the Group's accounting systems. However, the Committee will keep this matter under review in the event that circumstances warrant an internal function for the Group in the future.

Control procedures

The Board approves the annual budget each year. This process allows the Board to identify key performance targets and risks expected during the upcoming year. The Board also considers the agreed budget when reviewing trading updates and considering expenditures throughout the year. Progress against budget is monitored via monthly reporting of actual financial performance against budget and prior year actual results. The Group has clear authority limits deriving from the list of matters reserved for decision by the Board including capital expenditure approval procedures.

Relations with shareholders

The Board recognises and understands that it has a fiduciary responsibility to the shareholders. The Chairman's Statement and Chief Executive's Statement include detailed analysis of the Group's performance and future expectations. The Group's website (www.tracsis.com) allows shareholders access to information, including contact details and the current share price. The Chief Executive is responsible for on-going dialogue and relationships with shareholders, alongside the Chief Financial Officer and Chairman. The Annual General Meeting will be a platform for the Board to communicate with shareholders and the Board welcomes the attendance and participation of all shareholders.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue for at least twelve months from the signing of the financial statements in operational existence and have therefore adopted the going concern basis in preparing the accounts. The Group is debt free and has substantial cash resources. At 31 July 2020 the Group had net cash and cash equivalents totalling £17.9m. The Board has prepared cash flow forecasts for the forthcoming year based upon assumptions for trading and the requirements for cash resources, these forecasts take into account reasonably possible changes in trading financial performance, and also make assumptions regarding the potential impact of Covid-19 on the business.

Board evaluation process

As noted above, the Board completed a formal evaluation process in a previous financial year which resulted in charges to the Board but has not completed a formal board evaluation process during the year.

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law and they have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the parent Company and Group for that period. Note that where the exemption has been taken under section 408, Companies Act 2006 not to publish the parent Company's profit and loss account, section 408(3) states that the directors must still prepare and approve the parent company's profit and loss account even though it is not published. In preparing each of the Group and Parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, and prudent;
- for the Group financial statements, state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

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

Independent auditor's report to the members of Tracsis plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Tracsis plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 July 2020, which comprise the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement, the Company balance sheet, the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 July 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the Group's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the parent company will continue in operation.

GrantThornton

Overview of our audit approach

- Overall materiality: £177,000, which represents 4.3% of the Group's profit before tax;
- Key audit matters were identified as revenue recognition, business combination accounting for intangibles arising from the acquisition of iBlocks Limited, valuation of intangible assets, valuation of contingent consideration and going concern; and
- We performed full scope audit procedures on all subsidiaries of the Group, with the exception of Compass Informatics Limited and iBlocks Limited, on which specified procedures were performed. Collectively these procedures, all of which were carried out by the Group audit team, covered 100% of the Group's revenues.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Valuation of intangible assets – non-current assets carrying value exceeds fair value within the SEP Limited (SEP), Cash & Traffic Management Limited (CTM), Tracsis Traffic Data Limited (TTD) and Tracsis Travel Compensation Services (TCS) CGUs The Group recorded goodwill and other intangible assets with a carrying value of £54.4m as at 31 July 2020 (2019: £38.8m). The Group has recognised an impairment to intangible assets in the year at a value of £0.9m. Given the uncertainty arising from the Covid-19 pandemic this year, there is an increased risk that the goodwill and intangibles held by the Group are impaired as per International Accounting Standard ('IAS') 36 ' Impairment of Assets'. We have focussed our significant risk upon the SEP CGU, CTM CGU, TTD CGU and the TCS CGU as these businesses have been more heavily impacted by the pandemic than other Group CGUs. Management have determined the recoverable amount of goodwill and intangible assets for SEP, CTM, TTD and TCS based on value-in-use calculations using discounted cash flows. There are significant judgements involved in these calculations, including forecasting the operating cash flows, long term growth rates and discount rates. We therefore identified the risk that non-current assets' carrying value exceeded their fair value as a significant risk, and one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing and challenging management's impairment review, ensuring appropriate costs are included or excluded, that cash flows included in the model are appropriate considering Covid-19, and that the methodology used is in accordance with the requirements of IAS 36; • Utilising valuation experts to independently determine a WACC for the Group, to assess whether the WACC used by management, as determined by their expert, is appropriate; • Assessing the competence of management's expert through reference to their qualifications and experience; • Performing sensitivity analysis on the forecast cash flows, long term growth rates and discount rates and determining their impact on the carrying value of the intangible assets; • Evaluating historical forecasting accuracy by comparing results achieved in prior years to budgets; • Evaluating whether the goodwill and intangible assets are allocated to the cash generating units appropriately and challenging whether the CGUs identified are appropriate; and • Assessing whether the impairment recorded against the TCS CGU is appropriate.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
	The Group's accounting policy on impairment of goodwill and intangibles is shown in note 3 and as part of critical accounting estimates and judgements shown in note 4 to the financial statements and related disclosures are included in note 15. **Key observations** From our work performed we are satisfied with management's judgement that the goodwill and intangibles allocated to the SEP CGU, CTM CGU and TTD CGU are not impaired. Management recorded an impairment to the TCS CGU of £0.9m. We have not identified any further material misstatements in relation to the valuation of intangible assets.
Business combination accounting, specifically the valuation of acquired intangible assets The Group acquired iBlocks Limited in the year resulting in additions of £20m to intangible assets, of which £12.9m is allocated to technology assets and customer related intangibles, with the remainder allocated to goodwill. IFRS 3 'Business combinations' requires assets and liabilities in the consolidated financial statements to be recorded at fair value. There is significant management judgement involved in determining the fair value of the assets and liabilities acquired, including the calculation of the fair value of technology and customer related intangibles acquired, and the discount rate and long term growth rates used in the valuation. We therefore identified the valuation and allocation of intangibles arising on acquisition as a significant risk, and one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Utilising our valuation experts to assist in assessing the work performed by management's valuation expert in relation to the valuation of acquired intangible assets - this included challenge of whether the methodology used in the valuation is in line with accepted valuation methods, and whether inputs such as future profits, attrition rates and discount rates used are appropriate; • Assessing the competence of management's expert through reference to their qualifications and experience; • Challenging management's rationale and calculations behind the fair values of any contingent consideration, including the assessment of range of possible outcomes and the probability of each of these; • Testing of the acquisition balance sheet; • Performing a review of key contractual terms including within the sale and purchase agreement and ensuring these had been accounted for correctly; • Reperforming the calculation of goodwill and comparing to the figure as determined by management to gain assurance over the mathematical accuracy of the calculation; • Agreeing the consideration paid to bank statement by reference to acquisition agreements; and • Assessing the adequacy of the relevant disclosure made in the financial statements with respect to the acquisition to determine whether they are complete and accurate. The Group's accounting policy on business combination accounting is shown in note 3 to the financial statements and related disclosures are included in note 5. **Key observations** Based on our audit work performed we have not identified any material misstatements relating to the valuation of intangible assets arising on acquisition.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Going concern As stated in 'the impact of macro-economic uncertainties on our audit' section of our report, Covid-19 is one of the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the Group and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. As such we identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Obtaining management's cash flow forecasts, including the impact of Covid-19, covering the period from 1 August 2020 to 30 November 2021 and updated consideration to 4 December 2021, assessing how these cash flow forecasts were compiled and assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, and challenging those assumptions.. • Evaluating the key assumptions, which included timing of cash outflows and inflows, and value of cash outflows and inflows, applied in the forecast for reasonableness and determined whether they had been applied appropriately. We also considered whether the assumptions are consistent with our understanding of the business, with current lockdown restriction guidance and the expected wider economic impact of Covid-19; • Challenging mitigating actions identified by management in the event of a downturn, which included an assessment of the possibility of performing such mitigations and corroboration of potential cost savings through to supporting documentation; • Performing reverse stress testing on management's model to determine the point at which headroom runs out, and assessing the likelihood of such a situation occurring; • Assessing the accuracy of management's past forecasting by comparing management's forecasts for last year to the actual results for last year and considering the impact on the cash flow forecast; • Comparing post year end results achieved to those forecasted to determine if the business is trading in line with forecast and • Assessing the adequacy of the going concern disclosures included within the Financial Statements. The Group's accounting policy and related disclosures on going concern are shown in note 2f to the financial statements. Additional information on the Group's response to the Covid-19 pandemic can be found in the Strategic Report on page 14. **Key observations** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Key Audit Matter – Group and parent	How the matter was addressed in the audit – Group and parent
Improper revenue recognition Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. Our identified presumed risk relating to Group revenue is focussed on the accuracy and completeness of the deferred income balance at the year end. At the year end, the Group recorded a total of £7.8m of deferred income (2019: £8.0m). In addition to the above, we have identified a risk regarding the accuracy of IFRS 15 accounting where the software contracts held by the Group contain multiple performance obligations, in particular the accuracy of the allocation of transaction price to performance obligations and the identification of performance obligations within the contract	Our audit work included, but was not restricted to: • Testing the design and implementation of key controls in the revenue recognition process, including those related to the posting and reconciliation of revenue; • Evaluating the revenue recognition policies for consistency with IFRS 15, through assessment of management's IFRS 15 paper; including, specifically, consideration of management's identification of performance obligations and allocation of the transaction prices to the performance obligations • Recalculating IFRS 15 adjustments made by management based on the supporting documentation of contracts and proof of acceptance used to make these adjustments, in order to gain assurance over the accuracy of IFRS 15 adjustments made; • Testing a sample of revenue transactions through to supporting documentation, ensuring the revenue in a selected item is recognised as per the Group's accounting policy, and performing a recalculation of the revenue recognised in the year to determine the amount of revenue that should be deferred, if any; • Recalculating the year-end deferred revenue balance in full based on management's schedules, and performing procedures on a sample basis to ensure schedules were complete and accurate; and • Testing a sample of manual journals posted to revenue by agreeing to supporting documentation, in order to gain an understanding of the rationale for these entries to ensure they were not indicative of management override of controls. The Group's accounting policy on revenue recognition is shown in note 3 to the financial statements and related disclosures are included in note 6. **Key observations** Based on our work performed we have not identified any material misstatements with respect to revenue recognition, specifically regarding the completeness and accuracy of deferred income and the accuracy of IFRS 15 accounting for software contracts with multiple performance obligations.
Valuation of contingent consideration As at the year end the Group has total contingent consideration payable of £7.3m. £3.3m of this is in respect of the iBlocks acquisition and £3.2m relates to the acquisition of Bellvedi in the prior year. The valuation of contingent consideration at fair value involves a significant degree of management judgement and is a material accounting estimate with a high degree of estimation uncertainty. As such, we identified the valuation of contingent consideration arising on the acquisitions of iBlocks and Bellvedi as a significant risk.	Our audit work included, but was not restricted to: • Reconciling contingent consideration per management's workings to the trial balance and financial statements, and agreeing brought forward contingent consideration to prior year financial statements. • Ensuring mathematical accuracy of the schedules provided to us by performing recalculations of contingent consideration due; • Testing the movement in contingent consideration payable year on year, through agreeing payments made to bank records and ensuring any changes to the fair value of existing contingent consideration agreed to

Key Audit Matter – Group and parent	How the matter was addressed in the audit – Group and parent
	supporting documentation, including correspondence with the relevant individuals, and that the assumptions behind the changes to fair value are appropriate; • Challenging management's rationale and assumptions used in calculations behind the fair values of any contingent consideration, including the assessment of range of possible outcomes and the probability of each of these; This included focussed assessment of the discounting used in measuring fair value of the contingent consideration in relation to prior year acquisition. • For contingent consideration arising on the acquisition of iBlocks Limited, agreeing inputs to the model used by management's expert, including those within the share purchase agreement, and assessing management's challenge of the underlying assumptions of the fair value estimate; and • Assessing the competence of management's expert through reference to their qualifications and experience; • Assessing whether contingent consideration due in more than one year has been discounted at an appropriate rate and performing a recalculation of the contingent consideration due after discounting; • Assessing the adequacy of the relevant disclosures made in the financial statements to ensure they are complete, accurate and in line with accounting standards. The Group's accounting policy on contingent consideration is shown in note 3d to the financial statements and related disclosures are included in note 21. **Key observations** Based on our audit work performed we have not identified any material misstatements relating to the valuation of contingent consideration. As a result of our audit challenge management recorded an adjustment to the contingent consideration payable. We have not identified any further material misstatements in relation to the valuation of contingent consideration.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Financial statements as a whole	£177,000 which is 4.3% of profit before tax. This benchmark is considered the most appropriate because it is a key performance indicator for the Group's stakeholders and is a generally accepted benchmark for listed companies.	£131,000 which is 3% of revenues. This benchmark is considered the most appropriate because the business is a trading entity, and the revenue figure is less volatile than the loss before tax.
Performance materiality used to drive the extent of our testing	70% of financial statement materiality.	70% of financial statement materiality.
Communication of misstatements to the audit committee	£8,850 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£6,550 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included:

- Obtaining and documenting an understanding of the design and implementation of controls in place related to significant risks;
- An evaluation of the Group's internal control environment, including its IT systems and controls;
- Evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality, including their relative contribution to the Group's revenues and profit before tax;
- Full scope procedures were performed for all components to a component materiality level, with the exception of Compass Informatics Limited which is based in Ireland, and iBlocks Limited which was acquired in the year. Components subject to full scope audit procedures cover 87% of the consolidated revenues;
- Specified audit procedures, including procedures over revenues, were performed on Compass Informatics Limited and iBlocks Limited to a Group materiality level. This work was performed by the Group audit team and covered 13% of Group revenues. Collectively full scope and specific audit procedures, all of which were carried out by the Group audit team, covered 100% of the Group's revenues; and
- A full scope statutory audit has been performed on the parent company.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Mark Overfield BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
4 December 2020

Financial Statements

Consolidated Statement of Comprehensive Income
for the year ended 31 July 2020

	Notes	2020 Group excluding in-year acquisitions £000	2020 Acquisitions in-year £000	2020 **Total** **£000**	2019 Total £000
Revenue	6	47,115	883	**47,998**	49,219
Cost of sales		(16,669)	(127)	**(16,796)**	(20,163)
Gross profit		30,446	756	**31,202**	29,056
Administrative costs		(26,162)	(617)	**(26,779)**	(22,360)
Adjusted EBITDA*	6, 31	10,250	213	**10,463**	10,514
Depreciation	14	(1,819)	(63)	**(1,882)**	(831)
Adjusted profit **	31	8,431	150	**8,581**	9,683
Amortisation of intangible assets	15	(3,176)	(423)	**(3,599)**	(2,251)
Other operating income	9.4	353	23	**376**	260
Share-based payment charges	8	(1,050)	-	**(1,050)**	(1,034)
Operating profit before exceptional items		4,558	(250)	**4,308**	6,658
Exceptional items:					
Impairment losses	9.3	(1,155)	-	**(1,155)**	(623)
Other	9.3	881	389	**1,270**	661
Operating profit	9	4,284	139	**4,423**	6,696
Finance income	10	76	-	**76**	58
Finance expense	11	(75)	(4)	**(79)**	(21)
Share of result of equity accounted investees	16	(309)	-	**(309)**	(174)
Profit before tax		3,976	135	**4,111**	6,559
Taxation	12	(1,201)	(33)	**(1,234)**	(1,488)
Profit after tax		2,775	102	**2,877**	5,071
Other comprehensive income/(expense)					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		21	-	**21**	17
Total recognised income for the year		2,796	102	**2,898**	5,088
Earnings per ordinary share					
Basic	13			9.95p	17.78p
Diluted	13			9.67p	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 31.
** 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 31.

The accompanying notes form an integral part of these financial statements

Financial Statements

Consolidated Balance Sheet as at 31 July 2020 Company number: 05019106

	Note	2020 £000	2019 £000
Non-current assets			
Property, plant and equipment	14	**3,581**	2,678
Intangible assets	15	**54,376**	38,812
Investments – equity	16	**50**	350
Loans due from associated undertakings	16	**-**	250
Investments in equity accounted investees	16	**1,039**	1,098
Deferred tax assets	22	**877**	667
		59,923	43,855
Current assets			
Inventories	17	**430**	381
Trade and other receivables	19	**6,382**	9,729
Cash and cash equivalents		**17,920**	24,104
		24,732	34,214
Total assets		**84,655**	78,069
Non-current liabilities			
Lease Liabilities	18	**986**	285
Contingent consideration payable	21	**5,587**	5,304
Deferred tax liabilities	22	**8,234**	5,942
		14,807	11,531
Current liabilities			
Lease liabilities	18	**1,128**	277
Trade and other payables	20	**13,509**	16,936
Contingent consideration payable	21	**1,747**	879
Current tax liabilities		**439**	505
		16,823	18,597
Total liabilities		**31,630**	30,128
Net assets		**53,025**	47,941
Equity attributable to equity holders of the company			
Called up share capital	23	**116**	115
Share premium reserve	24	**6,373**	6,343
Merger reserve	24	**5,420**	3,921
Retained earnings	24	**41,078**	37,545
Translation reserve	24	**38**	17
Total equity		**53,025**	47,941

The financial statements on pages 37 to 87 were approved and authorised for issue by the Board of Directors on 4 December 2020 and were signed on its behalf by:

Chris Barnes – Chief Executive Officer

Max Cawthra – Chief Financial Officer

The accompanying notes form an integral part of these financial statements

Financial Statements

Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium £'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
Adjustment on initial application of IFRS 15 (net of tax)	-	-	-	(667)	-	(667)
Profit for the year	-	-	-	5,071	-	5,071
Other comprehensive income	-	-	-	-	17	17
Total comprehensive income	-	-	-	5,071	17	5,088
Transactions with owners:						
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
At 31 July 2019	**115**	**6,343**	**3,921**	**37,545**	**17**	**47,941**

	Share Capital £'000	Share Premium £'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
Adjustment on initial application of IFRS 16 (net of tax) – Note 32	-	-	-	(106)	-	(106)
Profit for the year	-	-	-	2,877	-	2,877
Other comprehensive income	-	-	-	-	21	21
Total comprehensive income	-	-	-	2,877	21	2,898
Transactions with owners:						
Dividends	-	-	-	(288)	-	(288)
Share based payment charges	-	-	-	1,050	-	1,050
Exercise of share options (note 23)	-	30	-	-	-	30
Shares issued as consideration for business combinations	1	-	1,499	-	-	1,500
At 31 July 2020	**116**	**6,373**	**5,420**	**41,078**	**38**	**53,025**

Details of the nature of each component of equity are set out in Notes 23 and 24.

The accompanying notes form an integral part of these financial statements

Financial Statements

Consolidated Cash Flow Statement for the year ended 31 July 2020

	Notes	2020 £000	2019 £000
Operating activities			
Profit for the year		**2,877**	5,071
Finance income	10	**(76)**	(58)
Finance expense	11	**79**	21
Depreciation	14	**1,882**	831
(Profit) / loss on disposal of plant and equipment	9.1	**(12)**	12
Non cash exceptional items	9.3	**(320)**	(99)
Other operating income	9.4	**(376)**	(260)
Amortisation of intangible assets	15	**3,599**	2,251
Effect of foreign exchange adjustments		**21**	17
Share of result of equity accounted investees	16	**309**	174
Income tax charge	12	**1,234**	1,488
Share based payment charges	8	**1,050**	1,034
Operating cash inflow before changes in working capital		**10,267**	10,482
Movement in inventories		**(49)**	(128)
Movement in trade and other receivables		**5,121**	(1,349)
Movement in trade and other payables		**(3,875)**	4,877
Cash generated from operations		**11,464**	13,882
Interest received	10	**76**	58
Interest paid	11	**(79)**	(21)
Income tax paid		**(908)**	(1,545)
Net cash flow from operating activities		**10,553**	12,374
Investing activities			
Purchase of plant and equipment	14	**(387)**	(731)
Proceeds from disposal of plant and equipment		**66**	165
Acquisition of subsidiaries (net of cash acquired)	5	**(13,852)**	(6,757)
Payment of contingent consideration	21	**(1,228)**	(2,149)
Equity investments and loans to investments		**-**	(400)
Net cash flow used in investing activities		**(15,401)**	(9,872)
Financing activities			
Dividends paid	30	**(288)**	(486)
Proceeds from exercise of share options		**30**	101
Lease liability payments	18	**(1,089)**	(342)
Lease receivable receipts		**11**	-
Net cash flow used in financing activities		**(1,336)**	(727)
Net (decrease)/increase in cash and cash equivalents		**(6,184)**	1,775
Cash and cash equivalents at the beginning of the year		**24,104**	22,329
Cash and cash equivalents at the end of the year		**17,920**	24,104

The accompanying notes form an integral part of these financial statements

Financial Statements

Notes to the Consolidated Financial Statements

1 Reporting entity

Tracsis plc (the 'Company') is a public company incorporated, domiciled and registered in England in the United Kingdom. The registered number is 05019106 and the registered address is Nexus, Discovery Way, Leeds, LS2 3AA. The consolidated financial statements of the Company for the year ended 31 July 2020 comprise the Company and its subsidiaries (together referred to as the 'Group') and equity account the Group's interest in associates. The parent company financial statements present information about the Company as a separate entity and not about its Group.

2 Basis of preparation

(a) Statement of compliance

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRSs') and applicable law. The Company has elected to prepare its parent company financial statements in accordance with FRS 101. These parent company statements appear after the notes to the consolidated financial statements.

(b) Basis of measurement

The Accounts have been prepared under the historical cost convention, with the exception of the valuation of investments, contingent consideration and initial valuation of assets and liabilities acquired in business combinations which are included on a fair value basis.

(c) Presentation currency

These consolidated financial statements are presented in sterling. All financial information presented in sterling has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have a significant effect on the Group financial statements and estimates with a significant risk of material adjustment in future years are disclosed in Note 4.

(e) Accounting developments

The Group and Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The accounting policies have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise stated.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 August 2019. The following new standards and amendments to standards are mandatory and have been adopted for the first time for the financial year beginning 1 August 2019:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- IAS 28 Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)
- Annual Improvements to IFRS 2015-2017 Cycle

These standards have not had a material impact on the Consolidated Financial Statements with the exception of the adoption of IFRS 16.

Notes to the Consolidated Financial Statements continued

2 Basis of preparation (continued)

(e) Accounting developments (continued)

The Group has adopted IFRS 16 “Leases” from 1 August 2019. It has brought more 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, except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. 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 transition. 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.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historical assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 2.6%.

Further detail on the financial statement impact of the adoption of IFRS 16 has been disclosed in note 32 to these financial statements, including a reconciliation of reserves at 1 August 2019 and a reconciliation between the total operating lease commitment at 31 July 2019 to the lease liabilities recognised at 1 August 2019.

The following new or revised standards and interpretations issued by the International Accounting Standards Board (IASB) have not been applied in preparing these accounts as their effective dates fall in periods beginning on or after 1 August 2020. These standards are not expected to have a significant impact on adoption.

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Conceptual Framework for Financial Reporting

(f) Going concern

The Group is debt free and has substantial cash resources. At 31 July 2020 the Group had net cash and cash equivalents totalling £17.9m. The Board has prepared cash flow forecasts for the forthcoming year based upon assumptions for trading and the requirements for cash resources, these forecasts take into account reasonably possible changes in trading financial performance and have also factored in a continued reduced contribution from its Traffic & Data Services Division which has been impacted the most by Covid-19. The Group’s policies for financial risk management are detailed in note 26 to these financial statements.

Based upon this analysis, the Board has concluded that the Group has adequate working capital resources and that it is appropriate to use the going concern basis for the preparation of the consolidated financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities, except as stated in note 2(e), which addresses changes in accounting policies.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(a) Basis of consolidation

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The accounting policies of subsidiary companies have been changed where necessary to align them with the policies adopted by the Group. The Group entities included in these consolidated financial statements are those listed in note 29. All intra-group balance and transactions, including unrealised profits arising from intra-group transactions, are eliminated fully on consolidation.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

(b) Revenue recognition

The Group applied IFRS 15 "Revenue from Contracts with Customers" for the first time in the financial statements for the year ended 31 July 2019. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised.

The Group derives revenue from software licencing and bespoke development work, post contract customer support, sale of hardware & condition monitoring technology, consultancy and professional services, traffic data collection & capture, passenger counting, plus event planning, parking and traffic management services.

The following tables provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, and the related revenue recognition policies. Revenue is recognised when the performance obligation in the contract has been performed (either at a "point in time" or "over time" as control is transferred to the customer). Consideration received in advance of the performance obligation being satisfied by the Group is included as a contract liability on the balance sheet. An asset is recognised in accordance with IFRS 15:95 in relation to costs associated with incomplete performance obligations where the costs relate directly to the contract and can be specifically identified, the costs generate or enhance resources of the Group and the costs are expected to be recovered. Adjustments are made to allocate discounts relative to the stand-alone selling price of each performance obligation. The Group does not adjust the transaction price for the time value of money as it does not expect to have any contracts where the period between the transfer of the promised service to the client, and the payment by the client exceeds one year.

The details of the significant accounting policies under IFRS 15 are set out below for each of the two operating segments within the Group.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(b) Revenue recognition (continued)

Rail Technology & Services

Revenue Stream	*Recognition Policy*
Software – perpetual and non-cancellable annual software licenses, and support and maintenance services associated with these licenses	The criteria under IFRS 15 have been considered to assess whether the software licenses and support and maintenance are distinct performance obligations. As the support and updates do not makes changes to the software that are so fundamental that the software would not be able to operate without them they are considered distinct. The Group recognises the revenue from the sale of perpetual and non-cancellable annual software licences at the time that the license is made available to the customer as it is considered that control passes at that point in time. Additionally the Group does not undertake activities that significantly affect the license after the point at which it was provided to the customer. The allocation of the transaction price between the two performance obligations included in the contract is based on an expected cost plus margin approach as the stand-alone selling price is not observable. Revenue related to ongoing support and periodic updates is recognised over the license period as the Group is unable to predict at inception of the license when the support and updates will be required to be provided to the customer. As such, control is considered to pass over time.
Software as a service, and support services associated with these licenses	Under IFRS 15 two distinct performance obligations have been identified for these contracts. • Hosted software licenses • Maintenance and support Revenue from the provision of the hosted software license is recognised evenly over the period in which the license is hosted by the Group. This policy reflects the continuous transfer of the service to the customer throughout the contracted license period. For renewals of hosted licenses, the revenue is recognised over the period of the contract Revenue related to ongoing support and periodic updates is recognised over the license period as the group is unable to predict at inception of the license when the support and updates will be required to be provided to the customer.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)
(b) Revenue recognition (continued)

Revenue Stream	*Recognition Policy*
Bespoke software development work	Revenue in relation to bespoke development work is recognised on completion of the work as specified in the contract with the customer as it is considered that control of the work does not pass until all development work has been completed. The development work does not create an asset with an alternative use to the Group and the Group does not have a contractual right to payment for performance completed to date.
Hardware	Under IFRS 15, the Group has identified one performance obligation in relation to the sale of hardware items, being delivery to the customer, which is considered the point in time that control passes and revenue is recognised. Hardware items are also sold to the customer alongside a license for condition monitoring software however the license is considered to be distinct from the hardware under IFRS 15 criteria as the two can be sold and used separately from each other. The transaction price is allocated to the components of the contract based on an adjusted market assessment approach. Revenue recognition for the condition monitoring software license is recognised in line with nature of the software (hosted Software as a Service) which is detailed further above. Provision is made for any returns by customers.
Consultancy services	Consultancy service contracts are either contracted on a time and materials basis, or as fixed fee contracts. Time and materials contracts are recognised over time as services are provided at the fee rate agreed with the client where there is an enforceable right to payment for performance completed to date. Fixed fee contracts are recognised over time based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided where there is an enforceable right to payment. In contracts where there is no enforceable right to payment for performance completed to date, revenue is recognised on completion of the contracted deliverables.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(b) Revenue recognition (continued)

Traffic & Data Services

Revenue Stream	*Recognition Policy*
Traffic data collection & capture and passenger counting	Revenue from traffic data collection & capture and passenger counting services deliverables is recognised on the provision of the contract deliverable(s) as agreed with the customer, unless there is an enforceable right to payment under the contract, in which instance revenue would be recognised over the completion of the project based on actual costs compared to expected total project costs.
Event planning, parking and traffic management services	There is considered to be one performance obligation in the completion of event planning, parking and traffic management, which is the completion of the service, and this is satisfied upon its completion of the service, being at a point in time.

(c) Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. Items of property, plant and equipment are carried at depreciated cost.

Depreciation is provided on all items of property, plant and equipment so as to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Freehold buildings (excluding land)	–	4% on cost
Computer equipment	–	33 1/3% on cost
Office fixtures and fittings	–	10% – 20% on cost
Motor vehicles	–	20 – 25% per annum reducing balance basis

(d) Intangible assets

Goodwill

Goodwill arising on acquisitions comprises the excess of the fair value of the consideration for investments in subsidiary undertakings over the fair value of the net identifiable assets acquired at the date of acquisition. Adjustments are made to assess the fair value of net identifiable assets and liabilities in accordance with International Financial Reporting Standards. The costs of integrating and reorganising acquired businesses are charged to the post acquisition income statement. Goodwill arising on acquisitions of subsidiaries is included in intangible assets.

Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the lowest level within the Group at which the associated level of goodwill is monitored for management purposes and are not larger than the operating segments determined in accordance with IFRS 8 “Operating Segments”.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(d) Intangible assets (continued)

Business Combinations

From 1 August 2009 the Group has applied IFRS 3 *Business Combinations* (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

For acquisitions on or after 1 August 2009, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Subsequent changes to the fair value of the contingent consideration are recognised in operating profit or loss as such changes are primarily as a result of operating performance. Contingent consideration is treated as part of the costs of acquisition provided it is not contingent on the continuing employment of the vendors. Settlement of contingent consideration is included within investing activities in the Statement of Cash flows. In 2019, it was included within financing activities in the Statement of Cash Flows.

For acquisitions prior to 1 August 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amounts (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of acquisition.

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Intangible assets, primarily customer relationships and technology related assets, acquired as part of a business combination are capitalised separately from goodwill and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using a straight line method over the estimated useful life of the assets of 10 to 20 years for customer related assets and 10 years for technology related assets.

(e) Impairment of non-current assets

Where an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount (higher of fair value less cost to sell and value in use of an asset) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(f) Research and Development Costs

Expenditure on internally developed products is capitalised as intangible assets if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs would be amortised over the periods the Group expected to benefit from selling the products developed. At present, the Group has not considered that its development expenditure meets the criteria for capitalisation. Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the income statement as incurred.

(g) Financial instruments

i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

Financial assets

Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets.

Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(g) Financial instruments (continued)

Financial liabilities and equity

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the Group own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and debt investments measured at FVOCI. The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.
The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Write-offs
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

(h) Taxation
The tax on the profit or loss for the year represents current and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying value in the financial statements. The principal temporary differences arise from depreciation on plant and equipment and share options granted by the Group to employees and directors. Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(h) Taxation (continued)

related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Where the deferred tax asset recognised in respect of share-based payments would give rise to a credit in excess of the related accounting charge at the prevailing tax rate the excess is recognised directly in equity. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(i) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders, or in the case of interim dividends, when paid.

(j) Leases

For any new contracts entered into on or after 1 August 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use.

The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.
Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(j) Leases (continued)

Accounting policy applicable before 1 August 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(k) Employee benefits

Wages, salaries, social security contributions, paid annual leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. Where the Group provides long term employee benefits, the cost is accrued to match the rendering of the services by the employees concerned.

(l) Share based payments

The Group issues equity-settled share based payments to certain employees (including directors). Equity-settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period, together with a corresponding increase in equity, based upon the Group's estimate of the shares that will eventually vest.

In respect of share options which are not linked to TSR, which is the vast majority of share options for staff including EMI options and discounted LTIP, the fair value of the option is measured using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it was granted, the cancelled and new transactions are treated as if they were a modification of the original transaction as described in the previous paragraph.

Directors LTIPs have two conditions attached – Earnings per Share (non-market condition) and Total Shareholder Return (TSR – market condition). An assessment of the fair value is made when the options are granted and in respect of TSR/market conditions, no further adjustment is made regardless of whether the conditions are met or not.

(m) Retirement benefits

Contributions to defined contribution pension schemes are charged to the income statement in the year to which they relate.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(n) Exceptional items

Items which are significant by virtue of their size or nature and/or which are considered non-recurring are classified as exceptional operating items. Such items, which include for example costs relating to acquisitions, contingent consideration credits, any goodwill impairments and profit/loss on disposal, are included within the appropriate consolidated income statement category but are highlighted separately. Exceptional operating items are excluded from the profit measures used by the board to monitor underlying performance.

(o) Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The Group considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

(q) Operating segments

The Group has divided its results into two segments being 'Rail Technology and Services' and 'Traffic & Data Services'. The level of disclosure of segmental and other information is determined by such assessment. Further details of the considerations made and the resulting disclosures are provided in note 6 to the financial statements.

(r) Inventories

Inventories are measured at the lower of cost and net realisable value. Provision is made for slow moving and obsolete inventories on a line by line basis.

(s) Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Pounds Sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences that relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

(t) Translation of financial statements of foreign entities

The assets and liabilities of foreign operations are translated using exchange rates at the balance sheet date. The components of shareholders' equity are stated at historical value. An average exchange rate for the period is used to translate the results and cash flows of foreign operations.

Exchange differences arising on translating the results and net assets of foreign operations are taken to the translation reserve in equity until the disposal of the investment. The gain or loss in the income statement on the disposal of foreign operations includes the release of the translation reserve relating to the operation that is being sold.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(u) Investments (continued)

Investments are carried at fair value. A review takes place each year to check for impairment and where a subsequent remeasurement is required, this is recognised in the Statement of Comprehensive Income

Where it is deemed that the Group has a significant influence over the investment, then the investment will be accounted for as an associated undertaking under the equity method.

(v) Equity accounted investees

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

(w) Loans due from associated undertakings

Loans due from associated undertakings are held at fair value on inception with subsequent changes recognised in the Statement of Comprehensive Income. Any conversion of any convertible loan notes will take place at the prevailing external valuation agreed as part of any investment round.

(x) Government grants

Grant income is recognised when work has been performed to be able to support making a claim under the terms of the grant, which could be linked to performance obligations or other milestones. In relation to the Coronavirus Job Retention Scheme grant from the UK Government, this is recognised in the period to which the employee cost relates.

4 Critical Accounting Estimates and Judgements

The Group's accounting policies are set out in Note 3. The Directors consider that the key judgements and estimates made in the preparation of the consolidated financial statements are:

<u>Estimates</u>

Revenue recognition

The Group recognises revenue in accordance with IFRS 15 Revenue recognition. An estimate has been made by the Group in allocating the transaction price to the performance obligation based on an adjusted market assessment approach, or expected cost plus margin approach dependent on revenue stream. Total Group revenues were £48.0m for the year ended 31 July 2020.

Intangible fixed assets

On acquisition, the Company calculates the fair value of the net assets acquired. Due to the nature of the companies acquired, this often requires the recognition of additional intangible assets, specifically in relation to technology or customer relationships. The assessment of intangible assets acquired is necessarily judgemental and has been performed using a discounted cash flow model. Significant judgement has been applied in assessing the future revenues to be achieved from that acquisition, the growth rate of that revenue, the associated costs and the discount factor to be applied. In addition, management make estimates as to the useful economic life of the resulting intangible assets, based on their industry expertise. These estimates affect the amount of amortisation recognised in each financial year. Total intangible assets of £20.0m were recognised in respect of the acquisition of iBlocks Limited completed in the year, and the net book value of all intangible assets is £54.4m at the end of the financial year.

Estimation uncertainty exists due to actual results varying significantly from expectations in future years. Annual reviews of the Group's intangible fixed assets are carried out, using commercial judgements to determine whether there is any evidence that the useful economic life is no longer appropriate, or whether there are impairment indicators relating to specific intangible assets due to changes in circumstance during the financial year in question.

Notes to the Consolidated Financial Statements continued

4 Critical Accounting Estimates and Judgements (continued)

Contingent consideration

Within the share purchase agreements for the acquisitions of Compass Informatics Limited, Cash & Traffic Management Limited, Bellvedi Limited, iBlocks Limited and Tracsis Travel Compensation Services Limited & Delay Repay Sniper Limited, are various provisions relating to the payment of contingent consideration which are linked to financial performance post acquisition. There is a degree of estimation uncertainty in calculating the fair value of the contingent consideration as it is dependent on the future profit performance which results from assumptions about revenues and costs of the acquired businesses, and each of which is subject to a separate share purchase agreement and basis for calculating contingent consideration. Each Share Purchase Agreement contains different provisions for calculating contingent consideration, timeframes over which it is calculated and payable, and therefore sensitivities regarding the total amount to be paid. Included within the balance sheet is a total amount of £7.3m, which is management's best estimates of the fair value of the amount payable in respect of all of the acquisitions which have a remaining contingent consideration liability.

IFRS 16 Leases

Estimation uncertainty exists on adoption of IFRS 16 in quantifying the future costs to dismantle and remove assets at the end of the lease and in calculating the discount rate implicit in the lease. On adoption of IFRS 16 the discount rate has been calculated as the incremental borrowing rate available to the Group at 1 August 2019. Right of Use Assets of £1.4m and Lease Liabilities of £1.7m have been included in the Balance Sheet relating to IFRS 16.

<u>Judgements</u>

Revenue Recognition

Judgements have been taken in the application of IFRS 15 Revenue recognition. Performance obligations have been identified based on the contracts in place with customers in the accounting period. Consideration has subsequently been allocated to these performance obligations. A judgement has been taken by the Group as to whether the performance obligations and subsequent revenue recognition is at a point in time or over a period of time. This judgement has been made by the Group with reference to the specific terms of the individual sales contracts. See revenue recognition policy in note 3(b) for further detail of the judgements taken.

5 Acquisitions and investments in the current year

a) Acquisition: iBlocks Limited ('iBlocks')

On 10 March 2020 the Group acquired iBlocks, 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. The Group believes that smart/account based ticketing and automated delay repay is a significant and natural growth area for the rail industry and that iBlocks are uniquely placed to help facilitate the move towards a paperless ticketing environment. The acquisition will enhance Tracsis Group's overall technology and software offering and should be significantly earnings enhancing.

The acquisition consideration comprised an initial cash payment of £12.5m which was funded out of Tracsis cash reserves and the issue of shares in Tracsis to a value of £1.5m. An additional payment of £3.0m was also made on a pound for pound basis to reflect the net current asset position of the business, alongside additional contingent consideration of up to £8.5m is payable subject to iBlocks achieving certain stretched profit financial targets in the three years post acquisition.

In the period to 9 March 2020, iBlocks generated revenue of £3.0m, Profit before Tax of £1.1m, and had net assets of £3.5m. The business is highly cash generative, debt free and benefits from an excellent reputation within its retained customer base and wider UK rail industry. Under the terms of the acquisition there is a three year earn out period during which Tracsis expects the business to achieve growth.

Notes to the Consolidated Financial Statements continued

5 Acquisitions and investments in the current year (continued)

a) Acquisition: iBlocks Limited (continued)

The contingent consideration could range from £nil to £8.5m depending on the financial performance over the three years since acquisition and the Directors concluded that £3.9m was the fair value of the contingent consideration payable at the acquisition date and £3.3m at the year end date.

In the period to 31 July 2020 iBlocks contributed revenue of £0.9m and pre tax profit of £0.2m to the Group's results, before amortisation of associated intangible assets and exceptional deal costs. If the acquisition had occurred on 1 August 2019, management estimates that the contribution to Group revenue would have been £2.7m and Group pre tax profit for the period of £0.8m. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 August 2019. The fair value of intangible assets will be assessed throughout the measurement period up to 12 months from the date of acquisition.

Pre-acquisition carrying amounts were determined based on applicable IFRSs, immediately prior to the acquisition. The values of assets and liabilities recognised on acquisition are the estimated fair values. The gross contractual amounts receivable for acquired receivables is consistent with fair value. Acquired receivables are expected to be collected in full following acquisition. The goodwill that arose on acquisition can be attributed to a multitude of assets that cannot readily be separately identified for the purposes of fair value accounting and includes the workforce of iBlocks.

The fair value adjustments arise in accordance with the requirements of IFRSs to recognise intangible assets acquired. In determining the fair values of intangible assets the Group has used discounted cash flow forecasts. The fair value of shares issued was based on market value at the date of issue. The Group incurred acquisition related costs of £0.2m which are included within administrative expenses.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre-acquisition carrying amount £000	Fair value adjustments £000	Recognised value on acquisition £000
Intangible assets: Technology assets	-	8,919	8,919
Intangible assets: Customer related intangibles	-	3,990	3,990
Tangible fixed assets	33	459	492
Cash and cash equivalents	1,603	-	1,603
Trade and other receivables	1,980	(275)	1,705
Trade and other payables	(484)	-	(484)
Income tax receivable	185	-	185
Lease liabilities	-	(459)	(459)
Deferred tax asset/(liability)	202	(2,453)	(2,251)
Net identified assets and liabilities	3,519	10,181	13,700
Goodwill on acquisition			7,109
			20,809
Consideration paid in cash			15,455
Consideration paid: fair value of shares issued			1,500
Fair value of contingent consideration payable			3,854
Total consideration			20,809

Notes to the Consolidated Financial Statements continued

6 Revenue and Segmental analysis

a) Revenue

Sales revenue is summarised below

	2020	2019
	£000	£000
Rail Technology & Services	**25,595**	21,934
Traffic & Data Services	**22,403**	27,285
Total revenue	**47,998**	49,219

Revenue can also be analysed as follows:

	2020	2019
	£000	£000
Software and related services	**18,840**	14,839
Other	**29,158**	34,380
Total	**47,998**	49,219

Revenue to come from contracts entered into with performance obligations not fulfilled or only partially fulfilled amounted to £12.5m as at 31 July 2020, of which £9.9m is expected to be recognised within one year, and £2.6m after one year (£16.1m as at 31 July 2019, with £10.4m to be recognised within one year and £5.7m after one year).

Further information on revenue is provided below:

	2020	2019
	£000	£000
Recognised over time	**10,544**	8,403
At a point in time	**15,051**	13,531
Rail Technology & Services	**25,595**	21,934
Recognised over time	**-**	-
At a point in time	**22,403**	27,285
Traffic & Data Services	**22,403**	27,285
Recognised over time	**10,544**	8,403
At a point in time	**37,454**	40,816
Total revenue	**47,998**	49,219

Major customers
Transactions with the Group's largest customer represent 21% of the Group's total revenues (2019: 18%).

Geographic split of revenue
A geographical analysis of revenue is provided below:

	2020	2019
	£000	£000
United Kingdom	**41,529**	45,511
Europe	**6,127**	3,437
North America	**57**	106
Rest of the World	**285**	165
Total	**47,998**	49,219

Notes to the Consolidated Financial Statements continued

6 Revenue and Segmental analysis (continued)

b) Segmental Analysis

The Group has divided its results into two segments being ‘Rail Technology and Services’ and ‘Traffic & Data Services’. iBlocks Limited is included in ‘Rail Technology and 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.

	2020			
	Rail Technology & Services £000	Traffic & Data Services £000	Unallocated £000	Total £000
Revenues				
Total revenue for reportable segments	25,595	22,403	-	47,998
Consolidated revenue	25,595	22,403	-	47,998
Profit or loss				
EBITDA for reportable segments	9,170	1,293	-	10,463
Amortisation of intangible assets	-	-	(3,599)	(3,599)
Depreciation	(648)	(1,234)	-	(1,882)
Exceptional items (net)	-	-	115	115
Other operating income	-	-	376	376
Share-based payment charges	-	-	(1,050)	(1,050)
Interest receivable/payable(net)	31	(34)	-	(3)
Share of result of equity accounted investees	-	-	(309)	(309)
Consolidated profit before tax	8,553	25	(4,467)	4,111

Notes to the Consolidated Financial Statements continued

6 Revenue and Segmental analysis (continued)

b) Segmental Analysis (continued)

	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 (net)	(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 result of equity accounted investees	-	-	(174)	(174)
Consolidated profit before tax	6,706	2,916	(3,063)	6,559

	2020			
	Rail Technology & Services £'000	**Traffic & Data Services £000**	**Unallocated £000**	**Total £000**
Assets				
Total assets for reportable segments (exc. cash)	**5,551**	**4,842**	**-**	**10,393**
Intangible assets and investments	**-**	**-**	**55,465**	**55,465**
Deferred tax assets	**-**	**-**	**877**	**877**
Cash and cash equivalents	**11,254**	**4,676**	**1,990**	**17,920**
Consolidated total assets	**16,805**	**9,518**	**58,332**	**84,655**
Liabilities				
Total liabilities for reportable segments	**12,102**	**3,960**	**-**	**16,062**
Deferred tax liabilities	**-**	**-**	**8,234**	**8,234**
Contingent consideration	**-**	**-**	**7,334**	**7,334**
Consolidated total liabilities	**12,102**	**3,960**	**15,568**	**31,630**

Notes to the Consolidated Financial Statements continued

6 Revenue and Segmental analysis (continued)

b) Segmental Analysis (continued)

	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)

Non current assets can be split as follows:

	2020		
	UK £000	Ireland £000	**Total £000**
Non-current assets			
Property, plant and equipment	3,482	99	**3,581**
Intangible assets	50,398	3,978	**54,376**
Investments – equity	50	-	**50**
Investments in equity accounted investees	1,039	-	**1,039**

Notes to the Consolidated Financial Statements continued

7 Employees and personnel costs

	2020	2019
	£000	£000
Staff costs:		
Wages and salaries	**21,470**	21,591
Social security contributions	**2,223**	1,703
Contributions to defined contribution plans	**736**	605
Equity-settled share based payment transactions	**1,050**	1,034
	25,479	24,933

Split:		
Cost of Sales	**9,197**	12,361
Administrative expenses	**16,282**	12,572
Total	**25,479**	24,933

Average number of permanent staff	**449**	462
Average number of casual staff (full time equivalents)	**308**	315
	757	777

The staff number calculation above takes account of the Group's permanent members of staff, and also takes account of a large number of casual employees that are used, and includes a 'full time equivalent' number in respect of them.

The directors' remuneration and share options are detailed within the Directors' Remuneration Report on pages 22 to 25. Total directors' remuneration, including bonus and pension contributions was £634,000 (2019: £812,000). The aggregate remuneration of the highest paid director was £300,000 (2019: £312,000). The highest paid director did not exercise any share options nor did he receive any shares under a long term incentive plan during the year. No directors (2019: nil) exercised share options during the year. One director (2019: two) currently participates in the long term incentive plan. One director (2019: two) receives employer pension contributions into a personal pension scheme. Directors of the Company control 0.6% of the voting shares of the company (2019: 0.6%). Details of other key management personnel are disclosed in note 27.

8 Share based payments

The Group has various share option schemes for its employees.

EMI Share options

Options are exercisable at a price agreed at the date of grant. The vesting period is usually between one and five years. The exercise of options is dependent upon eligible employees meeting performance criteria. The options are settled in equity once exercised. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Discounted EMI Share options

In August 2012, the Group implemented a new EMI share option scheme, resulting in discounted EMI share options being issued to staff instead of cash bonuses, provided certain predetermined performance criteria were met for both the overall Group, and the part of the business the employee directly works in. This scheme was made available to all staff. Staff are also able to exchange an element of annual salary in return for share options too. The vesting period is three years. The options are settled in equity once exercised. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Notes to the Consolidated Financial Statements continued

8 Share based payments (continued)

Unapproved Share options
In August 2015, the Group implemented a revised share option scheme, resulting in discounted unapproved share options being issued to staff instead of cash bonuses, provided certain predetermined performance criteria were met for both the overall Group, and the part of the business the employee directly works in. This scheme was made available to all staff except for Directors. Staff are also able to exchange an element of annual salary in return for share options too. The vesting period is three and a half years. The options are settled in equity once exercised. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest. Employees are liable for settling income tax and national insurance liabilities arising from the exercise of options.

Directors' scheme
Directors were not entitled to take part in the 2015 to 2019 staff schemes and a revised scheme was implemented by the Remuneration Committee. Details of this scheme are provided in the Directors Remuneration Report.

Details of the schemes are given below:

Grant date	Employees entitled	Number of options	Performance conditions	Exercise price (p)	Earliest exercise date	Expiry date
Staff schemes						
22/09/2011	1	8,000	Time served	63.5	22/03/2012*	22/09/2021
02/08/2012	4	8,387	Time served	0.40	02/08/2013**	02/08/2022
02/08/2012	2	20,000	Time served	123.0	02/02/2013*	02/08/2022
08/01/2013	1	6,000	Time served	159.0	08/07/2013*	08/01/2023
28/01/2013	1	65,000	Time served	155.5	28/07/2013*	28/01/2023
01/08/2013	3	15,301	Time served	162.5	01/02/2014*	01/08/2023
01/08/2013	2	1,616	Time served	0.40	01/08/2014**	01/08/2023
01/08/2014	16	51,521	Time served	0.40	01/08/2015**	01/08/2024
01/08/2015	32	56,569	Time served	0.40	01/08/2016****	01/08/2025
25/09/2015	12	35,500	Time served	0.40	25/09/2016****	25/09/2025
01/12/2015	5	42,688	Time served	0.40	01/12/2016****	01/12/2025
01/08/2016	40	142,617	Time served	0.40	01/08/2017****	01/08/2026
01/08/2017	41	77,516	Time served	0.40	01/08/2018****	01/08/2027
01/08/2018	79	114,993	Time served	0.40	01/08/2019****	01/08/2028
16/01/2019	11	56,743	Time served	0.40	16/01/2020****	16/01/2029
01/05/2019	7	40,075	Time served	0.40	01/05/2023 *****	01/05/2029
01/08/2019	69	113,502	Time served	0.40	01/08/2020****	01/08/2029
28/02/2018	1	21,528	EPS and TSR	0.40	28/02/2021	28/02/2028
*Directors' schemes*******						
15/12/2015	1	18,370	EPS and TSR	0.40	15/12/2018	15/12/2025
06/01/2017	1	22,165	EPS and TSR	0.40	06/01/2020	06/01/2027
01/05/2019	1	21,417	Time served	0.40	04/02/2022	04/02/2029
02/12/2019	1	38,961	EPS and TSR	0.40	02/12/2022	02/12/2029
Outstanding		**978,469**				

Notes to the Consolidated Financial Statements continued

8 Share based payments (continued)

* Vesting dates for these options are: 10% vest six months after grant date, 15% vest 12 months after grant date, 15% vest 18 months after grant date, 15% vest 24 months after grant date, 20% vest 30 months after grant date, 25% vest 36 months after grant date.

** Vesting dates for these options are linked to time served, and were awarded based on certain performance conditions being met, and in exchange for an annual cash bonus. The full vesting is achieved over a 3 year period, with various forfeit/reductions if exercise takes place sooner

*** Vesting dates for these options are in equal three month instalments over a 24 month period

**** Vesting dates for these options are linked to time served, and were awarded based on certain performance conditions being met, and in exchange for an annual cash bonus. The full vesting is achieved over a 3.5 year period, with various forfeit/reductions if exercise takes place sooner

***** Vesting of these options are linked to time served and also the financial performance of Bellvedi Limited which was acquired during the year

******Details of EPS and TSR are disclosed in the Directors remuneration report

The number and weighted average exercise price of share options are as follows:

	2020 Number	**2020 Weighted Average Exercise Price**	2019 Number	2019 Weighted Average Exercise Price
Outstanding at 1 August	**1,035,892**	**18.9p**	1,095,090	26.9p
Granted	**155,468**	**0.4p**	252,928	0.4p
Lapsed	**(31,847)**	**0.4p**	(22,697)	0.4p
Exercised	**(181,044)**	**16.4p**	(289,429)	34.6p
Outstanding at 31 July	**978,469**	**17.0p**	1,035,892	18.9p
Exercisable at 31 July	**608,938**	**27.4p**	559,300	35.0p

Share options were exercised at numerous points in the year, and the average share price for the year ended 31 July 2020 was 634p (2019: 643p).

The share options outstanding at the end of the year have a weighted average remaining contractual life of 6.4 years (2019: 6.9 years).

Fair value assumptions of share based payment charges
The estimate of the fair value of share based awards is calculated using the Black-Scholes option pricing model. The following assumptions were used:

Options granted in previous years:

Options granted on	22/09/ 2011	02/08/ 2012	02/08/ 2012	08/01/ 2013	28/01/ 2013	01/08/ 2013	01/08/ 2013
Share price at date of grant	63.5p	123.0p	123.0p	159.0p	155.0p	162.5p	162.5p
Exercise price	63.5p	0.4p	123.0p	159.0p	155.0p	162.5p	0.4p
Vesting period (years)	3	3	3	3	3	3	3
Expected volatility	50%	20%	20%	20%	20%	30%	30%
Option life (years)	10	10	10	10	10	10	10
Expected life (years)	10	10	10	10	10	10	10
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Expected dividends expressed as a dividend yield	-	-	-	-	-	-	-

Notes to the Consolidated Financial Statements continued

8 Share based payments (continued)

Options granted in previous years (continued)

Options granted on	01/08/ 2014	01/08/ 2015	25/09/ 2015	01/12/ 2015	15/12/ 2015	01/08/ 2016	06/01/ 2017
Share price at date of grant	330.0p	420.0p	452.5p	462.5p	550.0p	438.0p	502.5p
Exercise price	0.4p	0.4p	0.4p	0.4p	0.4p	0.4p	0.4p
Vesting period (years)	3	3.5	3.5	3.5	3	3.5	3
Expected volatility	30%	30%	30%	30%	30%	30%	30%
Option life (years)	10	10	10	10	10	10	10
Expected life (years)	10	10	10	10	10	10	10
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Expected dividends expressed as a dividend yield	-	-	-	-	-	-	-

Options granted on	01/08/ 2017	28/02/ 2018	01/08/ 2018	16/01/ 2019	01/05/ 2019
Share price at date of grant	445.0p	500.0p	625.0p	595.0p	655.0p
Exercise price	0.4p	0.4p	0.4p	0.4p	0.4p
Vesting period (years)	3.5	3	3.5	3.5	3.5
Expected volatility	30%	30%	30%	30%	30%
Option life (years)	10	10	10	10	10
Expected life (years)	10	10	10	10	10
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%
Expected dividends expressed as a dividend yield	-	-	-	-	-

Options granted in current year:

Options granted on	01/08/ 2019	02/12/ 2019
Share price at date of grant	647.5p	642.0p
Exercise price	0.4p	0.4p
Vesting period (years)	3.5	3
Expected volatility	30%	30%
Option life (years)	10	10
Expected life (years)	10	10
Risk-free rate	3.5%	3.5%
Expected dividends expressed as a dividend yield	-	-

The expected volatility is based on the historic volatility of the Company's share price. An assessment of the likelihood of market conditions being achieved is made at the time that the options are granted. The fair value of the options granted in the year was 646p per share.

Charge to the income statement

	2020	2019
	£000	£000
Share based payment charges	**1,050**	1,034

Notes to the Consolidated Financial Statements continued

9 Operating profit

9.1 Operating profit is stated after charging/(crediting):

	2020	2019
	£000	£000
Depreciation of property, plant and equipment - owned	**870**	604
Depreciation of property, plant and equipment – leased (including right of use assets)	**1,012**	227
Total depreciation of property, plant and equipment (note 14)	**1,882**	831
Total amortisation (note 15)	**3,599**	2,251
(Profit)/loss on disposal of plant and equipment	**(12)**	12
Operating lease rentals: Land and buildings *	**40**	499
Operating lease rentals: Plant & machinery *	**1**	61
Total operating lease rentals	**41**	560
Research and development expenditure expensed as incurred	**3,048**	2,166
Grants received:		
Government grants	**(322)**	(29)
Coronavirus Job Retention Scheme **	**(2,369)**	-

*Operating lease rentals in 2020 relate to items for which the recognition and measurement exemptions have been taken available within IFRS 16

** Of the total amount of £2.4m received, £1.7m was paid directly to casual labour leaving a balance of £0.7m which is deemed to be true support to the Income Statement regarding permanent employees.

9.2 Auditor's remuneration:

a) Grant Thornton UK LLP

	2020	2019
	£000	£000
Audit of these financial statements	**65**	-
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	**135**	-
- Other services	**-**	-

As part of the 2020 audit, Tracsis also engaged the services of external valuation experts to assist with the purchase price allocation of iBlocks and associated acquisition accounting. This resulted in a fee of £24,000 which was borne by Tracsis.

b) KPMG LLP

	2020	2019
	£000	£000
Audit of these financial statements	**-**	30
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	**-**	119
- Adjustments in respect of previous years	**10**	-
- Other services	**-**	-

An additional £10,000 was paid to KPMG LLP in respect of the 2019 year-end audit, and to assist in the handover to Grant Thornton UK LLP.

Notes to the Consolidated Financial Statements continued

9.3 Exceptional items:

The Group incurred a number of exceptional items in 2020 and 2019 which are analysed as follows:

	2020	2019
	£000	£000
Impairment losses		
Non cash:		
Goodwill and investment impairment	**1,155**	623
Total impairment losses	**1,155**	623
Other		
Non cash:		
Contingent consideration fair value adjustment	**(1,475)**	(722)
Cash:		
Disposal of non core data capture operation	**-**	(179)
Legal and professional fees in respect of acquisitions	**205**	240
Total other	**(1,270)**	(661)
Total exceptional items	**(115)**	(38)

	2020	2019
Split	**£000**	£000
Non cash	**(320)**	(99)
Cash	**205**	61
Total	**(115)**	(38)

2020
During 2020, the Group acquired iBlocks Limited and incurred £205,000 of exceptional deal related costs as a result. In addition, the Group reviewed the carrying value of the investment in Citi Logik Limited and concluded it was impaired, and as such a loss of £300,000 was recognised. A further impairment charge of £855,000 was also made against the remaining intangible assets of Tracsis Travel Compensation Services Limited. Further detail including the assumptions used in the assessment of this charge can be found in note 15 to these financial statements. During the year, an exceptional credit of £1,475,000 was recognised due to a change in accounting estimate arising from the review of the assumptions of the fair value of the contingent consideration relating to recent acquisitions, as at 31 July 2020. The overall level of contingent consideration payable was assessed as being lower than in previous years due to reduced profit expectations and also using a higher discount rate, given the impact of Covid-19. These are deemed to be exceptional items due to the size and volatility of the items which can vary significantly from year to year. A breakdown of the remaining fair value of contingent consideration by acquisition is included in note 21 to these financial statements. These are all deemed to be exceptional items due to the size and volatility of the items which can vary significantly from year to year.

2019
During 2019, the Group acquired Compass Informatics Limited, Cash & Traffic Management Limited and Bellvedi Limited, and incurred £240,000 of exceptional deal related costs as a result. The Group also disposed of a small, non core data capture business with a net profit on disposal of £179,000. This operation had revenue in the period prior to its disposal of £0.3m and a profit/loss of £nil. The Group conducted a review of the remaining intangible assets which arose on the acquisition of Travel Compensation Services Limited (renamed Tracsis Travel Compensation Services Limited) and Delay Repay Sniper Limited. Following this review, the Group has determined that an impairment of £623,000 existed in goodwill. The contingent consideration related to this acquisition was also re-assessed, resulting in an exceptional credit to the Statement of Comprehensive Income of £722,000.

9.4 Other operating income:

The Group does not qualify as a SME for R&D purposes and as such is governed by the large company ‘above the line’ credit in respect of research and development costs for Corporation Tax purposes. This amounted to £376,000 in 2020 (2019: £260,000).

Notes to the Consolidated Financial Statements continued

10 Finance income

	2020 £000	2019 £000
Interest received on bank deposits	**73**	58
Interest on Lease receivable	**3**	-
	76	58

11 Finance expense

	2020 £000	2019 £000
Interest on Lease liabilities	**73**	21
Net foreign exchange loss	**6**	-
Total finance expense	**79**	21

12 Taxation

Recognised in the income statement

	2020 £000	2019 £000
Current tax expense		
Current year	**1,484**	1,571
Adjustment in respect of prior periods	**(81)**	(6)
Total current tax	**1,403**	1,565
Deferred tax		
Current year		
Origination and reversal of temporary differences	**(827)**	(77)
Rate changes	**557**	-
Adjustment in respect of prior periods	**101**	-
Total deferred tax	**(169)**	(77)
Total tax in income statement	**1,234**	1,488

Reconciliation of the effective tax rate

	2020 £000	2020 %	2019 £000	2019 %
Profit before tax for the period	**4,111**	**100.0**	6,559	100.0
Expected tax charge based on the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%)	**781**	**19.0**	1,246	19.0
Expenses not deductible for tax purposes	**17**	**0.4**	77	1.2
Rate changes	**557**	**13.5**	-	-
Adjustments in respect of previous years	**20**	**0.5**	(6)	(0.1)
Overseas tax not at 19%	**(82)**	**(2.0)**	-	-
Other movements	**(59)**	**(1.4)**	171	2.6
Total tax expense	**1,234**	**30.0**	1,488	22.7

Reductions in the corporation tax rate from 19% to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016, and substantively enacted on 6 September 2016. The deferred tax asset and liability at 31 July 2019 was calculated on this basis. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. The deferred tax asset and liability at 31 July 2020 has been calculated at 19%.

Notes to the Consolidated Financial Statements continued

13 Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 31 July 2020 was based on the profit attributable to ordinary shareholders of £2,877,000 (2019: £5,071,000) and a weighted average number of ordinary shares in issue of 28,919,000 (2019: 28,521,000), calculated as follows:

Weighted average number of ordinary shares
In thousands of shares

	2020	2019
Issued ordinary shares at 1 August	**28,749**	28,334
Effect of shares issued related to business combinations	**76**	54
Effect of shares issued for cash	**94**	133
Weighted average number of shares at 31 July	**28,919**	28,521

Diluted earnings per share
The calculation of diluted earnings per share at 31 July 2020 was based on profit attributable to ordinary shareholders of £2,877,000 (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 29,740,000 (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. 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. The largest components of the adjusting items, being amortisation, and share based payment charges are deemed to be 'non cash' in nature, and therefore excluded in order to assist with the understanding of underlying trading. A reconciliation of this figure is provided below. The Group has also presented an 'adjusted Profit' metric as detailed in note 31, with the key difference between the numbers presented below, and those disclosed in note 31 being the income tax charge.

	2020	2019
	£'000	£'000
Profit attributable to ordinary shareholders	**2,877**	5,071
Amortisation of intangible assets	**3,599**	2,251
Share-based payment charges	**1,050**	1,034
Exceptional items (net)	**(115)**	(38)
Other operating income	**(376)**	(260)
Adjusted profit for EPS purposes	**7,035**	8,058

Weighted average number of ordinary shares
In thousands of shares

For the purposes of calculating Basic earnings per share	**28,919**	28,521
Adjustment for the effects of all dilutive potential ordinary shares	**821**	866
For the purposes of calculating Dilutive earnings per share	**29,740**	29,387

Basic adjusted earnings per share	**24.33p**	28.25p
Diluted adjusted earnings per share	**23.66p**	27.42p

Notes to the Consolidated Financial Statements continued

14 Property, plant and equipment

	Land & Buildings £000	Motor Vehicles £000	Computer equipment £000	Plant, machinery, fixtures & fittings £000	Total £000
Cost					
At 1 August 2018	400	1,220	1,625	1,960	5,205
Additions	-	625	357	375	1,357
Arising on acquisition	-	76	37	35	148
Disposals	-	(463)	(66)	(64)	(593)
At 31 July 2019	400	1,458	1,953	2,306	6,117
Arising on initial adoption of IFRS 16	1,206	-	-	96	1,302
Additions	443	196	155	251	1,045
Arising on acquisition	459	-	2	31	492
Disposals	-	(195)	(201)	(280)	(676)
At 31 July 2020	2,508	1,459	1,909	2,404	8,280
Depreciation					
At 1 August 2018	90	557	1,394	983	3,024
Charge for the year	15	236	180	400	831
Disposals	-	(308)	(57)	(51)	(416)
At 31 July 2019	105	485	1,517	1,332	3,439
Charge for the year	736	420	241	485	1,882
Disposals	-	(143)	(200)	(279)	(622)
At 31 July 2020	841	762	1,558	1,538	4,699
Net book value					
At 1 August 2018	310	663	231	977	2,181
At 31 July 2019	295	973	436	974	2,678
At 31 July 2020	**1,667**	**697**	**351**	**866**	**3,581**

Additional information on Right of Use Assets included in the total property, plant and equipment balance is provided below.

Notes to the Consolidated Financial Statements continued

14 Property, plant and equipment (continued)

	Land & Buildings £000	Plant & Machinery £000	Total Right of Use asset £000
Cost			
At 1 August 2019	-	853	853
Arising on adoption of IFRS 16	1,206	96	1,302
New leases	444	214	658
Disposals	-	(17)	(17)
Transfer to ownership	-	(92)	(92)
Arising on acquisition	459	-	459
At 31 July 2020	2,109	1,054	3,163
Depreciation			
At 1 August 2019	-	192	192
Charge for the year	714	298	1,012
Disposals	-	(9)	(9)
Transfer to ownership	-	(53)	(53)
At 31 July 2020	714	428	1,142
Net book value			
At 31 July 2019	-	661	661
At 31 July 2020	**1,395**	**626**	**2,021**

15 Intangible assets

	Goodwill £000	Customer related intangibles £000	Technology related intangibles £000	Total £000
Cost				
At 1 August 2018	3,648	23,611	5,652	32,911
Arising on acquisition	1,093	8,524	5,846	15,463
At 31 July 2019	4,741	32,135	11,498	48,374
Arising on acquisition	7,109	3,990	8,919	20,018
At 31 July 2020	11,850	36,125	20,417	68,392
Amortisation and impairment				
At 1 August 2018	-	4,875	1,813	6,688
Impairment charge	623	-	-	623
Charge for the year	-	1,573	678	2,251
At 31 July 2019	623	6,448	2,491	9,562
Impairment charge	-	386	469	855
Charge for the year	-	2,278	1,321	3,599
At 31 July 2020	623	9,112	4,281	14,016
Carrying amounts				
At 1 August 2018	3,648	18,736	3,839	26,223
At 31 July 2019	4,118	25,687	9,007	38,812
At 31 July 2020	**11,227**	**27,013**	**16,136**	**54,376**

Notes to the Consolidated Financial Statements continued

15 Intangible assets (continued)

The following carrying values of intangible assets arising from the acquisitions that the Group has completed in the current and previous years are analysed as follows:

	Goodwill		Customer related intangibles		Technology related intangibles	
	2020	2019	**2020**	2019	**2020**	2019
	£000	£000	**£000**	£000	**£000**	£000
Tracsis Rail Consultancy Limited	**671**	671	**319**	354	**-**	-
Tracsis Passenger Analytics Limited	**43**	43	**166**	185	**-**	-
Safety Information Systems Limited	**136**	136	**127**	140	**-**	7
MPEC Technology Limited	**269**	269	**691**	755	**56**	125
Tracsis Traffic Data Limited	**390**	390	**462**	632	**-**	-
Datasys Integration Limited	**359**	359	**2,136**	2,291	**629**	795
SEP Limited	**555**	555	**749**	966	**-**	-
Ontrac Technology Limited	**602**	602	**10,346**	11,021	**746**	886
Tracsis Travel Compensation Services Limited & Delay Repay Sniper Limited	**-**	-	**678**	1,126	**823**	1,460
Cash & Traffic Management Limited	**32**	32	**1,495**	1,672	**-**	-
Compass Informatics Limited	**1,021**	1,021	**1,956**	2,188	**1,001**	1,119
Bellvedi Limited	**40**	40	**4,135**	4,357	**4,148**	4,615
iBlocks Limited	**7,109**	-	**3,753**	-	**8,733**	-
	11,227	4,118	**27,013**	25,687	**16,136**	9,007

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

	2020	2019
	£000	£000
Administrative expenses	**3,599**	2,251

Customer related intangibles and technology related intangibles are amortised over their useful life, which is the period during which they are expected to generate revenue.

Goodwill acquired in a business combination is allocated to cash generating units (CGUs) and is tested for impairment on an annual basis, or more frequently if there are indications that the carrying value might be impaired, by comparing the carrying amount against the discounted cash flow projections of the CGU. CGUs are not larger than the operating segments of the Group.

The carrying value of the goodwill and other intangible assets has been determined based on value in use calculations, covering detailed annual budgets that have been prepared on a line by line basis and as approved by the Board, and form the basis of the extended three year forecasts, followed by an extrapolation of expected cash flows at growth rates as stated below, and as discounted using the rates stated below. The growth rates reflect prudent long term growth rates for the services provided by the CGU. In addition to these assumptions, an additional discount to the budgeted cash flows has been applied for the next three years in respect of the impact of Covid-19 to cover the CGUs that have been the most impacted by Covid-19, namely Tracsis Traffic Data Limited, Events (covering SEP Limited and Cash & Traffic Management Limited), and Tracsis Travel Compensation Services Limited & Delay Repay Sniper Limited. In each of these instances, the additional Covid-19 discount applied to budgeted cash flows has ranged from 25% – 75% over the next three years.

In 2020, a rate of 12% was used for both Segments. In 2019, 10% was used for impairment testing within the Rail Technology & Services segment, and a rate of 12% was used for impairment testing within the Traffic & Data Services segment.

Notes to the Consolidated Financial Statements continued

15 Intangible assets (continued)

	2020	2019
Long term growth rate	**1.0%**	1.0%
Discount rate	**12%**	10-12%

The key assumptions relate to profitability which is derived from key assumptions about revenue, the level of additional Covid discounts, future growth rates and also the discount rate. A discount rate of 12% was used for all CGUs for the year ended 31 July 2020 which led to an impairment of Tracsis Travel Compensation Services Limited, and from this, a more detailed review of the assumptions took place which formed the basis of the impairment recognised.

Sensitivity analysis indicates that a decrease in the long term growth rate from 1% to 0% would lead to an additional impairment of £0.1m in one CGU. Increasing the discount rate from 12% to 13% would lead to an additional impairment of £0.1m in one CGU. Increasing the discount rate from 12% to 14% would lead to an additional impairment of £0.7m across two CGUs. Increasing the discount rate from 12% to 15% would lead to an additional impairment of £1.4m across two CGUs. Having obtained advice from an external valuations expert, a discount rate of 12% is deemed appropriate.

16 Investments

The Group has made investments in Vivacity Labs Limited, Citi Logik Limited and Nutshell Software Limited.

The total gross investments made were as follows (a combination of debt and equity)

	% held At 31 July	2020 £000	2019 £000
Citi Logik Limited	14.9%	**600**	600
Nutshell Software Limited	23.4%	**500**	500
Vivacity Labs Limited	24.3%	**1,300**	1,300
		2,400	2,400

These were originally split as follows:

Equity investments:

	2020 £000	2019 £000
Citi Logik Limited	**475**	475
Nutshell Software Limited	**250**	250
Vivacity Labs Limited	**1,300**	1,300
	2,025	2,025

Convertible Loan notes receivable from investments:

	2020 £000	2019 £000
Citi Logik Limited	**125**	125
Nutshell Software Limited	**250**	250
	375	375

Notes to the Consolidated Financial Statements continued

16 Investments (continued)

In assessing the fair value of the investment in Citi Logik at year end, the Directors made a provision of £300,000 against the investment in view of the continued losses incurred by the business during the year.

During the year, Nutshell Software Limited secured additional funding and as part of this investment round, the Group converted its loan notes of £250,000 into equity. During a previous period, Citi Logik Limited also repaid a loan and the Group converted its remaining debt into equity, at the prevailing external valuation agreed as part of the investment round.

Nutshell Software Limited and Vivacity Labs Limited are both accounted for as equity accounted investees by virtue of the fact that the Group has a shareholding in excess of 20% and is deemed to have a significant influence by virtue of a board position.

The Group's share of the profit / (loss) of Nutshell Software Limited and Vivacity Labs Limited can be summarised as follows:

	2020	2019	Prior years	**Total**
	£000	£000	£000	**£000**
Nutshell Software Limited	**(144)**	18	(157)	**(283)**
Vivacity Labs Limited	**(165)**	(192)	(121)	**(478)**
	(309)	(174)	(278)	**(761)**

The carrying value of the investments is therefore as follows:

Investments – equity

	2020	2019
	£000	£000
Citi Logik Limited	**50**	350
	50	350

Convertible Loan notes receivable from associated undertakings:

	2020	2019
	£000	£000
Nutshell Software Limited	**-**	250
	-	250

Investments in equity accounted investees:

	2020	2019
	£000	£000
Nutshell Software Limited	**217**	111
Vivacity Labs Limited	**822**	987
	1,039	1,098

Summary financial information in respect of each Company is as follows:

Name	Date of last signed accounts	Revenue	Profit/(loss) after tax	Net assets/ (liabilities)
		£000	£000	£000
Nutshell Software Limited	30 September 2019	297	(23)	(284)
Vivacity Labs Limited	31 December 2019	1,963	(1,288)	797

Notes to the Consolidated Financial Statements continued

17 Inventories

	2020	2019
	£000	£000
Raw materials & work in progress	**96**	124
Finished goods	**334**	257
	430	381

The value of inventories expensed in the period in cost of sales was £1,352,000 (2019: £1,402,000). Provision is made for slow moving and obsolete stock on a line by line basis. The value of any write downs/reversals in the current and previous period was not material.

18 Lease Liabilities

	2020	2019
	£000	£000
Due within one year	**1,128**	277
Due after more than one year:		
Between one and two years	**612**	241
Between two and five years	**374**	44
Total due after more than one year	**986**	285
Total obligation	**2,114**	562

A reconciliation of the obligation is stated below.

	2020	2019
	£000	£000
At 1 August	**562**	278
Arising on adoption of IFRS 16	**1,386**	-
New contracts	**796**	626
Arising on acquisition	**459**	-
Total cash outflow	**(1,089)**	(342)
At 31 July	**2,114**	562

Future minimum lease payments at 31 July 2020 were as follows:

	Carrying amount	Contractual cash flows	Less than one year	One to Two years	Two to Five years
	£000	£000	£000	£000	£000
2020	**2,114**	**2,190**	**1,172**	**633**	**385**
2019	562	601	306	247	48

Lease Payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

Notes to the Consolidated Financial Statements continued

18 Lease Liabilities (continued)

	2020 £000
Short-term leases	**40**
Leases of low value assets	**1**
Total	**41**

Disclosures in respect of Operating leases relating to the 2019 accounts prepared under IAS 17 are as follows:

The Group leases several office facilities under operating leases plus various other assets. During the year £560,000 was recognised as an expense in the income statement in respect of operating leases. Total outstanding commitments for future minimum lease payments under non-cancellable operating leases as at 31 July 2019 were as follows:

	Land and buildings £000	Plant and machinery £000	Total £'000
Within one year	585	55	640
In the second to fifth years	726	45	771
	1,311	100	1,411

19 Trade and other receivables

	2020 £000	2019 £000
Trade receivables	**4,387**	8,884
Other receivables and prepayments	**1,868**	845
Lease receivable	**127**	-
	6,382	9,729

Although the Group has a large number of customers, there is a concentration of risk in that the Group derives a large amount of revenue from one major customer as detailed in note 6 (2020: 21% of revenue, 2019: 18% of revenue), though the credit worthiness of this customer is unquestionably strong. In other cases, where one customer represents a significant proportion of overall revenue, the relationship consists of a large number of small contracts which are not considered to be interdependent.

The fair values of trade and other receivables are the same as their book values.

The expected credit loss for Group trade receivables is immaterial. The ageing profile below takes account of the enlarged Group, and the fact that the payment terms/collection period for an enlarged Group with a wide variety of customers continues to evolve.

The summarised ageing analysis of trade receivables past due but considered to be not impaired is as follows:

	2020 £000	2019 £000
Under 30 days overdue	**994**	1,536
Between 30 and 60 days overdue	**240**	283
Over 60 days overdue	**46**	-
	1,280	1,819

The other classes within trade and other receivables do not contain impaired assets.

Notes to the Consolidated Financial Statements continued

20 Trade and other payables

	2020	2019
	£000	£000
Trade payables	**883**	1,445
Other tax and social security	**1,681**	3,196
Contract liabilities	**7,809**	7,991
Accruals and other payables	**3,136**	4,304
	13,509	16,936

The Directors consider that the carrying amounts of trade payables approximates to their fair value.

Contract liabilities relates to consideration received in advance of the completion of the associated performance obligation. Revenue recognised in the reporting period that was included in the contract liability balance at beginning of the year totalled £6,789,000 (2019: £3,306,000).

21 Contingent consideration

During the financial year, the Group acquired iBlocks Limited. Under the share purchase agreement in place for this acquisition, contingent consideration is payable which is linked to the profitability of the acquired businesses for a three year period post acquisition. The maximum amount payable is £8.5m, and the fair value of the amount payable was assessed at £3.9m at the acquisition date and £3.3m at the year end date.

During the previous financial year, the Group acquired Cash & Traffic Management Limited, Compass Informatics Limited and Bellvedi Limited. Under the share purchase agreements for each of these companies, contingent consideration is payable which is linked to the profitability of the acquired businesses over 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 £112,000 for Cash & Traffic Management Limited, £681,000 for Compass Informatics Limited and £3,193,000 for Bellvedi Limited.

During the financial year, contingent consideration of £348,000 was paid in respect of the Tracsis Travel Compensation Services Limited acquisition which was made in year ended 31 July 2018 (2019: £84,000), £491,000 in respect of the Cash & Traffic Management Limited acquisition which was made in year ended 31 July 2019 (2019: £nil), £332,000 in respect of the Compass Informatics Limited acquisition which was made in the year ended 31 July 2019 (2019: £nil), and £57,000 in respect of the Bellvedi Limited acquisition which was made in the year ended 31 July 2019 (2019: £nil)

As detailed in note 9.3, an exceptional credit of £1,475,000 was recognised, following a review of the assumptions of the fair value of the contingent consideration as at 31 July 2020. At the balance sheet date, the Directors assessed the fair value of the remaining amounts payable which were deemed to be as follows.

	2020	2019
	£000	£000
Tracsis Travel Compensation Services Limited & Delay Repay Sniper Limited	**88**	394
Cash & Travel Management Limited	**112**	600
Compass Informatics Limited	**681**	1,132
Bellvedi Limited	**3,193**	4,057
iBlocks Limited	**3,260**	-
	7,334	6,183

Notes to the Consolidated Financial Statements continued

21 Contingent consideration (continued)

The Group has made numerous acquisitions over the past few years and carries contingent consideration payable in respect of them, which is considered to be a 'Level 3 financial liability' as defined by IFRS 13. These are carried at fair value, which is based on the estimated amounts payable based on the provisions of the Share Purchase Agreements which specify the specific arrangements and calculations relating to each acquisition. This involves assumptions about future profit forecasts, which results from assumptions about revenues and costs, and is discounted back to the present value using an appropriate discount rate and an estimate of when it is expected to be payable. A range of outcomes is considered, and a probability/likelihood weighting is applied to each of them in order to produce a weighted assessment of the amount payable.

The Group has considered multiple profit related scenarios in estimating the fair value of contingent consideration payable in the future. In all cases, contingent consideration payable could range from zero to the maximum amount included in the Share Purchase Agreements as detailed in this note and also note 5. Each Share Purchase Agreement contains different provisions for calculating contingent consideration, timeframes over which it is calculated and payable, and therefore sensitivities regarding the total amount to be paid. The movement on contingent consideration can be summarised as follows:

	2020	2019
	£000	£000
At the start of the year	**6,183**	3,265
Arising on acquisition (note 5)	**3,854**	5,789
Cash payment	**(1,228)**	(2,149)
Fair value adjustment to Statement of Comprehensive Income	**(1,475)**	(722)
At the end of the year	**7,334**	6,183

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

	2020	2019
	£000	£000
Payable in less than one year	**1,747**	879
Payable in more than one year	**5,587**	5,304
Total	**7,334**	6,183

22 Deferred tax

Non-current liability/(asset)	**Intangible assets £000**	**Accelerated capital allowances £000**	**Share options £000**	**Other £'000**	**Total £000**
At 31 July 2018	3,839	36	(602)	-	3,273
Arising on adoption of IFRS 15	-	-	-	(244)	(244)
Arising on acquisition	2,406	22	-	(105)	2,323
(Credit)/charge to statement of comprehensive income (note 12)	(386)	25	40	244	(77)
At 31 July 2019	5,859	83	(562)	(105)	5,275
Arising on acquisition (note 5)	2,453	-	-	(202)	2,251
(Credit)/charge to statement of comprehensive income (note 12)	(112)	(49)	(72)	64	(169)
At 31 July 2020	**8,200**	**34**	**(634)**	**(243)**	**7,357**

The closing deferred tax asset and liability has been calculated at 19% as at 31 July 2020 (2019: 17%).

Notes to the Consolidated Financial Statements continued

22 Deferred tax (continued)

This is presented on the Balance Sheet as follows within non-current assets and liabilities.

	2020	2019
	£000	£000
Deferred tax assets	**(877)**	(667)
Deferred tax liabilities	**8,234**	5,942
Net liability per table above	**7,357**	5,275

23 Share capital

	2020	**2020**	2019	2019
	Number	**£**	Number	£
Allotted, called up and fully paid:				
Ordinary shares of 0.4p each	**29,122,548**	**116,490**	28,748,578	114,994

The following share transactions have taken place during the year ended 31 July 2020:

	2020	2019
	Number	Number
At start of the year	**28,748,578**	28,334,086
Issued as consideration for business combinations	**192,926**	125,063
Exercise of share options (Note 8)	**181,044**	289,429
At end of the year	**29,122,548**	28,748,578

During the year, a number of options were exercised from the schemes with exercise price varying from 0.4p to 199.5p – all took place at either the nominal value or above the nominal value

24 Capital and reserves

The following describes the nature and purpose of each reserve:

Reserve	**Description and purpose**
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	Amounts arising from the premium of the fair value of shares issued over their nominal value, in respect of certain business combinations
Retained earnings	Cumulative net profits recognised in the income statement. The share based payment reserve which was previously shown separately was incorporated into retained earnings during a previous year.
Translation reserve	Translation differences on retranslation of Irish subsidiary

Notes to the Consolidated Financial Statements continued

26 Financial risk management

The principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments, such as trade receivables and payables that arise directly from its operations. The Group has taken advantage of the exemption to exclude short term debtors and creditors from the disclosures given below. The fair values of the financial instruments are equal to their year end carrying values and represent the maximum exposure.

	2020			2019		
Financial assets	**Fixed Rate £000**	**Floating Rate £000**	**Total £000**	Fixed Rate £000	Floating Rate £000	Total £000
Cash and short term deposits	**-**	**17,920**	**17,920**	3,000	21,104	24,104

The Group had no derivative contracts in either the current or previous year. It is policy that no trading in financial instruments should be undertaken. The surplus cash balances have been invested in deposit accounts.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade receivables (1)
- cash at bank (1);
- trade and other payables (1)
- contingent consideration (2)
- investments in equity and debt instruments (3); and
- lease liabilities (4)

(1) Items are measured at amortised cost. There are no significant financing components and short-term in nature.
(2) Measured at fair value with changes through the Income Statement
(3) Investments in equity measured at fair value, investments in debt instruments measured at amortised cost
(4) Measured at amortised cost

The Group considers that the fair value is materially consistent with amortised cost for those assets measured on this basis.

Fair value or cash flow interest rate risk

Currently the Group has surplus cash balances so does not have a borrowing requirement. Surplus cash is put on short term deposit with high credit worthy banking institutions where appropriate at either fixed or floating rates, though the interest rates being offered by the major financial institutions are generally less than 0.5% with many being much less than this. Total finance income in the year amounted to £73,000. The Group has cash balances of £17.9m as at 31 July 2020 which is spread across different banks as detailed below, and each attracts a different interest rate. Any sensitivity to interest rates would depend on the following factors: Tracsis subsidiary entity making the investment, the amount invested, the length of commitment and ability to access to the funds, and the choice of financial institution. In view of current interest rates and the current economic backdrop, the Group does not consider that it has a major exposure to interest rates and should interest rates rise, any additional rates would have a small impact on the amount of finance income receivable. The Board monitors the financial markets and the Group's future cash requirements to ensure that this policy is exercised in the Group's best interests. At 31 July 2020, the Group had £nil in a fixed rate 30 day deposit account (2019: £3.0m).

Credit risk

The Group monitors credit risk closely and considers that its current policies of credit checks meet its objectives of managing exposure to risk. The Group has no significant concentration of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event that other parties fail to perform their obligations under financial instruments. The Group did not incur any material bad debts in the financial year, and has historically not had any either, and so views the overall credit risk to be low. As noted in note 6 and note 19, the Group derives c. 21% of its revenue from a major customer, whose credit worthiness is unquestionably strong. The Group had a trade receivables balance of £4,387,000 at 31 July 2020, and this related to over 100 individual customers. The largest individual receivable was £495,000 and related to a major worldwide engineering Group in a very strong financial position. Other receivables over £100,000 were spread across 15 individual clients, and amounted to c. £2.4m. These clients include for example large infrastructure providers, Train Operators and Owning groups, numerous Government departments and other bodies, engineering consultants, plus shopping centre providers; all of whom are deemed to be very credit worthy.

Notes to the Consolidated Financial Statements continued

26 Financial risk management (continued)

Liquidity risk
Liquidity risk is managed on a day to day basis. Facilities are agreed at appropriate levels having regard to the Group's forecast operating cash flows and future capital expenditures. The Group holds its cash balances with highly rated financial institutions and it is also spread across numerous institutions to avoid any exposure to one individual bank. As at 31 July 2020, of the Group's total cash balances of £17.9m, £16.2m was spread across four major, highly rated banking institutions with £7.6m held at the lead bank, £5.3m held at another bank, and £1.9m and £1.4m were held with others. The remainder of the cash balances of £1.7m was spread across other financial institutions.

Foreign currency risk
The Group makes some overseas sales and some overseas purchases, some of which are invoiced in Sterling and others in the local currency, so there continues to be a small exposure to foreign currency, in particular to the American and Australian dollar though these are not significant and are detailed in note 6 and total revenue in the year from these countries and others amounted to £342,000. The Group acquired Compass Informatics Limited during the previous financial year which increased its exposure to the Euro given that Compass is based in Ireland and raises the vast majority of its sales invoices in Euros. Total sales to/from Ireland amounted to c. £6m in the year representing around 12% of total Group sales revenue. The closing exchange rate used was c. 1.1 GBP to Euros, with an average throughout the year of c. 1.14 GBP to Euros. Any changes to this exchange rate would increase the Group's foreign currency risk, though as noted above the cast majority of sales continue to be made in Sterling. In addition, as detailed in note 21 the Group has assessed the fair value of the contingent consideration relating to the acquisition of Compass Informatics Limited as £0.7m, which under the terms of the Share Purchase Agreement has to be made in Euros. Any changes to the exchange rate would impact on the foreign currency risk but as these payments are to be made over a number of years, the impact is not expected to be significant.

Capital disclosures
The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and;
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to shareholders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity and Notes 13, 23 and 24. The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Sensitivity analysis
In managing interest rates the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the long term, permanent changes in interest rates would have an impact on consolidated earnings. The Directors consider that a change of 100 basis points in interest rates at any period end would not have a material impact on cash flows.

Market risks
The Directors consider that the Group has no significant exposure to market risks with respect to its financial instruments.

Notes to the Consolidated Financial Statements continued

26 Financial risk management (continued)

Changes in liabilities from financing activities

	Contingent Consideration £000	Lease liabilities (under IFRS 16) £000
At 1 August 2019	6,183	562
Adoption of IFRS 16	-	1,386
Revised 1 August 2019	-	1,948
Changes from financing cash flows		
Payment of lease liabilities	-	(1,089)
Total changes from financing cash flow	-	(1,089)
Changes in fair value	(1,475)	-
Other changes		
Arising on acquisition	3,854	459
Payment of contingent consideration	(1,228)	-
New leases	-	796
At 31 July 2020	**7,334**	**2,114**

	Contingent Consideration £000	Lease Liabilities (under IAS 17) £000
At 1 August 2018	3,265	278
Changes from financing cash flows		
Payment of finance lease liabilities	-	(342)
Total changes from financing cash flow	-	(342)
Changes in fair value	(722)	-
Other changes		
Arising on acquisition	5,789	-
Payment of contingent consideration	(2,149)	-
New finance leases	-	626
At 31 July 2019	**6,183**	**562**

Notes to the Consolidated Financial Statements continued

27 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	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Leeds Innovation Centre Limited (1)	**-**	78	**-**	-
Nexus Leeds Limited (1)	**224**	73	**21**	19
Citi Logik Limited (2)	**-**	-	**-**	-
Nutshell Software Limited (2)	**13**	254	**-**	12
Vivacity Labs Limited (2)	**404**	202	**4**	36

	Sale of goods and services		Amounts owed by related parties	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
WSP UK Limited (3)	**2,706**	3,709	**495**	1,364
Citi Logik Limited (2)	**-**	-	**-**	-
Nutshell Software Limited (2)	**14**	10	**-**	-

(1) Leeds Innovation Centre Limited and Nexus Leeds Limited are companies which are connected to The University of Leeds. Tracsis plc rents its office accommodation, along with related office services, from this company.
(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.

Terms and conditions of transactions with related parties
The purchases from related parties are made at normal market prices. Outstanding balances that relate to trading balances are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Compensation of key management personnel of the Group
The Group considers the key management personnel to be its directors and the directors of the Group's subsidiaries. Full details of their compensation are set out below:

	2020	2019
	£'000	£'000
Total remuneration	**3,280**	3,087
Share based payment charges	**541**	440
	3,821	3,527

28 Employee benefits

The Group makes contributions to defined contribution pension schemes for its employees. The assets of the schemes are held separately in independently administered funds. The pension cost charge for the year comprises contributions payable by the Group to the schemes and other personal pension plans and amounted to £736,000 (2019: £605,000). There were outstanding contributions at 31 July 2020 of £99,000 (2019: £101,000).

Notes to the Consolidated Financial Statements continued

29 Group entities

Below are the subsidiary undertakings which contribute to the Group results:

Held by Tracsis plc	Principal activity	Country of incorporation	% ordinary share capital owned
Tracsis Rail Consultancy Limited (1)	Rail industry consultancy	England and Wales	100%
Tracsis Passenger Counts Limited (1)	Rail industry consultancy	England and Wales	100%
Safety Information Systems Limited (1)	Software and consultancy	England and Wales	100%
MPEC Technology Limited (1)	Rail industry hardware & Datalogging	England and Wales	100%
Tracsis Traffic Data Limited (2)	Transportation data collection	England and Wales	100%
Datasys Integration Limited (1)	Holding Company	England and Wales	100%
Tracsis Retail & Operations Limited (1)	Rail industry software	England and Wales	100%
SEP Limited (1)	Event planning & traffic management	England and Wales	100%
SEP Events Limited (1)	Dormant	England and Wales	100%
Ontrac Technology Limited (1)	Holding company	England and Wales	100%
Ontrac Limited (1)	Rail industry software	England and Wales	100%
Tracsis Travel Compensation Services Limited (1)	Rail industry software	England and Wales	100%
Delay Repay Sniper Limited (1)	Rail industry software	England and Wales	100%
Cash & Traffic Management Limited (2)	Event planning & traffic management	England and Wales	100%
Compass Informatics Limited (7)	Software development	Republic of Ireland	100%
Bellvedi Limited (1)	Rail industry software	England and Wales	100%
iBlocks Limited (1)*	Rail industry software	England and Wales	100%
Compass Informatics UK Limited (2)	Software development	England and Wales	100%
S Dalby Consulting Limited (1)	Dormant	England and Wales	100%
Sky High Data Capture Limited (2)	Dormant	England and Wales	100%
Sky High Traffic Data Limited (2)	Dormant	England and Wales	100%
The Web Factory Birmingham Limited (2)	Dormant	England and Wales	100%
Forsyth Whitehead & Associates Limited (2)	Dormant	England and Wales	100%
Sky High Technology (Scotland) Limited (2)	Dormant	England and Wales	100%
Count on Us Traffic Limited (2)	Dormant	England and Wales	100%
Burra Burra Distribution Limited (2)	Dormant	England and Wales	100%
Sky High NCS Limited (2)	Dormant	England and Wales	100%
Halifax Computer Services Limited (2)	Dormant	England and Wales	100%
Skyhightraffic Limited (2)	Dormant	England and Wales	100%
The Traffic Survey Company Limited (2)	Dormant	England and Wales	100%
The People Counting Company Limited (2)	Dormant	England and Wales	100%
Myratech.net Limited (2)	Dormant	England and Wales	100%
Footfall Verification Limited (2)	Dormant	England and Wales	100%
Minority investments:			
Citi Logik Limited (3)	Mobile Network Data Analysis	England and Wales	14.9%
Nutshell Software Limited (4)	Mobile application development	England and Wales	23.4%
Vivacity Labs Limited (5)	Machine Learning technology	England and Wales	24.3%

Notes to the Consolidated Financial Statements continued

29 Group entities (continued)

*Company acquired during financial year

The registered offices of the subsidiaries are as follows:

(1) Nexus, Discovery Way, Leeds, England, LS2 3AA
(2) Templar House, 1 Sandbeck Court, Sandbeck Way, Wetherby, England LS22 7BA
(3) The Platform, New Station Street, Leeds, England, LS1 4JB
(4) Floor 1, Baltimore House, Baltic Business Quarter, Gateshead, Tyne And Wear, England, NE8 3DF
(5) International House 24 Holborn Viaduct, City Of London, London, England, EC1A 2BN
(6) No.61, 2nd Main, 1st Block, Koramangala, Bangalore – 560034, India
(7) Block 8, Blackrock Business Park, Carysfort Avenue, Blackrock, County Dublin, Ireland, A94 W209

30 Dividends

The Group introduced a progressive dividend policy during previous years. The cash cost of the dividend payments is below:

	2020	2019
	£000	£000
Final dividend for 2017/18 of 0.9p per share paid	**-**	257
Interim dividend for 2018/19 of 0.8p per share paid	**-**	229
Final dividend for 2018/19 of 1.0p per share paid	**288**	-
Total dividends paid	**288**	486

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012
	£000	£000	£000	£000	£000	£000	£000	£000	£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 0.8p per share paid	-	229	-	-	-	-	-	-	-
Final dividend for 2018/19 of 1.0p per share paid	-	288	-	-	-	-	-	-	-

Notes to the Consolidated Financial Statements continued

30 Dividends (continued)

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	**Nil**	1.8p	1.6p	1.4p	1.2p	1.0p	0.8p	0.7p	0.55p

31 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:

	2020	2019
	£000	£000
Profit before tax	**4,111**	6,559
Finance income / expense – net	**3**	(37)
Share-based payment charges	**1,050**	1,034
Exceptional items - net	**(115)**	(38)
Other operating income	**(376)**	(260)
Amortisation of intangible assets	**3,599**	2,251
Depreciation	**1,882**	831
Share of result of equity accounted investees	**309**	174
Adjusted EBITDA	**10,463**	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:

	2020	2019
	£000	£000
Profit before tax	**4,111**	6,559
Finance income / expense – net	**3**	(37)
Share-based payment charges	**1,050**	1,034
Exceptional items - net	**(115)**	(38)
Other operating income	**(376)**	(260)
Amortisation of intangible assets	**3,599**	2,251
Share of result of equity accounted investees	**309**	174
Adjusted profit	**8,581**	9,683

Adjusted EBITDA reconciles to adjusted profit as set out below:

	2020	2019
	£000	£000
Adjusted EBITDA	**10,463**	10,514
Depreciation	**(1,882)**	(831)
Adjusted profit	**8,581**	9,683

Notes to the Consolidated Financial Statements continued

32 IFRS 16 reconciliation

The Group adopted IFRS 16 with effect from 1 August 2019, using the modified retrospective approach, under which the comparative information is not restated. The impact of adopting this is set out below, but can be summarised as the removal of the rental charge from the Income Statement, replaced with Depreciation and Finance charge and the inclusion of a Right of Use Asset and a current and non current Lease Liability on the Balance Sheet. The net impact was a charge to reserves of £106,000 which can be summarised as follows:

	As previously reported at 31 July 2019 under IAS 17 £'000	IFRS 16 Adjustment at 31 July 2019 £'000	Under IFRS 16 as at 31 July 2019 £'000
Property, plant and equipment	2,678	1,302	3,980
Trade and other receivables (rent prepaid)	9,729	(58)	9,671
Trade and other payables (rent accrual derecognised)	(16,936)	36	16,900
Current lease liabilities	(277)	(628)	(905)
Non-Current lease liabilities	(285)	(758)	(1,043)
Retained earnings	37,545	(106)	37,439

The table below reconciles the Company's operating lease commitment at 31 July 2019, under IAS 17, to the lease liability now being recognised under IFRS 16.

	£'000
Operating lease commitment at 31 July 2019 as disclosed in the consolidated financial statements	1,411
Impact of discounting	(25)
Lease liabilities recognised as at 1 August 2019	1,386

Notes to the Consolidated Financial Statements continued

32 IFRS 16 reconciliation (continued)

Impact on the consolidated income statement for the year ended 31 July 2020 – showing the impact of IFRS 16 in the current year as if it had and had not been adopted.

	As reported £'000	Adjustments £'000	Amounts without adoption of IFRS 16 £'000
Revenue	47,998	-	47,998
Cost of sales	(16,796)	-	(16,796)
Gross profit	31,202	-	31,202
Administrative costs	(26,779)	(46)	(26,825)
Adjusted EBITDA	10,463	(822)	9,641
Depreciation	(1,882)	776	(1,106)
Adjusted profit	8,581	(46)	8,535
Amortisation of intangible assets	(3,599)	-	(3,599)
Other operating income	376	-	376
Share-based payment charges	(1,050)	-	(1,050)
Operating profit before exceptional items	4,308	(46)	4,262
Exceptional items (net)	115	-	115
Operating profit	4,423	(46)	4,377
Finance income	76	(3)	73
Finance expense	(79)	45	(34)
Share of result of equity accounted investees	(309)	-	(309)
Profit before tax	4,111	(4)	4,107
Taxation	(1,234)	-	(1,234)
Profit after tax	2,877	(4)	2,873
Foreign currency translation	21	-	21
Total recognised income for the year	2,898	(4)	2,894

Notes to the Consolidated Financial Statements continued

32 IFRS 16 reconciliation (continued)

Impact on the consolidated balance sheet as at 31 July 2020 – showing the impact of IFRS 16 in the current year as if it had and had not been adopted.

	As reported £'000	Adjustments £'000	Amounts without adoption of IFRS 16 £'000
Non-current assets			
Property, plant and equipment	3,581	(1,428)	2,153
Intangible assets	54,376	-	54,376
Investments – equity	50	-	50
Investments in equity accounted investees	1,039	-	1,039
Deferred tax assets	877	-	877
	59,923	(1,428)	58,495
Current assets			
Inventories	430	-	430
Trade and other receivables	6,382	(67)	6,315
Cash and cash equivalents	17,920	-	17,920
	24,732	(67)	24,665
Total assets	84,655	(1,495)	83,160
Non-current liabilities			
Lease liabilities	986	(818)	168
Contingent consideration payable	5,587	-	5,587
Deferred tax liabilities	8,234	-	8,234
	14,807	(818)	13,989
Current liabilities			
Lease liabilities	1,128	(873)	255
Trade and other payables	13,509	94	13,603
Contingent consideration payable	1,747	-	1,747
Current tax liabilities	439	-	439
	16,823	(779)	16,044
Total liabilities	31,630	(1,597)	30,033
Net assets	53,025	102	53,127
Equity attributable to equity holders of the Company			
Called up share capital	116	-	116
Share premium reserve	6,373	-	6,373
Merger reserve	5,420	-	5,420
Retained earnings	41,078	102	41,180
Translation reserve	38	-	38
Net assets	53,025	102	53,127

Financial Statements

Company Balance Sheet (prepared under FRS 101)

as at 31 July 2020

Company number: 05019106

	Note	**2020 £000**	2019 £000
Non-current assets			
Property, plant and equipment	34	**636**	349
Investments	35	**74,186**	54,751
Deferred tax assets	40	**233**	208
		75,055	55,308
Current assets			
Cash and cash equivalents		**2,547**	6,987
Trade and other receivables	36	**2,081**	2,385
		4,628	9,372
Total assets		**79,683**	64,680
Non-current liabilities			
Lease Liabilities	37	**137**	-
Contingent consideration	39	**5,587**	5,304
		5,724	5,304
Current liabilities			
Trade and other payables	38	**16,101**	14,854
Lease Liabilities	37	**179**	-
Contingent consideration	39	**1,747**	879
		18,027	15,733
Total liabilities		**23,751**	21,037
Net assets		**55,932**	43,643
Capital and reserves			
Called up share capital	41	**116**	115
Share premium reserve		**6,373**	6,343
Merger reserve		**5,420**	3,921
Retained earnings		**44,023**	33,264
Total equity		**55,932**	43,643

The Company's profit for the year, after dividends received was £10,018,000 (2019: £3,738,000)

The financial statements were approved and authorised for issue by the Board of Directors on 4 December 2020 and were signed on its behalf by:

Chris Barnes – Chief Executive Officer **Max Cawthra** – Chief Financial Officer

Financial Statements

Company Statement of Changes in Equity

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 August 2019	115	6,343	3,921	33,264	43,643
Adjustment on initial application of IFRS 16 (net of tax)	-	-	-	(21)	(21)
Profit and total comprehensive income	-	-	-	10,018	10,018
Dividends	-	-	-	(288)	(288)
Share based payment charges	-	-	-	1,050	1,050
Shares issued as consideration for business combinations	1	-	1,499	-	1,500
Exercise of share options	-	30	-	-	30
At 31 July 2020	**116**	**6,373**	**5,420**	**44,023**	**55,932**

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 1 August 2018	113	6,243	3,160	29,222	38,738
Adjustment on initial application of IFRS 15 (net of tax)	-	-	-	(244)	(244)
Profit and total comprehensive income	-	-	-	3,738	3,738
Dividends	-	-	-	(486)	(486)
Share based payment charges	-	-	-	1,034	1,034
Shares issued as consideration for business combinations	1	-	761	-	762
Exercise of share options	1	100	-	-	101
At 31 July 2019	**115**	**6,343**	**3,921**	**33,264**	**43,643**

The following describes the nature and purpose of each reserve:

Reserve	**Description and purpose**
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	Amounts arising from the premium of the fair value of shares issued over their nominal value, in respect of certain business combinations
Retained earnings	Cumulative net profits recognised in the income statement. The share based payment reserve which was previously shown separately is incorporated in retained earnings in the previous and current financial year.

Financial Statements

Notes to the Company Balance Sheet

33 Company accounting policies

Tracsis plc (“the Company”) was incorporated and is domiciled in England, in the United Kingdom. Its registered office is Nexus, Discovery Way, Leeds, LS2 3AA, registered number 05019106. The principal activity of Tracsis plc is that of a holding company and also software development and consultancy for the rail industry.

The company’s accounting reference date is 31 July.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 ‘Reduced Disclosure Framework’ (“FRS 101”) which has been applied.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on a historical cost basis. The presentation currency used is sterling and amounts have been presented in round thousands (“£000s”).

Disclosure exemptions adopted:

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company’s capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- these financial statements do not include certain disclosures in respect of share based payments;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the Tracsis plc group of companies.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the Group’s financial statements.

Revenue recognition

The Company has initially applied IFRS 15 “Revenue from Contracts with Customers” from 1 August 2018. IFRS 15 has established a comprehensive framework for determining whether, how much and when revenue is recognised.

The Company derives revenue from software licencing, bespoke development work and post contract customer support.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, and the related revenue recognition policies. Revenue is recognised either when the performance obligation in the contract has been performed (“point in time” or “over time” as control is transferred to the customer). Consideration received in advance of the performance obligation being satisfied by the Company is included as a Contract Liability on the balance sheet. An asset is recognised when a performance obligation has been completed, but no consideration has yet been received. Adjustments are made to allocate discounts relative to the stand-alone selling price of each performance obligation. The Company does not adjust the transaction price for the time value of money as it does not expect to have any contracts where the period between the transfer of the promised service to the client, and the payment by the client exceeds one year.

Notes to the Company Balance Sheet continued

33 Company accounting policies (continued)

Revenue Stream	*Recognition Policy*
Software – perpetual and non-cancellable annual software licenses, and support and maintenance services associated with these licenses	There are two separate performance obligations associated with this revenue stream: • Provision of the perpetual or non cancellable annual software license • Maintenance and support services The company recognises the revenue from the sale of perpetual and non-cancellable annual software licences at the time that the license is made available to the customer as it is considered that control passes at that point in time. The allocation of the transaction price between the two performance obligations included in the contract is based on an expected cost plus margin approach as the stand-alone selling price is not observable. Revenue related to ongoing support and periodic updates is recognised over the license period as the Company is unable to predict at inception of the license when the support and updates will be required to be provided to the customer. As such, control is considered to pass over time.
Software as a service, and support services associated with these licenses	Under IFRS 15 two distinct performance obligations have been identified for these contracts. • Hosted software licenses • Maintenance and support Revenue from the provision of the hosted software license is recognised evenly over the period in which the license is hosted by the Company. This policy reflects the continuous transfer of the service to the customer throughout the contracted license period. Revenue related to ongoing support and periodic updates is recognised over the license period as the Company is unable to predict at inception of the license when the support and updates will be required to be provided to the customer.
Bespoke software development work	Revenue in relation to bespoke development work is recognised on completion of the work as specified in the contract with the customer as it is considered that control of the work does not pass until all development work has been completed.

Notes to the Company Balance Sheet continued

33 Company accounting policies (continued)

Property, plant and equipment
Property, plant and equipment is initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation is provided on all items so as to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Freehold buildings (excluding land)	–	4% on cost
Computer equipment	–	33 1/3% on cost
Fixtures and Fittings	–	10% on cost

Investments
Fixed asset investments are stated at cost less provision for impairment where appropriate. The directors consider annually whether a provision against the value of investments on an individual basis is required. Such provisions are charged in the income statement in the year.

Taxation
The tax on the profit or loss for the year represents current and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying value in the financial statements. The principal temporary differences arise from depreciation on plant and equipment and share options granted by the Company to employees and directors.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Where the deferred tax asset recognised in respect of share-based payments would give rise to a credit in excess of the related accounting charge at the prevailing tax rate the excess is recognised directly in equity.

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

Leases
For any new contracts entered into on or after 1 August 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use.

The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Notes to the Company Balance Sheet continued

33 Company accounting policies (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.
Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Accounting policy applicable before 1 August 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Share based payments
The Company's accounting policies followed are in all material regards the same as the Group's policy as shown on page 51. Where there are charges relating to subsidiary undertakings, these are borne in full by the relevant subsidiary undertakings via a recharge.

Notes to the Company Balance Sheet continued

33 Company accounting policies (continued)

Profit and Loss account
The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's profit after taxation for the year amounted to £10,018,000 after receiving dividends from subsidiary undertakings of £9,950,000 (2019: profit of £3,738,000 after receiving dividends from subsidiary undertakings of £4,200,000).

34 Property, plant and equipment

	Land & Buildings* £000	Computer equipment £000	Fixtures And Fittings £000	**Total £000**
Cost				
At 1 August 2019	400	107	-	507
Arising on initial adoption of IFRS 16	438	-	-	438
Additions	-	42	20	62
At 31 July 2020	838	149	20	1,007
Depreciation				
At 1 August 2019	102	56	-	158
Charge for the year	179	32	2	213
At 31 July 2020	281	88	2	371
Net book value				
At 31 July 2019	298	51	-	349
At 31 July 2020	**557**	**61**	**18**	**636**

*Includes land of £100,000 which is not depreciated

Included in the net carrying amount of property, plant and equipment are assets held under leases of £271,000 (2019: Net book value of assets held under finance lease obligations pre adoption of IFRS 16 £nil).

A reconciliation of the Right of Use Asset is as follows:

	Land & Buildings £000
Cost	
At 1 August 2019	-
Adoption of IFRS 16	438
At 31 July 2020	438
Depreciation	
At 1 August 2019	-
Charge for the year	167
At 31 July 2020	167
Net book value	
At 31 July 2019	-
At 31 July 2020	271

Notes to the Company Balance Sheet continued

35 Investments

	Shares in, and loans to subsidiary undertakings £000
At 1 August 2019	54,751
Additions	20,809
Adjustments	10
Impairment	(1,384)
At 31 July 2020	**74,186**

The impairment in the year relates to the investment in Citi Logik Limited which impaired by £300,000 from a previous carrying value of £350,000 to a fair value of £50,000, in view of the company's ongoing losses and as a result of the impairment review undertaken at the end of the financial year. Furthermore, the investment in Tracsis Travel Compensation Services Limited was deemed to be impaired following an impairment review using a discount rate of 12% which prompted a review of the other assumptions and as noted in note 15, the investment was deemed to be impaired and so written down to a value of £1.5m resulting in an impairment charge for the year totalling £1,084,000.

The companies in which Tracsis plc's interest is more than 10% at the year end are as follows:

Name	Country of incorporation	Principal activity	Class and percentage of shares held	Holding
Subsidiary undertakings:				
Tracsis Rail Consultancy Limited	England and Wales	Rail industry consultancy	Ordinary 100%	Direct
Tracsis Passenger Counts Limited	England and Wales	Rail industry ancillary services	Ordinary 100%	Direct
Safety Information Systems Limited	England and Wales	Software and consultancy	Ordinary 100%	Direct
MPEC Technology Limited	England and Wales	Rail industry hardware & datalogging	Ordinary 100%	Direct
Tracsis Traffic Data Limited	England and Wales	Transportation data collection	Ordinary 100%	Direct
Datasys Integration Limited	England and Wales	Holding Company	Ordinary 100%	Direct
Tracsis Retail & Operations Limited	England and Wales	Rail industry software	Ordinary 100%	Indirect
SEP Limited	England and Wales	Event planning & traffic management	Ordinary 100%	Direct
SEP Events Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Ontrac Technology Limited	England and Wales	Holding Company	Ordinary 100%	Direct
Ontrac Limited	England and Wales	Rail industry software	Ordinary 100%	Indirect
Tracsis Travel Compensation Services Limited	England and Wales	Rail industry software	Ordinary 100%	Indirect
Delay Repay Sniper Limited	England and Wales	Rail industry software	Ordinary 100%	Direct
Cash & Traffic Management Limited	England and Wales	Event planning & traffic management	Ordinary 100%	Direct
Compass Informatics Limited	Republic of Ireland	Software Development	Ordinary 100%	Direct
Bellvedi Limited	England and Wales	Rail industry software	Ordinary 100%	Direct
iBlocks Limited	England and Wales	Rail industry software	Ordinary 100%	Direct
Compass Informatics UK Limited	England and Wales	Software development	Ordinary 100%	Indirect
S Dalby Consulting Limited	England and Wales	Dormant	Ordinary 100%	Direct
Sky High Data Capture Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Sky High Traffic Data Limited	England and Wales	Dormant	Ordinary 100%	Indirect

Notes to the Company Balance Sheet continued

35 Investments (continued)

Name	Country of incorporation	Principal activity	Class and percentage of shares held	Holding
The Web Factory Birmingham Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Forsyth Whitehead & Associates Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Sky High Technology (Scotland) Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Count on Us Traffic Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Burra Burra Distribution Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Sky High NCS Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Halifax Computer Services Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Skyhightraffic Limited	England and Wales	Dormant	Ordinary 100%	Indirect
The Traffic Survey Company Limited	England and Wales	Dormant	Ordinary 100%	Indirect
The People Counting Company Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Myratech.net Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Footfall Verification Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Minority investments				
Citi Logik Limited	England and Wales	Mobile network data analysis	Ordinary 14.9%	Direct
Nutshell Software Limited	England and Wales	Mobile application development	Ordinary 23.4%	Direct
Vivacity Labs Limited	England and Wales	Machine learning technology	Ordinary 24.3%	Direct

36 Trade and other receivables

	2020	2019
	£000	£000
Trade receivables	**431**	160
Amounts owed by Group undertakings	**671**	920
Other debtors	**295**	354
Corporation Tax	**629**	874
Prepayments	**55**	77
	2,081	2,385

The carrying value of trade receivables approximates to the fair value. Amounts owed by Group undertakings are interest free and repayable on demand.

Corporation tax is recoverable from other Group companies as Tracsis plc acts as the lead company for the Group's Payment on Account regime.

Notes to the Company Balance Sheet continued

37 Lease Liabilities

	2020 £000	2019 £000
Due within one year	**179**	-
Due after more than one year:		
Between one and two years	**137**	-
Between two and three years	**-**	-
Total due after more than one year	**137**	-
Total obligation	**316**	-

A reconciliation of the obligation is stated below.

	2020 £000	2019 £000
At start of the year	**-**	-
Lease liabilities recognised on adoption of IFRS 16	**483**	-
New contracts	**-**	-
Total cash outflow	**(167)**	-
At end of the year	**316**	-

Future minimum lease payments at 31 July 2020 were as follows:

	Carrying amount £000	Contractual cash flows £000	Less than one year £000	One to Two years £000	Two to Five years £000
2020	**316**	**324**	**185**	**139**	**-**
2019	-	-	-	-	-

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2020 £000
Short-term leases	**-**
Leases of low value assets	**1**
Total	**1**

Disclosures in respect of Operating leases from 2019 as prepared under IAS 17 are as follows:.

Minimum lease payments are payable as follows:

	Land & buildings £000
Within one year	180
Between one and two years	185
Between two to five years	123

Notes to the Company Balance Sheet continued

38 Trade and other payables

	2020	2019
	£000	£000
Trade payables	**148**	95
Other tax and social security	**97**	73
Amounts owed to Group undertakings	**14,441**	12,237
Accruals and contract liabilities	**1,415**	2,449
	16,101	14,854

The carrying value of trade payables approximates to the fair value. Amounts owed to Group undertakings are interest free and repayable on demand.

39 Contingent consideration

During the financial year, the Group acquired iBlocks Limited. Under the share purchase agreement in place this acquisition, contingent consideration is payable which is linked to the profitability of the acquired businesses for a three year period post acquisition. The maximum amount payable is £8.5m, and the fair value of the amount payable was assessed at £3.9m at the date of acquisition and £3.3m at the year end.

During the previous financial year, the Group acquired Cash & Traffic Management Limited, Compass Informatics Limited and Bellvedi Limited. Under the share purchase agreements for each of these companies, contingent consideration is payable which is linked to the profitability of the acquired businesses over 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 at the year end was assessed at £112,000 for Cash & Traffic Management Limited, £681,000 for Compass Informatics Limited and £3,193,000 for Bellvedi Limited.

During the financial year, contingent consideration of £348,000 was paid in respect of the Tracsis Travel Compensation Services Limited acquisition which was made in year ended 31 July 2018 (2019: £84,000), £491,000 in respect of the Cash & Traffic Management Limited acquisition which was made in year ended 31 July 2019 (2019: £nil), £332,000 in respect of the Compass Informatics Limited acquisition which was made in the year ended 31 July 2019 (2019: £nil), and £57,000 in respect of the Bellvedi Limited acquisition which was made in the year ended 31 July 2019 (2019: £nil)

At the balance sheet date, the Directors assessed the fair value of the remaining amounts payable which were deemed to be as follows.

	2020	2019
	£000	£000
Tracsis Travel Compensation Services Limited & Delay Repay Sniper Limited	**88**	394
Cash & Travel Management Limited	**112**	600
Compass Informatics Limited	**681**	1,132
Bellvedi Limited	**3,193**	4,057
iBlocks Limited	**3,260**	-
	7,334	6,183

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

	2020	2019
	£000	£000
Payable in less than one year	**1,747**	879
Payable in more than one year	**5,587**	5,304
Total	**7,334**	6,183

Notes to the Company Balance Sheet continued

40 Deferred tax (asset) / liability

	2020	2019
	£000	£000
At start of the year	**(208)**	(360)
Charge to statement of comprehensive income during the year	**(25)**	152
At end of the year	**(233)**	(208)

The deferred tax asset can be split as follows:

	2020	2019
	£000	£000
Accelerated Capital Allowances	**5**	1
Share options	**(238)**	(209)
At end of the year	**(233)**	(208)

41 Share capital

	2020	**2020**	2019	2019
	Number	**£**	Number	£
Allotted, called up and fully paid:				
Ordinary shares of 0.4p each	**29,122,548**	**116,490**	28,748,578	114,994

The following share transactions have taken place during the year ended 31 July 2020:

	2020	2019
	Number	Number
At start of the year	**28,748,578**	28,334,086
Issued as consideration for business combinations	**192,926**	125,063
Exercise of share options	**181,044**	289,429
At end of the year	**29,122,548**	28,748,578

42 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**	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Leeds Innovation Centre Limited	**-**	78	**-**	-
Nexus Leeds Limited	**224**	73	**21**	19

Leeds Innovation Centre Limited and Nexus Leeds Limited are companies which are connected to The University of Leeds. Tracsis plc rents its office accommodation, along with related office services, from these companies.

Terms and conditions of transactions with related parties

The purchases from related parties are made at normal market prices. Outstanding balances that relate to trading balances are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Compensation of key management personnel of the Group

The Company considers the directors to be its key management personnel. Full details of their compensation are set out in the Directors' Remuneration Report.

Group information

Company Secretary and Registered Office
Max Cawthra
Nexus
Discovery Way
Leeds
LS2 3AA

The registered office of all subsidiary entities is detailed in note 29 to the Group Financial statements.

Telephone +44 (0) 845 125 9162
Fax +44 (0) 845 125 9163

Registered number
05019106

Website
www.tracsis.com

Auditor
Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds
LS1 4BN

Principal bankers
HSBC Bank plc
33 Park Row
Leeds
LS1 1LD

Additional bankers
Barclays
NatWest
Santander
Royal Bank of Scotland
Co-Operative
Bank of Ireland
Triodos

Nominated Advisor and Stockbroker
finnCap Limited
60 New Broad Street
London
EC2M 1JJ

Registrars
Neville Registrars
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

Solicitors
Haynes & Boone
1 New Fetter Lane
London
EC4A 1AN