Tracsis plc

Annual Report & Accounts 2013

Contents

Group Profile

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

In the subsequent years Tracsis has grown rapidly and the Group specialises in solving a variety of data capture, reporting and resource optimisation problems along with the provision of a range of associated professional services. Tracsis' products and services are used to increase efficiency, reduce cost and improve the operational performance and decision making capabilities for clients and customers.

The Group's products and services comprise four principal revenue streams:

- Data Capture: Collation and analytical services within traffic and pedestrian rich environments;
- Software: Industry strength resource optimisation software that covers a variety of asset classes;
- Remote Condition Monitoring: Technology and reporting for critical infrastructure assets in real time, to identify problems and aid with preventative maintenance; and
- Professional Services: Consulting and related professional services across the operational and strategic planning horizon.

The Group has a blue chip client base which includes the majority of UK transport operators such as Arriva, First, Stagecoach, Go-Ahead, National Express and Virgin. The business also works extensively with Network Rail, the Department for Transport, multiple local authorities, and a variety of large engineering/infrastructure companies.

Tracsis has offices in the UK and Australia which service projects in Europe and Australasia.

The business drives growth both organically and through acquisition and has made five acquisitions since 2008.

Board of Directors

Executive Directors

John McArthur (38)
Chief Executive Officer

John has been the Chief Executive Officer of Tracsis since the formation of the company in January 2004. Prior to this he worked as an investment manager with Techtran Group Limited which specialises in developing the commercial potential of intellectual property developed at the University of Leeds. John also worked for several years with Axiomlab Group plc, a technology venture capital company, having started his career with Arthur Andersen & Co. He holds a first class degree in Management Science from the University of Strathclyde in Glasgow.

Max Cawthra (35)
Chief Financial Officer

Max joined Tracsis in September 2010 as Financial Controller and was promoted to the Board in August 2011, as a replacement for Darren Bamforth who had acted as Finance Director on a part time basis. Max is a Chartered Accountant, having trained with Ernst & Young in Leeds. Prior to joining Tracsis, Max spent seven years at Persimmon plc in a variety of roles.

Non-Executive Directors

Charles Winward (43)
Non-Executive Director

Charles is a Director at IP Group plc, a company which holds shares in Tracsis through IP Group's subsidiary Techtran Group Limited. Charles joined IP Group in April 2007 to manage investments in Top Technology Ventures Limited, IP Group plc's venture capital fund management subsidiary. Top Technology Ventures Limited manages the IP Venture Fund which has also invested in Tracsis. Previously Charles was Vice President of Technology Infrastructure at JP Morgan Chase & Co, where he worked in a variety of roles in London, New York and Brussels, and an investment manager at Axiomlab Group plc. Charles has an MBA from the University of California at Berkeley and a Bachelors Degree in mechanical engineering from the University of Bristol.

John Nelson (66)
Non-Executive Director

John Nelson has worked at the top of the rail industry for over thirty years and has been in the sector for 45 in total. Before privatisation he was Managing Director of British Rail's biggest business, Network South East, and prior to that was General Manager of the Eastern Region, then a quarter of the rail network in the UK. Since privatisation he has established 7 new businesses including leading strategic management consultancy First Class Partnerships and the country's first Open Access company, Hull Trains. At one time or another he has chaired the Boards of 13 train operating companies and sat on the Boards of 4 others as a Non Executive Director. He continues to promote new rail ventures and was recently granted an award for outstanding personal contribution to the rail industry at the National Rail Awards 2013

Chief Executive Officer's Report

Introduction

Once again, the Group has enjoyed a further successful year of growth and has continued to evolve and diversify into a larger, well rounded business that now provides a range of niche technology and service offerings to the transportation industry.

The year's highlights included Group revenue exceeding £10m for the first time (£10.8m being reported against a forecast of £10.4m), the launch and first sales of our TRACS-RS and FreightTRACS software products, new overseas sales being delivered in New Zealand, and perhaps most notably our fifth successful acquisition: Sky High Plc which whilst complementing our existing business, also extends our geographical presence outside of the UK.

Since the period end, the Group was selected to continue with a major Framework Agreement for its remote condition monitoring technology, and the agreement with major infrastructure player will be extended for 5 years.

Elsewhere, it was pleasing to see a return to stability within the UK rail franchising environment following a period of economic and political uncertainty, which should be of significant benefit to Tracsis in the coming years.

Business overview

The Group specialises in solving a variety of resource optimisation, data capture, and reporting problems via the provision of a range of software, hardware and associated high value professional services. Historically the Group has predominantly operated in the UK but is continuing to deliver on its strategy of expanding our horizons to overseas markets; the Sky High acquisition brings a significant presence in Australia which we hope to capitalise on in due course for the Group's other offerings.

Tracsis' market offering can be broadly categorised into four distinct revenue streams;

1. Software: Industrial strength resource optimisation software that covers a variety of asset classes.

2. Remote Condition Monitoring: Hardware and embedded software for real-time reporting on critical infrastructure assets, to identify problems, predict failure, and aid with preventative maintenance.

3. Data Capture: Collation and analytical services within traffic and pedestrian rich environments.

4. Professional Services: Consulting and related high value professional services across the operational and strategic planning horizon.

These products and services of Tracsis have a common theme running through them - they are all aimed at customers within the transport industry, and are designed to help provide a more efficient and productive operation based on better information to assist in front line decision making. The increasing importance of passenger transport markets within both the UK and abroad is widely acknowledged, and the Directors believe these to be growth markets for now and in years to come which will lead to further demand for the Group's various product and service offerings.

Financial summary

The Group delivered revenue of £10.8m for the year, which is an increase of 25% on our 2012 revenue of £8.7m and exceeded the current market forecast of £10.4m.

Adjusted EBITDA* rose 3% to £3.4m (2012: £3.3m). This is the second year in succession that the Group has reported an EBITDA* in excess of £3m. Given the continued challenging economic conditions and competitive environment, the Directors believe that this continues to be a strong performance and are pleased with level of profitability generated in the period.

Statutory profit before tax was £2.6m (2012: £3.0m). This takes into account higher share based payment charges in respect of the LTIP (Long Term Incentive Plan) scheme that nearly all Tracsis staff have elected to participate in, increased depreciation due to the nature of the Sky High business, and also one-off exceptional professional fees in respect of the Sky High acquisition which amounted to £0.2m.

At 31 July 2013, the Group had cash balances of £6.6m (2012: £7.6m). This was in spite of the purchase of Sky High, which absorbed cash of £2.8m. The Group's cash position continues to be strengthened due to strong working capital management and a high conversion of operating profit to cash. The Group paid dividends in the year amounting to £0.2m.

The Group has diversified revenue streams and as such is well positioned to absorb short term revenue fluctuations and movement in the timing of orders. The strength of both the business model and the Group's organic and acquisitive growth strategy has been illustrated this year with the delays in the retendering for the Group's condition monitoring technology, along with well documented delays in the franchise bidding process which impacted on demand for our consultancy offerings.

* Earnings before finance income, tax, depreciation, amortisation, exceptional items and share-based payment charges

Chief Executive Officer's Report continued

Trading Progress and Prospects

Software

Sales of the Group's core software offerings remained resilient throughout the year and the Group continues to benefit from a high level of recurring software licence revenue (c. £1.8m) whilst also winning several new customers as part of upsells to the existing customer base. New sales of our staff rostering optimisation tool TRACSRoster were made to several new clients, and our new rolling stock tool TRACS-RS was adopted by several TOC clients following a successful formal launch earlier in the year.

We are also pleased to have secured the first sale of our FreightTRACS solution, which was developed in conjunction with one of the UK's major freight operators. Further growth will come from continued cross-sell/upsell opportunities.

New product sales with major transportation clients were a key achievement during the year. This demonstrates that Tracsis is developing software that is both relevant to our target customers and priced appropriately for them to procure in spite of continued economic pressure.

Furthermore, the Group was successful in winning and completing a major system delivery of its COMPASS software product in New Zealand. The customer feedback has been exceptionally positive and will lead to recurring revenue for the Group in the future.

Consultancy and Professional Services

During the period, our Consultancy team worked extensively on the Great Western and Essex Thameside franchise bids, and had been anticipating high volumes of workload with other bids in line with the original timetable proposed by the DfT. The well documented 'pausing' of the franchise renewal process in 2012 was a setback for the division in the current year, however the Group mitigated a proportion of this through its ability to transition resources onto other projects. This led to several new projects being won and successfully delivered. We are pleased that the DfT has now published a revised timetable for future franchise bids, and we look forward to the opportunity for increased levels of consultancy work along with the stability that a long term franchise timetable can bring. This should also assist with forecasting and staff resourcing.

Remote Condition Monitoring

The Group's condition monitoring and data logging arm continued to see high levels of demand for its products in the past year. As previously announced, the balance of a major order was delivered and completed in the financial year under review, and in addition, there was continued demand amongst other customers for our condition monitoring technology. This part of the business works with a range of customers and has delivered several major projects in the year. Due to the timing of renegotiating a contract within a current Framework Agreement, revenues in this division were behind the previous year, however since period end, we were extremely pleased to be able announce that we were selected to continue this agreement for a further five years.

We believe that the concept of Intelligent Infrastructure is firmly here to stay and that the technology and products delivered by our remote condition monitoring division are at the forefront of this paradigm shift from reactive 'fail and replace' maintenance to a predictive 'plan and prevent' environment. Given the UK is leading the charge with adoption of this technology, we believe that this change will inevitably take hold in other geographies in the fullness of time and to this end the Group is in the process of aligning our resources with how to access and exploit these markets. As with other change process, progress from old methods to new is anticipated to be a slow process but we are pleased to see our overseas partners being responsive to discussions and keen to explore pilot projects.

Data capture and passenger counting

Traditionally, our passenger counting operations have been reported within Consultancy. We have now reclassified them, and included within our 'data capture' revenue stream. Demand for this service has continued to be strong, and further sales opportunities have been identified post the Sky High acquisition. Sky High itself has made an excellent start of life under Tracsis ownership, and has made a significant contribution during the first few months of trading. This is the peak selling season due to the seasonality of this part of the business, and so should not be representative of the level of activity that is expected on an annual basis, but nonetheless, their contribution in both the UK and Australia is significant. We believe Sky High has already proved to be a good acquisition for the Group, and we look forward to growing this part of the enlarged group in the future.

Our team

Raymond Kwan resigned as Director on 31 January 2013 and Rodney Jones stood down as Chairman on 30 June 2013. Ray continues to work with Tracsis in the same part time capacity as he did previously and remains an important part of our technical team.

Chief Executive Officer's Report continued

Both Ray and Rod played an important role in the Group's growth and evolution, and were instrumental in our successes during our formative years. Now that Tracsis is a well-established company with people and processes both Ray and Rod felt that it an appropriate time to step down from the Board to make room for new faces who can lead the company in the next phase of growth. On behalf of the Board, I thank them both for their significant contribution to Tracsis over the years and wish them all the best for the future.

The Board is currently in the process of carrying out a search for a new Non-executive Director/Chairman and is hopeful of making a further announcement in due course.

Dividends

During 2012, the Board implemented the Group's maiden dividend. The progressive dividend policy began with an interim dividend of 0.2p per share being paid at the interim stage in 2011/12, and was followed up with a final dividend of 0.35p, bringing the total payment for 2011/12 to 0.55p per share.

In the current year, an interim dividend of 0.3p per share was declared and paid, and the Directors propose a final dividend of 0.4p per share, subject to shareholder approval. This gives a total payment of 0.7p per share for the financial year 2012/13, and this represents an increase of c. 27% on the 2011/12 figure. The overall level of dividends continues to be very well covered by the Group's profitability and cash position, which supports the Group's primary focus on growth via acquisition and development of new products and services. The progressive dividend policy will be continued going forwards provided that the business continues to trade in line with expectation. The dividend will be payable on 31 January 2014 to shareholders on the Register at 17 January 2014.

Acquisitions

The Group completed the acquisition of Sky High Plc in April of this year. This was an important deal for Tracsis for several reasons: firstly, it increases the scale of the Group significantly; secondly, it increases the Group's breadth of product and service offering; and thirdly, Sky High has a significant Australian presence which will allow Tracsis access into a new overseas geography that had already been identified as a target growth market.

The consideration paid for Sky High was £3.3m which was satisfied largely by way of a cash offer although it is important to note that incumbent management swapped a large portion of their stock in Sky High for stock in Tracsis. This not only shows faith in the Tracsis growth model, but aligns the motivations of their senior team with ours and indeed with Tracsis shareholders. Sky High was included in the Group's results with effect from 17 April 2013 and will make an increased contribution in 2013/14 when a full year of trading will be included.

In addition to the acquisition of Sky High, several other opportunities were appraised during the period although none were able to be progressed to completion due to failing to meet the Group's strict investment criteria. As ever, the Group continues to evaluate new opportunities on a regular basis and has a strong pipeline of potential prospects. The Directors remain committed to a strategy of growth by acquisition as part of the overall growth strategy for the Group and feel confident that further earnings enhancing acquisitions will complete in the fullness of time.

Overseas growth

The Group has historically been largely based in the UK with only a small amount of revenue derived from overseas customers. Given the significant presence that Sky High already has in Australia, and coupled with this being a key target market of Tracsis, we anticipate a higher proportion of overseas work in the coming year.

The Group recognises the importance and potential for growth in overseas markets as part of its overall growth strategy and geographic diversification, and as such will continuing to exploit other overseas opportunities. In line with this strategy, during the period, the Group carried out a major software implementation in New Zealand, and continued to make further sales to our customers in Sweden and Ireland. Further sales opportunities are currently being explored, with potential leads in mainland Europe and further afield being considered and appraised.

Summary and Outlook

Tracsis has continued to perform very well over the past year, as illustrated by further revenue growth, further enhancements in underlying EBITDA and a strong Balance Sheet even after taking into consideration the acquisition of Sky High Plc.

The Group continues to explore opportunities to grow by acquisition as well as organically, and has the Balance Sheet strength to support this future growth. The potential for overseas opportunities is exciting, as is the prospect of further acquisitions. The return to stability within the rail industry and associated franchise renewal process provides the Group with a foundation for further growth in the coming year and we look forward with confidence to the opportunities this will bring.

Our thanks must be given to our loyal customers, supportive shareholders and, above all, our valued employees who continue to support us and contribute towards our growth and success.

John McArthur, Chief Executive Officer

23 October 2013

Chief Financial Officer's Report

Results for the year

The Group reported further growth, with revenues increasing to £10.8m (2012: £8.7m). This takes into account a strong contribution from Sky High plc which was acquired during the year, which offset organic revenue shortfalls. These arose due to a combination of reasons – slippage of major contract awarding/tendering for the Group's condition monitoring offering, and also well documented delays to the franchise bid process which impacted on revenues derived from Consultancy.

Nonetheless, underlying profitability was maintained at satisfactory levels, due to tight cost control and margin enhancements. Adjusted EBITDA (earnings before finance income, tax, depreciation, amortisation, exceptional items and share-based payment charges) was £3.4m (2012: £3.3m). The statutory profit before tax was £2.6m (2012: £3.0m).

Acquisitions

The Group completed the acquisition of Sky High plc in the year, for an overall consideration of £3.3m. This was funded mainly from existing cash reserves (£2.8m), and certain Sky high management took shares in Tracsis which amounted to £0.5m. After performing a fair value review, goodwill and other intangible assets of £2.1m have been recognised in respect of this acquisition. Exceptional fees of £0.2m were incurred in respect of this transaction, which take into account the fact that it was a listed entity and so carried a higher level of complexity than for a private company transaction.

Sky High contributed £3.2m revenue and £0.2m profit before tax for the period since 17 April; being the date that the transaction was declared unconditional.

The Group continues to appraise other potential acquisition opportunities but has strict criteria for proceeding and no other opportunities in the year met those criteria.

Cash flow

Cash balances closed the year at £6.6m. This was a reduction on the £7.6m closing cash for 2012, which takes into account the purchase of Sky High in the year which absorbed cash. Dividends of £0.2m were paid in the year. The group moved onto a quarterly payments on account regime during the year, meaning that Corporation tax had to be paid quarterly. This resulted in an additional cash outflow of £0.4m, to bring total Corporation tax paid in the year to £1.1m. Cash generation from the business continues to be strong.

Following the acquisition of Sky High plc, the enlarged Group has a significantly expanded Balance Sheet, taking into account reduced cash balances after they were utilised to fund the acquisition, and an enlarged receivable and payable base, that takes account of the acquired balances and the enlarged Group trading position. Nonetheless, the Group continues to have significant cash resources available, and remains in a very strong position.

Treasury management

The Group continues to manage its cash resources to maximise interest income whilst at the same time minimising any risk to these funds. A balance of working capital cash, and short to medium term deposits are maintained. The Group places deposits with a variety of banking institutions and recalled its fixed term deposits to fund the purchase of Sky High plc. Since the acquisition, a balanced portfolio of treasury arrangements has been maintained. Following the downgrade of the Co-Operative Bank, the group recalled the majority of its funds placed with them, and placed with alternative institutions.

Earnings per share

Basic earnings per share was 8.42p (2012: 9.96p). Diluted earnings per share (which takes into account the dilutive effect of share options not yet exercised was 8.15p (2012: 9.83p).

Dividends

During the previous year, the Group adopted a progressive dividend policy subject to future profits and cash flows. During the financial year under review, an interim dividend of 0.3p per share was paid at the interim stage, and the Directors recommend a final dividend of 0.4p per share, which will be subject to shareholder approval at the forthcoming Annual General Meeting. This total dividend of 0.7p per share is well covered by retained profits for the year, and represents an increase of circa 27% on the 2012 total of 0.55p per share.

Chief Financial Officer's Report continued

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:

- **Government spending**: One of the Group's subsidiaries works extensively with local government or transport consultants who are ultimately working for local government. As such, a large part of the Group could be vulnerable to a change in the budgets of local government, or to a significant change in the transport or planning policies or procedures. This would affect trading in both the UK and Australia.

- **Loss of key customers:** One of the Group's subsidiaries has previously operated under a significant contract / Framework Agreement with a major customer, which it has been selected to continue with. Loss of this contract or customer in general would result in significant amounts of lost revenue for this particular subsidiary and also the Group.

- **Competition:** Although the Directors believe there to be very little direct competition within the market for certain of its products, there may be products and competitors that they are currently unaware of which could have a detrimental effect on the Group's trading performance. Furthermore, certain of the Group's wider portfolio of other services and products are sold in a much more competitive environment. The Group therefore has a balanced exposure to competition, with some offerings facing little competition, but other revenue streams have significantly more competition.

- **Industry ownership, structure and franchise bidding process:** The rail industry, from which the Group derives a significant level of business, is currently separated into private and national ownership. The private elements of this industry could be renationalised which may have an adverse effect on the Group. Any other changes to the structure of the industry may also present a risk, but also an opportunity as buying patterns may change. Any delays to the previously published franchise bidding proposed timetable or process may potentially have an adverse impact on the Group.

- **Attraction and retention of key employees:** The Group depends on the Directors and certain other key employees spread across its various subsidiaries, and whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these specialist services cannot be guaranteed. Equally, the ability to attract new employees and in particular senior executives for the business with the appropriate specialist expertise and skills cannot be guaranteed

- **History of intellectual property and associated risk factors:** Some of the Group's software is based on software which was developed at the University of Leeds along with other research projects. Whilst the University has assigned all its rights in respect of the this piece of software to Tracsis, there could be claims over certain copyright aspects of the software or other disputes with third parties regarding the intellectual property inherent within the Group's software. In common with other software products, the Group's software could be superseded by software developed by third parties and the possibility of disputes over intellectual property with third parties cannot be discounted. A large part of the Group's future also depends upon its intellectual property. If intellectual property is inadequately protected or challenged, the Group's future success could be adversely affected.

- **Market acceptances and customer contracts:** The Group currently has contracts in place with a number of Train Operating Companies and other clients and it cannot be guaranteed these contracts will continue or that new contracts will be won by the Group. As with many large corporations, they are unlikely to vary their standard terms and conditions. The Group, may, in such circumstances, enter into contracts on less favourable terms than it would normally be able to negotiate.

- **Product obsolescence**: The Group has a variety of Technology based products, and invests in Research & Development to ensure that they constantly evolve and are kept up to date. Failure to keep up with technical developments may mean that the Group's products run the risk of being overtaken technically should other companies develop products at a faster pace.

Key performance indicators (KPIs)

The Group's main KPIs are:

- Monthly review of sales revenue pipeline, sales under negotiation and prospects;
- Customer enquiries and conversion of these into sales orders for certain revenue streams;
- Monthly review of EBITDA, operating margins and profitability;
- Monthly review of actual results in the month and Year to date against budget and the prior year;
- Monitoring of cash balances and associated working capital requirements.

Max Cawthra
Chief Financial Officer

23 October 2013

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 July 2013.

Principal activity

The principal activity of the group is solving a variety of data capture, reporting and resource optimisation problems along with the provision of a range of associated professional services

Business review and future developments

A review of the Group's operations and future developments is covered in the Chief Executive Officer's Report and the Chief Financial Officer's Report. This includes a summary of the Group's strategy and the markets in which it operates. The Chief Financial Officer's Report considers the key risks facing the Group and the key performance indicators which are used to monitor the business.

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 17 to 46.

Dividends

The Directors have adopted a progressive dividend policy, subject to growth, profitability and cash position in the future. An interim dividend of 0.3p per share was paid in March 2013. The Directors propose a final dividend of 0.4p per share, subject to shareholder approval at the forthcoming Annual General Meeting.

Directors

The directors who serve on the Board and on Board Committees during the year are set out on page 2. In addition, Raymond Kwan resigned as a Director on 31 January 2013, and Rod Jones resigned as a Director on 30 June 2013. The Group is currently searching for a new Non-Executive Chairman and other Non-executive Directors.

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 Mr J Nelson retires by rotation and, being eligible, offer himself 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 10 to 12.

Directors' shareholdings

Directors' beneficial interests in the shares of the Company, including family interests, at 31 July 2012 and 2013 were as follows:

	31 July 2013		31 July 2012	
	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Rod Jones[2]	N/A	N/A	23,000	0.09%
John McArthur	968,462	3.79%	957,475	3.85%
Raymond Kwan[1]	N/A	N/A	2,183,850	8.80%
Max Cawthra	4,000	0.02%	4,000	0.02%
John Nelson	30,790	0.12%	15,503	0.06%
Charles Winward	56,500	0.22%	56,500	0.23%

1 - Raymond Kwan resigned as a Director on 31 January 2013.

2 - Rod Jones resigned as a Director on 30 June 2013.

There were no Directors' share transactions between 31 July 2013 and the date of this report.

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.

Substantial shareholdings

At 23 October 2013, 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**
Techtran Group Limited, IP Venture Fund[1]	3,437,285	13.5%
The University of Leeds	3,090,000	12.1%
Investec Asset Management	2,000,000	7.8%
Unicorn Asset Management	1,874,632	7.3%
Ennismore Fund Management	1,500,000	5.9%
Downing LLP	1,529,517	6.0%
Fidelity	1,286,166	5.0%
Hargreave Hale Limited	1,262,500	4.9%
John McArthur	968,462	3.8%
Parkwalk Advisors	777,778	3.0%

1 – Techtran Group Limited is a wholly owned subsidiaries of IP Group plc. IP Group plc is a limited partner in IP Venture Fund, which is managed by an IP Group plc company.

Directors' Report continued

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 2013 were 62 days (2012: 23 days).

Research and development

During the year the Group incurred £411,000 (2012: £403,000) of expenditure on research activity, which has been charged to the Income Statement.

Financial instruments

Details of the Group's exposure to financial risks are set out in Note 24 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 scheme.

Environment

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

Significant Contracts

One of the Group's subsidiaries, MPEC Technology Limited, has previously operated a significant Framework Agreement with a major railway infrastructure provider, from which it has historically derived a significant amount of business, and it has been informed that it has been selected to continue with this.

Charitable donations

The Group made charitable donations to various charities amounting to £13,922 during the year (2012: £6,140). No political donations were made.

Auditor

KPMG Audit Plc has notified the Company that they will not be seeking re-appointment. A resolution to appoint KPMG 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.

By order of the Board

Max Cawthra
Company Secretary

23 October 2013

Directors' Remuneration Report

Unaudited information:

Tracsis plc, as an AIM company, is not required to present a Directors Remuneration Report in accordance with the Combined Code. As part of the Company's commitment to Corporate Governance, we present a voluntary 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				
John McArthur	21.11.07	01.01.04	Indefinite	6 months
Max Cawthra	20.09.10	20.09.10	Indefinite	3 months
Non-Executive Directors				
John Nelson	21.11.07	21.11.07	Indefinite	3 months
Charles Winward	21.11.07	21.11.07	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. 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. The Remuneration Committee is entitled to decide whether any bonuses are payable, and if so, what amounts should be granted to Executive Directors. Directors, in line with all members of staff are entitled to exchange an element of any cash bonus awarded for discounted share options under the Group's Long Term Incentive Plan.

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.

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 of J McArthur and M Cawthra at a standard 5% of basic salary, in line with the level of contributions for other members of staff. During the year, John McArthur elected to take a reduction in basic salary in return for additional pension contributions. There was no additional cost to the Group in respect of this arrangement.

Directors' Remuneration Report continued

Audited information:

Directors' remuneration

Directors' remuneration for the year ended 31 July 2013 is set out below

	Basic salary £000	Pension Conts £'000	Bonus £000	Benefits in kind £000	Total 2013 £000	Total 2012 £000
Executive Directors						
John McArthur	132	11	45*	-	**188**	166
Dr Raymond Kwan – to 31 January 2013	19	1	-	1	**21**	42
Max Cawthra	80	4	28*	-	**112**	85
	231	16	73*	1	**321**	293
Non-Executive Directors						
Rodney Jones – to 30 June 2013	17	-	-	-	**17**	17
John Nelson	15	-	-	-	**15**	14
Charles Winward	15	-	-	-	**15**	14
	47	-	-	-	**47**	45

* Denotes cash bonus amount determined by Remuneration Committee – all Directors are eligible to exchange any part of this for discounted EMI Share Options under a scheme open to all staff but at the date of this report had not done so due to the Group being in a close period until the Annual Report is published.

John McArthur elected to take a reduced salary in return for additional employers' pension contributions with effect from June 2013.

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

	At 1 August 2012	Granted	Lapsed	Exercised	At 31 July 2013	Exercise price pence	Date from Which Exercisable	Expiry date
Executive Directors								
John McArthur	140,000	100,000	-	-	240,000	52p/175p	See note 1 and 4 below	28 Jan 2019 26 Mar 2023
Max Cawthra	225,000	10,162	-	-	235,162	50p/89p	See note 2 and 3 below	12 Jan 2021 20 Jun 2022
Non-Executive Directors								
Rodney Jones	262,551	50,000	(50,000)	(262,551)	-			
John Nelson	175,034	50,000	-	-	225,034	40p/175p	21 Nov 2008 and note 4 below	21 Nov 2017 26 Mar 2023
Charles Winward	87,517	50,000	-	-	137,517	40p/175p	21 Nov 2008 and note 4 below	21 Nov 2017 26 Mar 2023

1 –- Exercisable in batches in 6 monthly intervals commencing 6 months from the date of grant (28 January 2009). All options will be fully exercisable 36 months after the date of grant.

2 – Exercisable in batches in 6 monthly intervals commencing 6 months from the date of grant (12 January 2011 and 20 June 2012). All options will be fully exercisable 36 months after the date of grant.

3 – Options granted in 2012/13 relate to the Company's LTIP scheme where Max Cawthra exchanged an element of his 2011/12 cash bonus for discounted share options as part of a scheme available to all staff

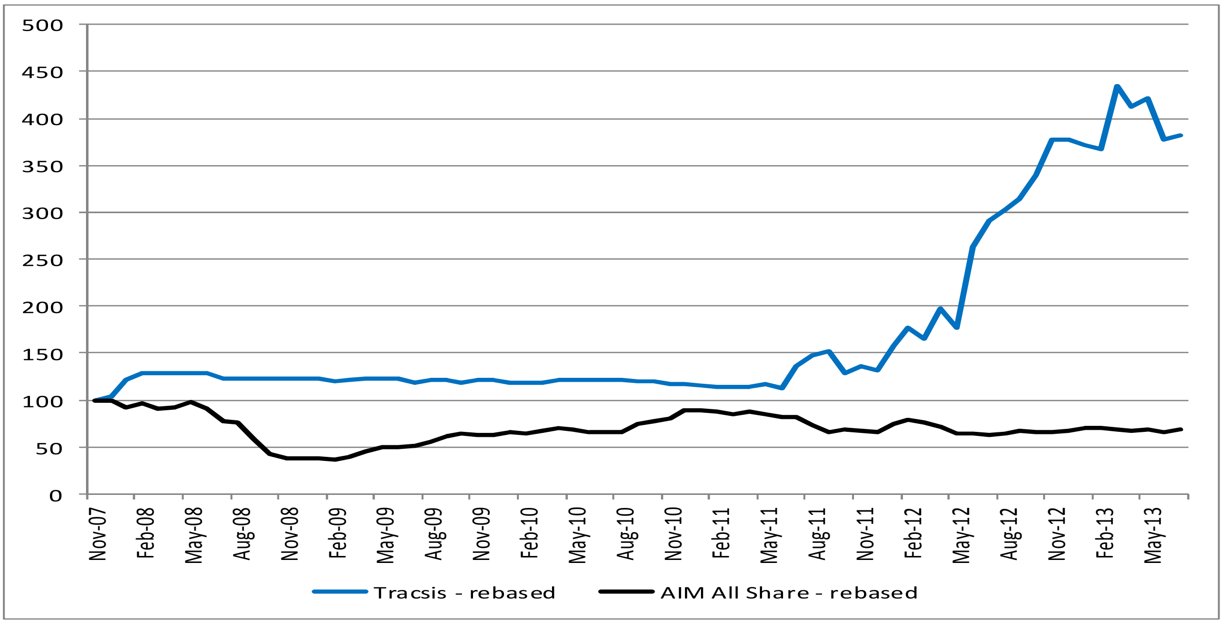
4 – Options granted in 2012/13 are exercisable in batches in 3 monthly intervals commencing 3 months from the date of grant (26 March 2013). All options will be fully exercisable 24 months after the date of grant.

The aggregate amount of pre-tax gains made by directors on the exercise of share options was £296,683 (2012: £10,030 – Directors' spouses). 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 admission to AIM to 31 July 2013.



The committee has selected the above indices because they are most relevant for a company of Tracsis's size and sector.

On behalf of the Board

Charles Winward
Interim Chair of the Remuneration Committee
23 October 2013

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, is not required to comply with the June 2010 UK Corporate Governance Code, although it has adopted the principles as set out below.

The Board

There are currently 4 Board members, comprising 2 Executive Directors and 2 Non-Executive Directors. The role of the Non-Executive Directors is to bring independent judgement to Board deliberations and decisions. Following the departure of Rodney Jones, the Group is currently seeking a new Non-Executive Chairman of the Board to oversee Board meetings and field all concerns regarding the executive management of the Group and the performance of the Executive Directors. This person will be responsible for the Group's corporate governance once appointed. A biography of each Director appears on page 2. The Directors each have diverse backgrounds and a wide range of experience is available to the Group. The Board meets on a monthly basis 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 10. 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. Mr J Nelson will be retiring at the Annual General Meeting and submitting himself for re-election.

Board meetings and attendance

Board meetings were held on 12 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)
Rodney Jones	10/11
John McArthur	11/12
Max Cawthra	12/12
Dr Raymond Kwan	5/6
John Nelson	11/12
Charles Winward	11/12

Meeting attendance (continued)

	Nomination Committee Meetings	Remuneration Committee Meetings	Audit Committee Meetings
Rodney Jones	N/A	2/2	1/1
John McArthur	-	-	-
Max Cawthra	-	-	-
Dr Raymond Kwan	-	-	-
John Nelson	N/A	2/2	2/2
Charles Winward	N/A	2/2	2/2

Board committees

The Group is currently searching for a new Non-Executive Chairman who will Chair the committees referred to below. Until this recruitment takes place, the current Non-Executive Directors fulfil these duties between them when necessary.

Nomination Committee

The Nomination Committee comprises the Non-Executive Directors. 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 the Non-Executive Directors. 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).

Audit Committee

The Audit Committee similarly comprises the Non-Executive Directors. 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 auditors relating to the accounting and internal controls.

Non audit services

In accordance with its policy on non audit services provided by the Group's auditors, 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.

Corporate Governance continued

Auditor independence and conflicts of interest

The Audit Committee continues to evaluate the independence and objectivity of the external auditors 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 auditors and management, those relationships appear to impair the auditors' 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.

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 the foreseeable future in operational existence and have therefore adopted the going concern basis in preparing the accounts.

Independence of Non-Executive Directors

The Directors consider all Non-Executive Directors to be independent. Mr CS Winward is a Director of IP Group plc, one of the Group's major shareholders. Mr Winward declares any potential conflicts of interest, if any, at each Board Meeting, and ensures that he is removed from the decision making process if relevant. The Board benefits from Mr Winward's vast experience and wise counsel, and as such, considers him to be a suitable non-executive Director. The Board considers Mr JG Nelson to be independent.

Board review process

The Board does not formally appraise its performance each year, but considers the performance of Board members on an informal basis, to ensure that each director has the skills and experience required to perform their duties. The Board is satisfied that all Directors have the appropriate level of skills and experience.

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. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

Independent Auditor's Report to the Members of Tracsis plc

We have audited the financial statements of Tracsis plc for the year ended 31 July 2013 set out on pages 17 to 51. 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 EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at: www.frc.org.uk/auditscopeukprivate..

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2013 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 EU;

- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

David Hutchinson (Senior Statutory Auditor)
for and on behalf of KPMG Audit PLC, Statutory Auditor
Chartered Accountants

1 The Embankment
Neville Street
Leeds
LS1 4DW

23 October 2013

Consolidated Statement of Comprehensive Income
for the year ended 31 July 2013

	Notes	**2013 £000**	2012 £000
Revenue			
- continuing		**7,641**	8,668
- acquisitions		**3,190**	-
Total revenue	6	**10,831**	8,668
Cost of sales		**(3,033)**	(1,880)
Gross profit		**7,798**	6,788
Administrative costs		**(5,272)**	(3,835)
Adjusted EBITDA*		**3,367**	3,279
Amortisation of intangible assets	15	**(273)**	(222)
Depreciation	14	**(154)**	(49)
Exceptional item: Acquisition costs		**(225)**	-
Share-based payment charges	8	**(189)**	(55)
Operating profit			
- continuing		**2,534**	2,953
- acquisitions		**217**	-
- exceptional acquisition costs		**(225)**	-
Total operating profit	9	**2,526**	2,953
Finance income	10	**75**	61
Finance expense	11	**(11)**	-
Profit before tax		**2,590**	3,014
Taxation	12	**(486)**	(598)
Profit after tax		**2,104**	2,416
Other comprehensive income/(expense):			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences – foreign operations		**(62)**	-
Total recognised income for the year		**2,042**	2,416

Earnings per ordinary share			
Basic	13	**8.42p**	9.96p
Diluted	13	**8.15p**	9.83p

* Earnings before finance income, tax, depreciation, amortisation, exceptional items and share-based payment charges.

Consolidated Balance Sheet
as at 31 July 2013
Company number: 05019106

	Note	2013 £000	2012 £000
Non-current assets			
Property, plant and equipment	14	**1,600**	463
Intangible assets	15	**6,067**	4,246
		7,667	4,709
Current assets			
Inventories	16	**236**	236
Trade and other receivables	18	**3,865**	1,282
Cash and cash equivalents		**6,571**	7,568
		10,672	9,086
Total assets		**18,339**	13,795
Non-current liabilities			
Hire-purchase contracts	17	**232**	-
Deferred tax liabilities	20	**1,046**	702
		1,278	702
Current liabilities			
Hire-purchase contracts	17	**96**	-
Trade and other payables	19	**3,532**	1,928
Current tax liabilities		**224**	732
		3,852	2,660
Total liabilities		**5,130**	3,362
Net assets		**13,209**	10,433
Equity attributable to equity holders of the company			
Called up share capital	21	**102**	99
Share premium reserve	22	**4,280**	4,113
Merger reserve	22	**1,472**	935
Share based payments reserve	22	**383**	194
Retained earnings	22	**7,034**	5,092
Translation reserve	22	**(62)**	-
Total equity		**13,209**	10,433

The financial statements on pages 17 to 51 were approved and authorised for issue by the Board of Directors on 23 October 2013 and were signed on its behalf by:

John McArthur – Chief Executive Officer

Max Cawthra – Chief Financial Officer

Consolidated Statement of Changes in Equity

	Share Capital £000	Share Premium Reserve £000	Merger Reserve £000	Share-based Payments Reserve £000	Retained Earnings £000	Translation Reserve £000	Total £000
At 1 August 2011	96	3,762	935	139	2,724	-	7,656
Profit for the year	-	-	-	-	2,416	-	2,416
Total comprehensive income	-	-	-	-	2,416	-	2,416
Transactions with owners:							
Dividends	-	-	-	-	(48)	-	(48)
Share based payment charges	-	-	-	55	-	-	55
Exercise of share options	1	143	-	-	-	-	144
Exercise of warrants	2	208	-	-	-	-	210
At 31 July 2012	**99**	**4,113**	**935**	**194**	**5,092**	**-**	**10,433**
At 1 August 2012	99	4,113	935	194	5,092	-	10,433
Profit for the year	-	-	-	-	2,104	-	2,104
Other comprehensive income/(expense)	-	-	-	-	-	(62)	(62)
Total comprehensive income	-	-	-	-	2,104	(62)	2,042
Transactions with owners:							
Dividends	-	-	-	-	(162)	-	(162)
Share based payment charges	-	-	-	189	-	-	189
Exercise of share options	2	167	-	-	-	-	169
Shares issued as consideration for business combinations	1	-	537	-	-	-	538
At 31 July 2013	**102**	**4,280**	**1,472**	**383**	**7,034**	**(62)**	**13,209**

Details of the nature of each component of equity are set out in Notes 21 and 22.

Consolidated Cash Flow Statement

for the year ended 31 July 2013

	Notes	2013 £000	2012 £000
Operating activities			
Profit for the year		**2,104**	2,416
Finance income	10	**(75)**	(61)
Finance expense	11	**11**	-
Depreciation	14	**154**	49
Amortisation of intangible assets	15	**273**	222
Income tax charge	12	**486**	598
Share based payment charges	8	**189**	55
Operating cash inflow before changes in working capital		**3,142**	3,279
Movement in inventories		**-**	(102)
Movement in trade and other receivables		**(539)**	700
Movement in trade and other payables		**116**	191
Cash generated from operations		**2,719**	4,068
Finance income	10	**75**	61
Finance expense	11	**(11)**	-
Income tax paid		**(1,093)**	(521)
Net cash flow from operating activities		**1,690**	3,608
Investing activities			
Purchase of plant and equipment	14	**(75)**	(38)
Payment of deferred consideration		**-**	(1,000)
Acquisition of subsidiaries	5	**(2,462)**	2
Net cash flow used in investing activities		**(2,537)**	(1,036)
Financing activities			
Dividends paid	28	**(162)**	(48)
Proceeds from exercise of warrants		**-**	210
Proceeds from exercise of share options		**169**	144
Hire purchase repayments	17	**(95)**	-
Net cash flow from financing activities		**(88)**	306
Net (decrease)/increase in cash and cash equivalents		**(935)**	2,878
Effect of exchange fluctuations		**(62)**	-
Cash and cash equivalents at the beginning of the year		**7,568**	4,690
Cash and cash equivalents at the end of the year		**6,571**	7,568

Notes to the Consolidated Financial Statements

1 Reporting entity

Tracsis plc (the ‘Company’) is a company incorporated in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 July 2013 comprise the Company and its subsidiaries (together referred to as the ‘Group’).

2 Basis of preparation

(a) Statement of compliance

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (‘IFRSs’) as adopted by the EU and applicable law. The Company has elected to prepare its parent company financial statements in accordance with UK accounting standards and applicable law (‘UK GAAP’). 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.

(c) Functional and presentation currency

These consolidated financial statements are presented in sterling, which is the Company’s functional currency. 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) Changes in accounting policies

IFRS and IFRIC are issued by the International Accounting Standards Board (the IASB) and must be adopted into European Union law, referred to as endorsement, before they become mandatory under the IAS Regulation.

The following new standards and amendments to standards have become effective for the current financial year and hence are reflected in these financial statements: These standards have not had a material impact on the financial statements.

- Amendment to IAS 1 ‘Presentation of financial statements’ – Presentation of items in other comprehensive income
- Amendments to IAS 12 ‘Income Taxes’ – Recovery of underlying assets

At the date of approval of these financial statements the following Standards and Interpretations were in issue and endorsed by the EU but not yet effective. It is not expected that the implementation of these standards will have a material effect on the financial statements:

- Amendment to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 9: Financial instruments and subsequent amendments
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IFRS 13: Fair Value Measurement
- Amendment to IAS 19: Employee Benefits
- IAS 27: Separate Financial Statements
- IAS 28: Investments in Associates and Joint Ventures

Notes to the Consolidated Financial Statements continued

2 Basis of preparation (continued)

(f) Going concern

The Group is debt free and has substantial cash resources. The Board has prepared cash flow forecasts for the forthcoming year based upon assumptions for trading and the requirements for cash resources.

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.

(a) Basis of consolidation

The Group's accounting policy with respect to business combinations is set out above.

Subsidiaries are entities controlled by the Company. 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 27.

All intra-group balance and transactions, including unrealised profits arising from intra-group transactions, are eliminated fully on consolidation.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable (excluding value added tax and discounts given) derived from the provision of goods and services to customers during the period. The Group derives revenue from software licences, post contract customer support, sale of hardware & condition monitoring technology, consultancy and professional services, and data capture/passenger counting services.

The Group recognises the revenue from the sale of software licences and specified upgrades upon shipment of the software product or upgrade, when there are no significant vendor obligations remaining, when the fee is fixed and determinable and when collectability is considered probable. Where appropriate the Group provides a reserve for estimated returns under the standard acceptance terms at the time the revenue is recognised. Payment terms are agreed separately with each customer.

Revenue from post contract customer support and consultancy services is recognised on a straight-line basis over the term of the contract. Revenue received and not recognised in the income statement under this policy is classified as deferred income in the balance sheet.

Revenue from hardware sales and condition monitoring technology is recognised as the products are shipped to customers. Provision is made for any returns to customers, or credit notes to be issued.

In respect of data capture and counting services, revenue is recognised on services not yet billed at the fair value of consideration expected to be receivable to the extent that the work has already been carried out at the year end. Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on work performed and if its receipt is considered probable. Where the outcome of a contract cannot be estimated reliably, contract revenue is only recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(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. The corresponding liability is recognised within provisions. 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, or 15% reducing balance
Motor vehicles	–	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 fair values to bring the accounting policies of the acquired businesses into alignment with those of the Company. 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".

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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

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.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

Business Combinations (continued)

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. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

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.

Other intangible assets

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.

(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.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(g) Financial instruments

The Group classifies its financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments, net of issue costs.

(i) Cash and cash equivalents

Cash and cash equivalents in the balance sheet are included at cost and comprise cash at bank, cash in hand and short term deposits with an original maturity of three months or less.

(ii) Trade receivables

Trade receivables do not carry interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(iii) Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

(iv) Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(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 related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(j) Leases

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 measure 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.

Fair value 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 the terms and conditions of options are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

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.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(m) Retirement benefits

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

(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, amortisation of intangible assets and share based payment charges, 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 Company considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

(q) Operating segments

The Group has determined that, based on its internal reporting framework and management structure, that it has only one reportable segment on a business basis, but has two reportable segments on a geographical basis – UK and Australia. Such determination is necessarily judgemental in its nature and has been determined by management in preparing the financial statements. 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.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(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.

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:

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.

Actual results may vary 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.

Revenue recognition

Certain of the Group's contracts for software licences, maintenance services and other consultancy projects have a term of more than one year. The Directors assess the fair value of the entire contract attributable to each of the different services and the timing of when revenues should be recognised and this assessment can differ from the legally contracted values. A level of judgement and estimate is required in assessing the level of potential customer returns for certain hardware products. Some of the Group's revenue is derived from data capture/counting services, in which projects can last for an extended period of time. As such, an element of judgement is required when assessing the stage of completion at a period end.

Share-based payments

The Group has equity settled share-based remuneration schemes for employees. The fair value of share options is estimated by using the Black-Scholes valuation model, on the date of grant based on certain assumptions. These assumptions include, among others, expected volatility, expected life of the options and number of options expected to vest.

Notes to the Consolidated Financial Statements continued

5 Acquisition of subsidiaries - Acquisition in the current year: Sky High plc

On 26 March 2013, the Group published a recommended cash offer to acquire the entire issued share capital of Sky High plc, for a combination of cash and share based consideration, with the share based consideration being dealt with via a Management Agreement and Prowse Trust Agreement. On 17 April 2013, the offer was declared unconditional in all respects as the Group had received valid acceptances of over 90% of the Offer Shares. Following this announcement, the Group exercised its rights under Sections 979 and 980 of Companies Act 2006 to compulsory transfer the remaining shares to Tracsis by applying the 'squeeze out' provisions of the Act. Sky High was delisted from AIM on 16 May 2013.

Sky High is a traffic data collection, aggregation and analysis company that provides primary information to a variety of clients that include government bodies, private companies well known within the market place and public sector groups. Its primary markets are the transport and people moving sectors ranging from highway agencies, stations and railways, to festival and conference organisers.

The acquisition took place as the Directors believe that Sky High operates in a similar market, cross selling opportunities exist, there is some overlap of customer base, and Sky High has a sizeable Australian presence which the Group may seek to capitalise on in the future. By removing duplicate PLC costs and achieving other synergies, there is also an opportunity to increase profitability, and Sky High management will be able to devote more time to the running of the business as opposed to being distracted by PLC related matters.

In the period to 31 July 2013 the company contributed revenue of £3,190,000 and operating profit of £217,000 to the Group's results. If the acquisition had occurred on 1 August 2012, management estimates that consolidated revenue would have been £9,594,000 and consolidated profit for the year would have been £349,000. 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 2012.

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: Customer relationships	-	1,704	1,704
Other intangible assets	861	(861)	-
Tangible fixed assets	1,200	-	1,200
Trade and other receivables	2,294	(250)	2,044
Hire purchase contract obligations	(407)	-	(407)
Trade and other payables	(1,488)	-	(1,488)
Income tax payable	(21)	-	(21)
Deferred tax liability	(64)	(358)	(422)
Net identified assets and liabilities	2,375	235	2,610
Goodwill on acquisition			390
			3,000
Consideration paid in cash			2,759
Net cash acquired			(297)
Net cash flow			2,462
Consideration paid: fair value of shares issued			538
Total consideration			3,000

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.

Notes to the Consolidated Financial Statements continued

5 Acquisition of subsidiaries - Acquisition in the current year: Sky High plc (continued)

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. These include an Australian presence which may be used to facilitate Tracsis overseas growth, cross selling opportunities, operating synergies, staff skills and capabilities, and a brand/reputation.

The fair value adjustments were provisional and 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 £225,000 which are included within administrative expenses.

6 Segmental analysis

The Group's revenue and profit was derived from its principal activity which is the solving a variety of data capture, reporting and resource optimisation problems along with the provision of a range of associated professional services.

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 a single operating segment, 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. Due to the small size and low complexity of the business, profitability is not analysed in further detail beyond the operating segment level and is not divided by revenue stream.

The CODM reviews a split of revenue streams on a monthly basis and, as such, this additional information has been provided below.

		Re-analysed
	2013	2012
Revenue	**£000**	£000
Software licences and post contract customer support	**2,142**	1,992
Rail Consultancy and professional services	**1,145**	1,401
Data capture and passenger counting	**4,124**	807
Condition monitoring technology and embedded software & associated hardware	**3,420**	4,468
Total revenue	**10,831**	8,668

Following the acquisition of Sky High plc in the year, the Group has represented the way revenues are presented. Some of the revenue in respect of the Group's existing passenger counting operations prior to the Sky High acquisition have been reclassified in the 2012 comparatives.

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.

Notes to the Consolidated Financial Statements continued

6 Segmental analysis (continued)

	2013		
	UK	**Australia**	**Total**
	£000	**£000**	**£000**
Revenues			
Total revenue for reportable segments	**10,374**	**457**	**10,831**
Consolidated revenue	**10,374**	**457**	**10,831**
Profit or loss			
Total profit or loss for reportable segments	**3,422**	**(55)**	**3,367**
Unallocated amounts:			
Share based payment charge	**(189)**	**-**	**(189)**
Other exceptional items (net)	**(225)**	**-**	**(225)**
Depreciation	**(129)**	**(25)**	**(154)**
Amortisation of intangible assets	**(273)**	**-**	**(273)**
Interest receivable/payable(net)	**67**	**(3)**	**64**
Consolidated profit/(loss) before tax	**2,673**	**(83)**	**2,590**

	2012		
	UK	Australia	Total
	£000	£000	£000
Revenues			
Total revenue for reportable segments	8,668	-	8,668
Consolidated revenue	8,668	-	8,668
Profit or loss			
Total profit or loss for reportable segments	3,279	-	3,279
Unallocated amounts:			
Share based payment charge	(55)	-	(55)
Depreciation	(49)	-	(49)
Amortisation of intangible assets	(222)	-	(222)
Interest receivable	61	-	61
Consolidated profit before tax	3,014	-	3,014

Notes to the Consolidated Financial Statements continued

6 Segmental analysis (continued)

	UK £'000	2013 Australia £000	Total £000
Assets			
Total assets for reportable segments	**11,622**	**650**	**12,272**
Unallocated assets – intangible assets	**6,067**	**-**	**6,067**
Consolidated total assets	**17,689**	**650**	**18,339**
Liabilities			
Total liabilities for reportable segments	**3,858**	**226**	**4,084**
Unallocated liabilities – deferred tax	**1,046**	**-**	**1,046**
Consolidated total liabilities	**4,904**	**226**	**5,130**

	UK £'000	2012 Australia £000	Total £000
Assets			
Total assets for reportable segments	9,549	-	9,549
Unallocated assets – intangible assets	4,246	-	4,246
Consolidated total assets	13,795	-	13,795
Liabilities			
Total liabilities for reportable segments	2,660	-	2,660
Unallocated liabilities – deferred tax	702	-	702
Consolidated total liabilities	3,362	-	3,362

Major customers

Transactions with the Group's largest customer represent 31% of the Group's total revenues (2012: 50%).

Geographic split of revenue

A geographical analysis of revenue is provided below:

	2013 £000	2012 £000
United Kingdom	**9,951**	8,376
Australia	**457**	-
Rest of the World	**423**	292
Total	**10,831**	8,668

Notes to the Consolidated Financial Statements continued

7 Employees and personnel costs

	2013	2012
	£000	£000
Staff costs:		
Wages and salaries	**4,078**	2,258
Social security contributions	**344**	226
Contributions to defined contribution plans	**67**	53
Equity-settled share based payment transactions	**189**	55
	4,678	2,592
Average number of employees (including directors) in the year	**138**	65

The increase in staff costs and numbers is due to the acquisition of Sky High plc during the year. Parts of the business utilise high levels of casual workers, and as such, full time equivalent figures have been derived.

The directors' remuneration and share options are detailed within the Directors' Remuneration Report on pages 10 to 12.

8 Share based payments

The Group has two share option schemes for all employees (including directors).

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 may not be exercised before the occurrence of a takeover, sale or admission. 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 exercise of options is dependent upon eligible employees meeting performance criteria. The options may not be exercised before the occurrence of a takeover, sale or admission. 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)

Details of the schemes are given below:

Grant date	Employees entitled	Number of options	Performance conditions	Exercise price (p)	Earliest exercise date	Expiry date
26/11/2007	2	262,551	None	40.0	26/11/2008	26/11/2017
28/01/2009	6	353,000	Time served	52.0	28/07/2009*	28/01/2019
20/05/2010	2	71,000	Time served	51.5	20/01/2011*	20/05/2020
12/01/2011	2	87,500	Time served	49.5	12/07/2011*	12/01/2021
01/06/2011	1	100,000	Time served	50.0	01/12/2011*	01/06/2021
22/09/2011	12	275,000	Time served	63.5	22/03/2012*	22/09/2021
21/11/2011	1	25,000	Time served	57.5	21/05/2012*	21/11/2021
20/06/2012	1	150,000	Time served	89.0	20/12/2012*	20/06/2022
02/08/2012	26	78,356	Time served	0.40	02/08/2013**	02/08/2022
02/08/2012	7	72,500	Time served	123.0	02/02/2013*	02/08/2022
01/11/2012	1	100,000	Time served	133.5	01/06/2013*	01/11/2022
08/01/2013	7	65,000	Time served	159.0	08/07/2013*	08/01/2023
28/01/2013	1	4,823	Time served	0.40	28/01/2014**	28/01/2023
28/01/2013	1	70,000	Time served	155.5	28/07/2013*	28/01/2023
26/03/2013	3	200,000	Time served	175.0	26/06/2013***	26/03/2023
26/03/2013	1	14,286	Time served	0.40	26/03/2014**	26/03/2023
Outstanding		**1,929,016**				

* 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

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

	2013 Number	**2013 Weighted Average Exercise Price**	2012 Number	2012 Weighted Average Exercise Price
Outstanding at 1 August	**1,784,102**	**53.6p**	1,637,602	47.8p
Granted	**664,965**	**133.0p**	540,000	70.1p
Forfeited	**(141,500)**	**104.2p**	(115,000)	52.0p
Exercised	**(378,551)**	**44.7p**	(278,500)	52.0p
Outstanding at 31 July	**1,929,016**	**79.1p**	1,784,102	53.6p
Exercisable at 31 July	**1,031,837**	**56.4p**	1,085,477	46.3p

The share options outstanding at the end of the year have a weighted average remaining contractual life of 6 years (2012: 7 years).

Notes to the Consolidated Financial Statements continued

8 Share based payments (continued)

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	01/06/ 2011	12/01/ 2011	01/08/ 2010	20/05/ 2010	17/03/ 2010	28/01/ 2009	26/11/ 2007
Share price at date of grant	50.0p	49.5p	50.5p	51.5p	50.5p	52p	40p
Exercise price	50.0p	49.5p	50.5p	51.5p	50.5p	52p	40p
Vesting period (years)	3	3	3	3	3	3	1
Expected volatility	15%	15%	15%	15%	15%	15%	40%
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%	0.5%	0.5%	0.5%	0.5%	0.5%	4.75%
Expected dividends expressed as a dividend yield	-	-	-	-	-	-	-

Options granted in previous years (continued):

Options granted on	22/09/ 2011	21/11/ 2011	01/02/ 2012	20/06/ 2012
Share price at date of grant	63.5p	57.5p	62.0p	89.0p
Exercise price	63.5p	57.5p	62.0p	89.0p
Vesting period (years)	3	3	3	3
Expected volatility	50%	50%	50%	50%
Option life (years)	10	10	10	10
Expected life (years)	10	10	10	10
Risk-free rate	3.5%	3.5%	3.5%	3.5%
Expected dividends expressed as a dividend yield	-	-	-	-

Options granted in the current year:

Options granted on	02/08/ 2012	02/08/ 2012	01/11/ 2012	08/01/ 2013	28/01/ 2013	28/01/ 2013	26/03/ 2013	26/03/ 2013
Share price at date of grant	123.0p	123.0p	133.5p	159.0p	155.5p	155.0p	175.0p	175.0p
Exercise price	0.4p	123.0p	133.5p	159.0p	0.4p	155.0p	175.0p	0.4p
Vesting period (years)	3	3	3	3	3	3	2	3
Expected volatility	20%	20%	20%	20%	20%	20%	20%	20%
Option life (years)	10	10	10	10	10	10	10	10
Expected life (years)	10	10	10	10	10	10	10	10
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	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.

Charge to the income statement

	2013	2012
	£000	£000
Share based payment charges	**189**	55

Notes to the Consolidated Financial Statements continued

9 Operating profit

Operating profit is stated after charging:	2013 £000	2012 £000
Depreciation of property, plant and equipment - owned	**129**	49
Depreciation of property, plant and equipment - leased	**25**	-
Total depreciation	**154**	49
Operating lease rentals: Land and buildings	**114**	51
Operating lease rentals: Plant & machinery	**22**	-
Total operating lease rentals	**136**	51
Research and development expenditure expensed as incurred	**411**	403

	2013 £000	2012 £000
Auditor's remuneration:		
Audit of these financial statements	**43**	17
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	**3**	3
- Other services relating to taxation	**3**	5
- Other services	**46**	6

Fees in respect of other services relate to professional advice in respect of the acquisition of Sky High plc during the year.

10 Finance income

	2013 £000	2012 £000
Interest received on bank deposits	**75**	61

11 Finance expense

	2013 £000	2012 £000
Interest on finance lease obligations	**11**	-

12 Taxation

Recognised in the income statement

	2013 £000	2012 £000
Current tax expense		
Current year	**563**	716
Adjustment in respect of prior periods	**1**	(3)
Total current year	**564**	713
Deferred tax		
Current year	**(78)**	(127)
Adjustment in respect of prior periods	**-**	12
Total deferred tax	**(78)**	(115)
Total tax in income statement	**486**	598

Notes to the Consolidated Financial Statements continued

12 Taxation (continued)

Reconciliation of the effective tax rate

	2013 £000	2013 %	2012 £000	2012 %
Profit before tax for the period	**2,590**	**100.0**	3,014	100.0
Expected tax charge based on the standard rate of corporation tax in the UK of 23.66% (2012: 25.33%)	**613**	**23.7**	763	25.3
Expenses not deductible for tax purposes	**51**	**2.0**	4	0.1
Research and development enhancement	**(121)**	**(4.7)**	(112)	(3.7)
Adjustment in respect of prior periods	**1**	**-**	9	0.2
Marginal relief / effect of small company tax rates	**(3)**	**(0.1)**	(4)	(0.1)
Other movements	**(55)**	**(2.1)**	(62)	(2.0)
Total tax expense	**486**	**18.8**	598	19.8

The 2012 Budget announced that the UK corporation tax rate would reduce from 24% to 22% by 1 April 2014. It was subsequently announced in the 2012 Autumn Statement that the rate would drop instead to 21% by 1 April 2014, and in the 2013 Budget on 20 March 2013, that the rate would drop a further 1% to 20% from 1 April 2015. The reduction in the UK corporation tax rate from 24% to 23% was enacted in July 2012 and was effective from 1 April 2013. This reduces the company's future current tax charge accordingly.

13 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 July 2013 was based on the profit attributable to ordinary shareholders of £2,104,000 (2012: £2,416,000) and a weighted average number of ordinary shares in issue of 24,982,000 (2012: 24,260,000), calculated as follows:

Weighted average number of ordinary shares
In thousands of shares

	2013	2012
Issued ordinary shares at 1 August	**24,839**	24,036
Effect of shares issued related to business combinations	**70**	-
Effect of shares issued for cash	**73**	224
Weighted average number of shares at 31 July	**24,982**	24,260

Diluted earnings per share

The calculation of diluted earnings per share at 31 July 2013 was based on profit attributable to ordinary shareholders of £2,104,000 (2012: £2,416,000) and a weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares of 25,827,000 (2012: 24,582,000):

In addition, adjusted EBITDA* is shown below on the grounds that it is a common metric used by the market in monitoring similar businesses.

	2013 £000	2012 £000
Adjusted EBITDA*	**3,367**	3,279
Basic adjusted EBITDA* per share	**13.48p**	13.52p
Diluted adjusted EBITDA* per share	**13.04p**	13.34p

* Earnings before finance income, tax, depreciation, amortisation, exceptional items and share-based payment charges.

Notes to the Consolidated Financial Statements continued

14 Property, plant and equipment

	Freehold Land & Buildings £000	Motor Vehicles £000	Computer equipment £000	Office fixtures & fittings £000	**Total £000**
Cost					
At 1 August 2011	400	21	94	40	555
Additions	-	-	37	1	38
At 31 July 2012	400	21	131	41	593
Additions	-	8	46	37	91
Arising on acquisition	-	719	619	1,162	2,500
Exchange rate variances	-	(18)	(40)	(14)	(72)
At 31 July 2013	400	730	756	1,226	3,112
Depreciation					
At 1 August 2011	6	7	62	6	81
Charge for the year	12	7	24	6	49
At 31 July 2012	18	14	86	12	130
Charge for the year	12	38	61	43	154
Arising on acquisition	-	339	426	535	1,300
Exchange rate variances	-	(14)	(36)	(22)	(72)
At 31 July 2013	30	377	537	568	1,512
Net book value					
At 1 August 2011	394	14	32	34	474
At 31 July 2012	382	7	45	29	463
At 31 July 2013	**370**	**353**	**219**	**658**	**1,600**

The net book value of assets held under finance lease obligations is £305,000 (2012: £nil).

Notes to the Consolidated Financial Statements continued

15 Intangible assets

	Goodwill	Customer related intangibles	Technology related intangibles	Total
	£000	£000	£000	£000
Cost				
At 1 August 2011	1,121	2,628	914	4,663
Adjustments	(2)	-	-	(2)
At 31 July 2012	1,119	2,628	914	4,661
Arising on acquisition	390	1,704	-	2,094
At 31 July 2013	1,509	4,332	914	6,755
Amortisation and impairment				
At 1 August 2011	-	143	50	193
Charge for the year	-	131	91	222
At 31 July 2012	-	274	141	415
Charge for the year	-	182	91	273
At 31 July 2013	-	456	232	688
Carrying amounts				
At 1 August 2011	1,121	2,485	864	4,470
At 31 July 2012	1,119	2,354	773	4,246
At 31 July 2013	**1,509**	**3,876**	**682**	**6,067**

The following carrying values of intangible assets arising from the acquisitions of RWA Rail Limited in August 2008, Peeping Limited in July 2009, Safety Information Systems Limited in December 2009, MPEC Technology Limited in June 2011, and Sky High plc in April 2013 are analysed as follows:

	Goodwill		**Customer related intangibles**		**Technology related intangibles**	
	2013	2012	**2013**	2012	**2013**	2012
	£000	£000	**£000**	£000	**£000**	£000
RWA Rail Limited	**671**	671	**567**	602	**-**	-
Peeping Limited	**43**	43	**295**	314	**-**	-
Safety Information Systems Limited	**136**	136	**222**	236	**146**	169
MPEC Technology Limited	**269**	269	**1,139**	1,202	**536**	604
Sky High plc	**390**	-	**1,653**	-	**-**	-
	1,509	1,119	**3,876**	2,354	**682**	773

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

	2013	2012
	£000	£000
Administrative expenses	**273**	222

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.

Notes to the Consolidated Financial Statements continued

15 Intangible assets (continued)

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 has been determined based on value in use calculations, covering detailed budgets and three year forecasts, followed by an extrapolation of expected cash flows at growth rates given below. The growth rates reflect prudent long term growth rates for the services provided by the CGU. Gross and operating margins have been assumed to remain constant based on budget and past experience.

	2013	2012
Long term growth rate	**1.0%**	1.0%
Discount rate	**10%**	10%

The directors' key assumptions relate to revenue growth and the discount rate, however, carrying value is not significantly sensitive to reasonably foreseeable changes in either assumption. No impairment charges in respect of goodwill arose during the year.

16 Inventories

	2013	2012
	£000	£000
Raw materials & work in progress	**138**	197
Finished goods	**98**	39
	236	236

The value of inventories expensed in the period in cost of sales was £922,000 (2012: £1,880,000). The fair values of inventories are the same as their book values. 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.

17 Hire purchase contracts

	2013	2012
	£000	£000
Due within one year	**96**	-
Due after more than one year:		
Between one and two years	**100**	-
Between two and three years	**83**	-
Between three and four years	**25**	-
Between four and five years	**24**	-
Total due after more than one year	**232**	-
Total hire purchase contract obligation	**328**	-

A reconciliation of the obligation is stated below.

	2013	2012
	£000	£000
At start of the year	**-**	-
Arising on acquisition	**407**	-
New hire purchase contracts	**16**	-
Repayments	**(95)**	-
At end of the year	**328**	-

Notes to the Consolidated Financial Statements continued

17 Hire purchase contracts (continued)

	Carrying amount £000	Contractual cash flows £000	Less than one year £000	One to Two years £000	Two to Five years £000
Hire Purchase Obligations					-
2013	**328**	**365**	**113**	**113**	**139**
2012	-	-	-	-	-

18 Trade and other receivables

	2013 **£000**	2012 £000
Trade receivables	**3,019**	1,217
Other receivables and prepayments	**220**	56
Amounts recoverable on contracts	**626**	9
	3,865	1,282

A breakdown of trade receivables between the United Kingdom and Australia operations is as follows:

	2013 **£000**	2012 £000
United Kingdom	**2,889**	1,217
Australia	**130**	-
	3,019	1,217

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, 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 directors do not consider that any of the amounts from the sale of goods to be irrecoverable, hence no provision has been made for bad or doubtful debts in either the current or preceding year.

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

Amounts recoverable on contracts relate to part completed projects related to the Group's transportation data collection operations.

Trade receivables that are past due are considered individually for impairment. The Group uses a monthly ageing profile as an indicator when considering impairment. The summarised ageing analysis of trade receivables past due but considered to be not impaired is as follows:

	2013 **£000**	2012 £000
Under 30 days overdue	**988**	224
Between 30 and 60 days overdue	**131**	21
Over 60 days overdue	**220**	5
	1,339	250

The other classes within trade and other receivables do not contain impaired assets. The Group did not incur any material impairment losses on trade receivables in the period. The ageing profile above 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 has evolved.

Notes to the Consolidated Financial Statements continued

19 Trade and other payables

	2013	2012
	£000	£000
Trade payables	**521**	393
Other tax and social security	**967**	305
Deferred income	**785**	583
Accruals and other payables	**1,259**	647
	3,532	1,928

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

Deferred income relates to sales invoiced in advance of the completion of post contract customer support, and also instances where the Group has raised sales invoices in advance of installation and acceptance of certain software sales, and also for software licences covering several accounting periods. Support will be recognised in the income statement over the remaining period of the contract, with other deferred income being recognised when the successful installation takes place, or over the period of time for which multiyear deals relate to.

20 Deferred tax

Non-current liability/(asset)	**Intangible assets**	**Accelerated capital allowances**	**Share options**	**Total**
	£000	**£000**	**£000**	**£000**
At 31 July 2011	837	15	(35)	817
Credit to income statement	(56)	(1)	(8)	(65)
Adjustments in respect of previous years	-	12	-	12
Change in tax rates	(63)	(2)	3	(62)
At 31 July 2012	718	24	(40)	702
Arising on acquisition	358	64	-	422
Credit to income statement	(62)	(7)	47	(22)
Change in tax rates	(58)	(2)	4	(56)
At 31 July 2013	**956**	**79**	**11**	**1,046**

Deferred tax is disclosed as a non-current liability in the Consolidated Balance Sheet.

The closing deferred tax asset and liability has been calculated at 21% as at 31 July 2013 (2012: 23%).

21 Share capital

	2013 Number	**2013 £**	2012 Number	2012 £
Allotted, called up and fully paid:				
Ordinary shares of 0.4p each	**25,526,306**	**102,105**	24,839,192	99,357

The following share transactions have taken place during the year ended 31 July 2013:

308,563 shares were issued in respect of the acquisition of Sky High plc.

378,551 share options, under the Group's share options schemes were exercised at various points in the year.

Notes to the Consolidated Financial Statements continued

21 Share capital (continued)

The movement in share capital in the year summarised as follows:

	2013 Number	2012 Number
At start of the year	**24,839,192**	24,035,588
Issued as consideration for business combinations	**308,563**	-
Exercise of warrants	**-**	525,104
Exercise of share options	**378,551**	278,500
At end of the year	**25,526,306**	24,839,192

22 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
Share based payments reserve	Amounts arising from the requirement to expense the fair value of share options in accordance with IFRS2 Share-based Payments
Retained earnings	Cumulative net profits recognised in the income statement
Translation reserve	Translation differences on retranslation of Australian subsidiary

23 Operating leases

Leases as lessee

Total outstanding commitments for future minimum lease payments under non-cancellable operating leases are set out below:

Land and buildings

The Group leases several office facilities in the United Kingdom and Australia under operating leases. During the year £136,000 was recognised as an expense in the income statement in respect of operating leases (2012: £51,000).

	2013 £'000	2012 £'000
Expiring within one year	**20**	6
Expiring in the second to fifth years	**233**	55
	253	61

Plant and machinery

	2013 £'000	2012 £'000
Expiring within one year	**14**	-
Expiring in the second to fifth years	**247**	-
	261	-

Notes to the Consolidated Financial Statements continued

24 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.

	2013			2012		
Financial assets	**Fixed Rate £000**	**Floating Rate £000**	**Total £000**	Fixed Rate £000	Floating Rate £000	Total £000
Cash and short term deposits	**-**	**6,571**	**6,571**	2,864	4,704	7,568

The Group had no financial liabilities or 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;
- cash at bank;
- trade and other payables.

The main risks arising from the financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

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. 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 2013 the Group did not have any fixed-rate deposits in place. Those fixed deposits in place at 31 July 2012 were recalled to finance the purchase of Sky High plc. Instead of fixed rate deposits, the Group had various deposits spread across various institutions – for example, a 95 day access account, several higher interest instant access accounts paying bonus rates of interest if the balances are not withdrawn, and several lower interest, day-to-day bank accounts used for working capital and day-to-day cash requirements.

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.

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.

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, 21 and 22. 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 to reduce debt.

Notes to the Consolidated Financial Statements continued

24 Financial risk management (continued)

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. The Group had some deposits and access accounts with Co-Operative Bank, but following their downgrade in the year, the majority of these were subsequently withdrawn and funds placed with alternative financial institutions who were deemed more creditworthy.

Foreign currency risk

The Group has an Australian subsidiary which is owned by Sky High plc. Balances and transactions in Australian dollars are converted into Sterling and hence the group is exposed to an element of currency risk/fluctuation.

25 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**	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Leeds Innovation Centre Limited[1]	**80**	46	**6**	4
First Class Partnerships Limited[2]	**-**	75	**-**	-

	Sale of goods and services		**Amounts owed by related parties**	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Hull Trains Company Limited[3]	**-**	12	**-**	-

1 – Leeds Innovation Centre Limited is a company which is connected to The University of Leeds. Tracsis plc rents its office accommodation, along with related office services, from this company.

2 – First Class Partnerships Limited is a company of which John Nelson, a Non-executive Director of the Group was Chairman and shareholder in previous years. During the year ended 31 July 2012, the Group utilised the services of a First Class Partnerships Limited consultant, who was involved in chargeable work to a customer of the Group, and was charged on to the relevant customer. There were no transactions in the year ended 31 July 2013.

3 – Hull Trains Company Limited is a company of which John Nelson, a Non-executive Director of the Group is a Director and shareholder. The Group performed various consultancy services in the period to Hull Trains in the year ended 31 July 2012. There were no transactions in the year ended 31 July 2013.

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

Notes to the Consolidated Financial Statements continued

26 Employee benefits

The Group makes contributions to defined contribution pension schemes for its employees. The pension cost charge for the year comprises contributions payable by the Group to the schemes and other personal pension plans and amounted to £67,000 (2012: £53,000). There were outstanding contributions at 31 July 2013 of £10,000 (2012: £12,000).

27 Group entities

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

Held by Tracsis plc	**Principal activity**	**Country of incorporation**	**% ordinary share capital owned**
R.W.A. Rail Limited	Rail industry consultancy	England and Wales	100%
Peeping Limited	Rail industry consultancy	England and Wales	100%
Safety Information Systems Limited	Software and consultancy	England and Wales	100%
MPEC Technology Limited	Rail industry hardware & Datalogging	England and Wales	100%
Sky High plc	Transportation data collection	England and Wales	100%

The legal process to re-register Sky High plc as a private company and subsequently change its name was ongoing at the date of signing of these accounts.

28 Dividends

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

	2013	2012
	£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 0.4p per share proposed	**102**	-

The dividend will be payable on 31 January 2014 to shareholders on the Register at 17 January 2014.

Company Balance Sheet (presented under UK GAAP)

as at 31 July 2013

Company number: 05019106

	Note	2013 £000	2012 £000
Fixed assets			
Tangible fixed assets	30	**371**	384
Investments	31	**9,545**	6,248
Current assets			
Deferred tax		**-**	33
Debtors	32	**1,030**	545
Cash at bank and in hand		**3,284**	5,621
		4,314	6,199
Creditors: amounts falling due within one year	33	**(5,785)**	(5,308)
Net current (liabilities)/assets		**(1,471)**	891
Total assets less current liabilities		**8,445**	7,523
Provisions for liabilities and charges	34	**(15)**	-
Net assets		**8,430**	7,523
Capital and reserves			
Called up share capital	35	**102**	99
Share premium reserve	36	**4,280**	4,113
Merger reserve	36	**1,472**	935
Share based payments reserve	36	**383**	194
Retained earnings	36	**2,193**	2,182
Shareholders' funds		**8,430**	7,523

The financial statements were approved and authorised for issue by the Board of Directors on 23 October 2013 and were signed on its behalf by:

John McArthur – Chief Executive Officer

Max Cawthra – Chief Financial Officer

Notes to the Company Balance Sheet

29 Company accounting policies (UK GAAP)

Basis of preparation

As used in the financial statements and related notes, the term ‘Company’ refers to Tracsis plc. The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by the Act, the separate financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles (‘UK GAAP’).

These accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

A separate profit and loss account dealing with the results of the company only has not been presented, as permitted by section 408 of the Companies Act 2006.

Under FRS 1 the Company is exempt from the requirement to present its own cash flow statement.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable (excluding value added tax and discounts given) derived from the provision of goods and services to customers during the period. The Company derives revenue from software licences, post contract customer support and consultancy services.

The Company recognises the revenue from the sale of software licences and specified upgrades upon shipment of the software product or upgrade, when there are no significant vendor obligations remaining, when the fee is fixed and determinable and when collectability is considered probable. Where appropriate the Company provides a reserve for estimated returns under the standard acceptance terms at the time the revenue is recognised. Payment terms are agreed separately with each customer.

Revenue from post contract customer support and consultancy services is recognised on a straight-line basis over the term of the contract. Revenue received and not recognised in the profit and loss account under this policy is classified as deferred income in the balance sheet.

Revenue from other products and services is recognised as the products are shipped or services provided.

Tangible fixed assets

Tangible fixed assets are 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

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 profit and loss account in the year.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is recognised, without discounting, in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Leases

Rentals applicable where substantially all of the benefits and risks of ownership remain with the lessor are classified as operating leases and payments are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes to the Company Balance Sheet continued

29 Company accounting policies (UK GAAP) (continued)

FRS20 share based payments
The Company has adopted FRS20 and the accounting policies followed are in all material regards the same as the Group's policy under IFRS2 'Share based payments'. The policy is shown in the Group's accounting policies on pages 22 to 28.

30 Tangible fixed assets

	Freehold Land & Buildings £000	Computer equipment £000	**Total £000**
Cost			
At 1 August 2012	400	23	423
Additions	-	-	-
At 31 July 2013	400	23	423
Depreciation			
At 1 August 2012	18	21	39
Charge for the year	12	1	13
At 31 July 2013	30	22	52
Net book value			
At 31 July 2012	382	2	384
At 31 July 2013	**370**	**1**	**371**

31 Investments

	Shares in subsidiary undertakings £000
Cost	
At 1 August 2012	6,248
Additions	3,297
At 31 July 2013	**9,545**

The addition in the year relates to the acquisition of Sky High plc.

The companies in which Tracsis plc's interest is more than 20% at the year end are as follows:

Subsidiary undertaking	Country of incorporation	Principal activity	Class and percentage of shares held	Holding
R.W.A. Rail Limited	England and Wales	Rail industry consultancy	Ordinary 100%	Direct
Peeping 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
Sky High plc	England and Wales	Transportation data collection	Ordinary 100%	Direct
Sky High Traffic Data Australia Pty Limited	Australia	Transportation data collection	Ordinary 100%	Indirect

Notes to the Company Balance Sheet continued

32 Debtors

	2013	2012
	£000	£000
Trade debtors	**769**	513
Amounts owed by subsidiary undertakings	**50**	-
Other debtors	**12**	8
Corporation Tax	**166**	-
Prepayments	**33**	24
	1,030	545

The group moved onto a Payments on Account regime for Corporation Tax in the year, and Tracsis plc made various payments as the lead Company. Upon finalisation of the tax computations, the Corporation Tax payments made will be reallocated between other Group Companies and the debtor balance cleared down accordingly.

33 Creditors: amounts falling due within one year

	2013	2012
	£000	£000
Trade creditors	**14**	23
Other tax and social security	**356**	162
Corporation tax	**-**	150
Amounts owed to subsidiary undertakings	**4,679**	4,317
Accruals and deferred income	**736**	656
	5,785	5,308

34 Provisions for liabilities and charges – deferred tax / (asset)

	2013	2012
	£000	£000
At start of the year	**(33)**	(34)
Charge to profit and loss account during the year	**48**	1
At end of the year	**15**	(33)

35 Share capital

	2013	2013	2012	2012
	Number	£	Number	£
Allotted, called up and fully paid:				
Ordinary shares of 0.4p each	**25,526,306**	**102,105**	24,839,192	99,357

The following share transactions have taken place during the year ended 31 July 2013:

308,563 shares were issued in respect of the acquisition of Sky High plc.

378,551 share options, under the Group's share options schemes were exercised at various points in the year.

Notes to the Company Balance Sheet continued

36 Reserves

	Share premium account £000	Merger reserve £000	Share based payments reserve £000	Profit and loss account £000
At 1 August 2012	4,113	935	194	2,182
Dividends	-	-	-	(162)
Issue of new shares	167	537	-	-
Profit for the period	-	-	-	173
Share based payment charges	-	-	189	-
At 31 July 2013	**4,280**	**1,472**	**383**	**2,193**

37 Operating leases

Operating lease commitments

The minimum annual lease payments to which the Company is committed under non-cancellable operating leases for the coming year are as follows:

Land and buildings:	**2013 £'000**	2012 £'000
On leases expiring:		
Within one year	**-**	6
Expiring between one and two years	**58**	-

38 Reconciliation of movement in shareholders' funds

	2013 £'000	2012 £'000
Profit attributable to ordinary shareholders	**173**	574
Dividends paid	**(162)**	(48)
Other recognised gains:		
- Issue of new shares	**707**	354
- Share based payments	**189**	55
	907	935
Opening shareholders' funds	**7,523**	6,588
Closing shareholders' funds	**8,430**	7,523

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