Tracsis plc

('Tracsis', 'the Company' or 'the Group')

Audited results for the year ended 31 July 2019

Tracsis, a leading provider of software, hardware and services for the rail, traffic data and wider transport industries, is pleased to announce its audited results for the year ended 31 July 2019.

Financial Highlights:

- Revenue increased 24% to £49.2m (2018: £39.8m)
- Adjusted EBITDA* increased 12% to £10.5m (2018: £9.4m)
- Operating profit before exceptional items increased 13% to £6.7m (2018: £5.9m)
- Cash balances of £24.1m (2018: £22.3m)
- Full year dividend increased 13% to 1.8p per share (2018: 1.6p)
- Fully diluted adjusted Earnings Per Share increased 8% to 27.42p (2018: 25.47p)

Strategic and Operational Highlights:

- Completion of three acquisitions in the period to enhance the overall product and service offering, all of which have contributed to the Group since ownership:
    - Compass Informatics Limited ("Compass");
    - Cash & Traffic Management Limited ("CTM"); and
    - Bellvedi Limited ("Bellvedi"),
- Five-year Framework Agreement secured with a major Train Owning Group for our TRACS Enterprise product – Tracsis' largest software contract to date
- Continued high levels of recurring revenue across all of our software products
- Strong trading in our rail infrastructure businesses – MPEC (Remote Condition Monitoring Hardware and Software) and Ontrac (Safety and Risk Management Software)
- Continued margin improvement within our Traffic & Data Services division with an increased focus on data analytics and a stronger technology offering
- Chris Barnes succeeded John McArthur as Group CEO, with the transition now complete

Chris Barnes, Chief Executive Officer, commented:

"In my first report as the new CEO, I am delighted to present these results which show good growth for the Tracsis Group compared to the previous year. The results reflect the impact of the acquisitions that we have completed in the period along with strong organic growth, something which is a key focus as we look to increase collaboration and expand our product offerings across the Group. The acquisitions we have completed in the year will have a full impact in the next year, and combined with the strong pipeline of organic sales opportunities provide a good platform for future growth of the business in the years to come. I have inherited a great business, with a wide range of compelling product and service offerings, a great team of colleagues, an excellent blue-chip client base, and I am excited about the prospects for the Group."

* *Calculation unchanged from previous years and in line with broker forecasts and research coverage on Tracsis. Full definition and reconciliation in Note 6.*

Enquiries:

Tracsis plc Tel: 0845 125 9162

Chris Barnes, CEO

Max Cawthra, CFO

finnCap Ltd Tel: 020 7220 0500

Christopher Raggett/Scott Mathieson, Corporate Finance

Andrew Burdis, Corporate Broking

Chairman & Chief Executive Officer's Report

A welcome from Chris Cole, Non-Executive Chairman

This was another good year for Tracsis. The completion of three further acquisitions combined with good levels of organic growth, and increased levels of profitability has culminated in our 2019 results being in line with market expectations. The second half of the year was particularly strong for the Group, reflecting seasonality in the business, strong underlying trading and the timing of acquisitions made. all of which is very pleasing.

This year was also important in that we achieved a successful transition of CEO from John McArthur to Chris Barnes which was very smooth and is now complete, and is testament to the efforts of all involved. John continues to work for the Group in an advisory role focused solely on acquisitions. Following his appointment, Chris Barnes, together with the senior management team, has generated a strategic plan for the business to ensure that Tracsis maximises its future organic and acquisitive growth opportunities.

Introduction

The year ended 31 July 2019 was another year of growth, with Group revenues of £49.2m, an overall increase of 24%, and Group adjusted EBITDA of £10.5m an overall increase of 12%. This was achieved through a mix of good levels of organic revenue growth, and also a good contribution from three acquisitions completed during the year. The full benefit of the new acquisitions will be realised in the next financial year. The Group's financial position at year end remained strong, with cash balances in excess of £24m and no debt, even after investing over £9m on acquisitions, investments, and paying £2.1m of contingent consideration.

Business Overview

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

1. **Rail Technology & Services:**
    - **Operational Software**: A suite of software products covering timetabling, resource and rolling stock planning and optimisation, real time performance and control, service recovery, retail services, delay attribution and delay repay;
    - **Infrastructure Software**: A range of software products that are used to collect, manage, visualise and analyse rail asset information. They deliver improvements in safety, productivity and communication by automating heavily regulated business processes and reducing risk;
    - **Remote Condition Monitoring**: Rail approved data loggers and sensors to monitor asset performance and predict failure modes (level crossings, interlockings, switch machines, bus-bars etc.) supported by our own data acquisition software platform; and
    - **Consultancy**: Rail operations consultancy expertise and training covering operational planning and modelling, franchise and concession support, data capture and evaluation and innovative bespoke software tool development.
2. **Traffic & Data Services**:
    - **Traffic Surveys**: Traditional and advanced transport data collection for all travel modes using ANPR, video and mobile network data, manual survey methods, big data sources and increasingly AI technology;
    - **Transport Insights**: Provision of innovative and effective transport related advice, saving time and cost and generating increased efficiencies through the provision of sustainable transport solutions supported by data hosting and visualisation tools;
    - **Passenger Analytics**: Software-delivered passenger research and statistical analysis for transport operators using our skilled market research staff and digital data collection tools (activities include passenger counting, ticket audits, mystery shopping and market research);
    - **Location Analytics**: Software, mobile app and analytical platform development combining Geographic Information Systems (GIS), location technologies, data analytics and field computing across different industrial sectors (rail, automotive, bus, utilities, environmental etc.); and
    - **Event Transport Management**: covering planning, control, consultancy, signage, CSAS/PATO and car parking. Technologies like Tracsis Live Traffic (TLT) are also offered to improve traffic monitoring and traffic flow in and out of major event venues.

Financial Summary

Group revenues of £49.2m (2018: £39.8m) represent a 24% increase on the previous year which came via a combination of organic growth of 9% (£3.5m) and by acquisition of 15% (£5.9m), which is a good mix of revenue growth. The adjustment in respect of IFRS 15 had an impact of around £0.4m to revenues, and this was the first time that this new standard has been adopted.

Adjusted EBITDA* of £10.5m was an increase of 12% on the previous year (2018: £9.4m), with Adjusted Profit** of £9.7m being 12% higher than the previous year (2018: £8.7m). Statutory Profit before Tax was £6.6m (2018: £8.3m), although the previous year included an exceptional £2.65m credit relating to contingent consideration in respect of the Ontrac acquisition which arose due to specific target milestones not being met. All of the Group's key financial metrics show good growth on the previous year and reflect a good mix of organic and acquired performance. A net exceptional item of £0.1m was recognised this year in respect of the TCS acquisition made in the previous year, following a detailed review of the contingent consideration, and the carrying value of the goodwill recognised previously in respect of this acquisition.

At 31 July 2019, the Group's cash balances increased to £24.1m (2018: £22.3m), and cash generation continues to be strong. Overall cash balances increased by £1.8m in the financial year, even after paying £9.6m in respect of the three companies that were acquired during the year (£6.8m outflow net of cash acquired), investing £0.4m, and paying contingent consideration of £2.1m in respect of the Ontrac acquisition. After taking account of these investments, the Group therefore generated £11.1m of cash, which again demonstrates strong conversion of profits to cash. The Group continues to be debt free.

* Earnings before finance income, tax, depreciation, amortisation, exceptional items, other operating income, and share-based payment charges and share of result of equity accounted investees – see note 6 for reconciliation.

** Earnings before finance income, tax, amortisation, exceptional items, other operating income, share-based payment charges, and share of result of equity accounted investees – see note 6 for reconciliation.

Trading Progress and Prospects

Rail Technology & Services

Summary segment results:

Revenue	£21.9m (2018: £19.0m)
EBITDA *	£6.9m (2018: £6.8m)
Profit before Tax	£6.7m (2018: £6.6m)

Software

Sales of Operational Software and Infrastructure software, excluding acquisitions, increased by 9% to £14.8m (2018: £14.1m) which represents good growth. This takes account of the various revenue streams from our TRACS, Ontrac, COMPASS, Retail & Operations, and Delay-Repay product suites. All software products continue to benefit from high renewal rates from existing clients.

In January 2019, we were pleased to announce a significant five-year Framework Agreement with a major Train Owning Group (which operates several Train Operating Company (TOC) franchises) for our TRACS Enterprise product, which will increase operational resilience and performance, with the roll out well underway. In the fullness of time, this should lead to further revenue and EBITDA growth for the Group, assuming roll out across the client owning Group's other TOCs continues as planned. As part of this offering, Tracsis also offers business change support and have launched an Alliancing model which aims to deliver a ground breaking performance uplift to the industry.

We were also pleased to secure a significant order for data hosting services and licences with another major rail client. The order was primarily a renewal and extension of existing arrangements over a two year period, with a value in excess of £2m. The Ontrac business was also supported by winning a number of bespoke development projects, plus continued growth of its core RailHub suite of desktop and mobile applications with multiple new subscriptions across the rail infrastructure sector of the industry. Ontrac was also involved in supporting the development and implementation of exciting new platforms with its key client, as well as developing 'virtual reality on demand' which enables users to virtually manage and optimise their rail infrastructure assets.

Our Travel Compensation Services business successfully implemented its Delay Repay application into two new train operators, and also launched its cross-TOC fraud platform Exposure, plus also its 'One Click' application to support political and consumer demands for simplified/claim processing, for which it won an award, which was particularly pleasing.

The Group has invested heavily in its technology base and in March 2019, also relocated its Leeds headquarters to larger more modern offices that are far better suited to accommodate our expanding software team and future growth ambitions.

Remote Condition Monitoring (RCM)

Revenues of £4.9m were significantly higher than the previous year (2018: £3.0m), with the growth being driven by high demand from a key UK customer at the end of Control Period Five and this performance represents one of the strongest financial years in this part of the Group's history. Progress continues to be made in the North American market with paid trials with a number of railroad and transit operators, and further sales were secured from other overseas geographies. The United States continues to be a key target market and offers significant opportunities albeit with a longer sales cycle as we develop relationships with new customers who require time to familiarise themselves with and system test the Group's offering.

Consultancy

Consultancy and professional services revenue was £1.8m (2018: £1.9m) which was a good performance given the reduction in franchise bid work compared to the previous year which demonstrates the resilience that has been built up in this part of the Group; as we secured work with other government bodies, a variety of other train operating companies (TOCs), and several multi-disciplinary engineering companies.

Acquisitions: Bellvedi

In the three months post acquisition, Bellvedi contributed £0.4m of revenue to the overall Group revenues and the full year benefit will be experienced in the next financial year. In recent years, Bellvedi has grown rapidly, and its ATTUne software is a key part of the TRACS Enterprise offering, in addition to having its own client base. The Bellvedi development team has been increased in size to facilitate delivery to an expanding user base plus delivery on other large projects and new products, such as ATTUne4C which brings the Bellvedi systems into the control room environment.

Overall EBITDA growth in the period in the Rail Technology and Services division was impacted by the mix of work delivered during the period with a change in focus to the delivery of previously announced milestone based multi-year large software development contracts for products like TRACS Enterprise at the expense of short-term bespoke development work.

Traffic & Data Services

Summary segment results:

Revenue	£27.3m (2018: £20.8m)
EBITDA*	£3.6m (2018: £2.6m)
Profit before Tax	£2.9m (2018: £2.0m)

Traffic Surveys, Transport Insights and Passenger Analytics

Revenues of £14.7m were delivered in the year (2018: £14.5m), accompanied by an increase in profitability. Notable highlights in the year include delivery of the largest set of National Road Traffic Census survey sites across the UK in a single financial year, the utilisation of innovative Artificial Intelligence software (through the Group's investment in Vivacity Labs) to deliver large scale surveys for a major client, growth of our data analytics capabilities and delivery of innovative product solutions and dashboards to clients.

Our Passenger Analytics team were pleased to have maintained historic levels of traditional manual count business whilst also winning new business including a multi-year ticketless travel survey framework. The business also continues to develop its own software product for automatic train loading data, which is expected to be a key technology platform for future growth.

Location Analytics

The majority of the revenue of £2.4m from Compass Informatics since its acquisition was derived from Ireland, though the business has secured a number of projects/contracts with UK water companies which will continue to be delivered in financial year 2019-20. The strategy remains to grow their business footprint in the UK, by selling its range of leading products and services to the Group's existing UK client base, where there are clear market opportunities. Much of the current revenue is derived from Irish government bodies which provides stability for some of the larger more innovative projects to be undertaken. The Compass business was successful in securing some awards for its work at the National Biodiversity Data Centre and the BIO platform, being delivered to three UK water companies, was a finalist at the Water Industry Awards.

Event Transport Management

Our existing SEP business achieved revenues of £7.1m (2018: £6.3m) which again showed further growth. A good contribution of £3.1m from CTM was experienced, which takes total combined revenue from this part of the Group in the year to £10.2m which is a significant offering. Both businesses continue to work with some extremely high-profile events and organisations, which are blue chip by nature, and in many cases secured under multi-year contracts, with one large contract in particular being renewed in the year.

Integration planning for CTM is well underway, and synergy benefits are expected to be progressively realised once the two businesses are combined into one Combined Events Business. The businesses have already started working together to exploit each other's strengths and ensuring that internal capabilities are maximised by taking best practice from each business.

The business successfully delivered traffic management and car parking for record numbers of people at key events, plus the planning, delivery, monitoring and control of Transport Management Systems for other key clients, and also successfully delivered Tracsis Live Traffic (TLT) into several major events. The Group also works with one of the largest outdoor music festivals in the world which was again successfully delivered on a huge scale.

In general for the Traffic & Data Services Division it was pleasing to see an improvement in overall profit margins versus the previous year, which has been a key strategic objective for some time now.

Dividends

In February 2012, the Board implemented a progressive dividend policy and the Group intends to maintain this going forwards. An interim dividend of 0.8p per share was paid in April 2019. A final dividend of 1.0p per share in respect of 2018/19 is proposed, to take the full year dividend to 1.8p. This represents a 13% increase on the previous year's dividend of 1.6p per share.

The dividend remains well covered by the Group's profitability and cash position, which supports its primary objective of growth via acquisition and through further development of new products and services. The Board remains committed to maintaining the progressive dividend policy as the business continues to trade profitably and in line with its expectations. The dividend will be paid on 14 February 2020 to shareholders on the register on 31 January 2020.

Acquisitions

We were pleased to have completed three acquisitions in the period, all of which will increase and enhance our overall product and service offering. These three acquisitions contributed combined revenues of £5.9m to Group numbers in the year.

Compass Informatics

On 15 January 2019 we acquired Compass Informatics, a long-established Dublin based business which we have known for a number of years now and is a natural fit with our Traffic & Data Services division in terms of our strategy of improving our data analytic capabilities. This acquisition, our first overseas transaction, strengthens the product and service offerings to our client base in the UK and also benefits those existing clients retained by Compass Informatics in Ireland, and offers potential benefit and cross-sell potential to Tracsis' existing transport clients. Compass Informatics is a software development and data analytics company that specialises in combining geographical information systems (GIS), location technologies, data analytics and field computing. The business works across a variety of sectors but derives most of its revenue from transport, asset management, planning, and environmental clients.

The acquisition consideration comprised an initial cash payment of €3.15m which was funded out of Tracsis cash reserves and the issue of shares in Tracsis to a value of €350k. An additional payment of €0.5m was made to reflect the net current asset position of the business, and additional contingent consideration of up to €2.0m is payable subject to Compass Informatics achieving certain stretched financial targets in the three years post acquisition.

CTM

On 16 January 2019, we acquired CTM, a well-established provider of event traffic planning, admission control, and a range of other event-related services to some of the UK's largest and most prestigious event clients. CTM is highly complementary to the Tracsis Traffic & Data Services division with good cross-sell potential along with clear synergy benefits with Tracsis' existing SEP Events business which was an excellent acquisition for Tracsis, that should lead to margin improvement in the fullness of time.

CTM has an excellent track record of organic growth, client retention and profitability over many years. The acquisition consideration comprised an initial cash payment of £1.3m which was funded out of Tracsis cash reserves and the issue of shares in Tracsis to a value of £0.15m, along with an additional payment of £0.5m to reflect the net current asset position of the business. Additional contingent consideration of up to £0.75m is payable subject to CTM achieving certain stretch financial targets in the two years post acquisition.

Bellvedi

On 30 April 2019, we acquired Bellvedi, a software company that operates within the rail industry and specialises in timetabling optimisation software. Bellvedi's key product, ATTUne, is a timetable planning software package and is extensively used by Train Operating Companies, infrastructure providers, franchise bidding teams and rail consultancies for the creation, validation, optioneering and optimisation of timetables in time pressured environments. Tracsis and Bellvedi have partnered on several significant software projects - most notably on Tracsis' recent major contract wins - with the ATTUne software forming a key part of the TRACS Enterprise offering. As such, the acquisition of Bellvedi is strategically important and highly complementary to the Tracsis rail software offering and future product roadmap.

The acquisition consideration comprised an initial cash payment of £3.7m which was funded out of Tracsis cash reserves and the issue of shares in Tracsis to a value of £0.3m. An additional payment of circa £0.9m was made to reflect the net current asset position of the business at completion. Additional contingent consideration of up to £7.9m is payable subject to Bellvedi achieving certain stretched EBITDA financial targets in the four years post acquisition.

Integration of all newly acquired businesses is well underway. Due to the timing of the acquisitions, only a partial contribution from the acquired businesses was made in the period, with the full impact coming in the next financial year.

Furthermore, the Group exercised a £0.3m warrant in Vivacity Labs, and also participated in a fundraising for Citi Logik for £0.1m, which rounded off a busy year of acquisitions and investments. The Group remains debt free and continues to benefit from a strong market reputation with a good pipeline of potential acquisition opportunities.

We continue to have a strong pipeline of acquisition opportunities under consideration.

The UK's decision to leave the European Union

There is wider economic uncertainty as a result of the UK's decision to leave the European Union. As at the date of this report the Directors consider that the risks specific to Tracsis are reduced, due to the fact that current sales to European Union customers are c. 5% of overall Group sales, there is no significant reliance on a supply chain involving European Union suppliers or workforce.

Board Changes and people

Chris Barnes joined the Group during the year, succeeding John McArthur as Chief Executive Officer on 1 May 2019, and the transition is now complete. John continues to work with Tracsis in a part-time advisory capacity primarily supporting our M&A activities. John Nelson stood down as a Non-Executive Director on 1 September 2018, and was replaced by Mac Andrade. On behalf of everyone at Tracsis, we would like to thank John McArthur for his significant contribution, and achievements since founding Tracsis. We would also like to thank John Nelson for his counsel as a Non-Executive Director over the years and also welcome Mac Andrade to the Board.

We would also like to thank the entire Tracsis team for all of the hard work and dedication that has gone into the successful delivery of new products and projects this year.

Summary and Outlook

2018-19 was another good year for Tracsis and an important one in terms of the evolution of the Group, with three acquisitions being made and a change of Chief Executive, all delivered whilst achieving further growth in revenue and profitability and maintaining our excellent health and safety record, which was a great team effort.

Tracsis continues to operate in an area where there are strong drivers for business growth. These include

- Rapid Urbanisation: driven by population growth, finite capacity for the movement of goods and people, transformational technology changes and Mobility as a Service, all underpinned by advanced data analytic methodologies and the growing concept of smart cities and infrastructure;

- Big Data / Connectivity: driven by huge growth in connected devices, intelligent transport solutions, condition monitoring and data visualisation all leading to the opportunity to make more informed decisions and preventative interventions;
- Enhanced Performance: a growing requirement across the transportation industry for greater levels of operational efficiency, performance improvement, asset optimisation and enhanced safety all with lower operational costs and real time control.

Tracsis' range of products and services are well suited to support all of these growth drivers, given the Group offers a wide range of products and services covering data acquisition and smart analytics, virtualisation and digitalisation of assets, remote condition monitoring and predictive maintenance and 'real time' control supported as hosted enterprise solutions.

For this reason, the directors believe that Tracsis is well placed for further growth and have confidence in the core markets that the Group serves and operates in.

Thanks go to our colleagues, clients and other industry partners, and we look forward to continuing to share further success with them in the future.

Chris Cole, Chairman

Chris Barnes, Chief Executive Officer

November 14, 2019

Consolidated Statement of Comprehensive Income for the year ended 31 July 2019

	Note	2019 Continuing operations £000	2019 Acquisitions £000	2019 **Total** **£000**	2018 £000
Revenue	3	43,325	5,894	**49,219**	39,834
Cost of sales		(17,539)	(2,624)	**(20,163)**	(16,623)
Gross profit		25,786	3,270	**29,056**	23,211
Administrative costs		(19,158)	(3,202)	**(22,360)**	(14,727)
Adjusted EBITDA*	3,6	9,662	852	**10,514**	9,425
Depreciation		(798)	(33)	**(831)**	(760)
**Adjusted profit ** **	6	8,864	819	**9,683**	8,665
Amortisation of intangible assets		(1,831)	(420)	**(2,251)**	(1,774)
Other operating income		244	16	**260**	214
Share-based payment charges		(927)	(107)	**(1,034)**	(1,193)
Operating profit / (loss) before exceptional items		6,350	308	**6,658**	5,912
Exceptional items (net)	9	278	(240)	**38**	2,572
Operating profit / (loss)		6,628	68	**6,696**	8,484
Finance income		58	-	**58**	19
Finance expense		(21)	-	**(21)**	(27)
Share of result of equity accounted investees		(174)	-	**(174)**	(201)
Profit / (loss) before tax	3	6,491	68	**6,559**	8,275
Taxation		(1,337)	(151)	**(1,488)**	(1,029)
Profit / (loss) after tax		5,154	(83)	**5,071**	7,246
Other comprehensive income/(expense)					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences – foreign operations		-	17	**17**	-
Total recognised income for the year		5,154	(66)	**5,088**	7,246
Earnings per ordinary share					
Basic	4	18.07p	(0.29p)	**17.78p**	25.70p
Diluted	4	17.54p	(0.28p)	**17.26p**	24.85p

* Earnings before finance income, tax, depreciation, amortisation, exceptional items, other operating income, and share-based payment charges and share of result of equity accounted investees – see note 6.
** Earnings before finance income, tax, amortisation, exceptional items, other operating income, share-based payment charges, and share of result of equity accounted investees – see note 6.

Consolidated Balance Sheet as at 31 July 2019

	Note	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment		**2,678**	2,181
Intangible assets		**38,812**	26,223
Investments – equity		**350**	250
Loans due from associated undertakings		**250**	250
Investments in equity accounted investees		**1,098**	972
Deferred tax assets		**667**	602
		43,855	30,478
Current assets			
Inventories		**381**	253
Trade and other receivables		**9,729**	7,329
Cash and cash equivalents		**24,104**	22,329
		34,214	29,911
Total assets		**78,069**	60,389
Non-current liabilities			
Finance leases and hire-purchase contracts		**285**	121
Contingent consideration payable	8	**5,304**	1,100
Deferred tax liabilities		**5,942**	3,875
		11,531	5,096
Current liabilities			
Finance leases and hire-purchase contracts		**277**	157
Trade and other payables		**16,936**	10,316
Contingent consideration payable	8	**879**	2,165
Current tax liabilities		**505**	546
		18,597	13,184
Total liabilities		**30,128**	18,280
Net assets		**47,941**	42,109
Equity attributable to equity holders of the company			
Called up share capital		**115**	113
Share premium reserve		**6,343**	6,243
Merger reserve		**3,921**	3,160
Retained earnings		**37,545**	32,593
Translation reserve		**17**	-
Total equity		**47,941**	42,109

Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Merger reserve £'000	Retained Earnings £'000	Translation reserve £'000	Total £'000
At 1 August 2017	112	5,948	3,010	24,577	-	33,647
Profit for the year	-	-	-	7,246	-	7,246
Total comprehensive income	-	-	-	7,246	-	7,246
Transactions with owners:						
Dividends	-	-	-	(423)	-	(423)
Share based payment charges	-	-	-	1,193	-	1,193
Exercise of share options	1	295	-	-	-	296
Shares issued as consideration for business combinations	-	-	150	-	-	150
At 31 July 2018	**113**	**6,243**	**3,160**	**32,593**	**-**	**42,109**
At 1 August 2018	113	6,243	3,160	32,593	-	42,109
Adjustment on initial application of IFRS 15 (net of tax) – Note 10	-	-	-	(667)	-	(667)
Profit for the year	-	-	-	5,071	-	5,071
Other comprehensive income	-	-	-	-	17	17
Total comprehensive income	-	-	-	5,071	17	5,088
Transactions with owners:						
Dividends	-	-	-	(486)	-	(486)
Share based payment charges	-	-	-	1,034	-	1,034
Exercise of share options	1	100	-	-	-	101
Shares issued as consideration for business combinations	1	-	761	-	-	762
At 31 July 2019	**115**	**6,343**	**3,921**	**37,545**	**17**	**47,941**

Consolidated Cash Flow Statement

	Note	**2019**	2018
		£000	£000
Operating activities			
Profit for the year		**5,071**	7,246
Finance income		**(58)**	(19)
Finance expense		**21**	27
Depreciation		**831**	760
Loss on disposal of plant and equipment		**12**	17
Non cash exceptional items		**(99)**	(2,653)
Other operating income		**(260)**	(214)
Amortisation of intangible assets		**2,251**	1,774
Effect of foreign exchange adjustments		**17**	-
Share of result of equity accounted investees		**174**	201
Income tax charge		**1,488**	1,029
Share based payment charges		**1,034**	1,193
Operating cash inflow before changes in working capital		**10,482**	9,361
Movement in inventories		**(128)**	(14)
Movement in trade and other receivables		**(1,349)**	1,259
Movement in trade and other payables		**4,877**	1,411
Cash generated from operations		**13,882**	12,017
Interest received		**58**	19
Interest paid		**(21)**	(27)
Income tax paid		**(1,545)**	(1,407)
Net cash flow from operating activities		**12,374**	10,602
Investing activities			
Purchase of plant and equipment		**(731)**	(509)
Proceeds from disposal of plant and equipment		**165**	53
Acquisition of subsidiaries (net of cash acquired)	7	**(6,757)**	(1,714)
Equity investments and loans to investments		**(400)**	(700)
Net cash flow used in investing activities		**(7,723)**	(2,870)
Financing activities			
Dividends paid	5	**(486)**	(423)
Proceeds from exercise of share options		**101**	296
Hire purchase repayments		**(342)**	(303)
Payment of contingent consideration	8	**(2,149)**	(323)
Net cash flow used in from financing activities		**(2,876)**	(753)
Net increase in cash and cash equivalents		**1,775**	6,979
Cash and cash equivalents at the beginning of the year		**22,329**	15,350
Cash and cash equivalents at the end of the year		**24,104**	22,329

Notes to the Consolidated Financial Statements

1 Financial information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 July 2019 or 2018 but is derived from those accounts. Statutory accounts for 2018 have been delivered to the registrar of companies, and those for 2019 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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 FRS 101. These parent company statements appear after the notes to the consolidated financial statements

(b) Basis of measurement

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

(c) Functional and presentation currency

These consolidated financial statements are presented in sterling, which is the Group and 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 on-going 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.

(e) Accounting Developments

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 August 2018. The following new standards and amendments to standards are mandatory and have been adopted for the first time for the financial year beginning 1 August 2018:

- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRS 9 Financial Instruments
- Amendments to IFRS 2: Classification and Measurement of Share-Based Payment Transaction contracts
- IFRS 15 Revenue from Contracts with Customers

These standards have not had a material impact on the Consolidated Financial Statements with the exception of the adoption of IFRS 15. Further information regarding the adoption of this standard has been detailed in note 10.

The following new or revised standards and interpretations issued by the International Accounting Standards Board (IASB) have not been applied in preparing these accounts as their effective dates fall in periods beginning on or after 1 August 2019. Apart from IFRS 16, these standards are not expected to have a significant impact on adoption.

Effective for the year ending 31 July 2020

- IFRS 16 Leases (effective date 1 January 2019). Provides a single lessee accounting model, specifying how leases are recognised measured, presented and disclosed.
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date 1 January 2019).

Effective date for EU adoption to be confirmed

- Amendments to References to the Conceptual Framework in IFRS Standards (effective date to be confirmed)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective date to be confirmed).

IFRS 16 "Leases"

The Group is required to adopt IFRS 16 "Leases" from 1 August 2019. It will bring most leases on to the balance sheet, eliminating the distinction between operating leases and finance leases. The Group has a number of operating lease arrangements and it is considered that the broad impact of IFRS 16 will be to recognise a right-of-use asset and a corresponding lease liability for the lease commitments. Additionally, rentals on operating leases currently charged to the statement of comprehensive income will be replaced by a depreciation charge on the asset and an interest expense on the lease liability. The Group will adopt IFRS 16 using the modified retrospective approach. The cumulative effect of initially adopting IFRS 16 will be recognised as an adjustment to retained earnings at 1 August 2019 with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 August 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. Based on currently available information, the Group estimates that it will recognise additional lease assets and liabilities of £1.2m to £1.4m as at 1 August 2019. The impact on the Income Statement is estimated to be immaterial.

(f) Going concern

The Group is debt free and has substantial cash resources. At 31 July 2019 the Group had net cash and cash equivalents totalling £24.1m. The Board has prepared cash flow forecasts for the forthcoming year based upon assumptions for trading and the requirements for cash resources, these forecasts take into account reasonably possible changes in trading financial performance.

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 Revenue and Segmental analysis

a) Revenue

Sales revenue is summarised below

	2019	2018
	£000	£000
Rail Technology & Services	**21,934**	18,968
Traffic & Data Services	**27,285**	20,866
Total revenue	**49,219**	39,834

Revenue can also be analysed as follows:

	2019	2018
	£000	£000
Software and related services	**14,839**	14,010
Other	**34,380**	25,824
Total	**49,219**	39,834

Revenue to come from contracts entered into with performance obligations not fulfilled or only partially fulfilled amounted to £16.1m as at 31 July 2019.

Major customers
Transactions with the Group's largest customer represent 18% of the Group's total revenues (2018: 14%).

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

	2019	2018
	£000	£000
United Kingdom	**45,511**	38,388
North America	**106**	260
Rest of the World	**3,602**	1,186
Total	**49,219**	39,834

b) Segmental Analysis

The Group has divided its results into two segments being 'Rail Technology and Services' and 'Traffic & Data Services'. Bellvedi Limited is included in "Rail Technology and Services", and Cash & Traffic Management Limited and Compass Informatics Limited are included in "Traffic & Data Services".

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

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

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

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

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

	2019			
	Rail Technology & Services	**Traffic & Data Services**	**Unallocated**	**Total**
	£000	**£000**	**£000**	**£000**
Revenues				
Total revenue for reportable segments	**21,934**	**27,285**	**-**	**49,219**
Consolidated revenue	**21,934**	**27,285**	**-**	**49,219**
Profit or loss				
EBITDA for reportable segments	**6,932**	**3,582**	**-**	**10,514**
Amortisation of intangible assets	**-**	**-**	**(2,251)**	**(2,251)**
Depreciation	**(166)**	**(665)**	**-**	**(831)**
Exceptional items	**(60)**	**(1)**	**99**	**38**
Other operating income	**-**	**-**	**260**	**260**
Share-based payment charges	**-**	**-**	**(1,034)**	**(1,034)**
Interest receivable/payable(net)	**-**	**-**	**37**	**37**
Share of result of equity accounted investees	**-**	**-**	**(174)**	**(174)**
Consolidated profit before tax	**6,706**	**2,916**	**(3,063)**	**6,559**

	2018			
	Rail Technology & Services	Traffic & Data Services	Unallocated	Total
	£000	£000	£000	£000
Revenues				
Total revenue for reportable segments	18,968	20,866	-	39,834
Consolidated revenue	18,968	20,866	-	39,834
Profit or loss				
EBITDA for reportable segments	6,802	2,623	-	9,425
Amortisation of intangible assets	-	-	(1,774)	(1,774)
Depreciation	(135)	(625)	-	(760)
Exceptional items	2,572	-	-	2,572
Other operating income	-	-	214	214
Share-based payment charges	-	-	(1,193)	(1,193)
Interest receivable/payable(net)	-	-	(8)	(8)
Share of result of equity accounted investees	-	-	(201)	(201)
Consolidated profit before tax	9,239	1,998	(2,962)	8,275

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

	2018			
	Rail Technology & Services £'000	Traffic & Data Services £000	Unallocated £000	Total £000
Assets				
Total assets for reportable segments (exc. cash)	3,142	6,621	-	9,763
Intangible assets and investments	-	-	27,695	27,695
Deferred tax assets	-	-	602	602
Cash and cash equivalents	5,673	3,520	13,136	22,329
Consolidated total assets	8,815	10,141	41,433	60,389
Liabilities				
Total liabilities for reportable segments	(6,489)	(4,651)	-	(11,140)
Deferred tax	-	-	(3,875)	(3,875)
Contingent consideration	-	-	(3,265)	(3,265)
Consolidated total liabilities	(6,489)	(4,651)	(7,140)	(18,280)

4 Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 31 July 2019 was based on the profit attributable to ordinary shareholders of £5,071,000 (2018: £7,246,000) and a weighted average number of ordinary shares in issue of 28,521,000 (2018: 28,196,000), calculated as follows:

Weighted average number of ordinary shares
In thousands of shares

	2019	2018
Issued ordinary shares at 1 August	**28,334**	27,964
Effect of shares issued related to business combinations	**54**	14
Effect of shares issued for cash	**133**	218
Weighted average number of shares at 31 July	**28,521**	28,196

Diluted earnings per share
The calculation of diluted earnings per share at 31 July 2019 was based on profit attributable to ordinary shareholders of £5,071,000 (2018: £7,246,000) and a weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares of 29,387,000 (2018: 29,159,000):

Adjusted EPS

In addition, Adjusted Profit EPS is shown below on the grounds that it is a common metric used by the market in monitoring similar businesses. These figures are relevant to the Group and are provided to provide a comparison to similar businesses and are metrics used by Equities Analysts who cover the Group. The largest components of the adjusting items, being amortisation, and share based payment charges are deemed to be 'non cash' in nature, and therefore excluded in order to assist with the understanding of underlying trading. A reconciliation of this figure is provided below. The Group has also presented an 'adjusted Profit' metric as detailed in note 6, with the key difference between the numbers presented below, and those disclosed in note 6 being the income tax charge.

	2019	2018
	£'000	£'000
Profit attributable to ordinary shareholders	**5,071**	7,246
Amortisation of intangible assets	**2,251**	1,774
Share-based payment charges	**1,034**	1,193
Exceptional items	**(38)**	(2,572)
Other operating income	**(260)**	(214)
Adjusted profit for EPS purposes	**8,058**	7,427

Weighted average number of ordinary shares
In thousands of shares

For the purposes of calculating Basic earnings per share	**28,521**	28,196
Adjustment for the effects of all dilutive potential ordinary shares	**29,387**	29,159

Basic adjusted earnings per share	**28.25p**	26.34p
Diluted adjusted earnings per share	**27.42p**	25.47p

5 Dividends

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

	2019	2018
	£000	£000
Final dividend for 2016/17 of 0.80p per share paid	**-**	225
Interim dividend for 2017/18 of 0.70p per share paid	**-**	198
Final dividend for 2017/18 of 0.9p per share paid	**257**	-
Interim dividend for 2018/19 of 0.8p per share paid	**229**	-
Total dividends paid	**486**	423

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

	2019	2018	2017	2016	2015	2014	2013	2012
	£000	£000	£000	£000	£000	£000	£000	£000
Interim dividend for 2011/12 of 0.20p per share paid	**-**	-	-	-	-	-	-	48
Final dividend for 2011/12 of 0.35p per share paid	**-**	-	-	-	-	-	-	87
Interim dividend for 2012/13 of 0.30p per share paid	**-**	-	-	-	-	-	75	-
Final dividend for 2012/13 of 0.40p per share paid	**-**	-	-	-	-	-	102	-
Interim dividend for 2013/14 of 0.35p per share paid	**-**	-	-	-	-	89	-	-
Final dividend for 2013/14 of 0.45p per share paid	**-**	-	-	-	-	119	-	-
Interim dividend for 2014/15 of 0.40p per share paid	**-**	-	-	-	106	-	-	-
Final dividend for 2014/15 of 0.60p per share paid	**-**	-	-	-	164	-	-	-
Interim dividend for 2015/16 of 0.50p per share paid	**-**	-	-	137	-	-	-	-
Final dividend for 2015/16 of 0.70p per share paid	**-**	-	-	195	-	-	-	-
Interim dividend for 2016/17 of 0.60p per share paid	**-**	-	167	-	-	-	-	-
Final dividend for 2016/17 of 0.80p per share paid	**-**	-	225	-	-	-	-	-
Interim dividend for 2017/18 of 0.70p per share paid	**-**	198	-	-	-	-	-	-
Final dividend for 2017/18 of 0.90p per share paid	**-**	257	-	-	-	-	-	-
Interim dividend for 2018/19 of 0.8p per share paid	**229**	-	-	-	-	-	-	-
Final dividend for 2018/19 of 1.0p per share proposed	**287**	-	-	-	-	-	-	-

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

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

The dividend will be payable on 14 February 2020 to shareholders on the Register at 31 January 2020.

6 Reconciliation of adjusted profit metrics

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

	2019	2018
	£000	£000
Profit before tax	**6,559**	8,275
Finance income / expense – net	**(37)**	8
Share-based payment charges	**1,034**	1,193
Exceptional items	**(38)**	(2,572)
Other operating income	**(260)**	(214)
Amortisation of intangible assets	**2,251**	1,774
Depreciation	**831**	760
Share of result of equity accounted investees	**174**	201
Adjusted EBITDA	**10,514**	9,425

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

	2019	2018
	£000	£000
Profit before tax	**6,559**	8,275
Finance income / expense – net	**(37)**	8
Share-based payment charges	**1,034**	1,193
Exceptional items	**(38)**	(2,572)
Other operating income	**(260)**	(214)
Amortisation of intangible assets	**2,251**	1,774
Share of result of equity accounted investees	**174**	201
Adjusted profit	**9,683**	8,665

Adjusted EBITDA reconciles to adjusted profit as set out below:

	2019	2018
	£000	£000
Adjusted EBITDA	**10,514**	9,425
Depreciation	**(831)**	(760)
Adjusted profit	**9,683**	8,665

7 Acquisitions in the current year

a) Acquisition: Compass Informatics Limited ('Compass')

On 15 January 2019 the Group acquired Compass, a long-established Dublin based business which has been well known for a number of years now and is a natural fit for the Group's Traffic & Data Services division in terms of its strategy of improving its data service. This acquisition, the Group's first overseas transaction, strengthens the product and service offerings to the client base in the UK and also benefit those existing clients retained by Compass in Ireland, and offers potential benefit and cross-sell potential to Tracsis' existing transport clients. Compass is a software development and data analytics company that specialises in combining geographical information systems (GIS), location technologies, data analytics and field computing. The business works across a variety of sectors but derives most of its revenue from transport, asset management, planning, and environmental customers.

The acquisition consideration comprised an initial cash payment of €3.15m (£2.81m) which was funded out of Tracsis cash reserves and the issue of shares in Tracsis to a value of €350k (£0.31m). An additional payment of €0.5m (£0.49m) was also made on a euro for euro basis to reflect the net current asset position of the business, alongside additional contingent consideration of up to €2.0m is payable subject to Compass achieving certain stretched financial targets in the four years post acquisition.

In the year ended 30 September 2018, Compass generated revenue of €4.8m, Profit before Tax of €0.6m, and had net assets of €1.8m.

Under the terms of the acquisition there is a four year earn out period during which Tracsis expects the business to achieve growth.

The contingent consideration could range from €nil to €2.0m depending on the financial performance over the four years since acquisition and the Directors concluded that £1.1m was the fair value of the contingent consideration payable and included this in the balance sheet.

In the period to 31 July 2019 Compass contributed revenue of £2.4m and pre tax profit of £0.3m to the Group's results, before amortisation of associated intangible assets and exceptional deal costs. If the acquisition had occurred on 1 August 2018, management estimates that the contribution to Group revenue would have been £4.3m and Group pre tax profit for the period of £0.1m. 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 2018.

Pre-acquisition carrying amounts were determined based on applicable IFRSs, immediately prior to the acquisition. The values of assets and liabilities recognised on acquisition are the estimated fair values. The goodwill that arose on acquisition can be attributed to a multitude of assets that cannot readily be separately identified for the purposes of fair value accounting and includes the workforce of Compass.

The fair value adjustments arise in accordance with the requirements of IFRSs to recognise intangible assets acquired. In determining the fair values of intangible assets the Group has used discounted cash flow forecasts. The fair value of shares issued was based on market value at the date of issue.

The Group incurred acquisition related costs of £124,000 which are included within administrative expenses.

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

	Pre-acquisition carrying amount £000	Fair value adjustments £000	Recognised value on acquisition £000
Intangible assets: Technology assets	-	1,183	1,183
Intangible assets: Customer related intangibles	-	2,313	2,313
Tangible fixed assets	25	-	25
Cash and cash equivalents	444	-	444
Trade and other receivables	533	-	533
Trade and other payables	(273)	-	(273)
Income tax payable	(53)	-	(53)
Deferred tax asset/(liability)	105	(594)	(489)
Net identified assets and liabilities	781	2,902	3,683
Goodwill on acquisition			1,021
			4,704
Consideration paid in cash			3,260
Consideration paid: fair value of shares issued			312
Fair value of contingent consideration payable			1,132
Total consideration			4,704

b) Acquisition: Cash & Traffic Management Limited ('CTM')

On 16 January 2019, the Group acquired CTM, a well-established provider of event traffic planning, admission control, and a range of other event-related services to some of the UK's largest and most prestigious event clients. CTM is highly complementary to the Tracsis Traffic & Data Services division with good cross-sell potential along with clear synergy benefits with Tracsis' existing SEP Events business which was an excellent acquisition for Tracsis, that should lead to margin improvement in the fullness of time.

CTM has an excellent track record of organic growth, client retention and profitability over many years. The acquisition consideration comprised an initial cash payment of £1.305m which was funded out of Tracsis cash reserves and the issue shares in Tracsis to a value of £0.155m, along with an additional payment of £0.528m to reflect the net current asset position of the business. Additional contingent consideration of up to £0.75m is payable subject to CTM achieving certain stretch financial targets in the two years post acquisition.

In the period ended 15 January 2019, CTM generated revenue of £5.2m, Profit before Tax of £0.35m, and had net assets of £1.1m.

Under the terms of the acquisition there is a two year earn out period during which Tracsis expects the business to achieve growth.

The contingent consideration could range from £nil to £0.75m depending on the financial performance over the two years since acquisition and the Directors concluded that £0.6m was the fair value of the contingent consideration payable and included this in the balance sheet.

In the period to 31 July 2019 CTM contributed revenue of £3.1m and pre tax profit of £0.4m to the Group's results, before amortisation of associated intangible assets and exceptional deal costs. If the acquisition had occurred on 1 August 2018, management estimates that the contribution to Group revenue would have been £5.5m and Group pre tax profit for the period of £0.5m. 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 2018.

Pre-acquisition carrying amounts were determined based on applicable IFRSs, immediately prior to the acquisition. The values of assets and liabilities recognised on acquisition are the estimated fair values. The goodwill that arose on acquisition can be attributed to a multitude of assets that cannot readily be separately identified for the purposes of fair value accounting and includes the workforce of CTM.

The fair value adjustments arise in accordance with the requirements of IFRSs to recognise intangible assets acquired. In determining the fair values of intangible assets the Group has used discounted cash flow forecasts. The fair value of shares issued was based on market value at the date of issue.

The Group incurred acquisition related costs of £56,000 which are included within administrative expenses.

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

	Pre-acquisition carrying amount £000	Fair value adjustments £000	Recognised value on acquisition £000
Intangible assets: Customer related intangibles	-	1,768	1,768
Tangible fixed assets	116	-	116
Cash and cash equivalents	955	-	955
Trade and other receivables	488	-	488
Trade and other payables	(372)	-	(372)
Income tax payable	(77)	-	(77)
Deferred tax liability	(22)	(300)	(322)
Net identified assets and liabilities	1,088	1,468	2,556
Goodwill on acquisition			32
			2,588
Consideration paid in cash			1,833
Consideration paid: fair value of shares issued			155
Fair value of contingent consideration payable			600
Total consideration			2,588

c) Acquisition: Bellvedi Limited ('Bellvedi')

On 1 May 2019, the Group acquired Bellvedi Limited a UK based software company that operates within the rail industry and specialises in timetabling optimisation software. Bellvedi's key product, ATTUne, is a timetable planning software package and is extensively used by Train Operating Companies, infrastructure providers, franchise bidding teams and rail consultancies for the creation, validation, optioneering and optimisation of timetables in time pressured environments.

Tracsis and Bellvedi have partnered on several significant software projects - most notably on Tracsis' recent major contract wins - with the ATTUne software forming a key part of the TRACS Enterprise offering. As such, the acquisition of Bellvedi is strategically important and highly complementary to the Tracsis software offering and future product roadmap.

The acquisition consideration comprised an initial cash payment of £3.7m which was funded out of Tracsis cash reserves and the issue of shares in Tracsis to a value of £0.3m. An additional payment of £0.91m was also made on a pound for pound basis to reflect the net current asset position of the business, alongside additional contingent consideration of up to £7.9m is payable subject to Bellvedi achieving certain stretched financial targets in the four years post acquisition.

In the 13 month period ended 29 April 2019, Bellvedi generated revenue of £1.8m, Profit before Tax of £0.8m, and had net assets of £0.9m.

Under the terms of the acquisition there is a four year earn out period during which Tracsis expects the business to achieve significant growth.

The contingent consideration could range from £nil to £7.9m depending on the financial performance over the four years since acquisition and the Directors concluded that £4.1m was the fair value of the contingent consideration payable and included this in the balance sheet.

In the period to 31 July 2019 Bellvedi contributed revenue of £0.4m and pre tax profit of £0.1m to the Group's results, before amortisation of associated intangible assets and exceptional deal costs. If the acquisition had occurred on 1 August 2018, management estimates that the contribution to Group revenue would have been £1.6m and Group pre tax profit for the period of £0.7m. 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 2018.

Pre-acquisition carrying amounts were determined based on applicable IFRSs, immediately prior to the acquisition. The values of assets and liabilities recognised on acquisition are the estimated fair values. The goodwill that arose on acquisition can be attributed to a multitude of assets that cannot readily be separately identified for the purposes of fair value accounting and includes the workforce of Bellvedi.

The fair value adjustments arise in accordance with the requirements of IFRSs to recognise intangible assets acquired. In determining the fair values of intangible assets the Group has used discounted cash flow forecasts. The fair value of shares issued was based on market value at the date of issue.

The Group incurred acquisition related costs of £60,000 which are included within administrative expenses.

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

	Pre-acquisition carrying amount	Fair value adjustments	Recognised value on acquisition
	£000	£000	£000
Intangible assets: Technology assets	-	4,663	4,663
Intangible assets: Customer related intangibles	-	4,443	4,443
Tangible fixed assets	7	-	7
Cash and cash equivalents	1,490	-	1,490
Trade and other receivables	239	(63)	176
Trade and other payables	(750)	417	(333)
Income tax payable	(69)	-	(69)
Deferred tax liability	-	(1,512)	(1,512)
Net identified assets and liabilities	917	7,948	8,865
Goodwill on acquisition			40
			8,905
Consideration paid in cash			4,553
Consideration paid: fair value of shares issued			295
Fair value of contingent consideration payable			4,057
Total consideration			8,905

8 Contingent consideration

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

During the previous financial year, the Group acquired Travel Compensation Services Limited (renamed Tracsis Travel Compensation Services Limited) and Delay Repay Sniper Limited. Under the share purchase agreement, contingent consideration is payable which is linked to the profitability of the acquired businesses for a three year period post acquisition. The maximum amount payable is £4,700,000. The fair value of the amount payable was assessed at £1,200,000 at the previous financial year end date. Contingent consideration of £84,000 has been paid in the year, and the fair value of the consideration has been assessed as £394,000 at 31 July 2019, following an exceptional credit to the Statement of Comprehensive Income of £722,000.

During the financial year, contingent consideration of £2,058,000 was paid in respect of the Ontrac acquisition which was made in year ended 31 July 2016 (2018: £nil), £7,000 in respect of the SEP acquisition which was made in year ended 31 July 2016 (2018: £323,000) and £84,000 in respect of the Travel Compensation Services acquisition which was made in the year end 31 July 2018 (2018: £nil).

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

	2019	2018
	£000	£000
SEP Limited	**-**	7
Ontrac Limited	**-**	2,058
Tracsis Travel Compensation Services Limited & Delay Repay Sniper Limited	**394**	1,200
Cash & Travel Management Limited	**600**	-
Compass Informatics Limited	**1,132**	-
Bellvedi Limited	**4,057**	-
	6,183	3,265

The Group has made numerous acquisitions over the past few years and carries contingent consideration payable in respect of them, which is considered to be a 'Level 3 financial liability' as defined by IFRS 13. These are carried at fair value, which is based on the estimated amounts payable based on the provisions of the Share Purchase Agreements and involves assumptions about future profit forecasts, which results from assumptions about revenues and costs. The Group has considered multiple profit related scenarios in estimating the fair value of contingent consideration payable in the future. In all cases, contingent consideration payable could range from zero to the maximum amount included in the Share Purchase Agreements. Each Share Purchase Agreement contains different provisions for calculating contingent consideration, timeframes over which it is calculated and payable, and therefore sensitivities regarding the total amount to be paid. The movement on contingent consideration can be summarised as follows:

	2019	2018
	£000	£000
At the start of the year	**3,265**	5,041
Arising on acquisition	**5,789**	1,200
Cash payment	**(2,149)**	(323)
Release to Statement of Comprehensive Income	**(722)**	(2,653)
At the end of the year	**6,183**	3,265

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

	2019	2018
	£000	£000
Payable in less than one year	**879**	2,165
Payable in more than one year	**5,304**	1,100
Total	**6,183**	3,265

9 Exceptional items

The Group incurred a number of exceptional items in 2019 and 2018 which are analysed as follows:

	2019	2018
	£000	£000
Non cash:		
Goodwill impairment	**623**	-
Contingent consideration credit	**(722)**	(2,653)
Cash:		
Disposal of non core data capture operation	**(179)**	-
Legal and professional fees in respect of acquisitions	**240**	81
Total exceptional items	**(38)**	(2,572)

2019

During 2019, the Group acquired Compass Informatics Limited, Cash & Traffic Management Limited and Bellvedi Limited, and incurred £240,000 of exceptional deal related costs as a result. The Group also disposed of a small, non core data capture business with a net profit on disposal of £179,000. This operation had revenue in the period prior to its disposal of £0.3m and a profit/loss of £nil.

The Group conducted a review of the remaining intangible assets which arose on the acquisition of Travel Compensation Services Limited (renamed Tracsis Travel Compensation Services Limited) and Delay Repay Sniper Limited. Following this review, the Group has determined that an impairment of £623,000 existed in goodwill. The contingent consideration related to this acquisition has also been re-assessed, resulting in an exceptional credit to the Statement of Comprehensive Income of £722,000.

2018

During 2018, the Group acquired Travel Compensation Services Limited and Delay Repay Sniper Limited, and incurred £81,000 of exceptional deal related costs as a result. An exceptional credit on contingent consideration arose as the final amounts in respect of the acquisition of Ontrac Limited was finalised and £2,058,000 was paid post year end against an amount included in the Balance Sheet of £4,711,000 resulting in an exceptional credit of £2,653,000.

10 IFRS 15 Reconciliation

The Group adopted IFRS 15 with effect from 1 August 2018, using the cumulative effect method, under which the comparative information is not restated. The impact of adopting this is set out below, but can be summarised as the removal of certain accrued income balances to be replaced with contract assets, and the reversal of certain revenue previously recognised on a stage of completion basis, for which performance obligations had not been fully met at year end under IFRS 15. The net impact was a charge to reserves of £667,000 which can be summarised as follows:

	As previously reported at 31 July 2018	IFRS 15 Adjustment at 31 July 2018	Under IFRS 15 as at 31 July 2018
	£'000	£'000	£'000
Trade and other receivables	7,329	(146)	7,183
Trade and other payables	(10,316)	(765)	(11,081)
Deferred tax (liabilities)/asset	(3,273)	244	(3,029)
Retained earnings	(32,593)	667	31,926

Impact on the consolidated income statement for the year ended 31 July 2019

	As reported	Adjustments	Amounts without adoption of IFRS 15
	£'000	£'000	£'000
Revenue	49,219	395	49,614
Cost of sales	(20,163)	51	(20,112)
Gross profit	29,056	446	29,502
Administrative costs	(22,360)	-	(22,360)
Adjusted EBITDA	10,514	446	10,960
Depreciation	(831)	-	(831)
Adjusted profit	9,683	446	10,129
Amortisation of intangible assets	(2,251)	-	(2,251)
Other operating income	260	-	260
Share-based payment charges	(1,034)	-	(1,034)
Operating profit before exceptional items	6,658	446	7,104
Exceptional items	38	-	38
Operating profit	6,696	446	7,142
Finance income	58	-	58
Finance expense	(21)	-	(21)
Share of result of equity accounted investees	(174)	-	(174)
Profit before tax	6,559	446	7,005
Taxation	(1,488)	(85)	(1,573)
Profit after tax	5,071	361	5,432
Foreign currency translation	17	-	17
Total recognised income for the year	5,088	361	5,449

Impact on the consolidated balance sheet as at 31 July 2019:

	As reported £'000	Adjustments £'000	Amounts without adoption of IFRS 15 £'000
Non-current assets			
Property, plant and equipment	2,678	-	2,678
Intangible assets	38,812	-	38,812
Investments – equity	350	-	350
Loans due from associated undertakings	250	-	250
Investments in equity accounted investees	1,098	-	1,098
Deferred tax assets	667	-	667
	43,855	-	43,855
Current assets			
Inventories	381	-	381
Trade and other receivables	9,729	67	9,796
Cash and cash equivalents	24,104	-	24,104
	34,214	67	34,281
Total assets	78,069	67	78,136
Non-current liabilities			
Finance leases and hire-purchase contracts	285	-	285
Contingent consideration payable	5,304	-	5,304
Deferred tax liabilities	5,942	244	6,186
	11,531	244	11,775
Current liabilities			
Finance leases and hire-purchase contracts	277	-	277
Trade and other payables	16,936	(1,290)	15,646
Contingent consideration payable	879	-	879
Current tax liabilities	505	85	590
	18,597	(1,205)	17,392
Total liabilities	30,128	(961)	29,167
Net assets	47,941	1,028	48,969
Equity attributable to equity holders of the Company			
Called up share capital	115	-	115
Share premium reserve	6,343	-	6,343
Merger reserve	3,921	-	3,921
Retained earnings	37,545	1,028	38,573
Translation reserve	17	-	17
Net assets	47,941	1,028	48,969

11 Annual Report and Annual General Meeting

The Company anticipates dispatching a copy of its annual report and accounts to all shareholders at the end of November 2019. A copy will also be available on the Company's website www.tracsis.com.

The Annual General Meeting of the Company will be held at Nexus, Discovery Way, Leeds, LS2 3AA on 22 January 2020 at 1pm.