TRACSIS

Technology makes it possible, people make it happen

Annual Report and Accounts 2023

A fast growing technology business

Where we've come from

Tracsis plc was founded in January 2004 to commercialise world class research and expertise developed in the field of transport scheduling and software optimisation technologies. Since then the Group has grown rapidly, diversified into related transport technologies and new geographies, and successfully executed a strategy that has seen it make a total of 17 acquisitions.

Where we are

Today Tracsis is a leading transport technology provider, delivering software, hardware, data analytics, and services to the rail, traffic data and wider transport industries. We use our technical capabilities, expert domain knowledge, and unique range of products and services to deliver mission-critical solutions to our customers and long-term value to our shareholders.

The Group has c.550 permanent employees serving its growing customer base from offices in the UK, Ireland and the US.

→ Read more on pages 2-3

Where we are going

We are fully committed to delivering sustainable growth that benefits the communities in which we, and our customers, operate.

There are strong growth opportunities for the Group, driven by increasing requirements for digital solutions that enable our customers to deliver operational efficiency, improved safety and environmental outcomes, and a better customer experience. In order to realise these opportunities, we are in the process of implementing a streamlined and more closely integrated operating model. We call this becoming "One Tracsis". This will better enable the Group to deliver ongoing scalable growth.

We have a track record of healthy cash generation and have no debt, which leaves us well positioned to continue to invest in our technology base and in further acquisitions to supplement the organic growth opportunity.

→ Read more on pages 12-13

Our purpose

Tracsis' purpose is to empower the world to move freely, safely and sustainably. Our approach focuses on combining leading edge software and hardware knowledge, data capture, analytics and industry expertise to generate insights and fast-to-market products and services.

→ Read more on **pages 12-13**

What we do

We develop innovative technology-driven solutions that solve complex problems in order to maximise efficiency, reduce cost and risk, enhance operational and asset performance, improve safety management and decision-making capabilities, and deliver a better customer experience for clients and customers.

→ Read more on **pages 10-11**

Our customers

Tracsis has a blue-chip customer base which includes all major UK transport owning groups, Network Rail, passenger and freight train operating companies, Transport for London, multiple local authorities, major outdoor music and sporting event organisers, and a wide variety of large engineering and infrastructure companies. In North America our clients include Class 1 rail freight companies, transit operators, shortline railroads and several large rail-served ports and industrials.

→ Read more on **pages 14-15**

→ To find out more visit our website:
www.tracsis.com

Contents

At a glance

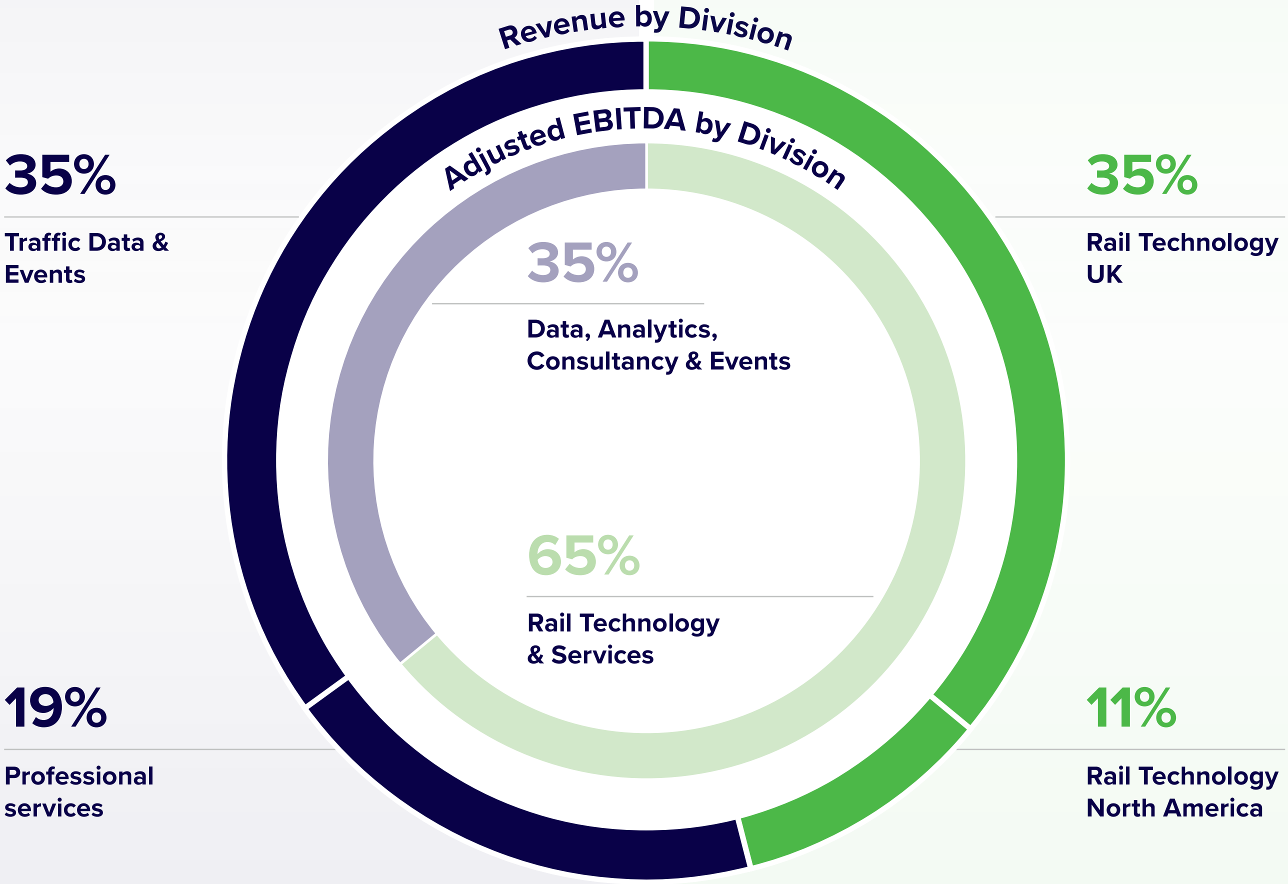
A diversified portfolio with multiple growth vectors

Data, Analytics, Consultancy & Events

A services led business that focuses on data capture and analytics, geographic information systems, earth observation, consultancy and event traffic management within a range of transport and pedestrian rich environments. The business provides technology, bespoke products and services, and data insights that underpin large scale intelligent transport systems, smart city planning, transport management, and positive environmental decision making.

Rail Technology & Services

A software, technology and product-led business. It develops and supplies software that solves complex resource, asset optimisation and control problems for train operators, as well as smart ticketing, delay repay and other retail software to improve the customer experience for rail users. It also develops remote condition monitoring hardware, data acquisition software, and safety and risk management software for rail infrastructure providers.



→ Read more about our Divisions on **pages 30-31**

Group highlights

+19%
increase in Group revenue

+10%
organic revenue growth

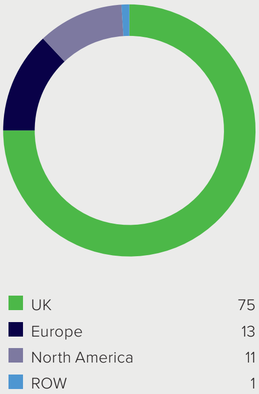
+9%
Rail Technology & Services annual recurring revenue

£15.3m
cash, with no debt

3
complex Rail Technology SaaS implementations completed

Where we operate

Revenue by geography (%)



US

UK

Our strategy

We have a clear strategy to deliver sustainable growth, focused on four areas:

Drive organic growth

Expand addressable markets

Enhance growth through acquisition

Implement One Tracsis

Highlights

A year of continued progress

Financial highlights

Revenue (£m)

£82.0m

vs 2022 +19%

Adjusted EBITDA* (£m)

£16.0m

vs 2022 +13%

PBT (£m)

£7.1m

vs 2022 +179%

Cash (£m)**

£15.3m

vs 2022 -11%

Operational highlights

New contract wins for our smart ticketing technology

We won two new contracts for our pay-as-you-go (PAYG) smart ticketing solution during the year. These new implementations, which will be completed during FY24, include the first deployment of our mobile app platform (Hopsta) and the first deployment of contactless bankcard PAYG ticketing on the UK rail network outside of Transport for London.

Large software licence deployment in North America

We have completed customer acceptance testing for a new Computer Aided Dispatch product offering to the transit market in North America. This solution is now being rolled out across the customer's operations, and opens a large new product segment opportunity for Tracsis in North America.

→ Read more about our growth strategy in North America on **page 16**

Record activity levels in Data, Analytics, Consultancy & Events

Includes the benefit from a full post-Covid recovery in Traffic Data, continued high levels of demand for our Events planning and management services, and new contract wins in all areas of this Division.

→ Read more about our performance and progress on implementing our strategy on **pages 12-13**

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

** The 2022 cash balance included $2.7m (£2.2m) held in escrow following the RailComm acquisition in March 2022. This was paid during the year ended 31 July 2023 based on RailComm having achieved certain financial targets in the first full year post-acquisition.

Our strategy in action

> We are excited to be delivering innovative enterprise solutions that are supporting the digital transformation of the rail industry.”
>
> **Chris Warrington**
> Group Managing Director

RAIL TECHNOLOGY UK

Successful delivery of large multi-year software contracts

We have delivered the first end-to-end deployments of TRACS Enterprise, with two UK Train Operating Companies. Work continues on implementing a further three deployments in the orderbook. We also completed the full roll-out of our RailHub risk management and safety platform with Network Rail. This has more than doubled the user base for this product,

c.23%

of UK passenger rail journeys are now being operated using the TRACS Enterprise solution.

>40,000

individual rail infrastructure and maintenance staff using RailHub to deliver maintenance and upgrade work safely on the UK railway

→ Read more at **www.tracsis.com**

Chris Warrington
Group Managing Director

Chair's statement

> Tracsis has an excellent reputation in the industry and a clear and proven strategy for expansion. I look forward to working with the Board and the leadership team to deliver ongoing growth."
>
> **Jill Easterbrook**
> Chair

Strong growth and operational delivery

I am pleased to present my first statement to shareholders since joining the Board in October 2022 and becoming Chair on 1 September 2023. I have been able to undertake a thorough induction to the Group, which has included visiting several of our operating sites and meetings with employees. I look forward to visiting more Tracsis operations in the coming months.

On behalf of the Board and shareholders I would like to give our thanks to my predecessor Chris Cole, who stood down from the Board on 1 September. Chris made a significant contribution to the success of the business during his nine-year tenure and oversaw a period of substantial growth.

This has been another year of strong growth for the Group, during which we have made further progress in integrating our activities. Our markets have resilient long-term growth drivers, and we are well positioned to deliver both further organic and acquisitive growth.

Financial performance

The Group has reported a good financial performance for the year. Our revenue increased by 19%, reflecting both organic and acquisitive growth. There was strong growth in across both Divisions, including a particularly pleasing contribution from Rail Technology North America in its first full year of ownership.

Adjusted EBITDA* increased by 13% to £16.0m. Our balance sheet remains strong, with healthy operating cash generation and no debt.

I have been impressed by the knowledge and passion of our people in delivering products and solutions that deliver real value to our customers. I would like to place on record the Board's appreciation of our team's efforts in delivering another strong year for the Group.

Strategic progress

We have made good progress this year in executing our strategy for sustainable growth.

In Rail Technology & Services we successfully delivered several large SaaS contracts, won new contracts for our smart ticketing solution, and satisfied record demand for our remote condition monitoring products. In North America we are seeing strong growth in the pipeline of opportunities. Tracsis operates as a mid-market competitor in this large and growing market, with a unique range of products and services. We have strengthened the leadership team in order to accelerate our growth prospects. Post year-end we have rebranded our North American operations to 'Tracsis', in alignment with the rest of the Group.

We have made good progress with integrating the Group's activities. This includes reorganising the business around common operating models, strengthening our technical and commercial capabilities, continuing to implement a new groupwide IT operating environment, and making progress against our ESG ambitions. We have also made further progress in executing our people strategy including the continued delivery of our 'OneTracsis' leadership programme.

In the first quarter of FY24 we have started a programme of actions to transform the Group's operating model. These actions will better position the Group to deliver its large and growing orderbook and a pipeline of opportunities supporting scalable future growth.

→ Further detail on our growth strategy, progress in the year, and future focus is provided on **pages 12-13** of this report.

Board

On 1 September 2023 Tracy Sheedy was appointed to the Board as a Non-Executive Director and Chair of the Remuneration Committee. Tracy worked as Group HR Director of Croda International plc, the FTSE 100 global specialty chemicals company, for seven years until retiring in 2023. Prior to that she held Group HR Director roles with UK listed businesses Fenner plc and Scapa Group plc, and other senior HR roles with a number of multi-national manufacturing businesses. Tracy brings significant commercial, international and people experience to the Board that will help to develop Tracsis for the future.

During the year we held Board meetings at the Company's sites in Leeds, Boroughbridge, Newcastle and London. These meetings also give the Board the opportunity to meet with our people in a more informal setting. During the forthcoming financial year the Board plans to visit further Tracsis operations including our sites in the US and in Ireland.

The Board completed an internal evaluation process in the financial year ended 31 July 2022. This process concluded that the Board was operating effectively and has the requisite collective skills in the areas of strategy, finance, human resources and global commercial expertise to assist with the implementation of our strategy. The Board intends to undertake another evaluation process in 2024.

A sustainable business model

The Board is committed to delivering sustainable growth that delivers long-term stakeholder value and benefits the communities in which we, and our customers, operate. The Group's purpose, products and services are well aligned with this vision.

Our environmental target for Tracsis operations is to be carbon neutral for scope 1 and scope 2 emissions by 2030. We have made good progress in delivering our sustainability strategy, and this year we report for the first time under the Task Force for Climate-Related Financial Disclosures ('TCFD') framework. Further information can be found on **pages 42 to 47.**

Our social ambition is to ensure Tracsis has a positive impact on our people, and on the communities in which we operate. Last year the Group completed its first ever employee survey, and we have implemented a number of actions as a result of this, as outlined on page 39. We will undertake a second survey in November 2023. This year we also started a series of community engagement activities focused on the theme of improving access to careers in technology. Further information can be found on **page 40**.

Dividend

Consistent with our progressive dividend policy, the Board is recommending a final dividend of 1.2 pence per share payable on 9 February 2024 to shareholders on the register at 26 January 2024, and subject to approval at the forthcoming AGM.

Outlook

Tracsis operates in markets that have long-term structural growth drivers, which are resilient to economic or political uncertainty. These include the continuing digitalisation of the rail and broader transport industries in the UK and overseas. Further details of these drivers are provided on pages 14-15 Our products and services are well aligned with these drivers, which gives the Board confidence in delivering continued growth. We expect the weighting of growth to be in the second half of the forthcoming financial year, as we continue to grow our pipeline and deliver a large orderbook of work.

We will continue to pursue M&A as a core part of our growth strategy, supported by a strong balance sheet. Our focus is on extending our software and technology footprint. This also gives the opportunity to diversify our sector and geographic reach in order to build a broader-based business.

We are making good progress in implementing our growth strategy and the Board is confident that the Group is well positioned to deliver further progress in the coming year and beyond.

Jill Easterbrook
Chair
14 November 2023

Introducing our new Chair

Q What attracted you to joining Tracsis?

- The opportunities the business has to help make a positive difference whilst continuing to deliver growth.
- Tracsis' track record of successful organic and acquisitive growth and the excellent reputation it has in the industry for its products and services.
- Its markets have long term structural growth drivers with good long term opportunities as the transport industry looks to modernise and adopt digital solutions.
- Tracsis' clear strategy for growth together with a strong balance sheet to support its delivery.
- The talent and dedication of people at Tracsis who I have met as I have visited the Group's operations. Their commitment to delivering positive commercial, environmental and social outcomes to our customers and the people who use their services is at the heart of what Tracsis stands for.

Q How do you see Tracsis evolving as a business?

- Our focus is to continue to deliver growth through innovation, customer focus, and by bringing leading edge technology and solutions to market. In order to achieve this, we are developing a more integrated and scalable operating model and technology platform that will establish a groupwide approach to how we develop and deliver these solutions.
- We see good long term opportunities in North America, and this market will begin to make a significant contribution to the Group in addition to further growth within the UK.
- We will continue to supplement organic growth with high quality acquisitions, further diversifying our geographic and sector footprint.

Q What is required for Tracsis to deliver its growth strategy?

- Both people and technology are crucial to our future success. We will continue to deliver the OneTracsis leadership programme designed to develop the next generation of leaders and to accelerate collaboration across the group. We are also making some targeted investment in senior technical and commercial roles to ensure we have the bandwidth and capability to deliver our growth ambition.
- We are standardising our IT infrastructure and processes as part of our activities to integrate the Group, and we will continue to invest in technology to accelerate future growth and remain first to market with innovative products.

This is an exciting time to be joining the business and I look forward to working with the leadership team to deliver continued success and further shareholder value.

Investment case

Why invest in Tracsis

We deliver sustainable value for our stakeholders by developing innovative, technology-driven solutions that solve complex problems.

Our business model is focused on specialist offerings that have high barriers to entry, and are sold on a recurring basis under contract to a retained customer base that is largely blue chip in nature. Our strong balance sheet and cash generation enable us to invest for future growth.

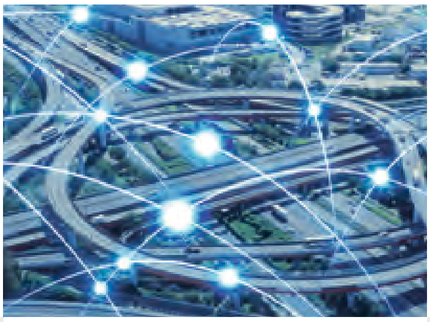
Strong market fundamentals

Our products and services enable our customers to deliver mission-critical activities with increased efficiency, enhanced performance, higher productivity and improved safety outcomes. We are well positioned to support delivery of the digital transformation of the rail and wider transport industries.

Excess of total expenditure vs total income for UK rail *

£1.5bn

→ Read more on delivering across markets on **pages 14-15**



High value products and services

Our products and services offer compelling value propositions for our customers. They are well differentiated, and in several cases are unique. We have strong, long-term relationships with our customers, which support a high level of recurring and repeat revenue and provide valuable insight in developing the next generation of products. This is underpinned by sector-specific expertise that allows us to provide expert advisory support and consultancy to our customers, and to fully understand their challenges and how best to provide a solution.

Growth in Rail Technology & Services ARR

9%

→ Read more about our products and services on **pages 30-31**

Multiple growth vectors in large addressable markets

Our organic growth strategy is focused on five core areas as set out on pages 10-11. These multiple vectors ensure diversification of our growth opportunities across customers and industry drivers, which supports our confidence that the Group can deliver further significant value for shareholders and provides some resilience against short-term market volatility.

Organic revenue growth

10%

→ Read more in the CEO report on **pages 18-22**

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* Source: Office of Road and Rail. April 2021 to March 2022, published November 2022.

Strong cash generation

The Group has no debt and high levels of operating cash generation. Our strong balance sheet enables us to invest for future growth and gives the financial flexibility to support investment in innovation and the development of our business infrastructure to deliver this.

Cash and cash equivalents at 31 July 2023 with no debt

£15.3m

→ Read more about our fiinancial performance on **pages 26-28**

M&A opportunities

We are actively pursuing M&A opportunities to expand our addressable markets and increase our technical capabilities.

Acquisitions completed since 2004

17

→ Read more about our growth strategy on **pages 12-13**

A resilient and sustainable business model

Our business model is resilient, and is built upon long-term customer relationships, well differentiated products and services that deliver compelling value propositions, high levels of recurring and repeat revenue, and strong cash generation. Working in partnership with our customers, we deliver solutions that enable positive operational and ESG outcomes for our customers. Our Rail Technology & Services products principally support the operational requirements of running and maintaining the railway and are therefore largely resilient against changes in passenger numbers and structural changes in the UK rail industry.

Revenue growth (3 year CAGR)

19%

→ Read more about our business model on **pages 10-11**

Our business model

A resilient and sustainable business model

Rail Technology & Services

What sets us apart

- Unique, market-leading products including the only fully integrated planning and delivery system for rail operators, and the only RDG accredited PAYG ticketing solution for use on the UK railway
- Innovative solutions that are already being used by major transport operators
- Our solutions are mission-critical to support the operational requirements of running and maintaining the railway, and are therefore largely resilient against changes in passenger numbers
- We build close working relationships with our customers as long-term partners to deliver sustainable value and understand their challenges – resulting in high customer retention
- We move quickly to test new ideas and bring products to market

How we create value

The value we create

Employees

We consider our employees to be some of the best in the sector and we strive to provide them with a safe and rewarding working environment, providing opportunities for personal development, career progression, and an inclusive and open culture.

→ Read more on **pages 39-40**

Customers

We provide innovative, technology-driven solutions that solve complex problems for our customers and enable them to better achieve their operational, regulatory and sustainability goals. Our products and services offer a compelling value case to our customers, enabling us to develop strong, long-term relationships with them to become trusted partners and innovators who can help them to address future challenges.

→ Read more on **pages 30-31**

Shareholders

Through the execution of our strategy we deliver continued growth and value creation for our shareholders. We have a strong balance sheet, with no debt, which enables us to continue to invest in the growth of the business including through acquisition and technology R&D.

→ Read more on **page 33**

We use our technical expertise, deep domain knowledge, unique range of product and service offerings and fast-to-market agility to deliver long-term value to our shareholders, mission-critical solutions to our customers, and rewarding careers for our people.

Data, Analytics, Consultancy & Events

How we create value

What sets us apart

- Sector-specific expertise in the transport and environmental fields
- Long-term relationships with key customers, built on a strong track record of delivery
- A core team with several years of experience and a unique skillset in delivering on-the-day execution for large scale event traffic management
- An innovative approach to applying technology to transport planning and execution
- A passion for sustainability and enabling our customers to achieve their goals in this area
- Uniquely placed to apply data management expertise to the rail industry in combination with our unique product offerings in this market

Communities

Doing the right thing for our people, our suppliers, our communities and our environment is a core part of our culture and values. We offer support through charitable giving and volunteering, and we sponsor events that encourage entry into tech as a career. Our products and services enable our customers to deliver significant benefits to communities and society at large, for example through the provision of a reliable, accessible and sustainable railway.

→ Read more on **page 40**

Environment

Our products and services enable our customers to deliver their sustainability goals, including positive environmental outcomes such as lower GHG emissions. We are committed to reducing our own environmental impact and have a target of carbon neutral Scope 1 and Scope 2 emissions by 2030.

→ Read more on **pages 34-47**

Suppliers

We work closely with our suppliers and operate with integrity and in an ethical way.

→ Read more on **page 33**

Our strategy

A strategy for sustainable growth

Our purpose is to empower the world to move freely, safely and sustainably

Our ambition is to become a leading provider of high value, niche technology solutions that enable this

Our strategy to achieve this is focused on four areas, as outlined below

Drive organic growth

Delivery of our pipeline, increasing annual recurring software revenue, continual innovation of products and services, high quality delivery, and an excellent close relationship with our customers

Progress in 2023

- 10% organic revenue growth for the Group
- 9% increase in Rail Technology & Services annual recurring revenue
- Two full deployments of TRACS Enterprise with UK passenger operators completed sine July 2022
- Won two new contracts for the deployment of our pay-as-you-go (PAYG) smart ticketing technology, with a further new opportunity secured post year-end alongside a new delay repay award
- Roll-out of RailHub enterprise software contract completed, more than doubling the user base for this product to over 40,000 individuals
- Record revenue from Remote Condition Monitoring hardware and software, and in the Data, Analytics, Consultancy & Events Division
- Multi-year contract wins and renewals in Professional Services and in Traffic Data & Events

Future focus

- Delivery of a large orderbook of rail technology contracts including further TRACS Enterprise and smart ticketing deployments
- Growing pipeline of rail technology opportunities in the UK and North America
- Leverage our unique position in North America to accelerate growth in this market
- Continue to improve the quality, timeliness, and repeatability of future product delivery

Expand addressable markets

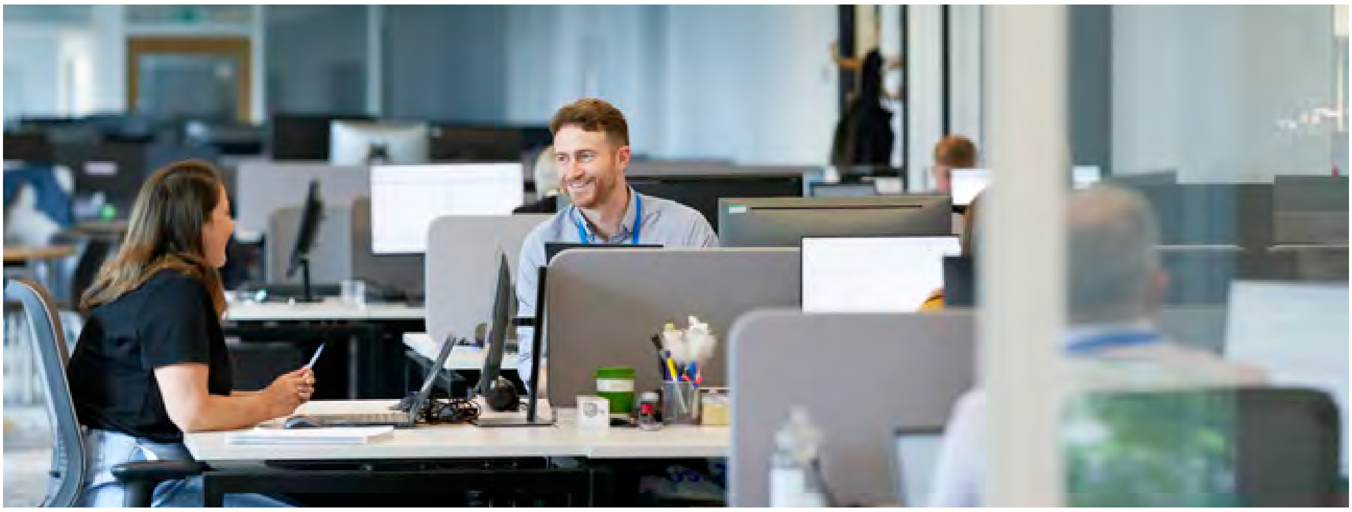
Selling our products and services into new markets, including overseas, and expansion into select sectors that share problems with the industries we currently serve

Progress in 2023

- Investment in developing mobile app smart ticketing platform
- Significant revenue growth in North America following 2022 acquisition of RailComm
- Large software licence deployment for a new Computer Aided Dispatch product in the North American transit market
- Targeted investment in sales team expansion in North America and the UK to accelerate pipeline growth
- Continued to develop first TRACS Enterprise application for the rail freight market and added new station rostering product

Future focus

- Continue to execute our organic growth strategy in North America, supported by a growing pipeline
- Disciplined capital allocation for investment in software and technology products
- Continued growth in Professional Services including in information-as-a-service provision
- Utilise data analytics, GIS and Earth Observation capabilities to deliver additional insight to our customers
- Targeted growth opportunities overseas or in adjacent markets



Enhance growth through acquisition

Supplementing organic growth with value accretive acquisitions that meet our disciplined investment criteria, supported by healthy cash generation and a strong balance sheet

Progress in 2023

- Strong performance from Rail Technology North America in first full year of ownership
- Multi year data analytics contract won in Professional Services, utilising the enhanced capabilities in earth observation following the prior year acquisition of Icon GEO
- Further potential targets are constantly being evaluated

Future focus

- Active pursuit of M&A to extend technology and data informatics footprint
- Continue to grow M&A pipeline, focused on the UK, North America and targeted overseas markets
- Maintain disciplined approach

Implementing “OneTracsis”

Enhanced integration and collaboration across the Group, increasing management capability and bandwidth, and improving our systems and processes, as key foundations to deliver our growth strategy

Progress in 2023

- Group now simplified and organised around common operating models
- Traffic Data & Events fully integrated under a common management team
- Further strengthened our core capabilities with targeted recruitment for senior technology and commercial roles
- Executing people strategy to attract, retain and develop talent
- Groupwide ISO 14001 (environmental management) implementation completed post year-end

Future focus

- Complete transformation of the Group operating model
- Continued alignment of groupwide systems and processes, built around ‘OneTracsis’
- Accelerate R&D collaboration and new product development
- Continue to execute people strategy, with a focus on high performing teams and succession planning

Our markets

Delivering across our markets

The Group's organic growth strategy is focused across five growth vectors.

These vectors are underpinned by structural drivers of growth in the markets where we operate. Tracsis is well placed to capitalise on these industry trends in the short and long term.

	Product/software based				Capability based
	1	2	3	4	5
	Operational Performance Software	Remote Condition Monitoring	Smart Ticketing and Customer Experience	Risk Management and Safety Software	Data Analytics and GIS
Key markets	🇬🇧 🇺🇸	🇬🇧 🇺🇸	🇬🇧	🇬🇧	🇬🇧 🇺🇸 🇮🇪
Growth driver	Delivering performance improvement and efficiency savings across all aspects of rail operations – timetabling, stock/crew, control, train dispatch and yard automation	Using real time data monitoring and analytics to improve asset performance and reduce maintenance costs through proactive intervention	Improving customer experience via the roll-out of PAYG smart ticketing solutions integrated with automated delay repay	Using digital tools so that the planning and delivery of work drives significant improvements in track worker safety and increased productivity	Utilising location technologies, GIS and data analytics to improve environmental, performance and safety outcomes in regulated industries

→ Read more about our product and service offerings on **pages 30-31**

A more efficient and futureproof railway

Key growth drivers

- Digital transformation of the railway in UK and North America is required to achieve sustainable improvements in efficiency, performance and safety
- Legacy operational systems are under-invested and poorly integrated
- Operational efficiencies can be achieved through real-time asset tracking and condition-based maintenance
- A data-driven approach to delivering a more agile and flexible timetable, and providing real-time information to consumers
- US investment in improving transport infrastructure

Tracsis solutions

- **TRACS Enterprise** is a high-availability, cloud-hosted, enterprise-wide modular planning and delivery system for rail operators. Built around existing Tracsis standalone software products, it provides a single source of information for all timetable, resource planning, work allocation and central decision support. It delivers significant cost savings as well as enhanced operational capabilities including scenario planning and customer information.
- Our **Remote Condition Monitoring** products enable both reactive and proactive maintenance of rail industry assets, improving their performance and reducing the requirement for scheduled maintenance visits.
- Tracsis' **Yard Automation** and **Computer Aided Dispatching** tools improve the efficiency and productivity of rail operations and rail-served ports and industrials in North America, by providing digital solutions that optimise decision making and traffic throughput.

Link to growth vectors ① ②

An improved customer experience

Key growth drivers

- Consumer demand for best value, in the face of ticket and fare complexity
- Ensuring customers can purchase tickets in a more convenient and flexible way
- Growing demand for integrated, multi-modal pay-as-you-go ("PAYG") travel across the public transport space

Tracsis solutions

- **smartTIS** is a unique account-based PAYG ticketing product, and is the only Rail Delivery Group ("RDG") accredited PAYG solution on the UK rail network. It is capable of applying all rail fare types, railcard discounts and weekly capping, and can ensure the customer always pays the cheapest fare. It is available in smartcard, contactless EMV or mobile app formats to provide maximum consumer choice and flexibility.
- Tracsis **delay repay** solutions deliver automated claim assessment on the UK rail network for train operators, including claim decision, fulfilment, and fraud detection. This product can be fully integrated with smartTIS to deliver automatic delay repay for consumers.

Link to growth vectors 3

A safe and sustainable railway

Key growth drivers

- Improving the safety of people working on or near the railway: reducing the number of near-misses and fatalities
- Network Rail target of a net-zero emissions railway in the UK by 2050
- Increasing use of public transport as part of delivering a lower carbon future

Tracsis solutions

- The RailHub risk management and safety platform has been developed to change the way the rail industry approaches the management and planning of work on the railway. It interfaces with multiple source systems to provide a single platform giving access to a range of digital tools and workflows that enable the planning and delivery of safe work on the railway across the rail infrastructure and maintenance sector.
- There are opportunities to further integrate Tracsis software solutions in the operational, asset management and safety and risk management space, in order to provide more sophisticated digital tools to deliver the safe operation and maintenance of the railway.

Link to growth vectors 4

Turning data into insight

Key growth drivers

- Data rich organisations seeking greater insight into how they can facilitate better and faster decision making
- Market regulated industries requiring data and GIS solutions to demonstrate ongoing compliance
- Intelligent use of data, including aggregating and cleansing multiple data sources, to deliver a more efficient, reliable and sustainable railway
- Increasing demand for data management and GIS capabilities to enable organisations to deliver their sustainability agendas

Tracsis solutions

- We have a Dublin-based centre of excellence with capabilities in geographical information systems ("GIS"), earth observation, data analytics and field computing, and mobile app development.
- Our Rail Technology & Services products generate or collect increasing volumes of data from multiple components of running and maintaining the railway. Combining these multiple data sources into a single version of the truth gives significant opportunity for further improvements in operational efficiency, safety, and short- and long-term planning of the railway.

Link to growth vectors 5

Strategy in action

Our growth strategy in North America

In March 2022 the Group completed an important strategic acquisition, making our first direct entry into the North American market with the acquisition of RailComm, a long-established rail technology business. This provided Tracsis with a well-established product range and sales network into a significant number of customers in this large and important market. There are organic growth opportunities from the business' core product offering of Yard Automation and Computer Aided Dispatch, which will be supplemented by the progressive marketing of Tracsis' existing portfolio of rail products into the North American market.

Market overview

The rail industry in North America is a much larger and more disparate market when compared to the UK, resulting in a significantly higher number of customers, most of which are privately owned. These fall into one of four main categories:

Class 1 Railroads: nationwide freight operators carrying c.40% of freight traffic; significant asset base: 160k miles of track, 27,000 locomotives, 6-7,000 railyards, and hundreds of thousands of switches, crossings, signals and other assets

Shortline Railroads: >600 local freight operators; 50,000 miles of track; managed independently of Class 1's

Transits: passenger operators; 1 national and 50+ regional operators; >3.8bn journeys per day; shared and owned track

Ports and Industrials: 100s of privately owned, rail-served industrial infrastructure (yards, ports, mining, etc)

Executing a growth strategy

We have made good progress in executing our growth strategy in North America, and this business delivered a strong financial performance in its first full year of ownership by Tracsis. We have made a significant investment in growing the senior management team and our sales and business development teams to accelerate our future growth plans in this fast growing rail technology market. The business is run by an experienced Tracsis Managing Director, who has relocated from the UK with his family to lead our activities in this market. He is supported by a long-serving and experienced Operations Director and a newly appointed VP of Sales. All of the senior team are incentivised by long-term incentives aligned to the delivery of our accelerated growth objectives. In addition, the business has secured ISO 27001 accreditation which is becoming an increasingly important requirement and differentiator in the rail technology space.

New product deployment opens up a large new market segment

Since the US Government mandated the implementation of Positive Train Control ('PTC') across the majority of US railroads, there have been multiple types of PTC systems implemented, the most prevalent being ITC. During the year, we have delivered our first ITC enabled Computer Aided Dispatch system which is being rolled out across our customer's operations. This opens up a large new segment of the transit market for this product category and means we can now provide dispatch systems for two of the three most common types of PTC systems in the US. We have also developed and launched a new product called Digital Track Warrant ('DTW') which is a mobile app that increases maintenance worker protection, improves safety outcomes and increases accuracy and accountability. DTW is just one example of a new product that is facilitating progressive digital change across the US rail infrastructure.

Rebranding to Tracsis in North America

From October 2023 our Rail Technology activities in North America have been brought under the groupwide Tracsis brand. This provides continuity across all of our global rail technology products and services, which will facilitate the transfer of Tracsis' UK products into the North American market. It also cements Tracsis' position as a niche mid-market operator with the scale and capability to provide high quality solutions across all key segments of this market. Since the rebranding we have attended two important rail technology events, Railway Interchange, which is North America's largest rail exhibition and technology conference and APTA Expo which is a showcase for public transportation solutions across North America. The rebranding has been very well received by our employees and customers.

A growing pipeline of opportunities

We are seeing strong growth in the pipeline of opportunities in North America, supported by increased customer and industry engagement as well as the expanded range of products and services we can offer into this market. We have taken a more expansive approach to Remote Condition Monitoring and as a result have increased the number of user trials that are currently in progress. We are also seeing an increasing number of Yard Automation and Computer Aided Dispatch opportunities. We expect to see a growing shift to SaaS.

> “As a mid-market operator with a unique range of products and services, Tracsis is well positioned to support the digital transformation of the North American rail market.”
>
> **Chris Jackson**
> President, Tracsis North America

Chief Executive Officer's review

> I am pleased to report another year of good progress for the Group. We have delivered strong growth, have completed the implementation of several large, complex enterprise software contracts, and have made significant progress in integrating the Group's activities and enhancing our capabilities. We have now started a programme of actions to complete the simplification and transformation of our operating model, in order to drive further growth."
>
> **Chris Barnes**
> Chief Executive Officer

Delivering our growth strategy

This has been a year of significant financial and operational progress for Tracsis.

We have delivered strong organic and earnings-accretive acquisitive growth, have completed the implementation of several large, complex enterprise software contracts, and have made further progress in integrating the Group's activities and enhancing our capabilities.

The performance of our North American rail business has been particularly pleasing alongside the strong performance of all businesses within the Data, Analytics, Consultancy & Events Division.

Q1 trading has started in line with expectations, and the Group remains well positioned to deliver further growth in the coming year. We have a strong orderbook and a fast growing opportunity pipeline across both Divisions. We expect FY24 growth to be more heavily weighted towards H2 given the impact uncertainty in UK rail has had on delivery timelines and the impact an expected SaaS transition will have on the phasing of rail revenues in North America.

Digital transformation will continue to play a significant role in the rail industry's transition to a data-driven, customer-focused, safety-critical future. The breadth of Tracsis' product offering and leading digital end-to-end solutions have a clear alignment to the frowing needs of the rail industry and increased demands from a customer experience perspective. We are well placed to help the industry to realise revenue growth by increasing passenger revenues, whilst also delivering operational performance improvements and efficiency savings.

We therefore remain committed to implementing our overall strategic growth and investment plans, and will continue to pursue organic and acquisitive growth supported by a strong balance sheet.

Strategic progress

Successful delivery of large SaaS contracts, with ongoing implementations that will support further organic growth

The key focus of our activities this year has been the delivery of several large multi-year SaaS contracts for train operators and infrastructure owners. Some of these have been fully completed, with others due to go live during the forthcoming financial year. In the UK we completed the second end-to-end deployment of TRACS Enterprise with a Train Operating Company ("TOC"), replacing disparate legacy systems. Work is ongoing on an orderbook of three further deployments that are due to go live from FY24, including the first in the freight sector. Alongside this, the roll-out of the large RailHub contract with Network Rail won in July 2021 was completed in the year. This has doubled the user base for this product to over 40,000 individual users, and there is a pipeline of further opportunities.

In the UK we won two contracts for our PAYG smart ticketing solution during the year. This includes the first EMV (contactless bank card) deployment of PAYG ticketing on the UK rail network outside of Transport for London. This project, being deployed for Transport for Wales, will go live in 2024 with an intention to ultimately enable a multi-modal solution including bus. We also secured the first deployment of our mobile app platform ("Hopsta") with a UK TOC, which is also expected to be completed in 2024. Post year end we have been awarded two additional new opportunities for our PAYG smart ticketing and delay repay solutions that are in the process of being contracted.

We are investing in technology where we see opportunities to accelerate further growth in our markets. In FY23 this included developing the Hopsta smart ticketing mobile app platform, resulting in £0.3m of capitalised development costs. We have a pipeline of innovative technology development opportunities under review, and will determine the most appropriate investment model to realise these, which may include further self-funded development where this can deliver an attractive return on investment.

A strong performance in North America, with a growing pipeline of opportunities

There was a strong performance from Rail Technology North America in its first full year of ownership by the Group, which has seen us strengthen both the senior leadership team and the development teams to accelerate our growth prospects. We completed customer acceptance testing with a transit customer for a large software licence deployment that was in the order book on acquisition. This is now being implemented at the customer site, and will be fully operational in early 2024. In addition, we have seen further growth in our Yard Automation and Computer Aided Dispatch offerings. We are also making strong progress in growing the pipeline of Remote Condition Monitoring opportunities and we have several user trials currently live with transit operators across North America.

We are seeing strong growth in the pipeline of opportunities in this market, where Tracsis operates as a mid-market competitor with a unique range of products and services. The feedback we are receiving from train operators and ports/industrials owners is that they want to encourage new entrants into the North American market who will challenge incumbent suppliers and provide new innovative digital solutions which will deliver immediate efficiency and operational benefits.

The commercial team in North America has been reorganised and the senior leadership, sales and development personnel have been strengthened with a view to accelerating growth. Post year-end we have rebranded our North American operations to ‘Tracsis’, in alignment with the rest of the Group.

Digital transformation remains integral to the rail industry’s future

The delivery of a data-driven, customer-focused and safety-critical rail industry will remain a core priority in the UK and overseas. Tracsis’ range of products and services are well aligned with these end market drivers, enabling customers to enhance efficiency, productivity, performance and safety in mission-critical activities.

The industrial action in the UK that has been ongoing since June 2022 has in some cases slowed decision-making as our customers focus on continually re-planning timetables and services. However, the benefits case of our rail technology products remain closely aligned with the focus of train operators and infrastructure owners on revenue growth, operating efficiencies, cost savings and safety improvements.

We do not believe that the ongoing industrial action, cancellation of the northern part of HS2, delays in the implementation timing of Great British Railways (‘GBR’), and potential government changes in the UK and US will adversely affect our, long-term growth prospects. While some near-term procurement timelines may be affected due to changes in how funding is allocated between entities (Network Rail, train operators, GBR, Rail Delivery Group), the overall focus on improving safety, efficiency and customer experience through technology will remain intact. We continue to see significant long-term tailwinds in both the UK and North American rail markets.

Trading progress

Rail Technology & Services

Revenue

£37.9m +26%

2022: £29.9m

Adjusted EBITDA*

£10.4m +6%

2022: £9.8m

Profit before tax

£5.2m +7%

2022: £4.8m

Data, Analytics, Consultancy & Events

Revenue

£44.1m +14%

2022: £38.8m

Adjusted EBITDA*

£5.6m +27%

2022: £4.4m

Profit before tax

£3.0m +61%

2022: £1.8m

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

Chief Executive Officer's review *continued*

Strategic progress *continued*

Record activity levels in Data, Analytics, Consultancy & Events

In Traffic Data & Events we saw record revenue on the back of continued strong demand for Events, including new contract wins for fixed venue work, and a return of Traffic Data activity levels to pre-pandemic levels. The large multi-year National Road Traffic Census ('NRTC') contact was renewed at an increased value, and post year-end we have secured renewals with some of our largest Events customers.

We saw good demand across our Professional Services businesses for our data analytics/GIS, earth observation, and specialist transport consultancy services. The key drivers here are an increasing demand across the transport and environmental sectors for a more detailed understanding of asset location and performance in order to deliver operational efficiencies and to meet ESG requirements, as well as from train and bus operators for our specialist sector knowledge and skillset.

Good progress in integrating activities

We have made good progress this year in integrating the Group's activities and enhancing our capabilities. We have invested c£1.0m in executing the following actions that have better positioned the Group to deliver its long term strategic objectives.

One of our key objectives is to simplify the business and embed a common approach based on industry best practice. During FY23 we have implemented a new organisational structure based around common operating models. This is an important step in our journey to create a fully integrated and scalable business.

We have also invested in our SaaS delivery capabilities, to support delivery of the large orderbook of complex product implementations. This includes through the addition of an experienced programme management and IT support team. In both the UK and in North America we have invested to build out and upskill our commercial teams, better enabling us to access the large market opportunities in both geographies.

Our Traffic Data and Events Transport Planning & Management businesses have been fully integrated under a common leadership team. This will deliver operating efficiencies, margin optimisation, a consistent and focused approach to health and safety, and a reduction of carbon emissions from our vehicle fleet as we move towards our 2030 carbon neutral target.

The implementation of a new groupwide IT operating environment is enhancing the efficiency and resilience of our operations while facilitating collaboration across the Group. Further changes will be delivered during FY24 to upgrade key IT systems.

We have continued to deliver our "OneTracsis" leadership programme for managers and senior leaders across the Group. We have also hosted events focused on promoting accessibility to technology, including a panel discussion on careers in tech and a hackathon themed around using technology to develop a skilled, productive and inclusive workforce. Post year-end we completed the groupwide implementation of ISO 14001 to support the delivery of our carbon neutral 2030 objective.

Transformation of the Group's operating model

Having completed the new organisational structure during FY23, in the first quarter of FY24 we have started a programme of actions to now transform the Group's operating model. The catalyst for these activities is the lessons learned from the three large SaaS deployments implemented since July 2022 and the need to establish a groupwide approach to how we develop and deliver enterprise software solutions based around industry best practice. The actions we are taking include: headcount reductions where roles are duplicated or are no longer required; streamlining our legacy entity and operating footprint; implementing a single groupwide IT support service; and upgrading systems to deliver improved management information. We expect these actions to be substantially completed during the FY24 financial year.

These changes will improve the timeliness, quality and repeatability of delivery, which will enable the Group to accelerate its future revenue and margin growth trajectory.

Trading progress and prospects

Rail Technology & Services

Summary segment results:

Revenue	£37.9m	(2022: £29.9m)
Adjusted EBITDA*	£10.4m	(2022: £9.8m)
Profit before tax	£5.2m	(2022: £4.8m)

The Rail Technology & Services Division delivered growth in both the UK and in North America, supported by increased software licence usage and a full year of ownership of RailComm (now Rail Technology North America). New contract wins in the year and strong demand for Remote Condition Monitoring were supplemented by completing delivery milestones on several large SaaS deployments. These included the second full deployment of TRACS Enterprise with a passenger TOC, and completing the roll-out of the large RailHub enterprise software contract that was won in July 2021. We also delivered a large software licence deployment for a new variant of our Computer Aided Dispatch product in the North American transit market.

Total revenue of £37.9m was 26% higher than prior year. Organic growth of 8% was supplemented by a strong performance from the Rail Technology North America business in its first full year of ownership. As a result of the new contract wins and the deployment of contracts won in previous years, annual recurring and routinely repeating revenue in the Rail Technology & Services Division increased by 9% to £23.1m.

Adjusted EBITDA* increased by £0.6m to £10.4m (2022: £9.8m) and includes c£0.8m of investment associated with the integration of the Division's activities and enhancing our core capabilities. Profit before Tax increased by 7% to £5.2m (2022: £4.8m) and includes a full year of amortisation following the 2022 acquisition of RailComm.

Rail Technology UK

Total revenues from the Group's Rail Technology UK business increased by 9% to £29.0m (2022: £26.6m), driven primarily by Remote Condition Monitoring (RCM) and Customer Experience.

We saw high RCM volumes in the year, resulting in record revenue. Performance in this product area is linked to the investment cycle trend of its UK customer base which consists of five-year 'Control Periods'. We have several large contracts with Network Rail and with railway systems integrators for the supply of RCM through the remainder of Control Period 6 which runs to 31 March 2024. Network Rail Control Period 7 funding of £43.1bn has been confirmed starting from 01 April 2024 with a specific focus on improving train performance for freight and passengers. This aligns very strongly with Tracsis' product offerings.

Growth in Customer Experience revenue included the benefit from smart ticketing and delay repay contract wins that went live in the previous financial year, as well as new contracts won in the period and an increased level of delay repay transaction volumes. Our smart ticketing product offering is well aligned with passenger requirements and with the UK government's strategic intent to deliver increased Pay As You Go (PAYG), multi-modal ticketing. In January 2023 we won a new contract for the deployment of this technology, with Transport for Wales ('TfW'). This will go live in 2024 and will be the first EMV (contactless bank card) deployment of this versatile solution on the UK's rail network outside of Transport for London. This will be integrated with our delay repay product to provide an automated, frictionless experience for the customer. TfW intends to ultimately extend this offering to deliver a multi-modal PAYG solution including bus.

We have continued to invest in the deployment of a mobile app platform ('Hopsta') that puts this smart ticketing technology directly in the hands of the consumer and avoids the requirement for expensive gateline infrastructure in stations. We secured the first pilot deployment of this technology with a UK TOC during the year, which is currently awaiting approval from Great British Railways to be delivered as part of a wider set of PAYG trials. We continue to see high levels of interest in our smart ticketing product across ITSO smartcard, EMV and barcode solutions. Post year end we have been selected to deliver two further multi-year contracts for our Customer Experience solutions – one for PAYG smart ticketing and one for delay repay. Both are in the process of being contracted with UK train operators and will go live in 2024.

Across the other parts of the Rail Technology UK product portfolio there was a significant focus during the year on delivering a large orderbook of multi-year SaaS contracts, which has been challenging. This included completing the second full deployment of TRACS Enterprise with a UK TOC. Work continues on three further deployments that are due to go live from FY24, including the first in the freight sector. We continue to see a good pipeline of new opportunities for this product in both the passenger and freight sectors of the industry. Delivery timelines in this sector are typically determined in partnership with our customers based around combined resource availability. Total revenue was lower than the prior year including lower levels of project milestone revenue aligned with these delivery timelines. We are investing in technical and programme management capabilities to support improved delivery in this area, and have started work to modularise the product architecture to facilitate faster product deployment. We have also developed and gone live with a new station rostering product which is a further extension of our TRACS Enterprise product suite. This is now available to all train operators.

During the year we also completed the roll-out of the large RailHub enterprise software contract that was won in July 2021. This has embedded RailHub as the core platform used to plan and safely deliver upgrade and maintenance work on or near the railway line in the UK, and has more than doubled the user base for this product to over 40,000 individuals across Network Rail and the supply chain. There is a strong pipeline of future opportunities for the RailHub platform including additional functionality that is being developed by Tracsis.

Rail Technology North America

Total revenue of £8.9m was £5.6m higher than prior year, which includes the benefit from a full year of ownership.

In the first half of the year we delivered a large software licence deployment milestone for a new Computer Aided Dispatch product (PTC BOS[1]). This is part of a large and ongoing project with a transit operator and will result in increased recurring revenues as the solution is rolled out across its operations, which is expected to be completed in 2024. This first deployment opens a large new product segment opportunity for Tracsis in North America where the industry is actively looking for new technology entrants.

We are seeing good growth in the pipeline of opportunities in this market, where Tracsis operates as a mid-market competitor with a unique range of products and services with limited direct competition. Growth in the near-term is expected to come from across our portfolio of Computer Aided Despatch (CAD), Yard Automation, and Remote Condition Monitoring (RCM) products.

In order to drive further growth we have restructured the commercial organisation of this business, including targeted investment in the sales team. Post year-end we have rebranded our North American operations to 'Tracsis', in alignment with the rest of the Group.

To date we have seen more procurement of perpetual licences in the North American market than in our Rail Technology UK business. We believe this will transition to an increasingly SaaS-focused model over time. During this period, there will likely be more volatility in the phasing of revenue growth in this market. Following the large PTC BOS perpetual licence deployment in H1 of FY23 discussed above, we expect the weighting of growth in FY24 to be more towards the second half of the year.

[1] Positive Train Control Back Office Solution. This integrates Tracsis' Computer Aided Dispatching (CAD) product with the Positive Train Control (PTC) family of automatic train protection systems in the US.

Data, Analytics, Consultancy & Events

Summary segment results:

Revenue	£44.1m	(2022: £38.8m)
Adjusted EBITDA*	£5.6m	(2022: £4.4m)
Profit before Tax	£3.0m	(2022: £1.8m)

Activity levels across the Data, Analytics, Consultancy & Events Division were high, with several contract wins in the period and the completion of the post-Covid lockdown recovery in the Traffic Data market. New contract wins included a multi-year Earth Observation contract in Professional Services, the renewal of a large multi-year contract in Traffic Data at an increased value, and additional fixed venue contracts in Events Transport Planning & Management.

Revenue increased by 14% to £44.1m (2022: £38.8m) as a result of this increase in activity. This more than offset c.£1.4m in the prior year to support Covid testing and vaccination centres, which did not repeat in FY23. Adjusted EBITDA* increased by 27% to £5.6m (2022: £4.4m). Profit before tax increased by 61% to £3.0m (2022: £1.8m).

During the year, the Traffic Data and Events Transport Planning & Management businesses have been fully integrated into a single operating unit under a common leadership team. This will support margin optimisation from operating efficiencies, and also enable a consistent and focused approach to health and safety and to reducing carbon emissions from our vehicle fleet as we move towards our 2030 carbon neutral target. Activities are underway to streamline the operating footprint of this business.

The performance of the Data, Analytics, Consultancy & Events Division in FY23 included the benefit from certain revenue items that are not expected to repeat in FY24, including certain events and sporting fixtures that are not scheduled to re-occur in the year. We expect the Division overall to deliver a financial performance at a similar level to FY23, with underlying growth elsewhere offsetting this non-repeat revenue.

Professional Services

Total revenue across our Data Analytics/GIS and Transport Insights businesses increased by 17% to £15.4m (2022: £13.2m). This includes the benefit from a multi-year Earth Observation contract secured in Ireland which utilises the capabilities added to the Group through the Icon GEO acquisition in November 2021. This contract is to develop an Area Monitoring System (AMS) using satellite data imagery and is being delivered in partnership with two European geospatial companies. We also secured a range of new opportunities with Irish Government departments and utility companies. Alongside this, we saw continued strong demand for our specialist transport consultancy offering, including for timetabling and rail performance expertise. We also won a large travel survey that was delivered in the second half of the year.

Chief Executive Officer's review *continued*

Data, Analytics, Consultancy & Events *continued*

Traffic Data & Events

The combined Traffic Data & Events business delivered a record level of revenue in the year, with total revenue increasing by 12% to £28.8m (2022: £25.6m). Activity levels in Events remained high, with particularly strong demand for sporting and music events in the final quarter of the financial year. The business has won several new multi-year contracts for fixed venue work, and post year-end has secured renewals with several of its largest customers. In the Traffic Data market, activity levels returned to pre-Covid lockdown levels. Some month-to-month variability in demand remains and activity levels in this market remain more sensitive to central and local authority funding. The large, multi-year National Road Traffic Census ('NRTC') contract was renewed in the year with an increased scope and increased value.

People

Tracsis has c.550 permanent employees across three countries, and the Group is thankful to the whole team for their hard work during the year. We believe that the long-term success of the Company depends on the engagement and commitment of its people. We strive to provide our people with opportunities for personal development, career progression, and a safe and inclusive working culture. I believe that the activities we are undertaking to further integrate our activities and operating model will create additional opportunities for our people in this regard.

Engagement with our teams is a priority for me. All-employee briefings are given by the senior leadership team at least three times a year, which provide an update on business performance and key strategic and operational themes. These sessions also provide an opportunity for colleagues to ask questions. All sessions are recorded and made available for all colleagues to access. I also make regular visits to our offices alongside other members of the senior leadership team, to provide an update on what is happening around the Group and to give our teams an opportunity to ask questions in a more informal setting.

We are continuing to execute a comprehensive strategy to ensure that we have the processes, learning and development frameworks, and robust succession plans in place to continue to offer a compelling proposition to current and future employees, and to ensure that we have the capabilities and talent to deliver our growth strategy. As part of this we have continued to deliver the 'OneTracsis' leadership development scheme. This year, this has been supplemented by a series of training activities focused on developing high performance teams. We have invested in developing a central talent team, who co-ordinate both our talent acquisition activities and also focus on building development pathways within the Company for our people. This team has also led on increasing our community engagement activities, and we have started a programme of events aimed at local communities and centred around technology. In February 2023 we hosted a 'breaking barriers' technology talent event at our Head Office in Leeds, aimed at helping people from a range of backgrounds to understand how they can start a career in tech. This included a panel of Tracsis employees who shared their experiences and answered questions. In September 2023 we hosted a 'hack for good' hackathon as part of the Leeds Digital Festival. The theme of this event, which was attended by c.100 people, was using technology to help develop a skilled, productive and inclusive workforce.

Safeguarding the health, welfare and safety of our people is a priority. During the year we made a one-off supplementary payment equivalent to £1,000 to our permanent employees (excluding Group and business unit management teams), in recognition of the increasing cost of energy and food. We have continued to host lunchtime "Tracsis Talks" sessions covering a range of employee-generated topics. During the year this has included menopause awareness and neurodiversity. We continue to operate a hybrid working model with most of our employees spending some time working in the office and some time at home. Our Traffic Data & Events team has made good progress in aligning and optimising health and safety practices across its operations as part of the integration of these business units. This has included, for example, developing an app that facilitates reporting of health and safety incidents or near misses.

Outlook

Our end market drivers are strong and Tracsis' products and services are well aligned with these drivers. We deliver positive benefit cases to our clients via digital transformation that enables them to deliver mission-critical activities with increased efficiency, enhanced performance, higher productivity, and improved safety. In the UK and North America we see significant long-term tailwinds as the industry looks to modernise and adopt digital solutions. We believe that we are well positioned to capitalise on these changes and have a growing pipeline of opportunities to help drive market share and expand our footprint in these markets. A change of government in the UK and/or the US is not expected to impact these growth drivers.

The Group has a clear growth strategy and has a strong balance sheet to support its delivery. We are making good progress in implementing this strategy, including winning new multi-year software contracts, and continuing to deliver on contracts won in previous years. We have recognised the need to accelerate the transformation of the Group's operating model based on lessons learned from recent SaaS implementations and we will invest over the coming year in the actions required to provide a robust platform for ongoing scalable growth based on best practices.

We continue to actively pursue M&A opportunities, with a focus on extending our software and technology footprint and enhancing recurring revenue growth.

Q1 trading has started in line with expectations and the Group remains well positioned to deliver further growth in the coming financial year and beyond.

Chris Barnes
Chief Executive Officer
14 November 2023

Our strategy in action

> “I am delighted to report the successful completion of year 1 of the DAFM AMS project. The national monitoring system provided by Compass allowed our department to deliver results on over 1.3 million agricultural land parcels. This has facilitated the distribution of EU CAP funds to Irish farmers. This project’s success is a testament to the team’s ability to overcome complex problems and deliver multiple rounds of results on time.”
>
> **Eoin Dooley**
> DAFM AMS Project Manager

PROFESSIONAL SERVICES

Developing new technologies that harness the power of earth observation and data analytics

Our Professional Services business secured a new contract in Ireland to deliver an Area Monitoring System (‘AMS’) for the Irish Government. This leverages the data analytics, machine learning and visualisation capabilities we have in the Group, supplemented by the earth observation technology that was added through the Icon GEO acquisition in November 2021. Our team is combining satellite imagery with ‘big data’ to develop deep learning algorithms that continually analyse land surface activity and conditions (in this case, agricultural land usage).

1.3 million

agricultural land parcels in Ireland are being continually monitored using this technology

Rob O’Loughlin
GIS and Data Insights, Compass Informatics

→ Read more at **www.tracsis.com**

Our key performance indicators

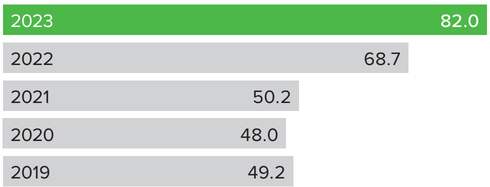
Measuring success

The KPIs used to monitor the financial performance of the Group are set out below.

These KPIs give insight into the growth, profitability and financial position of the business and therefore enable progress on the implementation of the Group's strategy to be monitored. These KPIs are consistent with the prior year.

Revenue (£m)

£82.0m



Definition

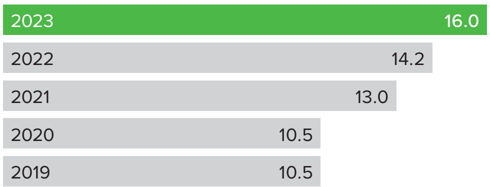
Value of goods sold and services provided to customers, net of sales taxes. See note 6.

Comment

Strong growth in both Divisions reflecting both organic and acquisitive growth. This includes the benefit from new Rail Technology & Services contract wins, record demand for Remote Condition Monitoring, a strong performance from Rail Technology North America in its first full year of ownership, and high activity levels across the Data, Analytics, Consultancy & Events Division.

Adjusted EBITDA (£m)

£16.0m



Definition

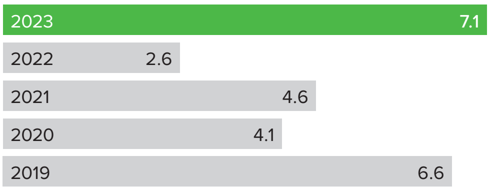
Earnings before net finance expense, tax, depreciation, amortisation, exceptional items, other operating income, share-based payment charges and share or result of equity accounted investees. See note 29 for reconciliation.

Comment

Reflects growth in revenue net of investment in building a scalable platform for future growth.

Profit Before Tax (£m)

£7.1m



Definition

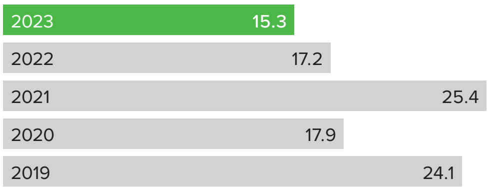
Earnings before taxation.

Comment

Principally reflects increase in adjusted EBITDA supplemented by non-repeat of prior year increase in fair value of contingent consideration and share of loss of equity accounted investees, partly offset by increased amortisation of acquired intangible assets.

Cash (£m)

£15.3m



Definition

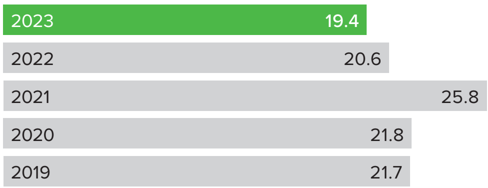
Value of cash and cash equivalents and cash held in escrow.

Comment

Operating cash generation remains healthy at £10.8m (2022: £8.2m). Decrease versus prior year reflects net £9.6m outflows on contingent and deferred consideration consistent with expectations. All material earnouts have now been completed. The Group remains debt free.

Adjusted EBITDA margin (%)

19.4%



Definition

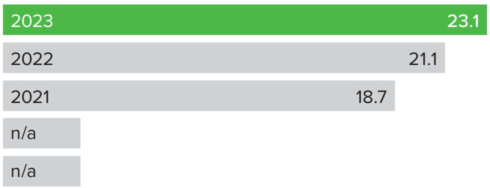
Adjusted EBITDA divided by revenue

Comment

Reflects an increased weighting of Data, Analytics, Consultancy & Events revenue, which is lower margin, and certain non-repeat costs in the year including investment in building a scalable platform for future growth.

Annual Recurring Revenue (Rail Technology and Services) (£m)[1]

£23.1m



Definition

Revenue in the financial year from recurring software licences relating to products that have gone live, and annually repeating hardware revenue from framework agreements.

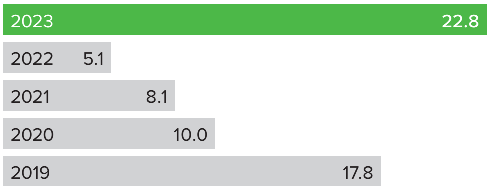
Comment

New multi-year software contract wins and completion of go-live on products previously in implementation.

[1] This metric was not reported prior to FY21.

Basic Earnings per Share (p)

22.8p



Definition

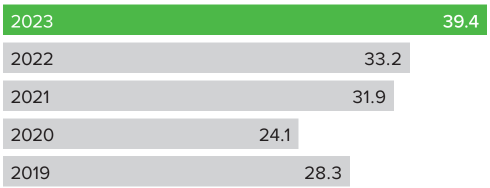
Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Comment

Reflects increase in profit before tax.

Adjusted Basic Earnings Per Share (p)

39.4p



Definition

Profit after tax before amortisation, share-based payment charges, exceptional items and other operating income divided by the weighted average number of ordinary shares in issue during the period. See note 12.

Comment

Reflects increase in adjusted EBITDA.

Chief Financial Officer's Review

> "We have delivered a year of strong growth at the same time as making good progress in simplifying and further integrating our business model. Once completed, these activities will better position the Group to delivered scalable growth and improved margins. Our cash generation remains healthy, and we have now completed all material earnouts. This leaves us well positioned to continue to invest in technology development and in acquisitive growth."
>
> **Andrew Kelly**
> Chief Financial Officer

A year of further growth and continued healthy cash generation

Group revenue of £82.0m was £13.3m (19%) higher than the prior year (2022: £68.7m), reflecting strong organic and acquisitive growth. Revenue in the Rail Technology & Services Division increased by £8.0m (26%) including the benefit from new contract wins in the year and in the prior year, record demand for Remote Condition Monitoring, and a strong performance from Rail Technology North America. Annual recurring and routinely repeating revenue in this Division increased by 9% to £23.1m.

Revenue in the Data, Analytics, Consultancy & Events Division increased by £5.3m (14%) and includes a record level of activity in the newly integrated Traffic Data & Events business as well as increased activity levels across our Professional Services offerings.

Adjusted EBITDA* of £16.0m was £1.8m (13%) higher than prior year (2022: £14.2m), and includes c.£1.0m of investment to integrate our operating model and enhance our capabilities.

Statutory profit before tax of £7.1m is £4.6m higher than prior year (2022: £2.6m). In addition to the £1.8m increase in adjusted EBITDA* described above, the movement in profit before tax reflects the following items:

- £2.1m depreciation charge which is higher than the prior year, reflecting a full year charge from FY22 acquisitions and investments in upgrading our IT infrastructure (2022: £1.8m);
- £5.6m amortisation of intangible assets (2022: £5.0m). The increase versus prior year reflects a full year charge relating to the FY22 acquisitions of RailComm and Icon GEO;
- £1.2m share based payment charges (2022: £1.5m);
- £0.1m exceptional items (2022: £3.1m) representing £0.7m unwinding of previously discounted contingent consideration balances in accordance with IFRS accounting standards (2022: £0.8m), offset by a net £0.6m decrease in the assessed fair value of contingent consideration based on the future expectations of performance from previous acquisitions (2022: £1.8m net increase) which principally relates to certain contracts in Icon GEO that have been superseded by a new contract won by the Group in the year utilising the combined capabilities of our existing Data Analytics/GIS business with Icon GEO's earth observation technologies. The prior year also included the following items that were not repeated this year: £0.6m of transaction costs associated with acquisitions and a £0.1m impairment charge relating to an equity accounted investee, partly offset by a £0.2m credit relating to the fair value adjustment and subsequent gain on settlement of a financial liability;

- £0.1m net finance expense (2022: £0.1m); and
- £nil charge relating to the share of the results of equity accounted investees (2022: £0.6m charge).

Adjusted earnings per share increased by 19% to 39.4 pence (2022: 33.2 pence). Statutory earnings per share increased to 22.8 pence (2022: 5.1 pence).

Cash generation

The Group continues to have significant levels of cash and remains debt free. At 31 July 2023 the Group's cash balances were £15.3m (2022: £17.2m including cash held in escrow). Cash generation remains healthy.

Free cash flow[+] increased to £8.0m (2022: £5.8m). In addition to the £1.8m increase in adjusted EBITDA* described above, this reflects the following items:

- A net £2.7m increase in working capital (2022: £4.0m increase) reflecting normal trading patterns and including an increase in trade receivables in the final trading months of the year following very high activity levels in Traffic Data & Events. The Group has not had any material bad debt instances;
- Net capital expenditure increased to £1.5m (2022: £1.0m) which principally reflects the increased activity levels in Traffic Data & Events, investment in IT assets as part of implementing a new groupwide IT operating environment, and the initial investment in electric vehicles as we start to decarbonise our vehicle fleet;
- Net lease liability payments of £1.5m were at a similar level to the prior year (2022: £1.4m);
- Capitalised development costs of £0.3m (2022: £nil) relate to the Hopsta smart ticketing mobile app platform for our PAYG smart ticketing technology;
- £nil cash outflows on exceptional items. In the prior year there was a £0.6m cash outflow on transaction costs for acquisitions completed in the year;
- Tax paid of £2.1m was £0.8m higher than the prior year (2022: £1.3m), reflecting the growth in earnings; and
- £0.1m net cash inflows from net interest received, proceeds from the exercise of share options, and the profit or loss on disposal of property, plant and equipment.

Free cash flow[+]

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
Adjusted EBITDA*	**15,952**	14,161
Changes in working capital	**(2,714)**	(3,953)
Purchase of property, plant and equipment (net of proceeds from disposal)	**(1,514)**	(1,006)
Lease liability payments (net of lease receivable receipts)	**(1,459)**	(1,389)
Capitalised development costs	**(300)**	—
Cash outflows on exceptional items	**—**	(622)
Tax paid	**(2,065)**	(1,334)
Other(1)	**145**	43
Free cash flow[+]	**8,045**	5,830

(1) Includes net interest received or paid, profit on disposal of plant and equipment, and proceeds from exercise of share options

[+] Net cash flow from operating activities after purchase of property, plant and equipment, proceeds from disposal of property, plant and equipment, proceeds from exercise of share options, lease liability payments and lease liability receipts, and before payment of contingent consideration.

There was a total cash outflow of £9.3m (2022: £4.1m) relating to contingent consideration on the previous acquisitions of Bellvedi and iBlocks (part of Rail Technology UK), RailComm (Rail Technology North America), and Compass Informatics and Icon GEO (part of Professional Services). This was in line with the Board's expectations and is aligned to strong performance from these historical acquisitions. All material contingent consideration balances have now been paid. In addition, there was a cash outflow of £0.3m (2022: £0.3m) relating to deferred consideration for the 2021 acquisition of Flash Forward Consulting. The final instalment of £0.3m of deferred consideration for this acquisition will be paid in February 2024. In the prior year there was an additional cash outflow of £0.4m to repurchase "A" shares in Tracsis Rail Consultancy.

Dividends paid to shareholders were £0.6m (2022: £0.3m) and there was a £0.3m favourable impact from foreign exchange (2022: £0.2m favourable).

As a result, total cash balances decreased by £1.9m to £15.3m.

Contingent and deferred consideration

The Group has made several acquisitions over the past few years and carries contingent and deferred consideration in respect of them. Contingent consideration is carried at fair value, which is based on the estimated amounts payable according to specific provisions of the terms of each transaction. During the year ended 31 July 2023, £9.6m was paid out relating to contingent and deferred consideration as a result of strong trading performance from these acquired businesses. This included £2.2m in respect of the prior year acquisition of RailComm, the cash for which was paid into escrow at the date of acquisition.

The fair value of contingent and deferred consideration payable at 31 July 2023 was £0.4m (2022: £9.9m). This leaves the Group well positioned to invest in technology development and acquisition to support future growth.

The movement on contingent and deferred consideration is set out below:

	2023 £000	2022 £000
At the start of the year	**9,926**	8,801
Arising on acquisition	**—**	2,832
Cash payment	**(9,567)**	(4,441)
Fair value adjustment to Statement of Comprehensive Income	**(559)**	1,792
Unwind of discounting	**667**	802
Exchange adjustment	**(20)**	140
At the end of the year	**447**	9,926

The £0.6m fair value adjustment relates to Icon GEO. Some of the contingent consideration for this acquisition was linked to the renewal of certain contracts, which have now been superseded by new contracts secured post acquisition which incorporate the combined capabilities of our existing Data Analytics/GIS business with those acquired via Icon GEO. As a result, the total value of contingent consideration we expect to pay in relation to this acquisition has decreased.

The ageing profile of the remaining contingent and deferred consideration liabilities is as follows:

	2023 £000	2022 £000
Payable in less than one year	**308**	8,893
Payable in more than one year	**139**	1,033
Total	**447**	9,926

Chief Financial Officer's review *continued*

Transformation of the Group's operating model

In the first quarter of FY24 we have started a programme of actions to transform the Group's operating model. We expect these activities to be substantially completed during the FY24 financial year. The catalyst for accelerating these activities was the lessons learned from the three complex large SaaS deployments that have been implemented over the previous 12 month period.

These actions will ensure that we have a streamlined and scalable operating model, with a fully consistent groupwide approach to how we develop and deliver enterprise software solutions based around industry best practice, supported by the implementation of a groupwide IT support service. We are also investing to upgrade our management systems and processes to match the scale of the business and the anticipated pace of future growth. This will better enable the Group to deliver accelerated, scalable growth as we continue to deliver a large orderbook and see continued growth in our pipeline of new opportunities.

The actions we are taking include: headcount reductions where roles are duplicated or are no longer required; transforming and fully aligning our operating model for technology development and delivery; implementing groupwide IT support services; upgrading systems to deliver improved management information; and streamlining our operating and legal entity footprint.

We expect to incur c.£2m of non-repeat costs in FY24 in order to deliver this transformation, primarily in cash. These will be reported as exceptional costs so the underlying year-on-year trading performance of the Group can be more clearly understood. These costs will be weighted towards the first half of the year.

Dividend

The Group remains committed to the progressive dividend policy that was adopted in 2012. The Board has recommended a final divided of 1.2 pence per share. The final dividend, subject to shareholder approval at the forthcoming Annual General Meeting, will be paid on 9 February 2024 to shareholders on the register at the close of business on 26 January 2024. This will bring the total dividend for the year to 2.2 pence per share.

Andrew Kelly
Chief Financial Officer
14 November 2023

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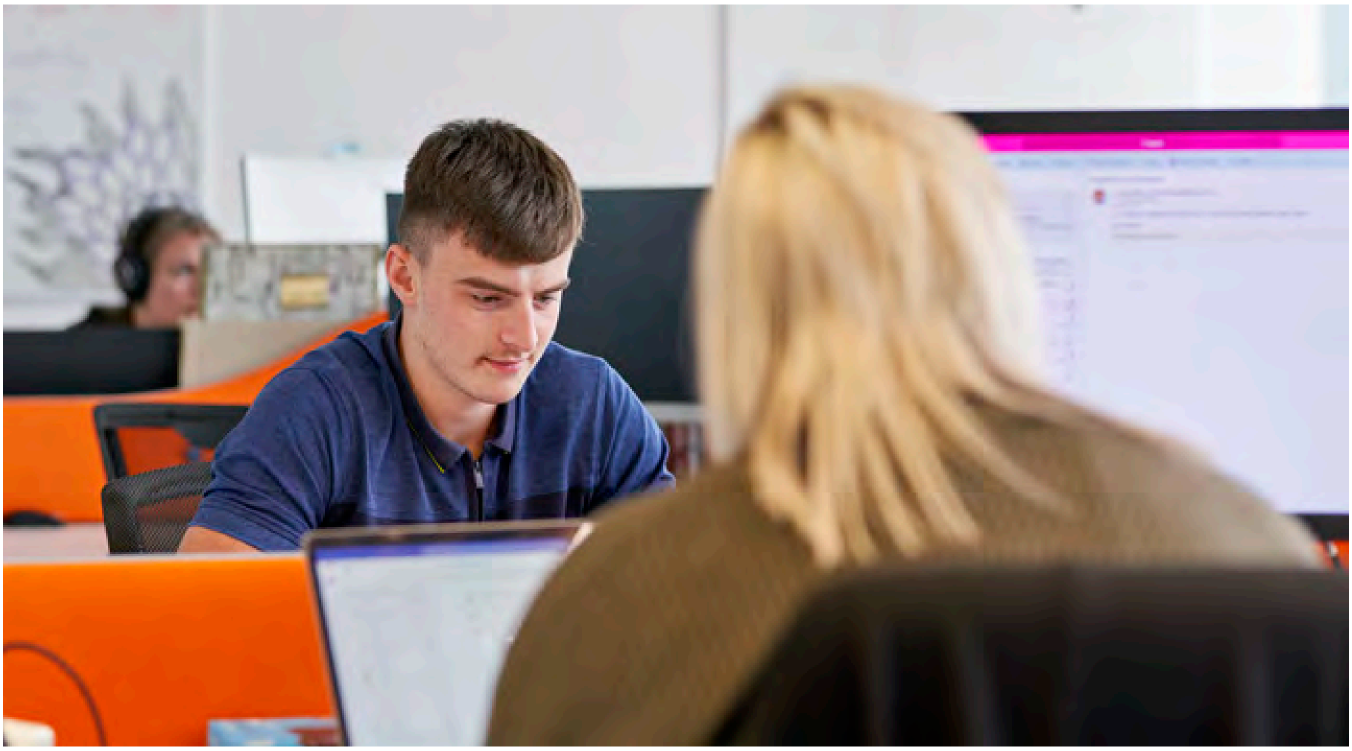
* In addition to statutory reporting, Tracsis plc reports alternative performance measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). These metrics adjust for certain items which impact upon IFRS measures, to aid the user in understanding the activity taking place across the Group's businesses. APMs are used by the Directors and management for performance analysis, planning, reporting and incentive purposes. A summary of APMs used and their closest equivalent statutory measures is given in note 15.



Our strategy in action

TRAFFIC DATA & EVENTS

Integrating our Traffic Data and Events businesses

As part of our activities to simplify the structure of the Group and integrate our operating model, the Traffic Data and Events Transport Planning & Management businesses have been fully integrated into a single operating unit under a common management team. This will support margin optimisation from operating efficiencies, and also enable a consistent and focused approach to health and safety and to reducing our carbon emissions from our vehicle fleet as we move towards our 2030 carbon neutral target.

Activity levels in both markets have fully recovered from Covid-19, and the combined business delivered a record level of revenue in the year. Work has already started on rationalising the operating footprint of the business, which is headquartered in our Boroughbridge facility. We have exited our Wetherby office as part of this process, and are currently reviewing options to establish a combined hub of operating sites that will better support a fleet of electric vehicles. The benefits of the integration are already being felt by our customers who receive value added benefits of services from both businesses.

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employees now fully integrated under a common leadership team

→ Read more at **www.tracsis.com**

Divisional overview

Rail Technology & Services

Rail Technology UK

Operational Performance Software

Tracsis supplies a range of software products to passenger and freight operators that enable them to increase the efficiency of their operations and provide an enhanced experience for their customers. The product suite covers all aspects of transport operations including timetabling, resource and rolling stock planning and optimisation, real-time performance and control, service recovery, incident management, retail services and asset management. Products include TRACS, ATTUne, Compass, and retail and operations product suites. TRACS Enterprise is a high availability, cloud-hosted, enterprise-wide modular planning and delivery system for passenger and freight operators providing a single source of information for all timetable, resource planning, work allocation and control decision support.

Remote Condition Monitoring

Provides hardware and software solutions that enable reactive, condition-based and predictive maintenance of critical infrastructure assets, improving their performance and life cycle. We are a leading provider of rail approved data loggers and sensors to monitor asset performance within level crossings, switch machines, track circuits, wiring and signalling systems. Supported by our own web-based Data Acquisition software platform, Centrix, we offer infrastructure owners a complete solution to deliver operational efficiencies.

Smart Ticketing & Customer Experience

Provides smart ticketing solutions and bespoke software development of mission-critical back office solutions used by train operators and the Rail Delivery Group. smartTIS is a unique account-based ticketing product already deployed on over 20% of the UK rail network that offers a flexible, multi-modal tap and travel system with a best fare guarantee. It is capable of performing the full cycle from token-agnostic tap capture through to fare generation, payment collection and revenue settlement. Capable of applying all rail fare types, railcard discounts, weekly capping and flexible ticketing, it is uniquely placed to facilitate the move towards a paperless, pay-as-you-go smart ticketing environment. This technology can be deployed in ITSO smartcard, contactless bankcard, or mobile app formats for customer use.

We also provide automated delay repay claim assessment on the UK rail network for train operators, including claim decision, fulfilment and fraud detection.

Risk Management & Safety Software

Supplies software solutions that allow infrastructure providers and maintainers to plan and deliver safe work on the railways by automating heavily regulated business processes, by enabling users to plan and execute work collaboratively, and by providing better quality and more visual information. Our flagship product RailHub is a digital platform with unique capabilities, including schematics on demand, live work site monitoring and digital sign-offs, which ensure work being carried out on or near the line is done so safely and productively. Accessible simultaneously across smartphones, tablets and desktops, our software solutions are part of the move to a more digital railway.

Rail Technology North America

Operational Performance Software

In North America, our Computer-Aided Dispatch system seamlessly integrates different train types and rulesets to optimise movement instructions, ensuring safe and efficient operations from a single system that fully supports all Positive Train Control (“PTC”) enabled railroads. Our solutions include:

- centralised traffic control: supports freight and passenger operations to ensure safe, accurate and efficient routing of rail traffic, as well as control and monitoring of trackside assets including signals, power devices, gates and bridges;
- track warrant control and direct traffic control: dispatch system for operations without signal control, providing full conflict checking, automated data management, temporary speed restrictions, and track out of service alerts; and
- digital track warrant: digital workflow for requesting and issuing track warrants.

We also provide yard automation solutions which improve the efficiency and safety of rail yard operations by enabling enhanced centralised control of complex operations and by automating safety-critical processes. Our solutions include:

- remote control and routing: digital centralised control of switches and train routing to improve the efficiency of traffic moving through the yard and removing the need for workers to enter potentially dangerous track space;
- blue flag and track protection: automation of processes to deliver enhanced safety outcomes for workers inspecting, maintaining and fuelling vehicles around the yard;
- intelligent railcar yard inventory: a real-time automated inventory system to identify and follow the location of all locomotives and cars entering the yard; and
- remote heater control: centralised control of switch heaters, snow melters and third-rail heaters to improve efficiency and reliability.

Remote Condition Monitoring

The Tracsis Remote Condition Monitoring solutions described above are also provided to the North American market

Rail Technology & Services

Revenue	Adjusted EBITDA*	Profit before tax
£37.9m +26%	£10.4m +6%	£5.2m +7%

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

Data, Analytics, Consultancy & Events

Professional Services

Data Informatics

Provides location-related technologies including geographical information systems ("GIS") and Earth Observation, as well as analytics solutions and services, to assist government and commercial organisations to deliver more efficient operations, protect their assets and meet regulatory requirements. Application sectors are primarily regulated industries including transportation, utilities, environment and planning. The focus on location technology creates particularly valuable insights for planning transport services and assets, protecting and enhancing natural resources, and ensuring and facilitating regulatory compliance.

Transport Insights

Provides consultancy, training and technology-related professional services to support operational, commercial, customer service and strategic planning activities in rail, bus and the wider transport industry. Our unique offering combines sector-specific expertise with innovative bespoke software tool development and passenger analytics capabilities including access to the range of products and services offered across the Tracsis Group.

Traffic Data & Events

Traffic Data

Provides transport data collection and analysis for local authorities, transport planners and operators, highways authorities, and large engineering consultancies. Through the application of automatic data collection systems, video with machine learning AI, and manual survey methods, we provide temporary or permanent data collection in any traffic environment and for any class of traffic including motor vehicle type, cyclists and pedestrians. The insights we offer are deployed by industry-leading public and private sector clients to improve the flow of traffic and trade throughout the UK and Ireland.

Events Transport Planning & Management

Delivers traffic management solutions and event admission control services for large, complex operations including cultural and sporting events, festivals, large retail sites and other ad hoc activities. We support our customers with all aspects of planning, control, signage, traffic management and car parking. Technologies such as Tracsis Live Technology ("TLT") offer improved traffic monitoring and traffic flow in and out of major event venues.

Data, Analytics, Consultancy & Events

Revenue	Adjusted EBITDA*	Profit before tax
£44.1m +14%	£5.6m +27%	£3.0m +61%

Stakeholder engagement

Building strong relationships

Section 172 statement

The Directors have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company and to deliver long-term shareholder value, while having regard for all individual stakeholders.

The Board and its Committees consider who its key stakeholders are, and the potential impact of decisions made on them, taking into account a wide range of factors including the impact on the Group's operations and the likely consequences of decisions made in the long term.

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

The Group's key stakeholders, material issues, and how the Board and the Group have engaged with them during the year are set out opposite.

Employees

Why we engage

The long-term success of the Group depends on the engagement and commitment of its employees. We strive to provide our people with opportunities for personal development, career progression, and a safe and inclusive working culture.

How we engage

- Divisional and business unit line managers
- All employee briefings
- Employee training
- Internal communications
- Health and Safety reviews
- Employee survey

Outcomes

Engagement occurs on both a formal and an ad hoc basis throughout the year. The CEO and CFO make regular visits to our offices, enabling staff to engage and to ask questions in a more informal setting. The Board also rotates the location of its meetings around Tracsis operating locations.

All employee briefings are given by the senior leadership team at least three times a year, which provide an update on business performance and key strategic and operational initiatives. These sessions also provide an opportunity for colleagues to ask questions. All sessions are recorded and are made available for all colleagues to access.

We have continued to deliver the 'OneTracsis' leadership development programme that was launched last year. The CEO and CFO have attended modules of this programme to update on strategy and Group performance. This has been supplemented by other training events including courses focused on equipping our people to be effective managers.

The health and safety of all employees is a key priority. Health and Safety activities are co-ordinated centrally by the Group Health and Safety Manager and are reported to senior management on a monthly basis. During the year there were two RIDDOR reportable incidents and no fatalities.

Customers

Why we engage

The Group has a wide range of current and prospective customers across its Divisions and business units. Regular contact is maintained through a variety of relationships at all levels throughout the organisation. The Group seeks to develop strong, long-term relationships with these customers to become trusted partners and innovators who can help them to address future challenges.

How we engage

- Regular contact through Divisional and Group management
- Attendance at industry events and tradeshows

Outcomes

The Group mainly engages with its customers via a mix of face-to-face meetings, video and telephone calls, industry events, and email communication. We have a number of large projects that are ongoing at any point in time which require regular dialogue and close liaison with our customer base. Our products and services offer a compelling value case for our customers, and we have continued to secure new large, multi-year contracts across both Divisions.

The Board believe that close engagement with our customers is key to the future success of the business. During the year to 31 July 2023 we have invested to build out our commercial teams in the UK and US, to better enable a high level of engagement across our customer groups.

The Board made a conscious decision during the Covid-19 pandemic to protect the Traffic Data & Events businesses that were most impacted by a reduction in demand. This included protecting as many jobs as possible, and preserving the mix of skills and experience across our workforce. As a result of these actions we have been able to quickly respond to our customers' needs in order to meet an increase in demand.

Suppliers

Why we engage

The majority of the Group's costs are staff costs. In respect of external suppliers, the Group has a policy of treating all suppliers fairly and in accordance with high standards of business conduct and ethics.

How we engage

- Regular contact through business unit and Group management
- Supplier due diligence
- Payment of suppliers in accordance with agreed terms and conditions

Outcomes

When entering into new agreements for the supply of goods or services, our subsidiaries are responsible for agreeing appropriate payment terms. Group companies are encouraged to abide by the payment terms they have agreed, so long as they are satisfied that the suppliers have provided the goods or services in accordance with the agreed terms and conditions.

The Group's payment terms are generally within 30 days of invoice, and we provide details of our payment practices twice a year. The July 2023 report indicated that the average time taken to pay invoices was 23 days and that 80% of invoices were paid within 30 days.

Communities

Why we engage

We see ourselves as part of the communities in which we live and work, and we are committed to ensuring that the Group's operations, products and services positively contribute to these communities.

How we engage

- Operating businesses mainly maintain these relationships at a local level
- Group volunteering and community outreach policy
- Hosting engagement activities focused on technology

Outcomes

We have a volunteer and community outreach policy that provides paid time off to enable and encourage our people to volunteer their time and skills to support community and charitable initiatives. We are encouraging each part of the Group to use this to take a more active role in their communities.

During the year the Group has made further progress towards its target of being carbon neutral for scope 1 and scope 2 emissions by 2030. This is described in more detail on pages 34 to 38.

We have started a programme of events aimed at engaging with local communities and centred around technology. In February 2023 we hosted a 'breaking barriers' technology talent event at our Head Office in Leeds, aimed at helping people from a range of backgrounds understand how they can start a career in tech. This included a panel of Tracsis employees who shared their experiences and answered questions. In September 2023 we hosted a 'hack for good' hackathon as part of the Leeds Digital Festival. The theme of this event, which was attended by c.100 people, was using technology to help develop a skilled, productive and inclusive workforce.

Investors

Why we engage

The Board is committed to communicating openly with shareholders to ensure that its strategy and performance are understood. We provide them with reliable, timely and transparent information on a regular basis, in order that they can make informed decisions on their investment in our Company.

How we engage

- Annual Report and Accounts
- AGM
- Group website
- Investor roadshows and results presentations
- Stock exchange announcements
- Investor visits and ad hoc meetings
- Engagement through the Group's broker

Outcomes

Responsibility for managing shareholder relationships rests with the CEO and CFO, with the support and assistance of the Company's broker. Two investor roadshows were completed in the year, for the final results from the previous year and the interim results from the current year. Both were conducted through a mix of face-to-face meetings and video conference. These roadshows cover existing and potential new investors. On both occasions the Group also conducted an online presentation available for all holders and non-holders to attend.

During the year the Group hosted a Rail Technology UK product demonstration event that was attended by institutional investors. Demonstration videos prepared for this event are available on the Group's website.

The Group maintains regular contact with major shareholders and there were various ad hoc meetings throughout the year with both UK and overseas investors. The Group also participated in investor conferences in the UK and US.

> “Tracsis is committed to delivering sustainable growth, and ensuring that our products, services and activities all make positive contributions to the world around us. Securing ISO 14001 accreditation for our environmental management system is an important step towards achieving our goal of being carbon neutral by 2030.”
>
> **Chris Barnes**
> Chief Executive Officer

Sustainability is at the heart of our purpose and our products

Our approach

Tracsis is fully committed to delivering sustainable growth that benefits the communities in which we, and our customers, operate. The Group’s products and services are well aligned with this vision, and support our customers in delivering positive environmental and social outcomes. This is achieved by maximising operating efficiency, improving health and safety performance, delivering enhanced customer experience, and providing expert consultancy on environmental and transport issues. Our growth strategy is focused in these areas.

Sustainability is a fundamental component of how we deliver long-term stakeholder value and of our employee proposition in order to attract and retain talent. Our Environmental, Social and Governance (ESG) strategy articulates our sustainability ambitions and provides a framework for delivering these. The execution of this strategy will embed ESG as a core component of our operating model.

United Nations Sustainable Development Goals ("SDGs")

Our ESG strategy and ambitions are aligned to the United Nation SDGs, as summarised in the table below. In reviewing this alignment we have considered the subindicators within each of the SDGs.

UN SDG	Sustainable development target	Tracsis alignment
3 GOOD HEALTH AND WELL-BEING	3.6 Halve the number of global deaths and injuries from road traffic accidents	Our Rail Technology & Services products help to deliver a modern, efficient railway with high levels of availability and an improved customer experience, to encourage increased use of public transport.
4 QUALITY EDUCATION	4.4 Increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship	Community outreach activities focused on encouraging careers in tech and improving access and diversity.
5 GENDER EQUALITY	5.5 Ensure women's full and effective participation and equal opportunities for leadership	50% of the Tracsis Board is female. We aim to increase female representation across all levels throughout the business.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.1 Develop quality, reliable, sustainable and resilient infrastructure	The core purpose of our Rail Technology & Services business is to enable the digital transformation of the railway to improve reliability, efficiency and sustainability.
11 SUSTAINABLE CITIES AND COMMUNITIES	11.2 Provide access to safe, affordable, accessible and sustainable transport systems for all	Our Rail Technology & Services products help to deliver a modern railway, with high levels of availability, increased efficiency, improved safety outcomes, and access to pay-as-you-go ticketing.
	11.6 Reduce the adverse per capita environmental impact of cities	Our Data, Analytics, Consultancy & Events Division provides expert advice and analysis to deliver optimised transport infrastructure solutions which contribute to sustainable transport initiatives and CO_2 reduction.
13 CLIMATE ACTION	13.2 Integrate climate change measures into policies, strategies and planning	Our target is to be carbon neutral for scope 1 and scope 2 emissions from Tracsis operations by 2030. Our products and services support optimised transport infrastructure solutions and the increased use of public transport, to help reduce GHG emissions.

Tracsis sustainability framework

Our purpose
To empower the world to move freely, safely and sustainably

Our sustainability focus areas and ambition

Environment
Enabling a zero carbon future

Social
Helping people to prosper

Governance
An ethical and transparent business

How we achieve this

Through how we operate
An operating model that delivers positive outcomes for our people, our communities and our environment

Through our products and services
Enabling our customers to achieve their sustainability goals through our products and services

Corporate governance and compliance underpinning product and service quality

Sustainability *continued*

Our sustainability goals

Environment

Sustainability ambitions

We see reducing carbon emissions as the area in which Tracsis can deliver the most material positive environmental impact.

Tracsis operating model

We are focused on reducing the carbon emissions from Tracsis' operations.

Our target is to be carbon neutral for scope 1 and 2 emissions across Tracsis operations by 2030.

Tracsis products and services

We envisage a zero carbon, energy efficient transport future.

Our products and services enable this by improving transport effectiveness and efficiency.

Social

Sustainability ambitions

We want to ensure Tracsis has a positive impact on the people who work for us, and on the communities where we operate.

Tracsis operating model

We want to provide our employees with meaningful, rewarding and sustainable employment:

- ensuring they are safe and protected from harm in the workplace;
- creating a diverse and positive culture, with progression based on merit and capability;
- equal pay for equal work, and fairly rewarding success;
- providing training and development for all employees through formal programmes; and
- identifying potential and supporting career progression.

Tracsis products and services

We want to deliver a positive social impact on society at large:

- supporting our customers to deliver positive social impacts through the application of our products and services;
- delivering improved health and safety outcomes for our customers through our Rail Technology products; and
- Tracsis operations having a positive impact in the communities where we operate.

Governance

Sustainability ambitions

Our ambition is to be a successful, innovative and sustainable business that delivers long-term value and is accountable for its actions and behaviour.

Tracsis operating model

Effective and transparent stakeholder engagement

Tracsis products and services

Managing sustainable value throughout the Company

Environmental

We are committed to environmental sustainability.

Our 2030 targets for Tracsis operations are as follows:

Aim	Metric	2030 target	FY 23 Performance	Change in the Year
Carbon neutral (Scope 1 and 2)	Tonnes of equivalent carbon dioxide emissions, (tCO_2e)	Zero	988 2022: 1,060	↙ 7% lower
Fleet electrification (owned and hired for operations)	Number of electric vehicles/total number of vehicles	100%	16% 2022: 3%	↗ 13 %pts higher
100% renewable energy supply	% kWh of renewable electricity supply (Scope 2)	100%	32% 2022; 40%	↙ 8 %pts lower

Our key focus for Tracsis operations is to be carbon neutral for scope 1 and scope 2 emissions by 2030.

Over 70% of the Group's carbon emissions are generated from its vehicle fleet, which is primarily in the Traffic Data & Events business. Our primary focus to achieve our carbon neutral goal is therefore on achieving 100% electrification of this fleet. At 31 July 2023 this had increased to 16% from 3% at 31 July 2022 (including hybrid vehicles). Achieving 100% electrification requires iterating our operating model to progressively increase the utilisation of electric vehicles. During the year, these two businesses have been fully integrated under a common leadership team to enable a consistent and focused approach to achieving this ambition. We are currently reviewing options to establish a hub of combined operating sites that will better support a fleet of electric vehicles.

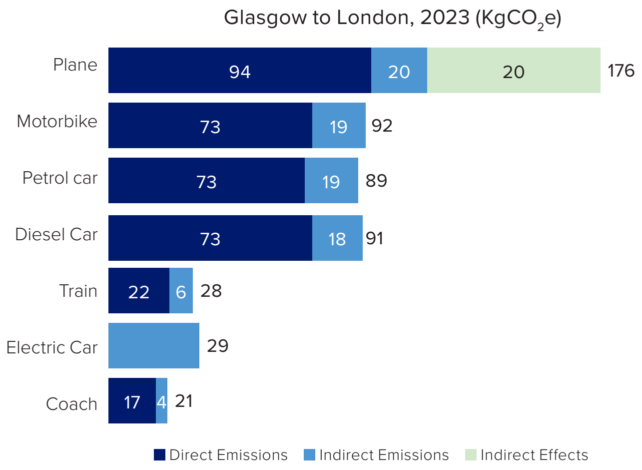
We are also committed to ensuring that 100% of the Group's electricity supply is from renewable sources. This decreased in the year to 32% (2022: 40%) reflecting a full year of ownership of Rail Technology North America. We will identify how to improve this through the emerging Carbon Reduction Plan.

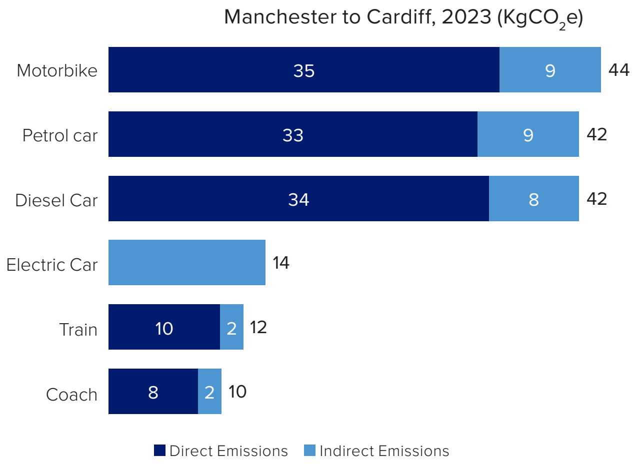
Our focus on carbon does not mean we are not also committed to delivering other positive environmental outcomes. For example we have a waste management policy to reduce the amount of waste the Group produces, and to increase the amount of reuse and recycling of waste materials.

Supporting our clients' net zero ambitions

Our Rail Technology products support our clients to deliver more efficient and more reliable rail transport services, with an improved customer experience. We see increasing rail transport usage as an integral part of delivering a net zero transport future. Transport is the largest greenhouse gas (GHG) emitting sector in the UK, with 94% of these emissions coming from cars and taxis, heavy goods vehicles, and vans[1]. Rail travel, by comparison, is a significantly lower carbon intensity form of transport, as shown in the charts below. Increasing rail usage requires the digital transformation of the rail industry, which Tracsis is well placed to support.

Indicative GHG emissions (KgCO$_2$e) for a single passenger on example journeys, 2021[1]





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[1] Source: Department for Transport "Transport and Environment Statistics: 2023" published 19 October 2023.

Sustainability *continued*

Energy consumption and emissions data

We recognise the impact that greenhouse gas emissions have on our environment, and we are committed to reducing our emissions. The table below shows the Group's energy consumption and emissions in accordance with the Streamlined Energy and Carbon Reporting (SECR) requirements. We are reporting our two Divisions separately due to the different consumption profiles. FY23 data includes a full year of ownership of Rail Technology North America (Rail Technology & Services, Global) and Icon GEO (Data, Analytics, Consultancy & Events, Global), which has resulted in an increase in total emissions in the Rail Technology & Services Division.

	Emissions by region				Emissions by Division			
	FY23		FY22		FY23		FY22	
	UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)	Rail Technology & Services	Data, Analytics, Consultancy & Events	Rail Technology & Services	Data, Analytics, Consultancy & Events
Energy consumption used to calculate emissions: /kWh	3,773,073	516,526	4,188,923	327,106	514,718	3,774,881	338,350	4,177,679
Scope 1: Direct emissions from owned/controlled operations	787	57	782	44	17	827	10	817
Scope 2: Indirect emissions from the use of electricity	23	10	73	18	8	25	37	52
Scope 3: Emissions from sources that we do not own	75	35	126	17	62	48	16	126
Total emissions	**885**	**102**	**981**	**79**	**87**	**900**	**65**	**995**
Intensity ratio: total gross tCO_2e (as above)/£100,000 revenue	1.21	1.16	1.72	0.63	0.23	2.04	0.22	2.56

Methodology

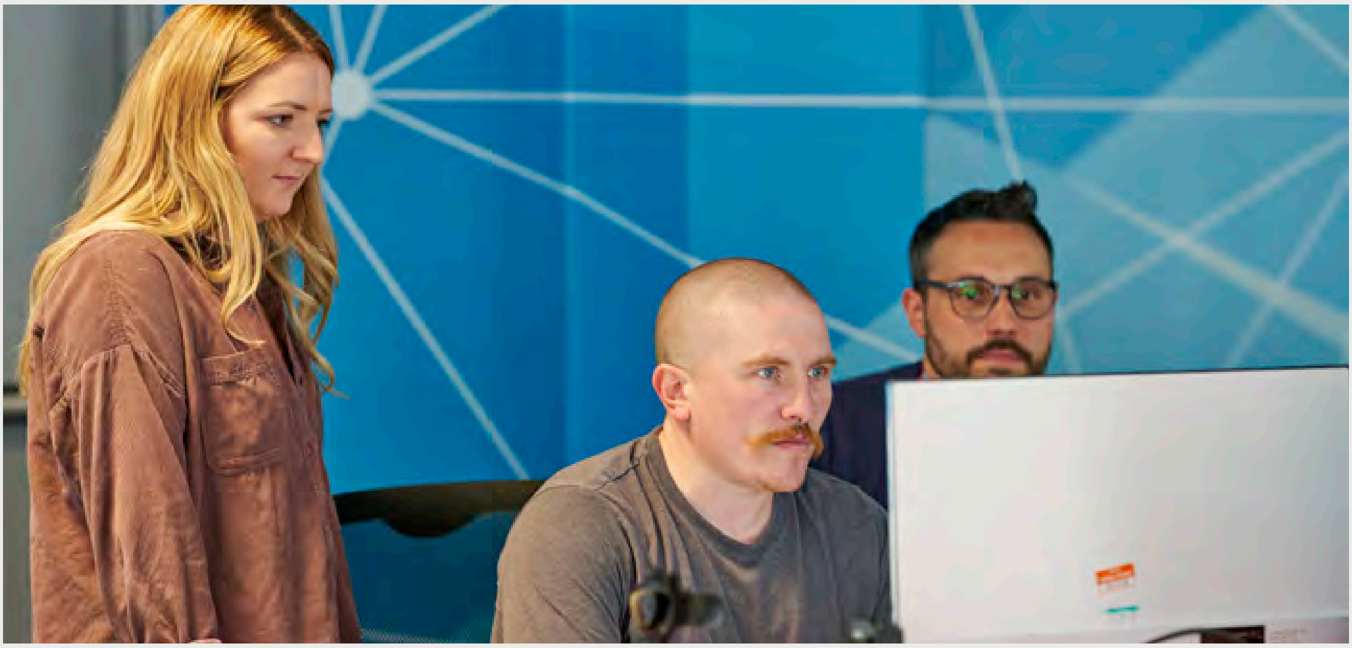
Reporting (and the organisational boundary to which it applies) uses the Control Approach as defined in the GHG Protocol Corporate Standard (Revised). BEIS-DEFRA 2022 Conversion Factors are used for UK emissions and Sustainable Energy Authority of Ireland (SEAI) 2021 Conversion Factors are used for Ireland. US figures use the 2007 IPCC Fourth Assessment Conversion Factors (to be consistent with the BEIS-DEFRA 2022 conversion factors which are based on the 2007 IPCC Fourth Assessment figures). Our process for collecting and reporting emissions data has been validated by external consultants as appropriate and sufficient.

Scope 1 emissions: Emissions from combustion of gas are based on kWh consumption. Emissions from combustion of fuel for transport purposes are based on litres of purchased fuel (converted to kWh for the energy consumption calculation above using BEIS-DEFRA 2022 Conversion Factor ratios).

Scope 2 emissions: Emissions for location-based purchased electricity are based on kWh consumption. Owing to the nature of the events industry, it has not been possible to produce carbon emission figures for remote event sites where event organisers provide electricity supply to temporary cabins, so these emissions are excluded.

For Scope 1 and 2 emissions, the primary sources of data are invoices and service reports. Missing data points have been estimated based on available data for the same business location or, in one case where no data was available from the landlord, an analysis of locations with similar operational profiles. Where estimated data suggests a range of possible values, as opposed to a single reasonable value, the higher value of the range has been used to give the higher value of carbon emissions.

Scope 3 emissions: Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel are based on mileage from expense claim data or, where unavailable, maximum estimated mileage for each business given the nature of its operations.



Social

Ensuring that Tracsis has a positive impact on the people who work for us, and across society at large including the communities where we and our customers operate, is fundamental to our ambition to deliver sustainable growth and long-term stakeholder value. Our strategy is focused on four key areas.

Health and safety

Ensuring our people are safe and protected from harm in the workplace is a key priority and the Board is committed to driving a strong safety culture throughout the Group. Our 2030 target is for zero lost time injuries. The Group Health and Safety Manager is responsible for oversight of all safety issues and provides a report to the Executive Management Team on a monthly basis. This report covers the details of any health and safety related incidents including near misses, and mitigating actions being taken to ensure these are not repeated. During the financial year ended 31 July 2023 there were two RIDDOR reportable incidents, and no fatalities.

Employee engagement

The Group is focused on offering a compelling proposition to current and future employees, in order to retain and attract the best talent. A key component of this is regular and meaningful engagement with our employees from all parts of the Group. Communication occurs on both a formal and an ad hoc basis throughout the year. The CEO and CFO provide regular updates to senior leaders throughout the business to keep them informed of what is happening across the wider Group. They also make regular visits to our offices which provide opportunities for all staff to engage with them and to ask questions in a more informal setting. The Board also rotates the location of its meetings around Tracsis operating locations, which provides further opportunity for engagement with our employees.

We have continued to host lunchtime “Tracsis Talks” sessions covering a range of employee- generated topics and involving expert speakers. During the year this has included menopause awareness and neurodiversity.

In September 2022 the Group undertook its first employee survey, to better understand how we could improve our employee proposition. 60% of employees completed the survey, which delivered an engagement score of 85%. Feedback from employees in this survey resulted in three areas of focus for the year ended 31 July 2023:

Communication: Employees requested increased levels of communication and the improved ability to connect with colleagues around the Group. During the year we have implemented the Group’s first groupwide HR information system, which gives all employees the ability to communicate and collaborate with each other. We have also increased the number of all-employee briefings given by Chris Barnes and the senior leadership team, which provide an update on Company strategy and performance and where people from across the Group can ask questions. As we continue to further integrate the Group’s activities and operating model, we are creating more opportunities for increased collaboration and career development across the full span of Tracsis’ activities.

Career development: We have invested in building out our internal talent team, who co-ordinate both our talent acquisition activities and also focus on building development pathways within the Company for our people. Vacancies across Tracsis are now advertised in a central place where all colleagues have visibility to apply, and we have rolled out a number of training programmes in the year aimed at developing management skills and other capabilities to enhance professional development. Topics have included how to hold an effective one-to-one, how to manage performance, and how to recruit effectively. During the year we have introduced a new performance development review process, which is designed to give employees the opportunity to have career development conversations with their managers and to align objectives with individual career aspirations.

Benefits: We are in the process of completing a comprehensive review of all benefits on offer across Tracsis, and have made progress in standardising our offering in a number of areas. This work is ongoing as we make further progress in integrating the Group.

We will undertake a second groupwide survey in November 2023.

Sustainability *continued*

TRACSIS TALKS

Claudia-Liza Vanderpuije

Wednesday 4th October, 13:30pm to 14:30pm

For more information please contact:

Abi Chew

Technology Makes It Possible, People Make It Happen

TRACSIS

The Inclusive Manager's Toolkit

SUPPORTING YOUR TEAM

Talking Minds

TRACSIS

1 5-POINT PLAN

2 BE FLEXIBLE

3 CLEAR COMMUNICATION

4 BE ACCOMODATING

5 ACTIVE LISTENING

6 DEVELOP POLICIES

Social *continued*

Training, development and opportunities

We strive to provide our employees with a rewarding working environment, providing opportunities for personal development, career progression, and an inclusive and open culture. The Group has developed a comprehensive strategy to ensure that we have the processes, learning and development frameworks, and robust succession plans in place to continue to offer a compelling proposition to current and future employees, and to ensure we have the capabilities and talent to deliver our growth strategy.

During the year we have continued to deliver the 'OneTracsis' leadership development scheme for managers and senior leaders. As well as providing learning and development opportunities in a business context, this scheme is also designed to promote collaboration and innovation across the Group. The CEO and CFO have attended modules of this training programme to update on strategy and Group performance. A number of business initiatives have resulted from this scheme, which are now being progressed by multi-functional teams made up of colleagues who attended the programme and under the sponsorship of a senior leader.

As noted above we have delivered further training programmes this year with a focus on management skills. In the coming year we will be rolling out a Learning Management System that will provide an online resource of development materials to supplement in-person training.

Community engagement

In support of our focus on helping people to prosper, during the year we have started a series of community engagement initiatives centred around technology.

In February 2023 we launched our "Breaking Barriers" series. This is aimed at bringing the technology community in Leeds together and ensuring Tracsis is involved in the conversation around diversity and inclusion in tech. Over 60 people attended the event hosted at Tracsis' Leeds headquarters, and the event included a panel of Tracsis employees who shared their experiences and answered questions.

In September 2023 Tracsis was the headline sponsor of a "hack for good" hackathon in partnership with Leeds City Council as part of the Leeds Digital Festival. The theme of the event, which was attended by c.100 people, was using technology to help develop a skilled, productive and inclusive workforce. We plan to support similar events in other locations going forward.

A number of charitable initiatives have been undertaken across the Group this year, organised at a local operating site level. These have included work supporting the Trussell Trust and activities to collect and upcycle IT equipment for use in schools in Zambia.

Governance

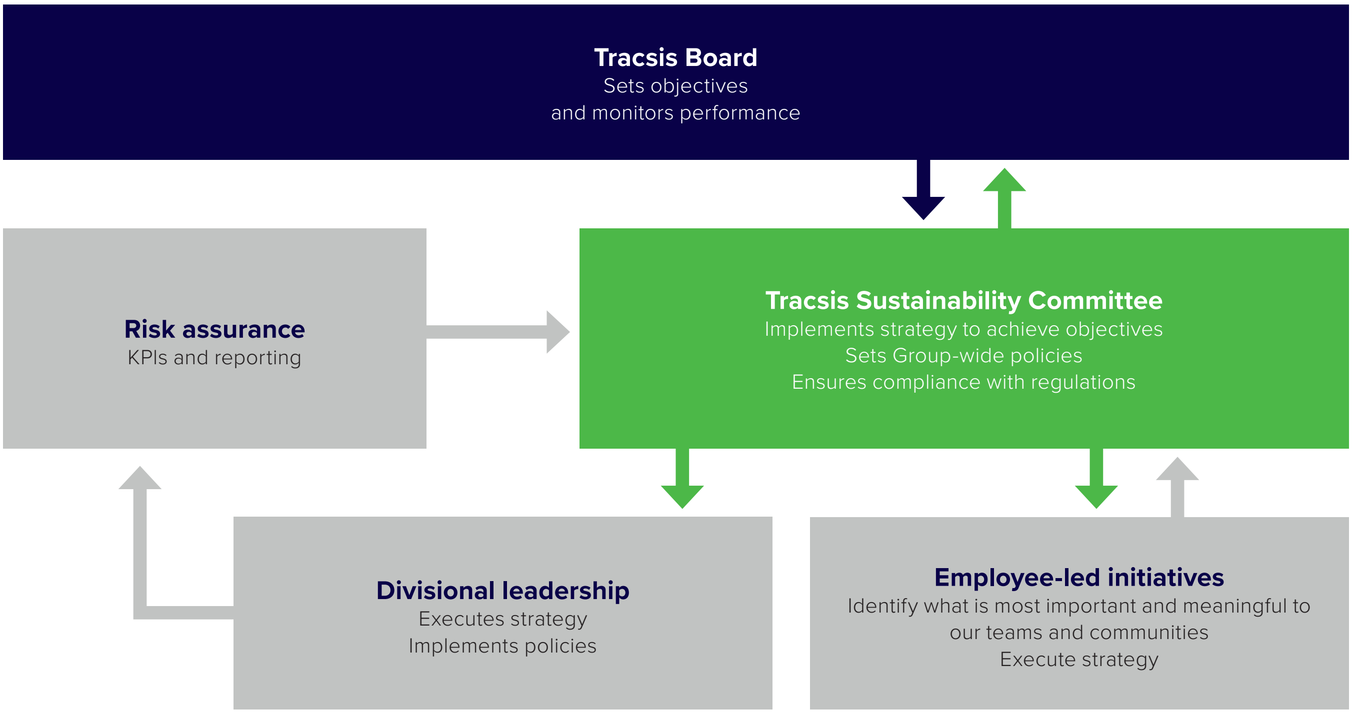
The Tracsis Board provides oversight and has overall responsibility for the Group's sustainability performance. It sets the targets for the Group and monitors progress on delivering these.

The Group has established a Sustainability Committee responsible for implementing a strategy to deliver these targets. Its remit also includes developing ESG policies, providing oversight of ESG initiatives, and ensuring compliance with relevant legal and regulatory matters. The ESG Committee is chaired by the Group Chief Executive Chris Barnes and comprises colleagues from a number of functional disciplines.

The ESG Committee works with the leadership teams of our Divisions and operating units to implement the Group's sustainability strategy. These activities range from groupwide implementation of policies to initiatives delivered at a site level or by individual employees. More complex workstreams that require cross Divisional co-ordination are overseen by the Group Quality and Risk Director. The risk assurance team is also responsible for the measurement of performance and KPIs.

We recognise the increasing importance of sustainability to our stakeholders, including our employees. In order to ensure that the Group's strategy addresses those issues that are most meaningful to its people, it has established an ESG working group with representation from a diverse range of employees across the Group and at different levels of the organisation. This working group makes recommendations to the ESG Committee on initiatives, policies and areas of focus, and is empowered to help deliver the sustainability strategy.

How sustainability is managed in Tracsis



ISO 14001 accredited Environmental Management System

To better support our sustainability ambitions, we have introduced a groupwide Environmental Management System ('EMS') that covers all employees in the UK, Ireland and the US. This management system, which secured ISO 14001 certification in September 2023, is helping to create a highly effective, collaborative working environment within which we can deliver planned activity to a defined standard. Implementing this management system against an ambitious timeline has required sustained support at all levels across the business, demonstrating our commitment to our sustainability agenda.

APPROACHABLE REGISTERED ac

UKAS MANAGEMENT SYSTEMS 8320

12655

ISO14001

Task Force on Climate Related Financial Disclosures ("TCFD")

This year Tracsis is captured under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 as an AIM-listed company with more than 500 employees and therefore within the scope of FCA rules to incorporate TCFD-aligned climate disclosures in our FY23 annual report. This report covers Tracsis' governance of climate change, its integration with overall risk management, the strategy for managing climate-related issues and opportunities, and the metrics used to measure progress towards our targets. The following pages set out our climate-related financial disclosures which are aligned to the recommendations and recommended disclosures as outlined in "Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures", published in October 2021 by the Task Force on Climate-Related Financial Disclosures ("TCFD").

Governance

At Tracsis, the Board has overall responsibility for sustainability issues including the oversight of climate-related matters and effective management of climate-related risks and opportunities, in line with the responsibility to monitor any issues which impact the strategy, risk management, and operations of the Group. The Board meets regularly, and all members participate in discussions.

The Board is responsible for approving the Group's TCFD-aligned disclosures and signing off on the strategy determined by the Sustainability Committee. The Board is also responsible for reviewing and signing off on the risk register which includes climate-related issues.

There are two pathways in which climate-related issues are fed upstream to the Board and downstream to management. One is for risk management and the other is operational.

For risk management, there is an executive-level Group Risk Oversight Committee (GROC) which is chaired by the CEO who oversees the management of pan-Group business risk of which climate-related risks are included. They meet at least twice a year and on an ad hoc basis as risks emerge. There are regular meetings between Group and Divisional leadership teams to discuss business specific risks and operations. The outcomes of these conversations are passed to the GROC and would include climate specific risks if they were to arise. The GROC reports formally to the Tracsis Board at least twice a year.

On the operational side, the Board has delegated responsibility to an executive-level Sustainability Committee, which is chaired by the CEO and is responsible for setting the sustainability strategy including embedding the ISO 14001 system and managing actions to meet our current carbon neutral target. The Committee is supported by the Divisional leadership and by environmental champions in each Division, who execute strategy and implement relevant policies and employee-led initiatives.

Our Group Environmental Manager is upskilling in this area to provide advice to the Board to ensure there is sufficient expertise to successfully oversee climate-related risks and opportunities. External advice is obtained where appropriate.

Risk management

The assessment and management of climate-related risks is integrated into the groupwide approach to risk management as outlined on pages 48 to 53 and is overseen by the GROC.

Identified risks are discussed by the GROC, including an assessment of impact and likelihood. An overall risk rating is determined which allows for the prioritisation of risks. A mitigation response is then determined based on the risk rating, and a response is put in place if necessary. All these details are included on the risk register against each risk. The risk register is reviewed as part of the GROC report to the Board and it is also common for identified risks to be assigned to a Group-level lead to keep a watching brief and update the Board as appropriate.

We assess climate-related risks and opportunities against the following defined time horizons:

	Time horizons		
	Short	**Medium**	**Long**
	2023-2026	2027-2030	2030-2050
Rationale	In line with specific business plan forecasting	Encompassing the Group's ambition for carbon neutral scopes 1 & 2 by 2030	Long enough to encompass long-term industry and policy trends, such as UK Net Zero 2050 and for climate-related risks to manifest.

The following scales are used for Impact, Likelihood and Mitigation:

Impact is based on a quantitative and qualitative assessment of reputational and financial risk.

1. Significant (<£1m EBITDA)
2. Major (£1m - £2.5m EBITDA)
3. Critical (>£2.5m EBITDA)

Likelihood is based on the potential for a risk to manifest within a set period of time.

1. Remote (not more than once in 5 years/more than 5 years away)
2. Probable (within 5 years/more than once in 5 years)
3. Frequent (within 1 year/more than once per annum)

Risk rating formula:

Risk Impact x Likelihood = Risk Rating

Mitigation response

- Terminate
- Transfer
- Treat
- Tolerate

The scales above are used as guidelines, however the GROC uses discretion and judgement when determining the impact and likelihood of risks and opportunities.

Climate-related risks and opportunities are divided into two major categories: physical and transition. Physical risks can be event driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g. sea level rise). Transition risks are associated with the transition to a lower-carbon global economy (e.g. policy and legal actions, technology changes, market responses, and reputational considerations).

As part of this process, we have considered all risk and opportunity categories outlined in the TCFD guidance, to ensure that all possible climate-related risks have been analysed. Not all risk categories are applicable or material to the business. Climate-related risks and opportunities have been considered in relation to our own operations, supply chain and downstream, as per the TCFD recommendations. Against the relevant risks below, we will try and derive quantifiable impacts where the underlying data is available and where the current understanding of the risks is robust.

Strategy

We have used the following three climate-related scenarios, looking forward out to 2100 for physical risks.

- RCP 2.6[1]: a climate-positive pathway, likely to keep global temperature rise below 2 °C by 2100. CO_2 emissions start declining by 2020 and go to zero by 2100.
- RCP 4.5: an intermediate and probable baseline scenario more likely than not to result in global temperature rise between 2 °C and 3 °C by 2100 with a mean sea level rise 35% higher than that of RCP 2.6. Many plant and animal species will be unable to adapt to the effects of RCP 4.5 and higher RCPs. Emissions peak around 2040, then decline.
- RCP 8.5: a bad case scenario where global temperatures rise between 4.1°C-4.8°C by 2100. This scenario is included for its extreme impacts on physical climate risks as the global response to mitigating climate change is limited.

We have used the following two climate-related scenarios, looking forward out to 2050 for transition risks.

- Net Zero 2050 (NZE)[2]: an ambitious scenario which sets out a narrow but achievable pathway for the global energy sector to achieve net zero CO_2 emissions by 2050. This meets the TCFD requirement of using a "below 2°C" scenario and is included as it informs the decarbonisation pathways used by the Science Based Targets initiative (SBTi), which validates corporate net zero targets and ambition.
- Stated Policies Scenario (STEPS)[3]: a scenario which represents the roll forward of already announced policy measures. This scenario outlines a combination of physical and transitions risk impacts as temperatures rise by around 2.5°C by 2100 from pre-industrial levels, with a 50% probability. This scenario is included as it represents a base case pathway with a trajectory implied by today's policy settings.

The Group's exposure to climate-related risks is at the lower end of exposure, however working for and with the transport industry does present its own unique risks and opportunities. Although initial climate-related risks in the short term are 'Significant', these rise to 'Major' in the medium to long term. Adequate implementation of mitigation strategies including a comprehensive Scope 3 footprint screening will assist us to withstand the potential risks. Climate-related opportunities already exist operationally and can be acted upon now, and opportunities in the market are expected to grow over time and could have a 'Major' positive impact.

Our view currently is that significant financial planning or budgetary change as a result of climate change is not likely to be required given our expectation that digital transformation will continue to be a critical component of achieving a sustainable and less carbon-intensive transport infrastructure. Implementing a robust carbon reduction plan will have some cost including capital investment in decarbonising our vehicle fleet, however this is considered business as usual with respect to operational and capital costs. Similarly, realising market opportunities will not require significant investment as the current skillset and business model supports the new work that could arise. There are no effects of climate-related matters reflected in judgements and estimates applied in the financial statements as a result. We will continue to develop our analysis as new data becomes available, both internally and externally, and we will continue to monitor our climate exposures and action plans through the Group's risk management framework.

Key risks

Extreme weather events are expected to increase in both frequency and magnitude as an impact of climate change. Global temperatures are forecast to rise in all three scenarios we studied, at best peaking below a 1.6°C increase above pre-industrial levels by 2040 in NZE and at worse continuing to rise to between 4.1°C–4.8°C increase above pre-industrial levels by 2100 under RCP 8.5. Under STEPS, extreme rainfall is expected to occur up to twice as often as today and be three to four times more intense by 2100. RCP 8.5 is more extreme.

We have assessed all locations of our existing facilities for physical climate-change risks using geospatial risk modelling software and determined the risk to not be material based on data from the models. For the five locations that were identified as having either current or future physical climate-related risks including flooding and drought stress, each of the locations had mitigating factors such as:

- established work from home procedures would mean very limited loss of business productivity in the event of travel or site-related disruption.
- assembly sites and storage facilities hold relatively low levels of inventory.
- insurance recovery in the event of natural disasters.

The Group does not rely on a small number of individual suppliers, and does not require unique or niche products or materials in our offerings. In terms of customers, we have an increasingly diversified customer list within the transport industry and we have assumed that the risk of the entire rail network being impacted by physical risks and not continuing to operate, is highly unlikely. It was therefore deemed unnecessary to carry out a physical risk analysis of suppliers or customers.

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[1] IPCC (2014), Climate Change 2014: AR 5 Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change

[2] IEA (2022), Global Energy and Climate Model, IEA, Paris iea.blob.core.windows.net/assets/3a51c827-2b4a-4251-87da-7f28d9c9549b/GlobalEnergyandClimateModel2022Documentation.pdf

Task Force on Climate Related Financial Disclosures ("TCFD") *continued*

Key risks *continued*

Transitional risks that were considered but deemed immaterial include:

i. **Increased cost of capital due to linkage with sustainability criteria (Market)**

Rationale: the business operates with no debt, and has cash balances of £15.3m at 31 July 2023. The Group has a track record of generating healthy levels of operating cash flow, and capital allocation is managed at Board level. There is no indication at this stage from our banks of incorporating sustainability requirements into agreements. We engage with our shareholders on our sustainability strategy to ensure we meet their expectations and will continue to do so as these evolve.

ii. **Risk of non-compliance with environmental regulation (Policy & legal)**

Rationale: no exposure. Any association with climate change risks is assumed to be reputational (see below).

Three key climate-related risks that could have a financial impact on the organisation have been identified.

Risk	1. Reputational risk linked to sustainability performance and reporting	2. Carbon pricing in operations	3. Carbon pricing in supply chain
Type	Transition (Reputation)	Transition (Current and Emerging Regulation)	Transition (Current and Emerging Regulation)
Area	Downstream	Own operations	Upstream
Primary potential financial impact	Lost revenue due to fewer business opportunities	Higher costs associated with energy and fleet	Higher costs associated with purchased goods and transportation
Time horizon	Medium to long-term	Medium	Medium
Likelihood	Probable	Frequent	Frequent
Impact	Major	Significant to Major	Major
Location or service most impacted	Across the Group (higher impact and more immediate in Rail Technology & Services)	Across the Group (higher impact in Data, Analytics, Consultancy & Events)	Across the Group (higher impact in Data, Analytics, Consultancy & Events)
Metrics used to track risks	External ESG ratings Customer feedback Lost tenders	Scope 1 and 2 greenhouse gas ('GHG')emissions	Scope 3 - business travel GHG emissions are calculated however the full Scope 3 footprint has not been determined. We expect these to be larger than Scope 1 & 2

1. Reputational risk linked to sustainability performance/reporting

We are committed to communicating progress on sustainability to our stakeholders. Our product and service offerings are principally in the transport industry with a significant focus on the rail industry in the UK and in North America. Decarbonisation of the rail network and encouraging the public and goods distribution companies to use trains over other modes of transport are becoming key focuses for many of our customers as well as for government and other policy makers. In order to achieve their own sustainability ambitions as part of their strategy, our customers will review their supply chain and we have already started receiving requests as part of this process. Some requests have been as part of tenders, including providing sustainability plans, green credentials and more recently what emissions targets we have in place and the potential of science-based targets being required in the future. This has been experienced in both the Rail Technology & Services and the Data, Analytics, Consultancy & Events Divisions.

We do not have a large operational carbon footprint and can already demonstrate environmental initiatives in our business. We have not yet calculated our full Scope 3 footprint, which could lead to the identification of additional risk. We have categorised the net likelihood of this risk as 'probable', in recognition that customer expectations will likely continue to increase over time. Extending the scope of our Scope 3 calculation would mitigate this risk of meeting the current and medium-term expectations from external stakeholders. In addition to this, we have an increasingly diversified client list to mitigate reliance on any single customer, and long standing relationships with both customers and suppliers who we can work with collaboratively to ensure we meet their requirements.

We will continue to monitor trends and regulation to ensure alignment with stakeholder expectations on climate-related performance. We will continue to widen the scope of our Scope 3 emissions reporting, and will consider the option to set science-based targets alongside a net zero transition plan. We will endeavour to turn this risk into an opportunity by staying ahead of the curve and anticipating the future growing expectations of stakeholders. By aligning to these targets and initiatives, we could gain early mover advantage and be a preferred choice in the market.

2. Carbon pricing in operations

The application of carbon pricing to our direct emissions is expected to expand over the medium term, and the price of carbon is expected to rise to make businesses more responsible for their energy use and carbon emissions. For operational emissions, carbon prices represent a risk of higher energy prices (carbon tax).

The International Energy Agency ('IEA') forecasts that carbon prices (US\$/tCO_2e) relevant to Tracsis under NZE and STEPS scenarios are projected to increase as outlined below. The regions in the table represent the price scenario in regions our operations are in (note, there is no carbon price estimate for US at this stage under the STEPS scenario). US would fall under advanced economies under the NZE scenario only. The UK would fall under the EU carbon pricing category under the STEPS scenario and the advanced economies category under the NZE scenario. Applying these carbon prices to reported emissions for 2023 has a 'Significant' impact under the STEPS scenario in all three timeframes. However, this impact is 'Major' under the NZE scenario from 2040 onwards. This is also absent of any future mitigation actions or material changes to the business and assumes we bear the full impact of carbon prices.

World Energy Outlook 2022 Table B2, pg. 465

	Carbon Price estimates (US$/t)		
Scenario - STEPS	**2030**	**2040**	**2050**
EU	90	98	113
Scenario - NZE	**2030**	**2040**	**2050**
Advanced economies with net zero pledges	140	205	250

Carbon pricing applied to Scope 1 and 2 emissions:

	Carbon Price estimates (US$)		
Scenario - STEPS	**2030**	**2040**	**2050**
EU (UK & Ireland emissions only)	77,580	84,476	97,406
Scenario - NZE	**2030**	**2040**	**2050**
Advanced economies with net zero pledges (all emissions)	133,560	195,570	238,500

By reducing Scope 1 and 2 emissions, largely through electrification of the fleet discussed under Operational opportunities and switching to 100% renewable electricity, we can largely mitigate the risk of carbon pricing in our operations.

3. Carbon pricing in the value chain

We expect carbon pricing will impact our value chain in addition to our own operations. Consistent with the analysis above, the scope of carbon pricing to the Group's indirect emissions (those that occur in the value chain – Scope 3) is expected to expand over the medium to long term, and the price of carbon is expected to increase. As the sophistication of our Scope 3 emissions reporting increases, we will develop a clearer insight into the impact on the Group and how we can mitigate this.

The likely main drivers of Scope 3 emissions for our business are electricity usage by data centres and from purchased goods and services. In order to reduce these emissions and mitigate the impacts of carbon pricing in the value chain, we will work towards identifying our full Scope 3 emissions footprint and subsequently towards reducing the main drivers of the emissions. This may rely on decarbonisation of the grid or engagement with suppliers to reduce their emissions.

Task Force on Climate Related Financial Disclosures (“TCFD”) *continued*

Opportunities

Two key climate-related opportunities that could have a financial impact on the organisation has been identified.

Opportunity	**1. Market opportunities**	**2. Operational opportunities**
Type	Products and Services	Resource efficiency & energy source
Area	Own operations	Own operations
Primary potential financial impact	Increased revenue	Reduced cost variability, reduced exposure to carbon taxes
Time horizon	Medium to long term	Short to medium term
Likelihood	Probable	Frequent
Impact	Major	Significant
Location or service most impacted	Across the Group	Across the Group
Metrics used to track risks	Revenue or number of products and services assisting companies involved in low carbon economy	Scope 1 and 2 emissions % renewable electricity

1. Market opportunities

The Group principally provides products and services into the transport industry, with a large weighting towards rail. Increasing rail transport usage is seen as an integral part of delivering a net zero transport future and our products and services are therefore inherently part of delivering positive sustainability outcomes. This presents opportunities for us to develop and offer additional products and services to our customers and thereby help them to deliver on their ambitions.

The Rail Technology & Services Division has several market opportunities as clients implement their own sustainability strategies and targets as part of their transition to adapt to climate change. For example, in the UK Network Rail has a target of a net zero emissions railway by 2050. We provide a number of products that help to optimise the planning and on-the-day performance of the network which deliver operational performance improvements and efficiency savings. An example of this is TRACS Enterprise which provides a single source of information for all timetable, resource planning, work allocation and central decision support, delivering significant cost savings and enhanced operational capabilities which could easily be expanded to deliver the efficiencies needed to reduce emissions.

Additionally, there is likely going to be increased demand for our remote condition monitoring technology which enables the predictive maintenance of critical infrastructure assets. Leveraging real-time data from this technology, including information on performance and temperature, will become increasingly important to ensure the optimised operation of the network in the event of external factors such as weather events. Furthermore, by integrating this data with other sources including operational performance, customer loading, line blockages and earth observation, there is an opportunity to provide a fully integrated data-driven view of the rail network that allows for optimised decision making and scenario planning in the event of disruption.

Opportunities could arise for our suite of Customer Experience products, for example in providing customers with increased information about the performance and sustainability of their transport routes and options for a given journey, and in providing increasingly integrated ‘movement as a service’ products.

These key drivers are similarly relevant in both the UK and the North American rail markets, however the pace of adoption may differ in response to external factors including government policy and customer demand.

Within the Data, Analytics, Consultancy & Events Division, our Professional Services business has technical skills in data collection, cleansing, analysis and geo-tracking, which help to support our customers in delivering their sustainability ambitions. We believe demand here will continue to increase and there are opportunities for the Group, for example in developing environmental management and data tracking systems, platforms and dashboards. We can also leverage this for use within our own operations. Our geospatial surveying, geographical information systems and Earth Observation capabilities can provide information on where, for example, landslips and flooding are likely to occur now and in the future. This can help customers to protect their assets, enhance natural resources and improve operational efficiency. As noted above, combining this with the data from our Rail Technology & Services products creates an opportunity to provide an increasingly sophisticated and data-rich model of our customers’ operations and networks.

We have also seen increased demand for our specialist rail consultancy services as customers consider climate-related issues including energy efficiency, timetable services for weather, and resource allocation.

The majority of these opportunities require little shift in our strategy and can be captured by ensuring we maintain a close relationship with our customers and work in partnership with them to achieve their ambitions.

2. Operational opportunities

By increasing energy efficiency across our sites, we will benefit from decreased energy costs and this will also mitigate against the cost of future carbon pricing as discussed under Risk 2, as the magnitude of this opportunity is the inverse of the cost of residual emissions from Scopes 1 and 2.

Approximately 70% of the Group's carbon emissions are generated from its vehicle fleet held in the Events and Traffic data business (within the Data, Analytics, Consultancy & Events Division). Switching 100% of the vehicle fleet to electric and switching electricity supply to renewable sources are the biggest opportunities to reduce Scope 1 and 2 significantly and make strong progress against emissions targets. Currently, 13% of our 112 vehicles are electric and 3% are hybrid so there is significant opportunity to switch a large portion of the fleet to electric.

The electrification of our fleet will be achieved progressively over the period to 2030. Our vehicles are required to cover long distances and travel to remote sites where there is currently little to no infrastructure available for charging. Achieving full electrification will require both further developments in electric vehicle ('EV') technology, as well as adapting our operating model and footprint. During FY23, the Traffic Data and Events Transport Planning & Management businesses have been fully integrated under a common leadership team, to better enable us to achieve this ambition. It is difficult to quantify the cost of achieving 100% electrification as it is not known how the EV market will change over time as technological advancements occur. As such we have not quantified the cost to realise this opportunity at this stage.

For the remaining Scope 1 and 2 emissions, we have already implemented a number of energy reduction initiatives. These are largely centred on our offices including installing LED lighting, policies to turn off lights, and remote working policies. There are still opportunities to further engage with landlords in our leased properties to introduce energy saving measures and switch to renewable electricity. Alternatively, the business may have the opportunity to move to more energy efficient locations that source renewable energy, at the time of lease renewal. If this can be achieved across the site portfolio, the effect of carbon pricing on Scope 2 emissions would be nullified.

Our recent certification of sites to ISO 14001 will enable greater insights into environmental risks and opportunities and how these can be managed as they arise. In particular, we can more readily identify areas for improved operational efficiencies which will assist in realising energy reductions across our operations.

Metric and targets

Tracsis has reported on its Scope 1 and 2 emissions and Scope 3 – business travel in line with the GHG protocol, on page 38 of this report. We are also measuring and reporting on the proportion of our vehicle fleet that is electric or hybrid, and the proportion of our energy supply from renewable sources, as shown on page 36 of this report.

Based on Risks 1 and 3 identified above, we will endeavour to widen the scope of our Scope 3 screening and calculation in FY24. We currently have a carbon neutral target for Scope 1 and 2 by 2030 and have begun working on a carbon reduction plan. These will form the basis of any future requirements for science-based targets and net zero transition plan which we will consider over the next few years.

Risk management

An effective framework to capture and evaluate risk

The Group continues to grow rapidly including through acquisition. To protect and create value we recognise that we will take on certain business risks. We have an established framework to ensure that the level of risk after mitigating actions is aligned with the potential business rewards. Management regularly reviews risk exposure and mitigating actions.

This section outlines the principal risks facing the Group and our approach to proactively managing these.

Our risk management framework

When reviewing business risks, we consider the effects they could have on our business model, our culture, and our long-term strategic objectives (as set out on pages 12 to 13. We consider both short- and longer-term risks. The risk management framework is governed by the Group Risk and Compliance team, reporting into the Chief Financial Officer. This team facilitates the identification and evaluation of risks, providing independent appraisal and guidance across the Group. Our risk management framework has been adapted to reflect the reorganisation of the Group based around common operating models. A summary of how this framework will operate is provided below.

1. Identification

Divisional and Group management teams identify risks using both a bottom-up and top-down approach.

These are recorded in risk registers, and appropriate mitigating actions are identified and implemented.

Large projects have RAID logs.

We also conduct ad hoc reviews of new and emerging risks throughout the year.

2. Assessment

We assess risks using a groupwide scoring mechanism that considers both the likelihood of occurrence and the potential impact.

Risks are prioritised by their risk score and an assessment of our risk appetite is made in relation to each risk.

3. Response

Risks that require a response have mitigation actions agreed. We assign responsibility for the implementation of mitigating action plans in accordance with agreed timelines.

4. Monitoring and Review

The Group Risk Oversight Committee meets at least twice a year to review the most significant groupwide risks and their mitigation action plans.

The Board, through the Audit Committee, considers and agrees the principal risks, appetites and mitigation strategies twice yearly.

Risk assessments are undertaken by Divisional management teams, which consider the likelihood and impact of these risks on their business model. This is done on both a top-down and bottom-up basis. Risks are considered at operating unit-, site-, and Divisional-level as appropriate. Divisional management teams are responsible for identifying and implementing mitigating actions to ensure risks are managed appropriately.

The Group Risk Oversight Committee maintains a groupwide risk register which includes the most significant risks from across the entire business. In maintaining this risk register, it considers risks identified at the operational level. The Committee assesses any changes to the Group's risk profile and identifies risks being managed at a Group level. It then develops risk appetites and future mitigation plans. The Committee is chaired by the Chief Executive Officer and includes the Chief Financial Officer, the Group Managing Director and the Group People Director.

The Board challenges and agrees the Group key risks, appetites and mitigation strategies at least twice yearly and uses this information to determine the Group's principal risks. The level of risk we are willing to tolerate is determined by the nature of the risk and how that risk could affect the Group. The Board-level review of the risk process is managed by the Audit Committee.

To support our strategic priorities, we have several business objectives which influence the way in which we proactively manage risks. These include: being an innovator and investing in research and development; improving our processes that support resource and talent development; maintaining close relationships with our customers; and identifying acquisition opportunities. In addition, the activities currently underway to simplify the Group and further integrate our operating model, will better position the Group to proactively manage risk and deliver sustainable shareholder value.

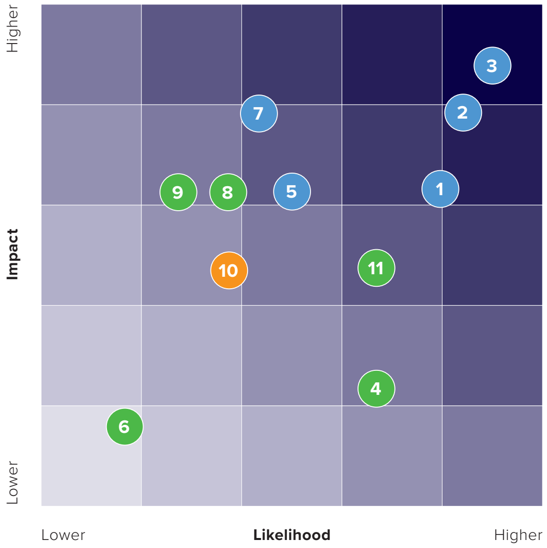
Opportunities

Identifying and managing opportunities is important for the Group to deliver its growth ambition and to stay competitive and innovative. Opportunities are reviewed on a monthly basis with Divisional management teams, and annually as part of strategic planning and budgeting processes. The formal management of opportunities is overseen by the Group Risk and Compliance team, reporting into the Chief Financial Officer.

Principal risks

The Group's principal risks are outlined below, alongside a summary of the mitigation measures in place and the strategic objectives that are most impacted by each risk.

The Board's assessment of the relative likelihood of each risk and the mitigated impact on the Group's ability to achieve its longer term strategic and financial objectives, is shown below.



Key

🔵 1	SaaS implementation	—
🔵 2	Technology	↑
🔵 3	Cyber security	—
🟢 4	Rail industry structure changes	—
🔵 5	Brand reputation	—
🟢 6	Reliance on key customers	↓
🔵 7	Health and safety	—
🟢 8	People	—
🟢 9	Downturn or instability in major markets	—
🟠 10	Laws and regulations	—
🟢 11	Climate change	—

🟢 Strategic
🔵 Operational
🟠 Compliance

Change vs prior year:

↑ Increased
— Stable
↓ Reduced

Changes since prior year

"Project delivery" has been renamed "SaaS implementation" and is focused on the large contracts that the Group is delivering to rail operating companies and infrastructure providers, which are increasingly being provided on a SaaS basis. The scale and complexity of these projects require careful management to ensure effective and timely delivery. The Group also delivers projects in other parts of the business, including large deployments of staff in Data, Analytics, Consultancy & Events. There are well-established operational procedures in place to manage the successful delivery of these projects, and the Board does not consider these activities to represent a principal risk.

"Customer pricing pressure" that was previously identified as a separate principal risk has been integrated within the "Reliance on key customers" risk. This collectively captures the risk to the Group from any adverse changes across our customer base. As the Group continues to grow and diversify its customer base, and in particular following the prior year acquisition of RailComm and our direct entry into the North American rail market, the Board considers it appropriate to consider all customer-related risks as a single principal risk.

"Technological changes" has been renamed "Technology". In addition to the risk of new market entrants developing rival products that was previously considered within this category, this principal risk also now includes any risk associated with maintaining the Group's own portfolio of technology products. The Board considers this appropriate given the increased number of complex enterprise software products now live with our customers, and our strategic objective to increase the weighting of Group revenue and profit from our technology product offerings.

"Attraction and retention of key employees" has been renamed "People" to reflect the broader risks associated with managing an international Group with an increasing number of employees. "Regulatory breach" has been renamed "Laws and regulations".

The Group did not make any acquisitions during the year. Integration plans for the two acquisitions made in the prior year have been successfully delivered. "Integration risk" has therefore been removed as a principal risk.

Risk management *continued*

Key: ↑ Increased ⊖ Stable ↓ Reduced

1 SaaS implementation

The Group has several significant contracts with major train operating companies and infrastructure providers which contain a number of deadlines for implementation, in accordance with the contractual requirements and timeframes. New multi-year contracts in this Division are increasingly being delivered on a SaaS basis. The scale and complexity of these projects require careful management to ensure effective and timely delivery.

Strategic priorities

1. Drive organic growth

Change in the year

⊖ No change in the year.

Mitigation

The Group continues to deploy an extensive delivery team and works with clients to establish a programme and project plan to ensure that deliverables can be achieved. Best practice is shared across the operating businesses and is co-ordinated from the Group centre where appropriate. As part of its activities to further integrate the Group's operating model, a project management office ("PMO") has been implemented that will oversee standardisation of programme and project management capabilities around best practice.

2 Technology

The Group delivers a number of software products, including large enterprise applications, that support business-critical activities for our customers. The provision of these products in compliance with contractual requirements and service level agreements requires continual development, maintenance and monitoring. Some of the Group's products and service offerings may be threatened should new market entrants develop rival technology that competes in our markets.

Strategic priorities

1. Drive organic growth
2. Expand addressable markets
4. Implement OneTracsis

Change in the year

↑ This risk is assessed to have increased in the year in both likelihood and impact due to the increased number of enterprise software products now live across the Group's Rail Technology customer base.

Mitigation

We are in the process of implementing a common IT operating model across our technology businesses, which will ensure a consistent approach to product development, architecture and maintenance, and enable all software licences and applications to be supported by a single integrated team operating in accordance with industry defined standards and best practices. As part of this transformation we are recruiting a Chief Technology Officer for the Rail Technology & Services Division, who will have oversight and responsibility for product development and architecture.

The Group continues to invest in its technology product development to ensure that its products remain up to date and also relevant to the customer base. It also receives feedback from its clients about their requirements from the products which helps to ensure that they remain relevant. Some of the Group's offerings continue to be protected by customer relationships, Framework Agreements and contractual terms, and also a barrier to entry is the significant development costs required to enter the market, which provides some protection. Further integration of the Group's operating model enables increased groupwide collaboration to help identify opportunities and drive future product development.

3 Cyber security

A malicious cyber-attack or security breach on the Group's IT systems. National Cyber Security Centre ("NCSC") information and guidance to UK businesses indicate that such an incident should attract a high probability rating. Any such incident could disrupt business continuity or impact contracted delivery requirements.

Strategic priorities

1. Drive organic growth
4. Implement OneTracsis

Change in the year

⊖ No change in the year.

Mitigation

All of our Rail Technology & Services businesses have ISO 27001 certification. The Group's outsourced IT services provider manages some elements of operational risk within the framework required by ISO 27001. The Group engages third party experts to review its resilience to cyber security breaches and implements any recommendations that arise from these reviews. The Group is in the process of recruiting a Chief Technology Officer who will have overall responsibility for cyber security. In addition the Risk and Compliance Director also fulfils a defined information security role. Business continuity plans are in place, are tested and are continually maturing.

Key: ↑ Increased ⊖ Stable ↓ Reduced

4 Rail industry structure changes

The Group continues to derive a significant proportion of its revenue from the UK rail industry. The Williams-Shapps Plan for UK Rail was published in May 2021 outlining the UK Government's plans for reforming and restructuring the UK rail industry. Legislation to enact this has yet to be passed. A future government may introduce further changes.

Strategic priorities

1. Drive organic growth

Change in the year

⊖ No change in the year.

Mitigation

Several of the Group's products and services are expected to still be required regardless of any changes to the structure of the industry as they have a clear value proposition and return on investment. These products and services are predominantly focused on improving the efficiency, health and safety, and customer experience on the UK railway, which are all well aligned with the strategic goals of the Williams-Shapps Plan for UK Rail. In some parts of the Group there is a risk that competitor products could be adopted as an industry-wide solution. The acquisition of RailComm in the prior year gives the Group direct access to the large and growing North American rail market. This will progressively diversify our Rail Technology & Services revenue exposure to the UK rail industry.

5 Brand reputation

Any adverse publicity concerning the Group, or any of its subsidiary businesses, may have an impact on future trading prospects if the Group's brand is adversely affected as a result of this.

Strategic priorities

1. Drive organic growth
3. Enhance growth through acquisition
4. Implement OneTracsis

Change in the year

⊖ No change in the year.

Mitigation

There is a broad range of preventative measures in place across the Group that contribute to reducing this risk, including: environmental, social and governance ("ESG") policies, principles and ethos; structured risk management processes; internal reporting mechanisms; embedded health and safety policy, processes and culture; and an internal compliance function. As part of its corporate governance, the Board maintains regular dialogue with operational staff and heads of department and so is made aware of any issues so that corrective action can be taken if necessary. Trained and qualified staff are in key appointments, and there is an internal incident reporting mechanism and structured risk management model.

6 Reliance on key customers

The Group has a large number of customers but derives a significant amount from one key customer for a large part of its Rail Technology & Services offering. There can be no guarantee as to the timing or quantum of any potential future orders from this customer. There is therefore some exposure to the largest customer's funding cycles and procurement processes.

Across the Group, there are a number of key customers which contribute to large amounts of revenue. Pricing pressure from these customers could result in lower margins.

Strategic priorities

1. Drive organic growth

Change in the year

↓ Decreased in impact reflecting the increasing diversification of the Group's customer base including from strong growth in North America.

Mitigation

As the Group continues to grow both organically and by acquisition, the exposure to and reliance on any one customer will reduce, relative to total Group revenue. Although there will always be an exposure to certain key customers, it manages this risk by managing customer requirements proactively to understand their needs and respond to them to ensure that its products and services are embedded with the customer as much as possible.

The Group seeks to operate a lean organisation structure in order to mitigate pricing pressure, and ensures that its cost base operates efficiently and effectively. Pricing for large tenders and enquiries is reviewed at Group level prior to commitment. The Group is committed to ensuring customer satisfaction and offering a compelling return on investment for its products with a clear long-term value proposition to our customers.

Risk management *continued*

Key: ⊕ Increased ⊖ Stable ⊖ Reduced

7 Health and safety

The Group has a large number of employees operating at a variety of temporary and permanent locations across the UK, Ireland and North America. Some employees are deployed in higher risk environments including close proximity to vehicles. In the Data, Analytics, Consultancy & Events Division there are some parts of the business that employ a high volume of temporary staff at various times of the year.

Strategic priorities

1. Drive organic growth

Change in the year

⊖ No change in the year.

Mitigation

Dedicated Group-led health and safety team trained to IOSH and NEBOSH standards, as well as 24/7 access to external health and safety consultancy support, retained by contract. Structured health and safety processes, policies and procedures are in place, led by a dedicated and appropriately trained health and safety team. Dashcams and tracker devices have been installed in white fleets, whilst an external provider manages driver risk, licence and competence checks. On-site risk-based internal assurance activity is provided by dedicated Group resource. All work activity is assessed for risk and subject to a documented safe system of work.

8 People

The Board believes that the long-term success of the Group depends on the engagement and commitment of its employees. The Group has a number of key individuals, plus a wide and diverse workforce. Skills and expertise in the Group's key markets are specialist and can be difficult to find or develop, and so growth of the business may be impacted should key individuals leave employment, or if the business is unable to attract, recruit and develop staff for its growth plans. The Group is in the process of implementing a simpler, more integrated operational structure, which requires close engagement with our global workforce.

Strategic priorities

1. Drive organic growth
4. Implement OneTracsis

Change in the year

⊖ No change in the year.

Mitigation

The Group seeks to offer competitive remuneration packages, and also offers various share incentive schemes to staff in order to attract and retain good calibre employees. The Group seeks to provide career development opportunities in order to offer staff with the chance to progress within the business. As part of a comprehensive people strategy the Group has established an in-house talent team to ensure we attract and retain the skills and capabilities required to deliver our growth strategy.

9 Downturn or instability in major markets

The Group derives revenues directly and indirectly from the UK and Irish Governments, and would be significantly impacted if these public funding streams were reduced as a result of spending reviews or a change in government.

Strategic priorities

1. Drive organic growth
2. Expand addressable markets
3. Enhance growth through acquisition

Change in the year

⊖ No change in the year.

Mitigation

As the Group grows and diversifies its revenue streams, the exposure to government spending should reduce. It will always be a risk for parts of the Data, Analytics, Consultancy & Events Division due to the nature of its customer base. For the Rail Technology & Services Division, the Group seeks to ensure that its offerings have a clear return on investment and value proposition, to ensure demand remains high. The Group's presence in North America provides some further geographic diversification. The Group has shown previously during Covid-19 that it can respond to broad economic pressures and has strong management processes.

Key: ⊕ Increased ⊖ Stable ⊕ Reduced

10 Laws and regulations

Deviation from regulatory compliance leading to a fine or sanction of enforcement order imposed on the business by a Court or regulatory body (including but not limited to FCA, HSE, ICO, etc.). Any security incident leading to a data breach could undermine trust and confidence in the Group's ability to meet the requirements of the privacy regulatory environment.

Strategic priorities

1. Drive organic growth

Change in the year

⊖ No change in the year.

Mitigation

Effective Group-level corporate governance mechanisms are exercised. Directors are briefed on AIM Rules and regular dialogue is maintained with our nominated adviser throughout the year. A Group-controlled Privacy Programme is in place designed to demonstrate regulatory compliance. The programme is benchmarked against the International Association of Privacy Professionals ("IAPP"), and the Certified Information Privacy Managers ("CIPM") principles and doctrine. The Group has a PECB trained and certified Data Protection Officer to provide guidance, advice and support. There is an established health and safety management team, policy and processes.

11 Climate change

The challenges presented by climate change may have implications on our operations and business model, and those of our customers. There is a risk that our financial performance could be adversely impacted by physical risks to people and assets that result from a projected increase in the frequency of natural disasters caused by climate change, and the impact of gradual changes such as increasing temperatures. We are committed to achieving a carbon neutral target for Scope 1 and Scope 2 emissions for our own operations by 2030. Achieving this may necessitate investment in new equipment and working practices which could result in an increase in the cost base. Other costs may also increase as a result of climate change, including insurance and the cost of meeting regulatory and reporting requirements.

Strategic priorities

1. Drive organic growth
2. Expand addressable markets

Change in the year

⊖ No change in the year.

Mitigation

The Group has established a clear sustainability strategy, supported by a robust governance model and ESG policies. An ISO 14001 compliant environmental management system has been implemented. We are developing a carbon reduction plan in order to achieve our carbon target for Tracsis operations.

The Strategic Report has been approved by the Board of Directors and signed on its behalf.

Andrew Kelly
Director, Tracsis plc
Nexus
Discovery Way
Leeds
LS2 3AA
United Kingdom

Board of Directors

Jill Easterbrook

Independent Non-Executive Chair

N

Appointed

5 October 2022 as Non-Executive Director; appointed Non-Executive Chair on 1 September 2023

Experience

Jill has significant leadership experience in international businesses. She is currently a Non-Executive Director of Ashtead plc, Ultimate Products plc and Auto Trader plc where she is Remuneration Chair. She is also Chair of Headland consulting. Jill was previously a member of the Executive Committee at Tesco plc where she held a variety of senior roles, and was the CEO of JP Boden & Co. She also spent time as a management consultant having started her career at Marks & Spencer.

External appointments

Ashtead Group plc; Auto Trader Group plc; UP Global Sourcing Holdings plc; Verde Bidco Limited (Headland)

Chris Barnes

Chief Executive Officer

Appointed

4 February 2019; appointed Chief Executive Officer on 01 May 2019

Experience

Prior to joining Tracsis, Chris was Managing Director of Ricardo UK Limited's automotive consulting division, and had previously held a number of senior roles within Ricardo plc. Before joining Ricardo he held positions at Ford Motor Company and at A.T. Kearney. Chris has a Master's degree in Engineering, Economics and Management from the University of Oxford and is an alumnus of Harvard Business School.

External appointments

None

Andrew Kelly

Chief Financial Officer

Appointed

1 February 2021

Experience

Prior to joining Tracsis, Andy spent eight years at Videndum plc in a number of senior roles including Group Financial Controller and Divisional Finance Director. Before joining Videndum he held positions in finance and strategy at Anglo American plc and Carphone Warehouse plc. Andy is a Chartered Accountant, having qualified with Deloitte, and holds a first class degree in Natural Sciences from the University of Cambridge.

External appointments

None

Dr James Routh

Senior Independent Non-Executive Director

R A N

Appointed

29 September 2021

Experience

James is currently Chief Executive Officer of AB Dynamics plc, having held the position since 2018. Prior to this he was Group Managing Director at FTSE 100 listed Diploma PLC for six years where he delivered a series of successful international acquisitions. His previous career involved leadership positions predominantly in the aerospace and defence industry, including senior roles at Chemring Group PLC and Cobham PLC. James holds a PhD in Engineering and is a Chartered Mechanical Engineer and Fellow of the Institution of Mechanical Engineers.

External appointments

AB Dynamics plc

Liz Richards

Independent Non-Executive Director

R A N

Appointed

1 September 2016

Experience

Liz is a highly experienced executive and non-executive director with a career spanning the financial services, data and software sectors. She was previously Chief Financial Officer of CallCredit (now Transunion), a successful consumer data business where, as a founder member, she oversaw its rapid growth from start-up in 2000 to a £150m revenue business by 2015. Liz is also a Non-Executive Director and Audit Committee Chair at Dotdigital plc, and a Trustee and Chair of Finance and Investment for Yorkshire Cancer Research. She was formerly a Non-Executive Director and Audit Committee Chair at LINK scheme, the ATM operator, and a Governor and Chair of the Audit Committee at Leeds Trinity University.

External appointments

Dotdigital plc; Yorkshire Cancer Research

Tracy Sheedy

Independent Non-Executive Director

R A N

Appointed

1 September 2023

Experience

Tracy worked as Group HR Director of Croda International plc, the FTSE 100 global specialty chemicals company, for seven years until retiring in 2023. Prior to that she held Group HR Director roles with UK-listed businesses Fenner plc and Scapa Group plc, and other senior HR roles with a number of multi-national manufacturing businesses. She is a Fellow of the Chartered Institute of Personnel and Development, and is a Non-Executive Independent Member of the Governance and Remuneration Committee of Orbit Group.

External appointments

Orbit Group

Key

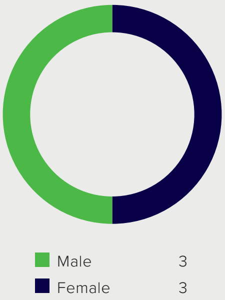
R Remuneration Committee

N Nomination Committee

A Audit Committee

● Chair of Committee

Board gender



Corporate governance report

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-listed company, adopts the Quoted Company Alliance's Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 (updated April 2018) (the "QCA Code") which supports the Group's long-term success and strategy for growth. Further details of the Group's compliance with the QCA code can be found on the Group's website https://www.tracsis.com/investors/corporate-governance.

The Board

There are currently six Board members, comprising two Executive Directors and four Non-Executive Directors. On 1 September 2023, Jill Easterbrook succeeded Chris Cole as Non-Executive Chair of the Group as part of the Board succession planning given Chris had completed his third three-year term.

The role of the Non-Executive Directors is to bring independent judgement to Board deliberations and decisions. As Non-Executive Chair, Jill Easterbrook oversees Board meetings and fields all concerns regarding the executive management of the Group and the performance of the Executive Directors. A biography of each Director appears on pages 54 and 55. The Directors each have diverse backgrounds and a wide range of experience is available to the Group. The Board meets ten times a year to review the Group's performance and to review and determine strategies for future growth. The Board has delegated specific responsibilities to its Committees as set out below.

Each of the Directors is subject to either an executive services agreement or a letter of appointment as set out on page 60. 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 ("AGM"). It also requires any person who has been appointed as a Director by the Board since the date of the Company's last AGM to retire at the next AGM following their appointment. Notwithstanding the provisions of the Company's Articles of Association, the Board has determined that all of the remaining Directors shall retire from office at the forthcoming AGM in line with best practice. Each of the Directors intends to stand for reappointment by the shareholders.

Board meetings and attendance

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

	Total/possible			
	Board meetings	Nomination Committee meetings	Remuneration Committee meetings	Audit Committee meetings
Chris Barnes	10/10	—	—	3/3
Andy Kelly	10/10	—	—	3/3
Chris Cole	9/10	1/1	2/2	2/3
Jill Easterbrook	8/9	1/1	2/2	3/3
Liz Richards	9/10	1/1	2/2	3/3
James Routh	10/10	1/1	2/2	3/3
Lisa Charles-Jones	3/3	—	1/1	1/1

In addition to the scheduled Board meetings detailed above, ad hoc calls took place in the year relating to various financial and transactional decisions.

Independence of Non-Executive Directors

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

Board Committees

Nomination Committee

The Nomination Committee comprises Jill Easterbrook as Chair, Liz Richards, James Routh, and Tracy Sheedy (from 1 September 2023). 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 Tracy Sheedy as Chair (succeeding Jill Easterbrook from 1 September 2023), Liz Richards and James Routh. Jill Easterbrook is an attendee. The Committee's primary responsibilities are to review the incentive and reward packages for the Chair, Executive Directors and senior executives to ensure that they are aligned with the Group's strategic objectives and financial performance, and are appropriate to attract, retain and motivate management behaviour in support of the Company's culture and beliefs and the long-term sustainable creation of shareholder value.

Audit Committee

The Audit Committee comprises Liz Richards as Chair, James Routh and Tracy Sheedy (from 1 September 2023). Jill Easterbrook is an attendee. The Audit Committee's primary responsibilities are to monitor the financial affairs of the Group, to ensure that the financial performance of the Group is properly measured and reported on, and to review reports from the Group's auditor relating to the accounting and internal controls. The significant issues considered by the Audit Committee relating to the Group's financial statements include intangible assets and revenue recognition as detailed in note 4 to the financial statements.

Non-audit services

In accordance with its policy on non-audit services provided by the Group's auditor, the Audit Committee reviews and approves the award of any such work. The Audit Committee refers to the Board for approval of any work comprising non-audit services where the fees for such work represent more than 25% of the annual audit fee. During the year, £5,500 was paid to Grant Thornton UK LLP in respect of non-audit work (2022: £5,000). This non-audit work comprised agreed upon procedures for the half-yearly financial statements.

Auditor independence and conflicts of interest

The Audit Committee continues to evaluate the independence and objectivity of the external auditor and takes into consideration all United Kingdom professional and regulatory requirements. Consideration is given to all relationships between the Group and the audit firm (including in respect of the provision of non-audit services). The Audit Committee considers whether, taken as a whole, and having regard to the views, as appropriate, of the external auditor and management, those relationships appear to impair the auditor's judgement or independence. The Audit Committee has concluded 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 Chief Executive's Statement includes 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 ongoing dialogue and relationships with shareholders, alongside the Chief Financial Officer and Chairman. The Annual General Meeting will be a platform for the Board to communicate with shareholders and the Board welcomes the attendance and participation of all shareholders.

Going concern

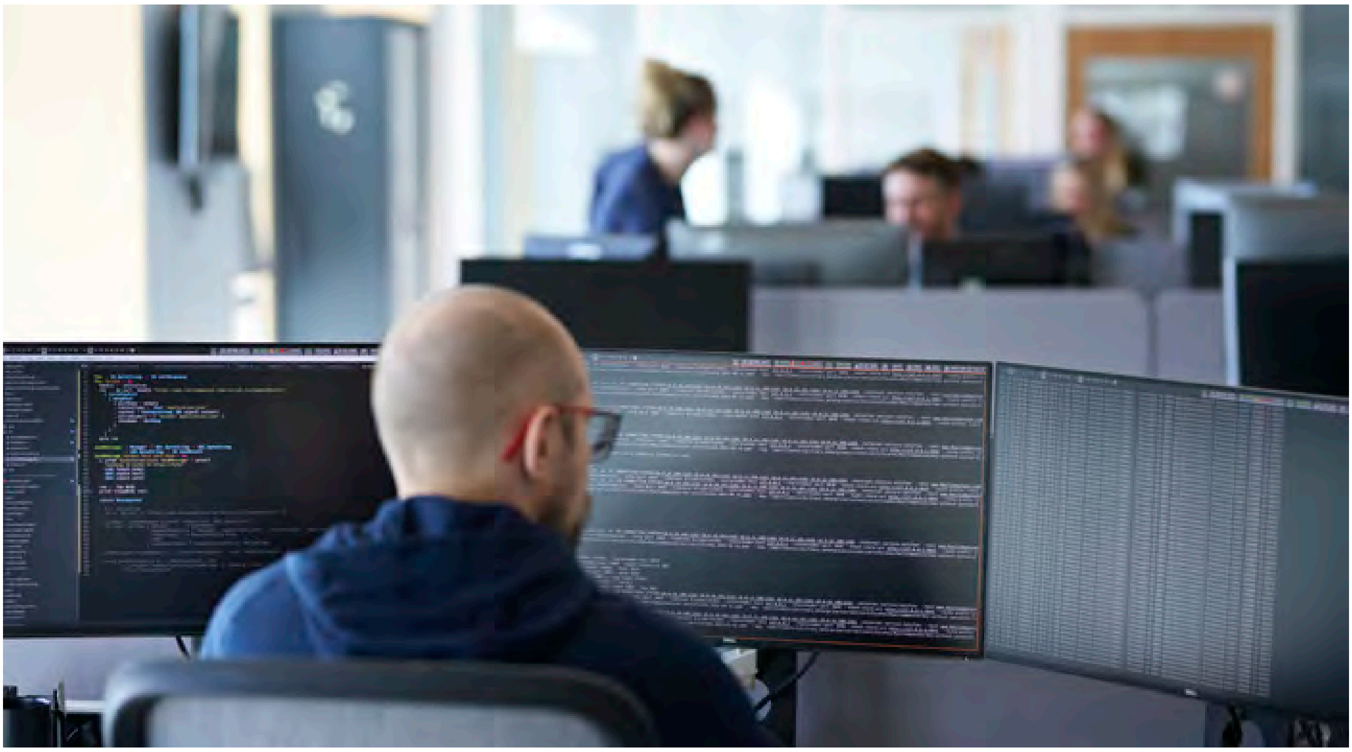
The Directors have a reasonable expectation that the Group has adequate resources to continue for at least twelve months from the signing of the financial statements in operational existence and have therefore adopted the going concern basis in preparing the accounts. The Group is debt free and has substantial cash resources. At 31 July 2023 the Group had net cash and cash equivalents totalling £15.3m. The Board has prepared cash flow forecasts for the forthcoming year based upon assumptions for trading and the requirements for cash resources including contingent consideration. These forecasts take into account reasonably possible changes in trading financial performance, and indicate that it is appropriate to use the going concern basis for the preparation of the consolidated financial statements. Further to this, management prepared a severe but plausible scenario, reducing revenues from budget and including a more pessimistic view of working capital. There was still ample headroom under this scenario. A reverse stress test was also considered. The revenue and cash flow assumptions required to eliminate any headroom under the reverse stress test are considered by the Board to be highly unlikely, particularly given trading performance to date.

Board evaluation process

The Board completed an internal evaluation process in the financial year ended 31 July 2022. This process concluded that the Board was operating effectively and has the requisite collective skills in the areas of strategy, finance, human resources and global commercial expertise to assist with the implementation of our strategy.

The Board intends to undertake another evaluation process in 2024.

Directors keep their skills and knowledge up to date through relevant training and development courses including from the Company's advisers. All Directors are encouraged to use their independent judgement and to constructively challenge other Directors where appropriate.



Directors' remuneration report

Contents

A. Chair's letter

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 July 2023. This is my first report as Chair, having been appointed on 1 September 2023. I would like to thank Jill Easterbrook and Lisa Charles-Jones for their work and contribution as Committee Chair prior to my appointment, and to wish Jill success in her new role as Board Chair.

As the Company is listed on the Alternative Investment Market, we are required to comply with AIM Rule 19 in respect of remuneration disclosures and we adopt the Quoted Company Alliance's Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 (the "QCA Code"). However, following a recent review, we have decided to redraft the report and provide additional disclosures on a voluntary basis, in line with AIM best practice, to enable shareholders to better understand and consider our remuneration arrangements.

Remuneration outcomes for FY22/23

As a result of partially meeting the financial and strategic targets, 40% of the maximum annual bonus was payable to the CEO and CFO for the year ended 31 July 2023. In respect of LTIP awards granted to Chris Barnes in 2020 and to Andy Kelly on joining the Group in early 2021, targets against relative total shareholder return (TSR) were met in full and targets against EPS were met at 75% of maximum vesting, meaning that overall 87.5% of the total LTIP award will vest.

Implementation of remuneration for FY23/24

The CEO and CFO salaries were increased by 5% in line with the increase awarded to the workforce who were rated as strong performing employees. The current salaries for the CEO and CFO from 1 August 2023 are £319,646 and £218,295 respectively. Pension provision will continue at 10% of salary. Annual bonus potential will continue to be capped at 100% of salary for FY23/24. 80% of the bonus will be payable against sliding scale profit targets and 20% will be based on personal targets. 2023 LTIP awards will be granted to Executive Directors in line with the annual grant policy over shares equal in value to no more than 100% of salary. Details of the number of shares granted and the performance targets will be provided in the RNS issued immediately following the grant date.

The Committee believes that Tracsis' remuneration approach plays a key role in the continued achievement of the Group's purpose of "Empowering the world to move freely, safely, and sustainably" and in the delivery of profitable growth. Over the coming months we intend to review our reward approach to further ensure it is aligned to our business objectives and is an enabler for growth.

As we grow our business, we are also mindful of supporting and rewarding our workforce. We have acquired a pay benchmarking tool to ensure we reward employees competitively. We are also undertaking a review of employee benefits and have recently introduced private health care for all employees as well as removing the three-month qualifying period for pension auto-enrolment for UK employees. For 2023/24 we have extended our LTIP arrangements to include other senior leaders with performance conditions aligned to Executive Directors, to further incentivise our leaders to drive growth. As a Committee, we recognise the need to foster good relations with our shareholders and encourage open dialogue. As such, over the coming year I hope to engage with as many of our investors as possible and I am available to discuss the Company's approach to remuneration with investors at any time. We look forward to receiving your support at our forthcoming AGM.

Tracy Sheedy
Remuneration Committee Chair
14 November 2023

B. Remuneration at a glance

FY23

Key component	Policy	Metric and result	Chief Executive Officer	Chief Financial Officer
Base salary	To provide a competitive base salary to attract, motivate and retain Directors with the experience and capabilities to achieve the strategic aims.	Salaries were increased by 8% in line with the increase awarded to the workforce who were rated as strong performing employees.	£304,425	£207,900
Annual performance bonus	To reward performance against annual targets which support the strategic direction of the Group. Potential capped at 100% of salary.	80% Adjusted EBITDA and 20% personal objectives. Overall payout 40% of maximum.	£122,000	£83,000
LTIP	To drive and reward the achievement of longer-term objectives and align management with shareholders. Shares equal in value to no more than 100% of salary.	50% statutory diluted EPS and 50% TSR. TSR targets paid in full; EPS targets paid at 75% of maximum. Overall award vesting 87.5% of maximum.	£307,708	£101,454
Pension	To provide an appropriate level of retirement benefit.	10% of base salary.	£30,443	£20,790
Other benefits	To provide market-competitive benefits package.	Life insurance.	£800	£600

C. Directors' Remuneration Policy

This section sets out the Directors' Remuneration Policy ("Policy"). In order to deliver the Group's strategy, the primary objectives of our Policy are:

- to operate a transparent, simple and effective remuneration structure which encourages the delivery of targets in accordance with our business plan and strategy;
- to attract, motivate and retain individuals of the highest calibre by providing competitive and appropriate short- and long-term variable pay which is dependent upon challenging performance conditions; and
- to promote the Company's culture and the long-term success of Tracsis and ensure that our policy is aligned with the interests of, and feedback from, our shareholders.

C. Directors' Remuneration Policy *continued*

Summary of Directors' Remuneration Policy

Component	Purpose and link to strategy	Operation	Maximum	Performance
Base salary	To provide a competitive base salary to attract, motivate and retain Directors with the experience and capabilities to achieve the strategic aims.	Normally reviewed annually after considering the performance, role and responsibility of each Director, market conditions and the Company's performance and the level of pay across the Group as a whole.	n/a	n/a
Benefits	To provide market-competitive benefits package.	Life insurance and private medical insurance	n/a	n/a
Pension	To provide an appropriate level of retirement benefit.	Pension provision which may be paid as a pension and/or cash allowance.	10% of salary	n/a
Annual performance-related bonus	To reward performance against annual targets which support the strategic direction of Group.	Awards are normally based on a combination of annual financial performance and individual business-related objectives. Awards are subject to malus/clawback provisions at the discretion of the Committee.	100% of salary	80% relates to achievement of financial performance criteria and the remaining 20% relates to business-related objectives.
LTIP	To drive and reward the achievement of longer-term objectives and align management with shareholders.	Conditional shares and/or nil-cost or nominal-cost share options. Vesting is normally subject to the achievement of challenging performance conditions relating to adjusted diluted EPS growth and total shareholder return, normally over a period of three years. Dividend equivalents may be awarded to the extent awards vest. Awards are subject to malus/clawback provisions at the discretion of the Committee.	100% of salary	Sliding scale with 50% for EPS and 50% for TSR.
Shareholding guidelines	To align management with employees and shareholders.	Executive Directors are expected to build and maintain a shareholding of 100% of salary over a five-year period.	n/a	n/a
All-employee share awards	To align management with employees and shareholders.	Awards will be consistent with prevailing HMRC tax favoured all-employee share plans.	Prevailing HMRC limits	n/a
Non-Executive Directors	The Committee determines the Chairman's fee. Fees for the Non-Executive Directors are agreed by the Chairman and Chief Executive.	Fees are reviewed annually taking into account the level of responsibility and relevant experience. Fees may include a basic fee and additional fees for further responsibilities and are paid monthly in arrears. Travel and other reasonable expenses incurred in the course of performing their duties may be reimbursed.	n/a	n/a

Service contracts

The details of the Executive and Non-Executive Directors' service contracts and appointment letters are summarised below:

	Date of contract/ commencement date	Unexpired term	Notice period
Executive Directors			
Chris Barnes	04.02.19	Indefinite	6 months
Andy Kelly	01.02.21	Indefinite	6 months
Non-Executive Directors			
Jill Easterbrook[1]	05.10.22	Indefinite	3 months
Liz Richards	01.09.16	Indefinite	3 months
James Routh	29.09.21	Indefinite	3 months
Tracy Sheedy	01.09.23	Indefinite	3 months

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

1. Jill Easterbook's service contract was amended on 1 September 2023 to reflect her appointment as Non-Executive Chair of the Group. There was no change to her notice period or unexpired term.

D. Annual Report on Remuneration

Single total figure of remuneration for Executive Directors

The remuneration of the Directors in respect of the year ended 31 July 2023 (and for the prior year) was as follows:

	Year	Basic salary £000	Annual bonus[1] £000	Benefits £000	Pension[2] £000	LTIP[3] £'000	Total £000
Executive Directors							
Chris Barnes	**FY23**	**304**	**122**	**1**	**30**	**308**	**765**
	FY22	282	193	1	28	169	673
Andy Kelly	**FY23**	**208**	**83**	**1**	**21**	**101**	**414**
	FY22	186	128	1	19	—	334

1. Details of the annual bonus targets, performance against the targets, and bonus awards are set out below.
2. Chris Barnes elected to exchange employer pension contributions for additional salary in FY22 and FY23. The quantum of this is reported within pension in the table above.
3. Details of the LTIP targets, performance against the targets, and LTIP vesting are set out below. The values in this table are based on the share price as at 31 July 2023. These values will be updated in the next year's Annual Report based on actual share price at vesting.

Annual bonus for the year ended 31 July 2023

The Executive Directors were eligible to receive bonuses with a maximum opportunity of 100% of salary in respect of financial (80%) and personal objectives (20%). Details of the performance targets and resulting bonus outcome are set out in the tables below:

Measure	Weighting (% of salary)	Threshold	Target	Maximum	Actual	Result C Barnes (% of salary)	Result A Kelly (% of salary)
Adjusted EBITDA	80%	£14.8m (0% of salary)	£16.4m (40% of salary)	£18.0m (80% of salary)	£16.0m	30%	30%
Personal targets	20%		See table below			10%	10%
Total	100%					40%	40%

Personal objective performance

C Barnes

Objective	Weighting	Payment awarded	
Strategic growth	35%	20%	10% of salary payable for personal objectives
Group integration and simplification	40%	20%	
ESG	25%	10%	
Total	100%	50%	

A Kelly

Objective	Weighting	Payment awarded	
Strategic growth	30%	15%	10% of salary payable for personal objectives
Group integration and simplification	60%	30%	
Market coverage	10%	5%	
Total	100%	50%	

In addition to the assessing the above financial and personal targets, the Committee also considered the wider stakeholder experience and the performance of the individual Director when determining the extent to which annual bonuses should become payable. Based on this assessment, the Committee is satisfied that total bonus awards of 40% of salary for the Executive Directors is appropriate.

LTIPs vesting in respect of three years to 31 July 2023

Details of the performance targets set and actual achievement against them in respect of the 2020 LTIP awards vesting in December 2023, based on three-year performance to 31 July 2023, are set out in the table below.

Performance measure	Weighting	Performance period end	Threshold (50% vesting)	Maximum (100% vesting)	Actual	% vesting for this part of the award
Statutory diluted EPS	50%	31 July 2023	20.78p	23.78p	22.30p	37.5%
Total shareholder return versus the FTSE AIM 100	50%	31 July 2023	Median	Upper quartile	100%	50%

Based on the above vesting, the pre-tax value of the 40,891 nominal value options held by Chris Barnes was £307,705 and the pre-tax value of the 13,482 nominal value options held by Andy Kelly was £101,452 based on the share price at 31 July 2023.

D. Annual Report on Remuneration *continued*

Executive Directors' share awards in the Company (audited)

Details of share awards in the Company held by the Executive Directors, all of which are structured as nominal value (0.4p) options, are as follows:

	1 August 2022	Granted	Lapsed	Exercised	31 July 2023	Date of grant	Exercisable from	Expiry date
Chris Barnes								
LTIP[1]	38,961	—	(19,999)	(18,962)	—	03/12/2019	03/12/2022	03/12/2029
LTIP[2]	40,891	—	—	—	40,891	29/12/2020	29/12/2023	29/12/2030
LTIP[3]	27,653	—	—	—	27,653	29/11/2021	29/11/2024	29/11/2031
LTIP[4]	—	33,710	—	—	33,710	06/12/2022	06/12/2025	06/12/2032
Total	**107,505**	**33,710**	**(19,999)**	**(18,962)**	**102,254**			
Andy Kelly								
Buyout[5]	7,692	—	—	—	7,692	01/02/2021	01/02/2024	01/02/2031
LTIP[3]	13,482	—	—	—	13,482	05/02/2021	05/02/2024	05/02/2031
LTIP[4]	17,597	—	—	—	17,597	29/11/2021	29/11/2024	29/11/2031
LTIP[4]	—	23,015	—	—	23,015	06/12/2022	06/12/2025	06/12/2032
Total	**38,771**	**23,015**	**—**	**—**	**61,786**			

1. 3 year performance targets are based on: 50% EPS (statutory diluted EPS for FY22 of 22.92p to 25.92p); and 50% relative TSR v FTSE AIM 100 (median to upper quartile).
2. 3 year performance targets are based on: 50% EPS (statutory diluted EPS for FY23 of 20.78p to 23.78p); and 50% relative TSR v FTSE AIM 100 (median to upper quartile).
3. 3 year performance targets are based on: 50% EPS (adjusted diluted EPS for FY24 of 33.59p to 47.82p); and 50% relative TSR v FTSE AIM 100 (median to upper quartile).
4. 3 year performance targets are based on: 50% EPS (adjusted diluted EPS for FY25 of 43.00p to 54.90p); and 50% relative TSR v FTSE AIM 100 (median to upper quartile).
5. Buyout award to compensate for unvested incentives forfeited from previous employer.

Non-Executive Directors' remuneration

	Year	Basic fee £000	Annual bonus £000	Benefits £000	Pension £000	Total £000
Jill Easterbrook (from 5 October 2022)	**FY23**	**42**	**—**	**—**	**—**	**42**
	FY22	—	—	—	—	—
Liz Richards	**FY23**	**45**	**—**	**—**	**—**	**45**
	FY22	45	—	—	—	45
James Routh (from 29 September 2021)	**FY23**	**50**	**—**	**—**	**—**	**50**
	FY22	42	—	—	—	42
Former Directors						
Chris Cole (to 31 July 2023)	**FY23**	**80**	**—**	**—**	**—**	**80**
	FY22	80	—	—	—	80
Lisa Charles-Jones (to 31 December 2022)	**FY23**	**19**	**—**	**—**	**—**	**19**
	FY22	45	—	—	—	45
Total	**FY23**	**236**	**—**	**—**	**—**	**236**
	FY22	212	—	—	—	212

Following her appointment as Non-Executive Chair, Jill Easterbrook will receive an annual basic salary of £95,000 pa from 1 September 2023.

Effective 1 September 2023 all Non-Executive Director salaries will be £50,000 pa, with an additional £5,000 pa paid to Committee Chairs, and an additional £10,000 pa paid to the Senior Independent Non-Executive Director.

Directors' interests in shares

The interests (both beneficial and family interests) of the Directors in office at the date of this report in the share capital of the Company were as follows:

	Interests in ordinary shares at 31 July 2023	Interests in ordinary shares at 31 July 2022	**Interests in share-based incentive options at 31 July 2023**	Interests in share-based incentive options at 31 July 2022
Chris Barnes	**21,125**	11,083	**102,254**	107,505
Andy Kelly	**—**	—	**61,786**	38,771
Jill Easterbrook	**—**	—	**—**	—
Liz Richards	**2,873**	—	**—**	—
James Routh	**—**	—	**—**	—
Tracy Sheedy	**—**	—	**—**	—

Relative importance of spend on pay

The table below shows the Group's expenditure on shareholder distributions (including dividends) and total employee pay expenditure. Additional information on the number of employees, total revenue and underlying profit has been provided for context.

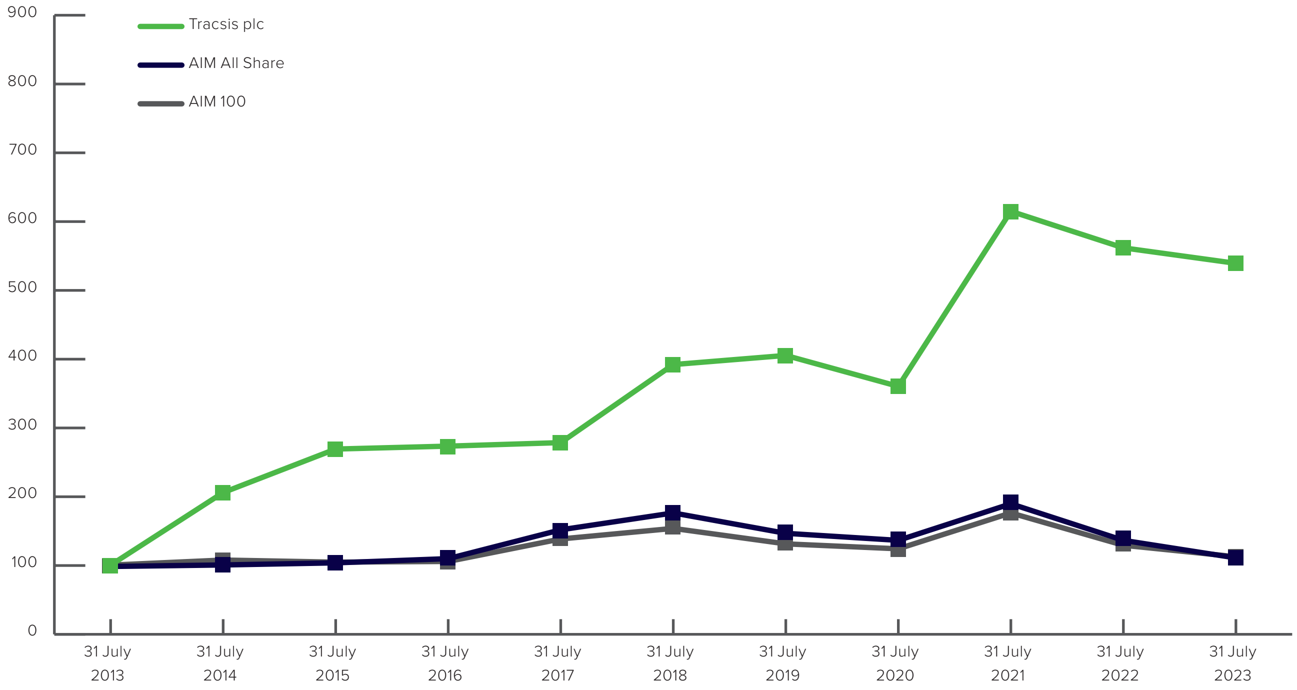
	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000	Change %
Employee expenditure	**43,205**	36,740	18%
Distributions to shareholders	**628**	266	136%
Average number of permanent employees	**581**	561	4%
Revenue	**82,023**	68,723	19%
Adjusted EBITDA	**15,952**	14,161	13%

Share price

The market price of the Company's shares on 31 July 2023 was 860p per share. The highest and lowest market prices during the year were 1048p and 860p respectively.

Performance graph

The chart below shows the Company's share price (rebased) compared with the performance of the AIM 100 and AIM All Share for the ten-year period to 31 July 2023.



E. Other disclosures

Committee members

The Remuneration Committee is chaired by Tracy Sheedy as independent Non-Executive Director and also consists of Liz Richards and James Routh. The Chair of the Board, Executive Directors and other relevant individuals attend the meetings when appropriate by invitation. The Committee meets at least twice a year and at other times during the year as agreed between the members of the Committee. Tracy Sheedy succeeded Jill Easterbrook as Committee Chair from 1 September 2023. The attendance record for the regular scheduled meetings is included on page 56.

Committee responsibilities

Tracsis is committed to maximising shareholder value over time. Each year the Remuneration Committee reviews the incentive and reward packages for the Chair, Executive Directors and senior executives to ensure that they are aligned with the Group's strategic objectives and financial performance, and are appropriate to attract, retain and motivate management behaviour in support of the Company's culture and beliefs and the long-term sustainable creation of shareholder value. The Committee has formal terms of reference which can be found in the investor section of the Group's website. The Board (excluding the Non-Executive Directors) sets the annual base fees payable to the Non-Executive Directors and they do not receive any additional benefits, nor are they eligible to participate in any pension, bonus or share-based incentive arrangements.

Advisers to the Committee

Until October 2023 FIT Remuneration Consultants LLP was appointed to provide independent advice to the Remuneration Committee as and when required in respect of remuneration quantum and structure and developments in governance and best practice more generally. Effective from November 2023 Deloitte will now provide this service. Both FIT and Deloitte are a member and signatory of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK, details of which can be found at www.remunerationconsultantsgroup.com.

Tracy Sheedy
Chair of the Remuneration Committee
14 November 2023

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 July 2023.

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

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

The Group financial statements were authorised for issue by the Board of Directors on 14 November 2023.

Further information on the activities of the business, the Group strategy and an indication of the outlook for the business are presented in the Chair's Statement, the Chief Executive Officer's Statement, and the Strategy and Business Model sections of the report. The Corporate Governance Statement included on pages 56 and 57 forms part of the Directors' Report.

Financial results

Details of the Group's financial results are set out in the Consolidated Statement of Comprehensive Income, other primary statements and in the Notes to the Consolidated Financial Statements on pages 75 to 111.

Dividends

The Group remains committed to the progressive dividend policy that was adopted in 2012. The Board has recommended a final dividend of 1.2 pence per share (2022: 1.0 pence per share). The final dividend, subject to shareholder approval at the 2023 Annual General Meeting, will be paid on 9 February 2024 to shareholders on the register at the close of business on 26 January 2024. This will bring the total dividend for the year to 2.2 pence per share (2022: 2.0 pence per share).

Directors

The Directors who serve on the Board and on Board Committees during the year are set out on pages 54 and 55.

Under the Articles of Association of the Company, one-third of the Directors (excluding those being re-elected for the first time by shareholders) are subject to retirement by rotation at the forthcoming Annual General Meeting ("AGM"), notice of which accompanies this Report and Accounts. The Company's Articles of Association also require any person who has been appointed as a Director since the date of the Company's last AGM to retire at the next AGM following their appointment. The Board considers it appropriate for all Directors to retire and stand for re-election on an annual basis. All other Directors will retire and offer themselves for election or re-election to the Board at the forthcoming AGM. 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 58 to 64.

Directors' shareholdings

Directors' beneficial interests in the shares of the Company, including family interests, at 31 July 2023 and 2022 were as follows:

	31 July 2023		31 July 2022	
	Number of shares	**% of issued share capital**	Number of shares	% of issued share capital
Chris Barnes	**21,125**	**0.07%**	11,083	0.04%
Andy Kelly	**—**	**—**	—	—
Jill Easterbrook	**—**	**—**	—	—
Liz Richards	**2,873**	**0.01%**	—	—
James Routh	**—**	**—**	—	—
Tracy Sheedy	**—**	**—**	—	—

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 31 October 2023, 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
Investec Wealth & Investment	2,788,759	9.3%
Charles Stanley	2,412,216	8.0%
Schroder Investment Management	1,974,897	6.6%
Unicorn Asset Management	1,835,000	6.1%
Rathbones	1,473,203	4.9%
Canaccord Genuity Wealth Management	1,215,994	4.0%
BGF	1,139,320	3.8%

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 2023 were 64 days (2022: 59 days).

Our approach to engagement with suppliers is detailed further in the Section 172 Statement on pages 32 and 33.

Research and development

During the year the Group incurred £3,683,000 (2022: £3,280,000) of expenditure on research and development activity mainly relating to software development,

Financial instruments

The principal financial instruments comprise cash and short-term deposits, trade receivables and contingent consideration. 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. It is the policy of the Group to operate a fair recruitment policy in both recruiting and employing disabled persons. If employees become disabled all reasonable effort is made to ensure that their employment with the Group continues. The training, career development and promotion of disabled persons should, as far as possible, be identical to that of all employees.

The Directors encourage employees to be aware of all issues affecting the Group and place considerable emphasis on employees sharing in its success through its employee share option schemes. In addition, the Group is committed to training courses, with a number of staff undertaking apprenticeships and other technical training, and also to career development and internal promotion where possible within the Group. Further details on employee engagement is provided in the Section 172 statement on pages 32 and 33.

Environment

The Group adheres to all environmental regulations and has, where possible, utilised environmental-sustaining policies such as recycling and waste reduction. Further details of the Group's Environmental, Social and Governance strategy are provided on pages 34 to 47. The Group is classed as large under the Companies Act 2006 and therefore falls under the scope of the Streamlined Energy and Carbon Reporting (SECR) requirements. The Group is exempt from disclosure related to SECR as no individual UK registered subsidiary is a large company and the parent company itself consumes less than 40,000 kWh of energy per year. The Group has voluntarily reported SECR disclosures for all operations on page 38.

Future business developments

Details of these are provided in the Strategic Report, and the Chief Executive Officer's Report on pages 18 to 22.

Significant contracts

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

- Tracsis plc has some large contracts with Train Operating Companies from which it derives significant amounts of revenue;
- MPEC Technology Limited has a significant Framework Agreement with a major railway infrastructure provider, from which it has historically derived a significant amount of business;
- Tracsis Traffic Data Limited has a significant contract with a major worldwide engineering consultancy company from which it has historically derived a significant amount of business;
- Ontrac Limited has a large contract with a major railway infrastructure provider, from which it derives a significant amount of business;
- Tracsis Events Limited has a number of significant, multi-year contracts with a number of key clients;
- Compass Informatics Limited has a range of contracts with government bodies and private sector organisations;
- iBlocks Limited has some significant contacts with Train Operating Companies and also industry association bodies; and
- RailComm LLC has a number of large contracts with North American rail and infrastructure operators.

Auditor

A resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

Provision of information to auditor

All of the current Directors have taken all steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of its 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.

Anti-bribery and corruption

The Group is committed to conducting business with honesty and integrity. We have a policy on anti-bribery and corruption measures that sets out a zero-tolerance approach to these matters, and identifies the responsibilities and behaviours expected of all Tracsis employees in this regard.

Third party indemnity provisions

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

Events after the balance sheet date

On 1 September 2023 Jill Easterbrook was appointed Non-Executive Chair of the Group, succeeding Chris Cole, who stepped down from the Board at the same time. This was part of the Board succession planning following Chris completing his third three-year term as Chair.

On 1 September 2023 Tracy Sheedy was appointed to the Board as a Non-Executive Director. Tracy succeeded Jill Easterbrook as Chair of the Remuneration Committee, and joined the Audit and Nomination Committees, on this date.

By order of the Board

Andrew Kelly
Company Secretary
14 November 2023

Nexus, Discovery Way
Leeds,
LS2 3AA
United Kingdom

Statement of Directors' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, and prudent;
- for the Group financial statements, state whether applicable UK-adopted International Accounting Standards in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors confirm that:

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

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

Independent auditor's report to the members of Tracsis plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Tracsis plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 July 2023, which comprise the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement, the notes to the consolidated financial statements including a summary of significant accounting policies, the Company balance sheet, the Company statement of changes in equity and notes to the Company balance sheet, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 July 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

Our evaluation of the Directors' assessment of the Group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing and challenging management's paper assessing the use of the going concern basis for the Group, this included obtaining management's reasonable downside scenario and reverse stress test calculations;
- Obtaining and reviewing management's forecasts to December 2024 and challenging the key assumptions made by management in producing the forecasts;
- Reviewing and challenging management's forecasts for consistency with other forecasts provided during our audit procedures;
- Performing a stand back assessment of historical forecasting accuracy and challenging management on any historical forecasting inaccuracies to determine if these are indicative of management bias;
- Reviewing post-year end trading, including performing sensitivity analysis over the forecasts, and performing an assessment of management's mitigations; and
- Reviewing the adequacy of the going concern disclosures.

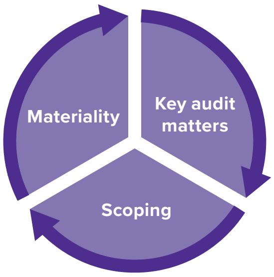
In our evaluation of the Directors' conclusions, we considered the inherent risks associated with the Group's and the parent company's business model including effects arising from macro-economic uncertainties such as inflationary pressures. We also assessed and challenged the reasonableness of estimates made by the Directors and the related disclosures and analysed how those risks might affect the Group's and the parent company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit



Overview of our audit approach

Overall materiality:

Group audit: £285,000, which represents 5% of the Group's expected adjusted profit before tax at the audit planning stage.

Parent company statutory audit: £983,000, which represents 1% of the parent company's expected total assets at the audit planning stage.

Key audit matters were identified as:

- Valuation of goodwill and other intangible assets (same as previous year);

Our auditor's report for the year ended 31 July 2022 included two key audit matters that have not been reported as key audit matters in our current year's report. These relate to the following:

- Completeness and valuation of acquired intangibles in respect of Icon Group and RailComm LLC acquisitions. This key audit matter is no longer relevant as no business combinations occurred in the current year; and
- Valuation of contingent consideration. The settlement of contingent consideration liabilities in the current year has reduced the risk associated with their valuation at the year end.

Scoping has been determined to ensure appropriate coverage of the significant risks as well as coverage of the key results in the financial statements, specifically:

Group revenue: 82%

Group profit before tax: 88%

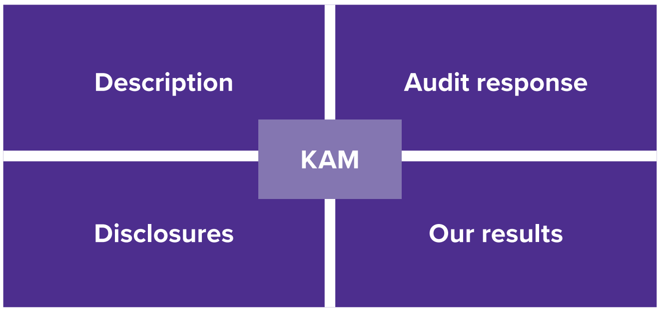
We performed an audit of the financial information of two components using component materiality (full-scope audit) and an audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) for eight components assessed to be material.

We performed analytical procedures at Group level (analytical procedures) on the financial information of all the remaining Group components and performed tests on material balances where appropriate.

In the previous year, we performed full-scope audits on five components and specific-scope audits on seven components. There has been a change in the scoping mix of those components year-on-year due to changes to their relative performance in relation to the Group results.

Key audit matters

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



In the graph below, we have presented the key audit matters and significant risks relevant to the audit. This is not a complete list of all risks identified by our audit.

Independent auditor's report to the members of Tracsis plc *continued*

Key audit matters *continued*

Key Audit Matter – Group	How our scope addressed the matter – Group
Valuation of goodwill and other intangible assets We identified valuation (impairment) of goodwill and other intangible assets in relation to the Customer Experience and RailComm cash generating units 'CGUs' as one of the most significant assessed risks of material misstatement due to error. The Group recorded goodwill and other intangible assets with a carrying value of £57.7 million as at 31 July 2023 (2022: £63.5 million). This includes carrying values of £11.5 million for Railcomm and £17.2 million for Customer Experience. There is an increased risk that the goodwill and intangible assets held by the Group in relation to the Customer Experience and RailComm CGUs are impaired as per International Accounting Standard ('IAS') 36 'Impairment of Assets'. This is due to the high level of estimation uncertainty in assessing the future performance of the CGUs and in determining appropriate operating cash flows, long-term growth rates and discount rates to apply in calculating their 'value in use'. We identified a significant risk within the Customer Experience CGU as this CGU has a highly material carrying value, and there has been a delay in the implementation of Pay As You Go (PAYG) smart ticketing solutions in the UK, which impacts the entity's offerings in this area. This is key to the timing of cashflows in the value-in-use model, and therefore impacts the value attributed to the CGU. We identified a significant risk within the RailComm CGU due to the high levels of growth assumed and the level of sensitivity of the value-in-use calculation to the growth assumption.	In responding to the key audit matter, we performed the following audit procedures: • Assessed the design and implementation of relevant controls associated with the valuation of goodwill and other intangible assets; • Assessed and challenged management's impairment review, which included corroborating recurring revenue to contracts and comparing new cash inflows to historic performance of similar contracts. We also determined whether appropriate costs were included or excluded, and that the methodology used was in accordance with the requirements of IAS 36; • Utilised valuation experts to independently determine a weighted average cost of capital (WACC) for each CGU, to assess whether the WACC used by management, as determined by their expert, is appropriate; • Assessed the competence, capability and objectivity of management's expert through reference to their qualifications and experience; • Evaluated whether the assets and liabilities of the Group were allocated to the CGUs appropriately and challenged whether the CGUs identified were appropriate; • Performed sensitivity analysis on the forecasted cash flows, long-term growth rates and discount rates and determined their impact on the carrying value of goodwill and other intangible assets; • Evaluated historical forecasting accuracy by comparing results achieved in prior years to budgets; and • Assessed whether the disclosure included for headroom sensitivities is appropriate and whether the accounting policy is in line with IAS 36.
Relevant disclosures in the Annual Report and Accounts 2023 Financial statements: Note 4, Critical Accounting Estimates and Judgements. Note 14, Intangible Assets.	**Our results** Based on our audit work, we did not identify any material misstatement due to error in the impairment of goodwill and other intangible assets as at 31 July 2023.

No additional key audit matters were identified in respect of the parent company.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

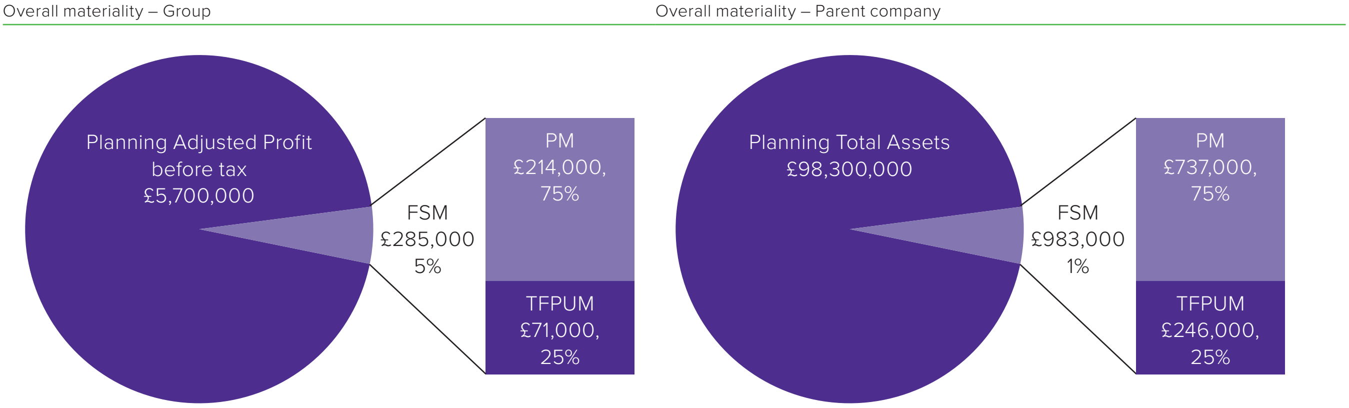
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£285,000, which represents 5% of adjusted profit before tax at the audit planning stage.	£983,000 (for the parent company statutory audit), which represents 1% of total assets at the audit planning stage.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: • profit before tax is a key performance indicator for the Group; and • charges in relation to acquisitions and other investments, separately disclosed by management as "exceptional" and described in note 9.3, are not reflective of the trading performance of the Group. The profit before tax is therefore adjusted for these charges. Materiality for the current year is higher than the level that we determined for the year ended 31 July 2022 to reflect an increase in adjusted profit before tax.	In determining materiality, we made the following significant judgements: • in the current year we changed our benchmark from revenue to total assets; and • total assets is considered to be the most appropriate benchmark for the parent company as it is primarily a holding company and the level of trade generated fluctuates year-on-year such that revenue and profit before tax are volatile benchmarks. Materiality for the current year is higher than the level that we determined for the year ended 31 July 2022 as a result of the change in benchmark. The parent company materiality is solely for the purposes of the parent company statutory audit. A lower component materiality has been used in respect of the parent company for the Group financial statement audit.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£214,000, which is 75% of financial statement materiality.	£737,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • based on experience of previous audits of the Group, we have identified neither a significant number of uncorrected misstatements nor significant control deficiencies.	In determining performance materiality, we made the following significant judgements: • based on experience of previous audits of the parent company, we have identified neither a significant number of uncorrected misstatements nor significant control deficiencies.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: • Directors' remuneration; and • identified related party transactions outside of the normal course of business.	We determined a lower level of specific materiality for the following areas: • Directors' remuneration; and • identified related party transactions outside of the normal course of business.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£14,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£49,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Independent auditor's report to the members of Tracsis plc *continued*

Our application of materiality *continued*

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the parent company's business and in particular matters related to:

Understanding the Group, its components, and their environments, including Group-wide controls

- the engagement team obtained an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level;
- the engagement team obtained an understanding of the Group's organisational structure and considered its impact on the scope of the audit, including assessing the level of centralisation of the Group control function; and
- the engagement team performed walkthroughs of key areas of focus, including significant risks and other significant classes of transactions, in order to confirm their understanding of the control environment across the Group.

Identifying significant components

- the engagement team evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. Significance was determined as a percentage of the Group's revenue and profit before tax, and by considering qualitative factors, such as the component's specific nature or circumstances.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- audits of the financial information of the component using component materiality (full-scope audit) procedures were performed on the financial information of two components. These procedures included a combination of tests of detail and analytical procedures. The key audit matters were tested as part of our work at a Group level rather than in a specific component;
- audits of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) procedures were carried out on a further eight components using component materiality. These procedures included a combination of tests of details and analytical procedures and were designed to increase coverage of the Group's financial statement line items; and
- for the fourteen components that were not individually significant to the Group, or assessed as requiring specific-scope audits, analytical procedures were carried out at group level.

Performance of our audit

- the going concern assessment was tested as part of our work at both a Group and parent company level;
- the Key Audit Matter – Valuation of goodwill and other intangible assets – relates to balances arising on consolidation and was addressed by the Group audit procedures;
- the Group engagement team performed the full-scope and specific-scope audit procedures across the UK and US components in line with the scope described above. The Group engagement team visited the US subsidiary to perform the specific-scope audit work on this entity;
- the group engagement team engaged a component auditor in Ireland to conduct audit procedures over the Irish component; and
- as part of planning procedures, an evaluation was completed over the Group's internal control environment including its IT systems and controls to inform our risk assessment. Our audit testing approach was wholly substantive.

Audit approach	No. of components	Coverage of Group revenue	Coverage of Group profit before tax
Full-scope audit	2	32%	12%
Specific-scope audit	8	50%	76%
Analytical procedures	14	18%	12%
Total	24	100%	100%

An overview of the scope of our audit *continued*

Communications with component auditor

- the engagement team issued Group instructions to, and met with, the component auditor and reviewed the work performed by them during the planning, fieldwork and completion stages of the audit.

Changes in approach from previous period

- there has been a decrease in the number of full-scope components, and an increase in the number of specific-scope components, for the Group audit. This is due to changes in the relative contribution of the components in scope.

Other information

The other information comprises the information included in the Annual Report and Accounts 2023, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Accounts 2023. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

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

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

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 67, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below: :

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and the parent company and determined that the most significant are applicable law and UK-adopted international accounting standards (for the Group), United Kingdom Generally Accepted Accounting Practice (for the parent company) and relevant tax regulations;

Independent auditor's report to the members of Tracsis plc *continued*

Auditor's responsibilities for the audit of the financial statements *continued*

- We corroborated our understanding of the legal and regulatory framework applicable to the entity by discussing relevant frameworks with Group management and component management and seeking and obtaining correspondence with relevant parties and reviewed Board minutes to support this;
- We assessed the susceptibility of the Group's and the parent company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - Journal entries that were posted by senior finance personnel or that reclassified costs within the statement of comprehensive income to increase earnings before interest;
  - Material post-close journal entries;
  - Material journal entries which would reallocate costs within the statement of comprehensive income to increase earnings before interest, tax, depreciation and amortisation ('EBITDA');
  - Material transactions to revenue accounts from an unexpected general ledger code;
  - Potential management bias in determining accounting estimates, especially in relation to their assessment of the valuation of goodwill and other intangible assets; and
  - Transactions with related parties;.
- Audit procedures performed by the engagement team included:
  - evaluating the processes and controls established to address the risks related to irregularities and fraud;
  - journal entry testing, in particular those journals determined to be in respect of our principal risk documented above; and
  - challenging assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the Group and the parent company operate; and
  - understanding of the legal and regulatory requirements specific to the Group and the parent company.
- We issued engagement team communications in respect of potential non-compliance with laws and regulations and fraud including the potential for fraud in revenue recognition through manipulation of deferred income.
- We requested that the component auditor inform us of any instances they identify of non-compliance with laws and regulations that might gave rise to a risk of material misstatement of the Group financial statements.

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

Use of our report

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

Mark Overfield BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
14 November 2023

Consolidated statement of comprehensive income
for the year ended 31 July 2023

	Notes	2023 £000	2022 £000
Revenue	6.1	**82,023**	68,723
Cost of sales		**(32,072)**	(26,483)
Gross profit		**49,951**	42,240
Administrative costs		**(42,696)**	(38,985)
Adjusted EBITDA*	6.2, 29	**15,952**	14,161
Depreciation	13	**(2,110)**	(1,767)
Amortisation of intangible assets	14	**(5,599)**	(5,000)
Other operating income	9.4	**350**	426
Share-based payment charges	8	**(1,248)**	(1,502)
Operating profit before exceptional items		**7,345**	6,318
Exceptional items:			
Impairment losses	9.3	**—**	(49)
Other	9.3	**(90)**	(3,014)
Operating profit	9	**7,255**	3,255
Net finance expense	10	**(119)**	(141)
Share of result of equity-accounted investees	15	**—**	(556)
Profit before tax		**7,136**	2,558
Taxation	11	**(329)**	(1,056)
Profit after tax		**6,807**	1,502
Other comprehensive (expense)/income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**(205)**	423
Items not to be reclassified to profit and loss in subsequent period:			
Revaluation of financial assets	15	**—**	(50)
Total comprehensive income for the year		**6,602**	1,875
Earnings per ordinary share			
Basic	12	**22.81p**	5.09p
Diluted	12	**22.30p**	4.95p

* Earnings before finance income, tax, depreciation, amortisation, exceptional items, other operating income, share-based payment charges and share of result of equity-accounted investees – see note 29.

The accompanying notes form an integral part of these financial statements.

Consolidated balance sheet

as at 31 July 2023

Company number: 05019106

	Note	2023 £000	2022 Remeasured* £000
Non-current assets			
Property, plant and equipment	13	**4,789**	4,897
Intangible assets	14	**57,694**	63,548
Investments – equity	15	**—**	—
Deferred tax assets	21	**650**	410
		63,133	68,855
Current assets			
Inventories	16	**1,465**	1,090
Trade and other receivables	18	**20,371**	18,376
Current tax receivables		**628**	78
Cash held in escrow	20	**—**	2,217
Cash and cash equivalents		**15,307**	14,970
		37,771	36,731
Total assets		**100,904**	105,586
Non-current liabilities			
Lease liabilities	17	**953**	1,476
Contingent consideration payable	20	**139**	736
Deferred consideration payable	20	**—**	297
Deferred tax liabilities	21	**7,161**	8,352
		8,253	10,861
Current liabilities			
Lease liabilities	17	**1,137**	1,291
Trade and other payables	19	**23,435**	24,092
Contingent consideration payable	20	**—**	8,585
Deferred consideration payable	20	**308**	308
		24,880	34,276
Total liabilities		**33,133**	45,137
Net assets		**67,771**	60,449
Equity attributable to equity holders of the Company			
Called up share capital	22	**120**	119
Share premium	23	**6,535**	6,436
Merger reserve	23	**6,161**	6,161
Retained earnings	23	**54,875**	47,448
Translation reserve	23	**130**	335
Fair value reserve	23	**(50)**	(50)
Total equity		**67,771**	60,449

* As described in note 5.2, the comparative balance sheet at 31 July 2022 has been amended following the re-measurement of deferred tax liabilities on intangible assets recognised in the Group's March 2022 acquisition of Railcomm with a corresponding adjustment to goodwill arising on the acquisition. This has had the effect of reducing intangible assets and deferred tax liabilities by £2,319,000 at 31 July 2022; there was no impact on net assets.

The financial statements on pages 75 to 111 were approved and authorised for issue by the Board of Directors on 14 November 2023 and were signed on its behalf by:

Chris Barnes
Chief Executive Officer

Andrew Kelly
Chief Financial Officer

Consolidated statement of changes in equity
for the year ended 31 July 2023

The accompanying notes form an integral part of these financial statements.

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Translation reserve £000	Fair value reserve £000	Total £000
At 1 August 2021	117	6,401	5,525	44,710	(88)	—	56,665
Profit for the year	—	—	—	1,502	—	—	1,502
Other comprehensive income	—	—	—	—	423	(50)	373
Total comprehensive income	—	—	—	1,502	423	(50)	1,875
Transactions with owners:							
Dividends	—	—	—	(266)	—	—	(266)
Share-based payment charges	—	—	—	1,502	—	—	1,502
Exercise of share options	2	35	—	—	—	—	37
Shares issued as consideration for business combinations	—	—	636	—	—	—	636
At 31 July 2022	119	6,436	6,161	47,448	335	(50)	60,449
At 1 August 2022	119	6,436	6,161	47,448	335	(50)	60,449
Profit for the year	—	—	—	6,807	—	—	6,807
Other comprehensive income	—	—	—	—	(205)	—	(205)
Total comprehensive income	—	—	—	6,807	(205)	—	6,602
Transactions with owners:							
Dividends (note 28)	—	—	—	(628)	—	—	(628)
Share-based payment charges	—	—	—	1,248	—	—	1,248
Exercise of share options (notes 8, 22)	1	99	—	—	—	—	100
At 31 July 2023	**120**	**6,535**	**6,161**	**54,875**	**130**	**(50)**	**67,771**

Details of the nature of each component of equity are set out in notes 22 and 23.

The accompanying notes form an integral part of these financial statements

Consolidated cash flow statement

for the year ended 31 July 2023

	Notes	**2023** **£000**	2022 £000
Operating activities			
Profit for the year		**6,807**	1,502
Net finance expense	10	**119**	141
Depreciation	13	**2,110**	1,767
Loss / (profit) on disposal of property, plant and equipment	9.1	**9**	(70)
Non-cash exceptional items	9.3	**90**	2,441
Payment of contingent consideration *	20	**(1,661)**	—
Other operating income	9.4	**(350)**	(426)
Amortisation of intangible assets	14	**5,599**	5,000
Share of result of equity-accounted investees	15	**—**	556
Income tax charge	11	**329**	1,056
Share-based payment charges	8	**1,248**	1,502
Operating cash inflow before changes in working capital		**14,300**	13,469
Movement in inventories		**(416)**	(233)
Movement in trade and other receivables		**(2,085)**	(4,103)
Movement in trade and other payables		**(213)**	383
Cash generated from operations		**11,586**	9,516
Interest received		**36**	6
Income tax paid		**(2,065)**	(1,334)
Net cash flow from operating activities		**9,557**	8,188
Investing activities			
Purchase of property, plant and equipment		**(1,524)**	(1,129)
Proceeds from disposal of property, plant and equipment		**10**	123
Capitalised development costs	14	**(300)**	—
Acquisition of subsidiaries (net of cash acquired)	5	**—**	(9,097)
Payment of contingent consideration *	20	**(7,591)**	(4,126)
Cash held in escrow for payment of contingent consideration	20	**2,233**	(2,217)
Payment of deferred consideration	20	**(315)**	(315)
Net cash flow used in investing activities		**(7,487)**	(16,761)
Financing activities			
Dividends paid	28	**(628)**	(266)
Proceeds from exercise of share options		**100**	37
Settlement of financial liability	9.3	**—**	(416)
Lease liability payments	17	**(1,491)**	(1,421)
Lease receivable receipts		**32**	32
Net cash flow used in financing activities		**(1,987)**	(2,034)
Net increase/(decrease) in cash and cash equivalents		**83**	(10,607)
Exchange adjustments		**254**	190
Cash and cash equivalents at the beginning of the year		**14,970**	25,387
Cash and cash equivalents at the end of the year		**15,307**	14,970

* The total payment of contingent consideration during the year was £9,252,000 (2022: £4,126,000). In accordance with IAS 7, Statement of Cash Flows this has been included within:
- cash flow used in investing activities to the extent that they relate to the fair value of assets acquired in the business combinations; and
- cash flow from operating activities to the extent that they relate to conditions and events after the acquisition date which have been recognised in profit and loss.

The accompanying notes form an integral part of these financial statements.

Notes to the consolidated financial statements

1 Reporting entity

Tracsis plc (the "Company") is a public company incorporated, domiciled, and registered in England in the United Kingdom. The registered number is 05019106 and the registered address is Nexus, Discovery Way, Leeds LS2 3AA. The consolidated financial statements of the Company for the year ended 31 July 2023 comprise the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

2 Basis of preparation

(a) Statement of compliance

The Group consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards ("IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101. These parent company statements are presented after the notes to the consolidated financial statements.

(b) Basis of measurement

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

(c) Presentation currency

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

(d) Use of estimates and judgements

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

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

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

(e) Accounting developments

The Group financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards ("IFRSs"). The accounting policies have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise stated.

There are no new standards, amendments to existing standards or interpretations that are not yet effective that are expected to have a material impact on the Group.

(f) Going concern

The Group is debt free and has substantial cash resources. At 31 July 2023 the Group had net cash and cash equivalents totalling £15.3m. The Board has prepared cash flow forecasts for the period through to December 2024 based upon assumptions for trading and the requirements for cash resources; these forecasts consider reasonably possible changes in trading financial performance.

Further to this, management prepared a severe but plausible scenario, reducing revenues from budget and including a more pessimistic view of working capital. There was still ample headroom under this scenario. A reverse stress test was also considered. The revenue and cash flow assumptions required to eliminate any headroom under the reverse stress test are considered by the Board to be highly unlikely in light of the trading performance in the period since the year end.

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.

(a) Basis of consolidation

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The accounting policies of subsidiary companies have been changed where necessary to align them with the policies adopted by the Group. The Group entities included in these consolidated financial statements are those listed in note 27. All intra-group balance and transactions, including unrealised profits arising from intra-group transactions, are eliminated fully on consolidation.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist either when the Group holds between 20 and 50% of the voting power of another entity or when the Group is deemed to have a significant influence by virtue of a board position; when the Group holds less than 20% of the voting power of an entity and is not deemed to have significant influence by virtue of a board position, then the investment is accounted for in accordance with the accounting policy set out in note 3 (u).

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

Notes to the consolidated financial statements *continued*

3 Significant accounting policies *continued*

(b) Revenue recognition

The Group applies IFRS 15 "Revenue from Contracts with Customers". IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised.

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

The following tables provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, and the related revenue recognition policies. Revenue is recognised when the performance obligation in the contract has been performed (either at a "point in time" or "over time" as control is transferred to the customer). Consideration received in advance of the performance obligation being satisfied by the Group is included as a contract liability on the balance sheet and is presented within current liabilities when it is expected to be settled within the normal operating cycle. An asset is recognised in accordance with IFRS 15:95 in relation to costs associated with incomplete performance obligations where the costs relate directly to the contract and can be specifically identified, the costs generate or enhance resources of the Group and the costs are expected to be recovered. Adjustments are made to allocate discounts relative to the stand-alone selling price of each performance obligation. The Group adjusts the transaction price for the time value of money where the period between the transfer of the promised service to the client, and the payment by the client exceeds one year.

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

Rail Technology & Services

Revenue stream	Recognition policy
Software – perpetual and non-cancellable annual software licences, and support and maintenance services associated with these licences	The criteria under IFRS 15 have been considered to assess whether the software licences and support and maintenance are distinct performance obligations. As the support and updates do not makes changes to the software that are so fundamental that the software would not be able to operate without them, they are considered distinct. The Group recognises the revenue from the sale of perpetual and non-cancellable annual software licences at the time that the licence is made available to the customer as it is considered that control passes at that point in time. Additionally, the Group does not undertake activities that significantly affect the licence after the point at which it was provided to the customer. Revenue related to ongoing support and periodic updates is recognised over the licence period as the Group is unable to predict at inception of the licence when the support and updates will be required to be provided to the customer. As such, control is considered to transfer with the passage of time. The allocation of the transaction price between the two performance obligations included in the contract is based on an expected cost plus margin approach as the stand-alone selling price is not observable.
Software as a service, and support services associated with these licenses	Under IFRS 15 two distinct performance obligations have been identified for these contracts. • Hosted software licences; and • maintenance and support. Revenue from the provision of the hosted software licence is recognised evenly over the period in which the licence is hosted by the Group. This policy reflects the continuous transfer of the service to the customer throughout the contracted licence period. For renewals of hosted licences, the revenue is recognised over the period of the contract. Revenue related to ongoing support and periodic updates is recognised evenly over the licence period as the Group is unable to predict at inception of the licence when the support and updates will be required to be provided to the customer.
Bespoke software development work	Revenue in relation to bespoke development work is recognised on completion of the work in those contracts where it is considered that control of the work does not pass until all development work has been completed. Bespoke development work does not create an asset with an alternative use to the Group and in those contracts where the Group does have an enforceable contractual right to payment for performance completed to date revenue is recognised over time.
Hardware	Under IFRS 15, the Group has identified one performance obligation in relation to the sale of hardware items, being delivery to the customer, which is considered the point in time that control passes and revenue is recognised. Hardware items are also sometimes sold to the customer alongside a licence for condition monitoring software; however, the licence is considered to be distinct from the hardware under IFRS 15 as the two can be sold and used separately from each other. The transaction price is allocated to the components of the contract based on an adjusted market assessment approach. Provision is made for any returns by customers.

3 Significant accounting policies *continued*

(b) Revenue recognition *continued*

Data, Analytics, Consultancy & Events

Revenue stream	Recognition policy
Traffic data collection and capture and passenger counting	Revenue from traffic data collection and capture and passenger counting services deliverables is recognised on the provision of the contract deliverable(s) as agreed with the customer, unless there is an enforceable right to payment under the contract, in which instance revenue would be recognised over the completion of the project based on actual costs compared to expected total project costs, an input method under IFRS 15.
Event planning, parking and traffic management services	There is considered to be one performance obligation in the completion of event planning, parking and traffic management, which is the completion of the service, and this is satisfied upon completion of the service, being at a point in time.
Consultancy services	Consultancy service contracts are either contracted on a time and materials basis, or as fixed fee contracts. Time and materials contracts are recognised over time as services are provided at the fee rate agreed with the client where there is an enforceable right to payment for performance completed to date. Fixed fee contracts are recognised over time based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided where there is an enforceable right to payment, an output method under IFRS 15. In contracts where there is no enforceable right to payment for performance completed to date, revenue is recognised on completion of the contracted deliverables.

(c) Property, plant and equipment

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

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

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

(d) Intangible assets

Goodwill

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

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

Goodwill is allocated to cash-generating units (“CGUs”) 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 is larger than the operating segments determined in accordance with IFRS 8 “Operating Segments”.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. When the recoverable amount of the CGU is less than the carrying amount including goodwill, an impairment loss is recognised. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Business combinations

The Group has applied IFRS 3 “Business Combinations” in accounting for business combinations. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

Notes to the consolidated financial statements *continued*

3 Significant accounting policies *continued*

(d) Intangible assets *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. Subsequent changes to the fair value of the contingent consideration are recognised in operating profit or loss as such changes are primarily as a result of operating performance. Settlement of contingent consideration is included within investing activities in the statement of cash flows to the extent that it relates to the fair value of assets acquired and within operating activities to the extent that it relates to conditions and events after the acquisition date which have been recognised in profit and 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.

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 5 to 20 years for customer-related assets, 10 years for technology-related assets, 5 years for order book assets and 8 years for marketing-related assets. Impairment and amortisation charges are included within operating expenditure in the income statement.

(e) Impairment of property, plant and equipment

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.

Development expenditure meeting these criteria is recognised within technology-related intangibles.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects is recognised in the income statement as incurred.

(g) Financial instruments

i) Recognition and initial measurement

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

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

ii) Classification and subsequent measurement

Financial assets

Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL.

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

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

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

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

Subsequent measurement; gains and losses

Financial assets at FVTPL – these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at FVOCI – these assets are subsequently measured at fair value. Net gains and losses on fair value are recorded as other comprehensive income or loss and accumulated as a separate reserve in equity.

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

Financial liabilities and equity

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

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

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

3 Significant accounting policies *continued*

(g) Financial instruments *continued*

ii) Classification and subsequent measurement *continued*

Financial liabilities and equity *continued*

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii) Impairment

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost and debt investments measured at FVOCI. The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as twelve-month ECL.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

Measurement of ECLs

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

Write-offs

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

(h) Taxation

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

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying value in the financial statements. The principal temporary differences arise from amortisation on acquired intangible assets arising in business combinations, depreciation on property, 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. Where the deferred tax asset recognised in respect of share-based payments would give rise to a credit in excess of the related accounting charge at the prevailing tax rate, the excess is recognised directly in equity. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset only if certain criteria are met. Offset occurs where the Group has the legal right to settle current tax amounts on a net basis, and the deferred tax amounts are levied by the same tax authority on the same entity.

(i) Dividend distribution

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

(j) Leases

The Group has applied IFRS 16 "Leases" throughout the financial year. For any new contracts entered into the Group considers whether a contract is, or contains, a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration".

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

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Notes to the consolidated financial statements *continued*

3 Significant accounting policies *continued*

(j) Leases *continued*

Measurement and recognition of leases as a lessee *continued*

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

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

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

(k) Employee benefits

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

(l) Share-based payments

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

Directors' LTIPs have two conditions attached – earnings per share ("EPS" - non-market condition) and total shareholder return ("TSR" – market condition). An assessment of the fair value is made when the options are granted and in respect of TSR/market conditions, no further adjustment is made regardless of whether the conditions are met or not.

In respect of share options which are not linked to TSR, which is the vast majority of share options for staff including EMI options and discounted LTIP, the fair value of the option is measured using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met. Service conditions are time based, with full vesting achieved over a three-and-a-half-year period and partial vesting at the first, second and third anniversary of award.

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.

(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 Group reorganisation, acquisitions, changes in fair value of contingent consideration, unwind of discounting of contingent consideration, any goodwill impairments and profit/loss on disposal, are included within the appropriate consolidated income statement category but are highlighted separately. Exceptional operating items are excluded from the profit measures used by the Board to monitor underlying performance.

(o) Finance income

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

(p) Cash and cash equivalents

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

(q) Operating segments

The Group has divided its results into two segments being "Rail Technology & Services" and "Data, Analytics, Consultancy & Events". 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. The cost of inventory is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(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.

3 Significant accounting policies *continued*

(t) Translation of financial statements of foreign entities

The assets and liabilities of foreign operations (including goodwill and fair value adjustments arising on acquisition) 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.

(u) Investments

Investments are carried at fair value with changes in fair value recognised through other comprehensive income, accumulated in a separate reserve in equity.

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

(v) Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

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:

Estimates

Recoverable amount of cash generating units

Value in use has been estimated for each cash generating unit ("CGU") as part of the annual impairment test for the Group's goodwill allocated to its CGUs. The key assumptions used in the calculations, and the sensitivity of value in use to these key assumptions are set out in note 14 to these financial statements. The CGUs most sensitive to these assumptions are the Customer Experience and Railcomm LLC CGUs.

Judgements

Revenue recognition

Judgements have been taken in the application of IFRS 15 "Revenue from Contracts with Customer". Performance obligations have been identified based on the contracts in place with customers in the accounting period, and because certain contracts include multiple performance obligations. Consideration has subsequently been allocated to these performance obligations. A judgement has been taken by the Group as to whether the performance obligations and subsequent revenue recognition is at a point in time or over time. The criteria under IFRS 15 to recognise revenue over time are judgemental and the Group assesses on a contract-by-contract basis whether these are met. This includes considering for individual contracts whether there is an enforceable right to payment for work completed to date. There are judgements taken in allocating revenue recognised over time utilising input and output methods under IFRS 15. There are judgements taken in allocating the transaction price based on the relative stand-alone selling price of each distinct service or item within the contract, and judgements as to whether the performance obligation has been met prior to revenue being recognised.

5 Acquisitions

5.1 Acquisitions in the current year

There were no acquisitions during the year ended 31 July 2023.

5.2 Acquisitions in the previous year

(a) The Icon Group Limited ("Icon")

On 3 November 2021 the Group acquired the entire issued share capital of The Icon Group Limited ("Icon"). Icon is an Ireland-based interdisciplinary geoscience company specialising in earth observation ("EO"), geographical information system ("GIS") and spatial data analytics.

Full details of the Icon acquisition were given in note 5 to the Group's 2022 Financial Statements.

(a) Railcomm LLC & Railcomm Associates Inc

On 11 March 2022 the Group acquired the entire members' interests of Railcomm LLC and its wholly owned subsidiary Railcomm Associates Inc (together "Railcomm"). Railcomm is a US-based company providing mission critical automation and control solutions that reduce costs, increase safety, and improve operational efficiency for rail passenger/freight operators and rail served ports/industrials. Its two core products are rail yard automation and computer aided dispatching and it has a wide and diversified client base across the North American market.

Full details of the Railcomm acquisition were given in note 5 to the Group's 2022 Financial Statements.

During the year management determined that an opportunity existed to obtain tax deductions on certain acquired intangible assets, including customer, technology, order-book and marketing-related intangibles and adopted a change in their expected tax filing basis accordingly. As this change took place within the 12-month measurement period prescribed by IFRS 3 Business Combinations the accounting impact of the change has been recorded retrospectively at the time of acquisition. As a consequence, goodwill and deferred tax liabilities arising on acquisition were each reduced by £2,159,000. Foreign exchange movements between the acquisition date and 31 July 2022 were £160,000.

The comparative balance sheet values of £2,319,000 at 31 July 2022 have been amended accordingly, as set out in notes 14 and 21 to these Financial Statements.

Notes to the consolidated financial statements *continued*

6 Revenue and segmental analysis

6.1 Revenue

Revenue is summarised below:

	2023 **£000**	2022 £000
Rail Technology & Services	**37,862**	29,935
Data, Analytics, Consultancy & Events	**44,161**	38,788
Total revenue	**82,023**	68,723

Revenue can also be analysed as follows:

	2023 **£000**	2022 £000
Rail Technology & Services – United Kingdon	**28,975**	26,603
Rail Technology & Services – North America	**8,887**	3,332
Rail Technology & Services	**37,862**	29,935
Traffic Data & Events	**28,793**	25,610
Professional Services	**15,368**	13,178
Data, Analytics, Consultancy & Events	**44,161**	38,788
Total revenue	**82,023**	68,723

Revenue to come from contracts entered into with performance obligations not fulfilled or only partially fulfilled amounted to £21.4m as at 31 July 2023, of which £16.3m is expected to be recognised within one year, and £5.1m after one year (£28.9m as at 31 July 2022, with £15.6m to be recognised within one year and £13.3m after one year).

Further information on revenue is provided below:

	2023 **£000**	2022 £000
Recognised over time	**21,336**	14,925
At a point in time	**16,526**	15,010
Rail Technology & Services	**37,862**	29,935
Recognised over time	**852**	—
At a point in time	**43,309**	38,788
Data, Analytics, Consultancy & Events	**44,161**	38,788
Recognised over time	**22,188**	14,925
At a point in time	**59,835**	53,798
Total revenue	**82,023**	68,723

Major customers

Transactions with the Group's largest customer represent 9% of the Group's total revenues (2022: 12%).

Geographic split of revenue

A geographical analysis of revenue by customer location is provided below:

	2023 **£000**	2022 £000
United Kingdom	**61,422**	55,849
Ireland	**10,802**	8,827
Rest of Europe	**378**	280
North America	**8,643**	3,343
Rest of the World	**778**	424
Total revenue	**82,023**	68,723

6 Revenue and segmental analysis *continued*

6.2 Segmental analysis

The Group has divided its results into two segments being Rail Technology & Services and Data, Analytics, Consultancy & Events consistent with the disclosure in the 2022 financial statements.

The Group has a wide range of products and services for the rail industry, such as software, hosting services 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). Traffic data collection, event planning and traffic management, data, analytics and consultancy offerings have similar economic characteristics and distribution methods and so have been included within the Data, Analytics, Consultancy & Events 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 Executive Directors, who review internal monthly management reports, budgets and forecast information as part of this. Accordingly, the Executive 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 each 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. Segmental profit before tax has been further analysed to allocate amortisation and exceptional items. Segmental assets and liabilities have been further analysed to allocate intangibles and investments, contingent consideration and deferred consideration to each individual segment.

	2023			
	Rail Technology & Services £000	**Data, Analytics, Consultancy & Events £000**	**Unallocated £000**	**Total £000**
Revenues				
Total revenue for reportable segments	**37,862**	**44,161**	**—**	**82,023**
Consolidated revenue	**37,862**	**44,161**	**—**	**82,023**
Profit or loss				
EBITDA for reportable segments	**10,373**	**5,579**	**—**	**15,952**
Amortisation of intangible assets	**(4,273)**	**(1,326)**	**—**	**(5,599)**
Depreciation	**(913)**	**(1,197)**	**—**	**(2,110)**
Exceptional items (net)	**—**	**—**	**(90)**	**(90)**
Other operating income	**—**	**—**	**350**	**350**
Share-based payment charges	**—**	**—**	**(1,248)**	**(1,248)**
Interest payable (net)	**(31)**	**(88)**	**—**	**(119)**
Consolidated profit before tax	**5,156**	**2,968**	**(988)**	**7,136**

Notes to the consolidated financial statements *continued*

6 Revenue and segmental analysis *continued*

6.2 Segmental analysis *continued*

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

	2022			
	Rail Technology & Services £000	Data, Analytics, Consultancy & Events £000	Unallocated £000	Total £000
Revenues				
Total revenue for reportable segments	29,935	38,788	—	68,723
Consolidated revenue	29,935	38,788	—	68,723
Profit or loss				
EBITDA for reportable segments:	9,780	4,381	—	14,161
Amortisation of intangible assets	(3,731)	(1,269)	—	(5,000)
Depreciation	(748)	(1,019)	—	(1,767)
Exceptional items (net)	(444)	(176)	(2,443)	(3,063)
Other operating income	—	—	426	426
Share-based payment charges	—	—	(1,502)	(1,502)
Interest payable (net)	(46)	(68)	(27)	(141)
Share of result of equity-accounted investees	—	—	(556)	(556)
Consolidated profit before tax	4,811	1,849	(4,102)	2,558

	2023			
	Rail Technology & Services £000	**Data, Analytics, Consultancy & Events £000**	**Unallocated £000**	**Total £000**
Assets				
Total other assets for reportable segments	**11,196**	**16,057**	**—**	**27,253**
Intangible assets and investments	**47,362**	**10,332**	**—**	**57,694**
Deferred tax assets	**—**	**—**	**650**	**650**
Cash and cash equivalents	**7,959**	**7,348**	**—**	**15,307**
Consolidated total assets	**66,517**	**33,737**	**650**	**100,904**
Liabilities				
Total other liabilities for reportable segments	**(15,707)**	**(9,818)**	**—**	**(25,525)**
Deferred tax liabilities	**—**	**—**	**(7,161)**	**(7,161)**
Contingent consideration	**—**	**(139)**	**—**	**(139)**
Deferred consideration	**—**	**(308)**	**—**	**(308)**
Consolidated total liabilities	**(15,707)**	**(10,265)**	**(7,161)**	**(33,133)**

6 Revenue and segmental analysis *continued*

6.2 Segmental analysis *continued*

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

	2022*			
	Rail Technology & Services £000	Data, Analytics, Consultancy & Events £000	Unallocated £000	Total £000
Assets				
Total other assets for reportable segments	10,935	13,506	—	24,441
Intangible assets and investments	51,958	11,590	—	63,548
Deferred tax assets	—	—	410	410
Cash held in escrow	2,217	—	—	2,217
Cash and cash equivalents	8,918	6,052	—	14,970
Consolidated total assets	74,028	31,148	410	105,586
Liabilities				
Total other liabilities for reportable segments	(17,070)	(9,789)	—	(26,859)
Deferred tax liabilities	—	—	(8,352)	(8,352)
Contingent consideration	(8,320)	(1,001)	—	(9,321)
Deferred consideration	—	(605)	—	(605)
Consolidated total liabilities	(25,390)	(11,395)	(8,352)	(45,137)

* As described in note 5.2), the comparative balance sheet at 31 July 2022 has been amended following the re-measurement of deferred tax liabilities on intangible assets recognised in the Group's March 2022 acquisition of Railcomm with a corresponding adjustment to goodwill arising on the acquisition. This has had the effect of reducing Rail Technology & Services intangible assets and unallocated deferred tax liabilities by £2,319,000 at 31 July 2022; there was no impact on total net assets.

Non-current assets can be split as follows:

	2023			
	UK £000	**Ireland £000**	**North America £000**	**Total £000**
Non-current assets				
Property, plant and equipment	**4,412**	**244**	**133**	**4,789**
Intangible assets	**40,659**	**5,565**	**11,470**	**57,694**
Investments – equity	**—**	**—**	**—**	**—**
Investments in equity-accounted investees	**—**	**—**	**—**	**—**

	2022*			
	UK £000	Ireland £000	North America* £000	Total £000
Non-current assets				
Property, plant and equipment	4,034	627	236	4,897
Intangible assets	44,213	6,258	13,077	63,548
Investments – equity	—	—	—	—
Investments in equity-accounted investees	—	—	—	—

* As described in note 5.2), the comparative balance sheet at 31 July 2022 has been amended following the re-measurement of deferred tax liabilities on intangible assets recognised in the Group's March 2022 acquisition of Railcomm with a corresponding adjustment to goodwill arising on the acquisition. This has had the effect of reducing North America intangible assets by £2,319,000 at 31 July 2022.

Notes to the consolidated financial statements *continued*

7 Employees and personnel costs

	2023 £000	2022 £000
Staff costs:		
Wages and salaries	**37,156**	30,855
Social security contributions	**3,401**	3,201
Contributions to defined contribution plans	**1,400**	1,182
Equity-settled share-based payment transactions	**1,248**	1,502
Total staff costs	**43,205**	36,740

Staff costs are presented in the Consolidated Statement of Comprehensive Income within:

	2023 £000	2022 £000
Cost of sales	**16,291**	13,582
Administrative expenses	**26,914**	23,158
Total staff costs	**43,205**	36,740

	2023	2022
Staff numbers (full time equivalents)		
Average number of permanent staff	**581**	561
Average number of casual staff	**347**	395
Total number of staff	**928**	956

The total headcount as calculated by reference to CA06 s411(1) was 2,349 (2022: 1,818).

The Directors' remuneration and share options are detailed within the Directors' Remuneration Report on pages 58 to 64.

Total Directors' remuneration, including bonus and pension contributions, was £1,006,000 (2022: £1,050,000).

The aggregate remuneration of the highest paid Director was £457,000 (2022: £504,000).

The highest paid Director exercised 18,962 share options in the year at a gain of £181,000 (2022: 21,417 shares at a gain of £223,000). One Director (2022: one) exercised share options during the year. Two Directors (2022: two) currently participate in the Long Term Incentive Plan. The highest paid Director has 102,254 shares under Long Term Incentive Plan nominal value options; assuming their vesting conditions were met in full, then their pre-tax value would be £879,000 based on the share price at 31 July 2023.

One director (2022: one) receives employer pension contributions into a personal pension scheme.

Directors of the Company control 0.08% of the voting shares of the Company (2022: 0.06%).

Details of other key management personnel are disclosed in note 25.

8 Share-based payments

The Group has various share option schemes for its employees.

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 were also able to exchange an element of annual salary in return for share options. The vesting period is three years. The options are settled in equity once exercised. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest. This scheme is no longer open to new participants.

Unapproved share options

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

8 Share-based payments *continued*

Directors' scheme

Directors were not entitled to take part in the 2015 to 2022 staff schemes. Separate schemes for the Directors have been put in place with performance conditions attached to vesting. Further details of these schemes are provided in the Directors' Remuneration Report.

Details of the schemes are given below:

Grant date	Employees entitled	Number of options	Performance conditions	Exercise price p	Earliest exercise date	Expiry date
Staff schemes						
01/08/2014	4	24,429	Time served	0.40	01/08/2015(1)	01/08/2024
01/08/2015	15	12,074	Time served	0.40	01/08/2016(2)	01/08/2025
25/09/2015	4	3,140	Time served	0.40	25/09/2016(2)	25/09/2025
01/12/2015	2	25,945	Time served	0.40	01/12/2016(2)	01/12/2025
01/08/2016	12	32,946	Time served	0.40	01/08/2017(2)	01/08/2026
01/08/2017	7	32,796	Time served	0.40	01/08/2018(2)	01/08/2027
01/08/2018	31	41,938	Time served	0.40	01/08/2019(2)	01/08/2028
16/01/2019	6	17,558	Time served	0.40	16/01/2020(2)	16/01/2029
01/05/2019	5	28,625	Time served	0.40	01/05/2023(3)	01/05/2029
01/08/2019	39	56,106	Time served	0.40	01/08/2020(2)	01/08/2029
01/08/2020	88	140,993	Time served	0.40	01/08/2021(2)	01/02/2030
01/08/2021	67	88,890	Time served	0.40	01/08/2022(2)	01/08/2031
29/07/2022	1	1,900	Time served	0.40	09/05/2025	28/07/2032
01/08/2022	73	116,871	Time served	0.40	01/08/2023(2)	01/08/2032
03/01/2023	1	2,065	Time served	0.40	03/01/2026(2)	03/01/2033
Directors schemes(4)						
29/12/2020	1	40,891	EPS and TSR	0.40	29/12/2023	29/12/2030
01/02/2021	1	7,692	Time served	0.40	01/02/2024	01/02/2031
05/02/2021	1	13,482	EPS and TSR	0.40	05/02/2024	05/02/2031
29/11/2021	2	45,250	EPS and TSR	0.40	29/11/2024	29/11/2031
06/12/2022	2	56,715	EPS and TSR	0.40	06/12/2025	06/12/2032
Outstanding		**790,306**				

(1) 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.

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

(3) Vesting of these options are linked to time served and also to the financial performance of Bellvedi Limited which was acquired in 2019.

(4) Details of EPS and TSR are disclosed in the Directors' Remuneration Report.

Notes to the consolidated financial statements *continued*

8 Share-based payments *continued*

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

	2023 Number	**2023 Weighted average exercise price**	2022 Number	2022 Weighted average exercise price
Outstanding at 1 August	**943,501**	**11.1p**	1,054,795	13.2p
Granted	**175,651**	**0.4p**	163,161	0.4p
Lapsed	**(33,156)**	**0.4p**	(13,176)	0.4p
Exercised	**(295,690)**	**34.5p**	(261,279)	14.1p
Outstanding at 31 July	**790,306**	**0.4p**	943,501	11.1p
Exercisable at 31 July	**370,194**	**0.4p**	494,124	20.8p

Share options were exercised at numerous points in the year and the average share price for the year ended 31 July 2023 was 935p (2022: 980p).

The share options outstanding at the end of the year have a weighted average remaining contractual life of 6.6 years (2022: 6.4 years).

Fair value assumptions of share-based payment charges

The estimate of the fair value of share-based awards is calculated using the Black-Scholes option pricing model and using a Monte Carlo simulation for options with TSR performance conditions. The following assumptions were used on options granted in the year:

Options granted on	01/08/2022	06/12/2022	03/01/2023
Share price at date of grant	910.0p	970.0p	965.0p
Exercise price	0.4p	0.4p	0.4p
Vesting period (years)	3.5	3.0	3.0
Expected volatility	30.0%	30.0%	30.0%
Option life (years)	10	10	10
Expected life (years)	10	10	10
Risk-free rate	3.5%	3.5%	3.5%
Expected dividends expressed as a dividend yield	0.2%	0.2%	0.2%
Fair value of options granted	910.0p	844.0p	965.0p

The expected volatility is based on the historical volatility of the Company's share price. An assessment of the likelihood of market conditions being achieved is made at the time that the options are granted.

Charge to the income statement

	2023 £000	2022 £000
Share—based payment charges	**1,248**	1,502

9 Operating profit

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

	2023 £000	2022 £000
Depreciation of property, plant and equipment – owned	**715**	608
Depreciation of property, plant and equipment – leased (including right of use assets)	**1,395**	1,159
Total depreciation of property, plant and equipment (note 13)	**2,110**	1,767
Total amortisation (note 14)	**5,599**	5,000
Loss / (profit) on disposal of property, plant and equipment	**9**	(70)
Operating lease rentals: land and buildings*	**92**	112
Operating lease rentals: plant & machinery*	**1**	2
Total operating lease rentals	**93**	114
Research and development expenditure expensed as incurred	**3,383**	3,280
Grants received:		
Government grants	**(404)**	(459)

* Operating lease rentals relate to items for which the recognition and measurement exemptions available in IFRS 16 for short-term and low-value leases have been taken.

9.2 Auditor's remuneration:

	2023 £000	2022 £000
Audit of these financial statements		
– This financial year	**239**	132
– The previous financial year	**7**	45
Amounts receivable by the Auditor and its associates in respect of:		
– Audit of financial statements of subsidiaries pursuant to legislation	**182**	190
– Other services	**6**	5
Total Auditor's remuneration:	**434**	372

9.3 Exceptional items:

The Group incurred a number of exceptional items in 2023 and 2022 which are analysed as follows:

	2023 £000	2022 £000
Impairment losses		
Non-cash:		
Investment in associate	**—**	49
Total impairment losses	**—**	49
Other		
Non-cash:		
Contingent consideration fair value adjustment	**(559)**	1,792
Unwind of discounting of contingent consideration	**649**	774
Fair value adjustment – financial liability	**—**	(127)
Gain on settlement of financial liability	**—**	(47)
Cash:		
Legal and professional fees in respect of acquisitions and other corporate activities	**—**	622
Total other	**90**	3,014
Total exceptional items	**90**	3,063

Split:	**2023 £000**	2022 £000
Non-cash	**90**	2,441
Cash	**—**	622
Total	**90**	3,063

Notes to the consolidated financial statements *continued*

9 Operating profit *continued*

9.3 Exceptional items: *continued*

2023

An exceptional £559,000 credit has been recognised in the income statement representing the net decrease in the fair value of contingent consideration payable at the end of the financial year. This principally relates to certain contracts in Icon GEO that have been superseded by a new contract won by the Group in the year utilising the combined capabilities of our existing Data Analytics/GIS business with Icon GEO's earth observation technologies.

A further charge totalling £649,000 has been recognised which reflects the unwinding of the discounting of contingent consideration. The discount rates applied vary by acquisition and are in the range of 3.25% to 14.5%. A breakdown of the remaining fair value of contingent consideration by acquisition is included in note 20. These costs are deemed to be exceptional items due to the size and volatility of the items which can vary significantly from year to year.

2022

In the previous financial year, an exceptional cost was recognised to increase the fair value of the contingent consideration payable at the end of that year. A £1,792,000 charge to the income statement was recorded which reflected the increased pipeline for software contract opportunities, and the impact of software contracts which were secured in that year. A further charge totalling £774,000 was recognised which reflected the unwinding of the discount on contingent consideration. The discount rates applied varied by acquisition and were in the range of 3.25% to 14.5%. These costs were deemed to be exceptional due to their size and volatility which can vary significantly from year to year.

On 17 June 2022 the Group acquired the minority shareholding of 10,225 TRC A shares which were issued as part of the consideration on the acquisition of Flash Forward Consulting in February 2021. The fair value was determined on acquisition as £590,000 and was recognised as a financial liability in the statement of financial position held at fair value through profit and loss. The fair value of these shares was assessed as £463,000 immediately prior to the repurchase and a resulting fair value adjustment of £127,000 was recognised in the previous financial year. Consideration for the shares paid was £416,000 and a resulting one-off gain of £47,000 was recognised in the previous financial year.

During 2022 the Group made two acquisitions. In November 2021 the Group acquired The Icon Group Limited. Legal and professional fees related to this acquisition totalled £167,000. In March 2022 the Group acquired Railcomm LLC incurring acquisition-related fees of £392,000. As part of the acquisition the Group incurred £40,000 of legal and professional costs associated with the transfer of a UK employee to oversee the integration of the acquisition. Legal and professional fees were also incurred in relation to one-off transactions (including the re-purchase of TRC A shares) and as they will not recur in future years, were deemed to be exceptional in nature.

An impairment loss of £49,000 was recognised in the previous financial year in relation to the investment in an associate in Nutshell Software Limited. Following an assessment of the anticipated future cash flows anticipated from the investment a judgement was taken to write down the remaining carrying value to £nil.

9.3 Other operating income

The Group does not qualify as an SME for research and development costs for UK corporation tax purposes purposes and as such is governed by the large company "above the line" credit. This amounted to £350,000 in 2023 (2022: £426,000).

10 Net finance expense

	2023 **£000**	2022 £000
Interest received on bank deposits	**36**	6
Interest on lease receivable	**2**	3
Interest on lease liabilities	**(98)**	(98)
Net foreign exchange loss	**(41)**	(23)
Unwind of discount of deferred consideration	**(18)**	(29)
Total net finance expense	**(119)**	(141)

11 Taxation

Recognised in the income statement

	2023 **£000**	2022 £000
Current tax		
Current year	**1,890**	1,327
Adjustment in respect of prior periods	**(126)**	(3)
Total current tax charge	**1,764**	1,324
Deferred tax		
Origination and reversal of temporary differences	**(966)**	(200)
Rate changes	**(168)**	—
Adjustment in respect of prior periods	**(301)**	(68)
Total deferred tax credit	**(1,435)**	(268)
Total tax charge	**329**	1,056

11 Taxation *continued*

Reconciliation of the effective tax rate:

	2023 **£000**	**2023** **%**	2022 £000	2022 %
Profit before tax for the period	**7,136**		2,558	
Expected tax charge based on the standard rate of corporation tax in the UK of 21.0% (2022: 19.0%)	**1,499**	**21.0**	486	19.0
Expenses not deductible for tax purposes	**59**	**0.8**	623	24.4
Rate changes	**(168)**	**(2.4)**	—	—
Adjustments in respect of previous years	**(427)**	**(6.0)**	(71)	(2.8)
Overseas tax not at UK tax rate	**(235)**	**(3.3)**	(104)	(4.1)
Trading losses carried forward	**—**	**—**	73	2.9
Share-based payments differences	**(399)**	**(5.5)**	49	1.9
Total tax charge	**329**	**4.6**	1,056	41.3

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This increases the Group's current tax charge accordingly. The net deferred tax liability has been calculated at the rate that it is anticipated to unwind; for UK entities at 25% (2022: either 19% or 25%) and for those overseas at a range between 12.5% to 27%, appropriate to the tax jurisdiction in which they operate. The Group has no recognised or unrecognised tax losses carried forward (2022: £nil).

12 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 July 2023 was based on the profit attributable to ordinary shareholders of £6,807,000 (2022: £1,502,000) and a weighted average number of ordinary shares in issue of 29,836,000 (2022: 29,486,000), calculated as follows:

Weighted average number of ordinary shares

In thousands of shares	**2023**	2022
Issued ordinary shares at 1 August	**29,662**	29,332
Effect of shares issued related to business combinations	**—**	51
Effect of shares issued for cash	**174**	103
Weighted average number of shares at 31 July	**29,836**	29,486

Diluted earnings per share

The calculation of basic earnings per share for the year ended 31 July 2023 was based on the profit attributable to ordinary shareholders of £6,807,000 (2022: £1,502,000) and a weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares of 30,529,000 (2022: 30,330,000).

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 enable a comparison to similar businesses and are metrics used by equity analysts who cover the Group. Amortisation and share-based payment charges are deemed to be non-cash at the point of recognition in nature, and exceptional items by their very nature are one-off, and therefore excluded in order to assist with the understanding of underlying trading. A reconciliation of this figure is provided below.

	2023 **£000**	2022 £000
Profit after tax	**6,807**	1,502
Amortisation of intangible assets	**5,599**	5,000
Share-based payment charges	**1,248**	1,502
Exceptional items (net)	**90**	3,063
Other operating income	**(350)**	(426)
Tax impact of the above adjusting items	**(1,638)**	(847)
Adjusted profit for EPS purposes	**11,756**	9,794

Notes to the consolidated financial statements *continued*

12 Earnings per share *continued*

Weighted average number of ordinary shares

In thousands of shares	**2023**	2022
For the purposes of calculating basic earnings per share	**29,836**	29,486
Adjustment for the effects of all dilutive potential ordinary shares	**693**	844
For the purposes of calculating diluted earnings per share	**30,529**	30,330

Basic adjusted earnings per share	**39.40p**	33.22p
Diluted adjusted earnings per share	**38.51p**	32.29p

13 Property, plant and equipment

	Land and buildings £000	Motor vehicles £000	Computer equipment £000	Plant, machinery, fixtures and fittings £000	Total £000
Cost					
At 1 August 2021	3,508	1,266	2,097	2,541	9,412
Lease modifications	213	—	—	—	213
Additions	686	1,158	667	158	2,669
Arising on acquisition	254	—	19	3	276
Disposals	—	(269)	(14)	—	(283)
Exchange adjustment	19	—	—	1	20
At 31 July 2022	4,680	2,155	2,769	2,703	12,307
Lease modifications	474	—	—	—	474
Additions	23	476	415	636	1,550
Disposals	—	(31)	(125)	(13)	(169)
Exchange adjustment	(15)	(2)	(25)	(7)	(49)
At 31 July 2023	**5,162**	**2,598**	**3,034**	**3,319**	**14,113**
Depreciation					
At 1 August 2021	1,655	613	1,775	1,829	5,872
Charge for the year	802	415	286	264	1,767
Disposals	—	(217)	(13)	—	(230)
Exchange adjustment	1	—	—	—	1
At 31 July 2022	2,458	811	2,048	2,093	7,410
Charge for the year	997	513	367	233	2,110
Disposals	—	(11)	(126)	(13)	(150)
Exchange adjustment	(13)	(2)	(24)	(7)	(46)
At 31 July 2023	**3,442**	**1,311**	**2,265**	**2,306**	**9,324**
Net book value					
At 1 August 2021	1,853	653	322	712	3,540
At 31 July 2022	2,222	1,344	721	610	4,897
At 31 July 2023	**1,720**	**1,287**	**769**	**1,013**	**4,789**

13 Property, plant and equipment *continued*

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

	Land and buildings £000	Plant, machinery, fixtures and fittings and vehicles £000	Total right-of-use asset £000
Cost			
At 1 August 2021	3,109	1,111	4,220
Lease modifications	213	—	213
Additions	687	853	1,540
Arising on acquisition	254	3	257
Disposals	—	(95)	(95)
Exchange adjustment	19	—	19
At 31 July 2022	**4,282**	**1,872**	**6,154**
Lease modifications	474	—	474
Additions	—	239	239
Disposals	—	(30)	(30)
Exchange adjustment	(14)	—	(14)
At 31 July 2023	**4,742**	**2,081**	**6,823**
Depreciation			
At 1 August 2021	1,512	549	2,061
Charge for the year	785	374	1,159
Disposals	—	(56)	(56)
Exchange adjustment	2	—	2
At 31 July 2022	**2,299**	**867**	**3,166**
Charge for the year	**966**	**429**	**1,395**
Disposals	**—**	**(10)**	**(10)**
Exchange adjustment	**(12)**	**—**	**(12)**
At 31 July 2023	**3,253**	**1,286**	**4,539**
Net book value			
At 1 August 2021	1,597	562	2,159
At 31 July 2022	1,983	1,005	2,988
At 31 July 2023	**1,489**	**795**	**2,284**

Notes to the consolidated financial statements *continued*

14 Intangible assets

	Goodwill* £000	Customer-related intangibles £000	Technology-related intangibles £000	Order book-related intangibles £000	Marketing-related intangibles £000	Total £000
Cost						
At 1 August 2021	12,804	36,809	20,417	—	—	70,030
Arising on acquisition *	5,905	3,146	5,654	383	827	15,915
Exchange adjustment	324	58	421	29	62	894
At 31 July 2022 *	19,033	40,013	26,492	412	889	86,839
Additions	—	—	300	—	—	300
Exchange adjustment	(228)	(22)	(314)	(21)	(46)	(631)
At 31 July 2023	**18,805**	**39,991**	**26,478**	**391**	**843**	**86,508**
Amortisation						
At 1 August 2021	623	11,375	6,287	—	—	18,285
Charge for the year	—	2,768	2,160	29	43	5,000
Exchange adjustment	—	(1)	6	—	1	6
At 31 July 2022	623	14,142	8,453	29	44	23,291
Charge for the year	—	2,835	2,571	84	109	5,599
Exchange adjustment	—	(18)	(44)	(6)	(8)	(76)
At 31 July 2023	**623**	**16,959**	**10,980**	**107**	**145**	**28,814**
Carrying amounts						
At 1 August 2021	12,181	25,434	14,130	—	—	51,745
At 31 July 2022	18,410	25,871	18,039	383	845	63,548
At 31 July 2023	**18,182**	**23,032**	**15,498**	**284**	**698**	**57,694**

* Goodwill arising on acquisition in the comparative period has been amended following the measurement period remeasurement of deferred tax liabilities on intangible assets recognised in the Group's March 2022 acquistion of Railcomm. This amendment had the effect of reducing the cost and carrying amount of goodwill by £2,319,000 at 31 July 2022. See note 5.2(b).

The following carrying values of intangible assets arising from the acquisitions that the Group has completed in the current and previous years are analysed into the following cash-generating units:

	Goodwill*		Customer-related intangibles		Technology-related intangibles		Order book-related intangibles		Marketing-related intangibles		Total	
	2023 £000	2022 Adjusted £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Rail Operations and Plannng[1]	**535**	535	**5,224**	5,616	**2,881**	3,513	**—**	—	**—**	—	**8,640**	9,664
MPEC Technology Limited	**269**	269	**500**	564	**—**	—	**—**	—	**—**	—	**769**	833
Ontrac Technology Limited	**602**	602	**8,321**	8,997	**327**	467	**—**	—	**—**	—	**9,250**	10,066
Customer Experience[2]	**7,109**	7,109	**3,448**	3,775	**6,676**	7,437	**—**	—	**—**	—	**17,233**	18,321
Tracsis Traffic Data Limited	**390**	390	**—**	121	**—**	—	**—**	—	**—**	—	**390**	511
Tracsis Events Limited	**587**	587	**1,280**	1,601	**—**	—	**—**	—	**—**	—	**1,867**	2,188
Compass Informatics Limited and The Icon Group Limited	**2,338**	2,309	**2,581**	3,183	**645**	764	**—**	—	**—**	—	**5,564**	6,256
Transport Consultancy	**1,668**	1,668	**842**	964	**—**	—	**—**	—	**—**	—	**2,510**	2,632
Railcomm LLC	**4,684**	4,941	**836**	1,050	**4,969**	5,858	**284**	383	**698**	845	**11,471**	13,077
	18,182	18,410	**23,032**	25,871	**15,498**	18,039	**284**	383	**698**	845	**57,694**	63,548

(1) Comprises: Safety Information Systems Limited, Datasys Integration Limited and Bellvedi Limited

(2) Comprises: iBlocks Limited and Tracsis Travel Compensation Services Limited

14 Intangible assets *continued*

During the year ended 31 July 2023, the cash-generating units have changed as follows:

- The Rail Operations and Bellvedi Limited businesses have combined into the Rail Operations and Planning cash-generating unit as part of the Group's reorganisation of its operating model.
- The iBlocks Limited and Tracsis Travel Compensation Services Limited businesses have combined into the Customer Experience cash-generating unit as part of the Group's reorganisation of its operating model.

The carrying value of intangible assets allocated to the integrated businesses has been directly allocated to the new cash generating units.

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

	2023 **£000**	2022 £000
Administrative expenses	**5,599**	5,000

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. Customer-related intangibles have between 1 and 16 years left to amortise. Technology-related intangibles have between 2 and 9 years remaining to amortise, order book-related intangibles have 4 years remaining to amortise and marketing-related intangibles have 7 years left to amortise.

Technology-related intangibles relates to proprietary software that has been acquired or developed in house and which are used by the Group.

In accordance with the requirements of IAS 36 "Impairment of Assets", goodwill is allocated to the Group's cash-generating units ("CGUs") which are expected to benefit from the combination. CGUs are not larger than the operating segments of the Group. Each CGU is assessed for impairment annually or whenever there is a specific indicator of impairment.

As part of the annual impairment test review, the carrying value of goodwill has been assessed with reference to value in use over a projected period of three years together with a terminal value. This reflects the projected cash flows of the CGU based on the actual operating results, the most recent Board approved budget and management projections.

The key assumptions on which the value in use calculations are based relate to business performance over the next three years, long-term growth rates beyond 2024 and the discount rates applied. The key judgements are the level of revenue and margins anticipated and the proportion of operating profit converted into cash flow in each year. Forecasts are based on past experience and take into account current and future market conditions and opportunities.

	Discount rate	Long-term growth rate
Rail Operations and Planning	15.0%	2.0%
MPEC Technology Limited	15.0%	2.0%
Ontrac Technology Limited	15.0%	2.0%
Customer Experience	15.0%	2.0%
Tracsis Traffic Data Limited	15.0%	2.0%
Event Traffic Management	15.0%	2.0%
Compass Informatics Limited and The Icon Group Limited	12.5%	2.0%
Transport Consultancy	15.0%	2.0%
Railcomm LLC	14.0%	2.0%

Sensitivities of reasonably possible changes have been considered for each CGU as below and resulted in the recoverable amount exceeding the carrying amount for each CGU:

- a 1% point increase in the discount rate; and
- a 1% point reduction in the long-term growth rate

The discount rate applied would need to increase by more than 2.6% points before the carrying amount would not exceed the recoverable amount in any CGU.

The Customer Experience CGU is highly sensitive to assumptions around future contract wins. A key assumption within its value in use is the revenue growth opportunity. A decrease in revenues over the three-year forecast period of 19.5% with no cost mitigations and into perpetuity would reduce the headroom against the non-current assets to £nil. For this CGU if the discount rate were to increase by 7.1% points, this would also reduce headroom against the non-current assets to £nil.

As a recently acquired subsidiary, the Railcomm LLC CGU is also highly sensitive to changes in forecasting assumptions. A key assumption within its value in use is the revenue growth opportunity. A decrease in revenues over the three-year forecast period of 5.3% with no cost mitigations and into perpetuity would reduce the headroom against the non-current assets to £nil. Management considers this unlikely based on the post-acquisition performance relative to expectations and based on identified market opportunities for its products and services. For this CGU if the discount rate were to increase by 4.2% points, this would also reduce headroom against the non-current assets to £nil.

Notes to the consolidated financial statements *continued*

15 Investments

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

The carrying value of the investments is detailed below:

	% held At 31 July 2023	**2023 £000**	2022 £000
Investments — equity			
Citi Logik Limited	15.4%	**—**	—
Nutshell Software Limited	14.2%	**—**	—
Vivacity Labs Limited	13.5%	**—**	—
Total investments		**—**	—

During the financial year, Vivacity Labs Limited has secured additional funding through the issue of new ordinary shares. The Group did not subscribe for these newly issued shares and this has reduced the Group's overall holding to 13.5%. The Group also resigned its Board seat in the financial year on 1 August 2022 and it is considered that since that point the Group no longer exerts significant influence over Vivacity Labs Limited, and as such the investment is no longer an equity-accounted investment.

During the financial year £nil (2022: loss of £556,000) was recognised as the Group's share of result of equity-accounted investees.

During the financial year, Citi Logik Limited was placed into Creditors' Voluntary Liquidation.

Assessments of the fair value of the equity investments in Citi Logik Limited, Nutshell Software Limited and Vivacity Labs Limited were completed at the end of the year. The fair value of these investments has been determined as £nil in each case.

16 Inventories

	2023 £000	2022 £000
Raw materials & work in progress	**1,083**	521
Finished goods	**382**	569
Total inventories	**1,465**	1,090

The value of inventories expensed in the period in cost of sales was £2,281,000 (2022: £1,393,000). Provision is made for slow moving and obsolete stock on a line-by-line basis. The value of any write downs or reversals in the current and previous period was not material.

17 Lease liabilities

	2023 £000	2022 £000
Due within one year	**1,137**	1,291
Due after more than one year:		
Between one and two years	**758**	841
Between two and five years	**195**	635
Total due after more than one year	**953**	1,476
Total obligation	**2,090**	2,767

A reconciliation of the obligation is stated below.

	2023 £000	2022 £000
At 1 August	**2,767**	2,059
Lease modifications	**474**	213
New contracts	**239**	1,540
Arising on acquisition	**—**	260
Total cash outflow	**(1,491)**	(1,421)
Interest	**98**	97
Exchange adjustments	**3**	19
At 31 July	**2,090**	2,767

For new leases entered into in the year, the discount rate has been calculated as the incremental borrowing rate available to the Group at the date of the lease commencement. The range of incremental borrowing rates utilised to value the leases existing at the end of the year is 2.6% to 2.7% (2022 2.6% to 2.7%).

17 Lease liabilities *continued*

Future minimum lease payments at 31 July 2023 were as follows:

	Carrying amount £000	Contractual cash flows £000	Less than one year £000	One to two years £000	Two to five years £000
2023	**2,090**	**2,169**	**1,183**	**772**	**214**
2022	2,767	2,921	1,387	882	652

Lease payments not recognised as a liability

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

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

	2023 £000	2022 £000
Short-term leases	**92**	112
Leases of low value assets	**1**	2
Total	**93**	114

18 Trade and other receivables

	2023 £000	2022 £000
Trade receivables	**16,432**	13,755
Unbilled receivables	**802**	816
Other receivables and prepayments	**3,097**	3,745
	3,899	4,551
Lease receivable	**40**	70
Total trade and other receivables	**20,371**	18,376

Although the Group has a large number of customers, there is a concentration of risk in that the Group derives a large amount of revenue from one major customer as detailed in note 6 (2023: 9% of revenue; 2022: 12% of revenue), though there are no concerns over the credit worthiness of the customer. 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.

19 Trade and other payables

	2023 £000	2022 £000
Trade payables	**3,398**	2,256
Other tax and social security	**3,857**	3,604
Contract liabilities	**11,981**	12,321
Accruals and other payables	**4,199**	5,911
Total trade and other payables	**23,435**	24,092

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

Contract liabilities relates to consideration received in advance of the completion of the associated performance obligation.

Included within contract liabilities are balances to be settled within the next twelve months of £10,993,000 (2022: £10,927,000) and after twelve months of £988,000 (2022: £1,394,000) which have been presented as current as they represent the normal operating cycle for the entity in which they arise.

Revenue recognised in the reporting period that was included in the contract liability balance at beginning of the year totalled £9,741,000 (2022: £6,458,000).

Notes to the consolidated financial statements *continued*

20 Contingent and deferred consideration

(a) Contingent consideration

During the financial year, the final contingent consideration due on the 2019 acquisition of Compass Informatics Limited was paid totalling £377,000 (2022 £259,000). A £116,000 loss was recognised on the change in fair value of the liability up to the payment date.

The final contingent consideration due on the 2019 acquisition of Bellvedi Limited was also paid totalling £4,314,000 (2022: £3,586,000). A £32,000 loss was recognised on the change in fair value of the liability up to the payment date.

The final contingent consideration due on the 2020 acquisition of iBlocks Limited was also paid totalling £2,365,000 (2022: £nil). A £7,000 gain was recognised on the change in fair value of the liability up to the payment date.

The final contingent consideration due on the 2022 acquisition of Railcomm, LLC and Railcomm Associates Inc was also paid totalling $2,700,000 (£2,174,000; 2022: £nil). No gain or loss was recognised on the change in fair value of the liability up to the payment date. Cash held in escrow for the settlement of the contingent consideration was fully utilised for this purpose.

In 2022 the Group acquired The Icon Group Limited ("Icon"). Under the share purchase agreement, contingent consideration is payable which is based on the profitability of Icon in the three-year period after the acquisition, and on the successful renewal of certain key contracts. Contingent consideration is payable in Euros up to a maximum of €1,750,000 (£1,500,000). During the financial year, an instalment payment was made totalling £22,000. Based on reduced activity under certain contracts and current expectations regarding the renewal of certain contracts, the fair value of the amount payable was assessed as €162,000 (£139,000 at 31 July 2023) generating a £700,000 gain on the change in fair value of the liability.

As detailed in note 9.3, a net exceptional credit of £559,000 was recognised, following the settlement of liabilities during the year and a review of the assumptions of the fair value of the outstanding contingent consideration as at 31 July 2023. At the balance sheet date, the Directors assessed the fair value of the remaining amounts payable which were deemed to be as follows:

	2023 £000	2022 £000
Compass Informatics Limited	**—**	243
Bellvedi Limited	**—**	3,940
iBlocks Limited	**—**	2,224
The Icon Group Limited	**139**	757
Railcomm, LLC	**—**	2,157
	139	9,321

Contingent consideration payable in respect of the Group's past acquisitions is considered to be a "Level 3 financial liability" as defined by IFRS 13. These liabilities are carried at fair value, which is based on the estimated amounts payable under the provisions of the share purchase agreements which specify the specific arrangements and calculations relating to each acquisition. This involves assumptions about future profit forecasts, which result from assumptions about revenues and costs, and the resulting liability is discounted back to the present value using an appropriate discount rate and an estimate of when it is expected to be payable. A range of outcomes is considered, and a probability/likelihood weighting is applied to each of them in order to produce a weighted assessment of the amount payable.

The Group has considered multiple 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 Icon share purchase agreement as detailed in this note. A 10% increase in the Icon revenue forecast would result in an increase in the fair value of contingent consideration of £nil.

The movement on contingent consideration can be summarised as follows:

	2023 £000	2022 £000
At the start of the year	**9,321**	7,909
Arising on acquisition (note 5)	**—**	2,832
Cash payment	**(9,252)**	(4,126)
Fair value adjustment to statement of comprehensive income	**(559)**	1,792
Unwind of discounting	**649**	774
Exchange adjustment	**(20)**	140
At the end of the year	**139**	9,321

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

	2023 £000	2022 £000
Payable in less than one year	**—**	8,585
Payable in more than one year	**139**	736
Total	**139**	9,321

20 Contingent and deferred consideration *continued*

(b) Deferred consideration

The Group acquired Flash Forward Consulting Limited on 26 February 2021. As part of this acquisition cash consideration totalling £945,000 became payable in three equal instalments on the first, second and third anniversary of the acquisition date. At acquisition the present value of this deferred consideration was assessed as £878,000 discounted using a rate of 3.75%. At 31 July 2023 the present value of this deferred consideration is £308,000. The movement on deferred consideration can be summarised as follows:

	2023 £000	2022 £000
At the start of the year	**605**	892
Cash payment	**(315)**	(315)
Unwind of discounting	**18**	28
At the end of the year	**308**	605

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

	2023 £000	2022 £000
Payable in less than one year	**308**	308
Payable in more than one year	**—**	297
Total	**308**	605

21 Deferred tax

Liability/(asset)	Intangible assets £000	Accelerated capital allowances £000	Share options £000	Other £000	Total £000
At 31 July 2021	9,472	56	(1,317)	(245)	7,966
Adjustment in respect of previous years	—	34	—	(102)	(68)
Arising on acquisition (note 5) *	252	—	—	—	252
Charge/(credit) to statement of comprehensive income (note 11)	(969)	224	238	307	(200)
Exchange adjustment	(8)	—	—	—	(8)
At 31 July 2022 *	8,747	314	(1,079)	(40)	7,942
Charge/(credit) to statement of comprehensive income (note 11)	(903)	146	(133)	(545)	(1,435)
Exchange adjustment	(1)	—	—	5	4
At 31 July 2023	**7,843**	**460**	**(1,212)**	**(580)**	**6,511**

The net deferred tax liability has been calculated at the rate that it is anticipated to unwind; for the UK either at 25% (2022: 19% or 25%), and for those overseas at a range between 12.5% and 27%, appropriate to the tax jurisdiction in which they operate.

This is presented on the balance sheet within non-current assets and liabilities as follows:

	2023 £000	2022 Adjusted* £000
Deferred tax assets	**(650)**	(410)
Deferred tax liabilities	**7,161**	8,352
Net deferred tax liability	**6,511**	7,942

* Deferred tax liabilities at 31 July 2022 have been amended following a measurment period remeasurement of the Group's March 2022 acquistion of Railcomm. This amendment has reduced deferred tax liabilities by £2,319,000 at 31 July 2022. See note 5.2(b).

Notes to the consolidated financial statements *continued*

22 Share capital

	2023 Number	2023 £	2022 Number	2022 £
Allotted, called up and fully paid:				
Ordinary shares of 0.4p each	**29,957,908**	**119,832**	29,662,218	118,649

The following share transactions have taken place during the year ended 31 July 2023:

	2023 Number	2022 Number
At the start of the year	**29,662,218**	29,332,177
Issued as consideration for business combinations	**—**	68,762
Exercise of share options (note 8)	**295,690**	261,279
At the end of the year	**29,957,908**	29,662,218

During the year, a number of options were exercised from the schemes with exercise prices varying from 0.4p to 155.5p – all took place at either the nominal value or above the nominal value.

23 Capital and reserves

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

24 Financial risk management

The principal financial instruments comprise cash and short-term deposits, trade receivables and contingent consideration. The main purpose of these financial instruments (with the exception of contingent consideration) is to provide finance for the Group's operations. The Group has various other financial instruments, such as trade payables that arise directly from its operations. The fair values of the financial assets are approximately equal to their year-end carrying values and represent the maximum exposure to credit risk.

Financial assets	2023 £000	2022 £000
Cash and short—term deposits(1)	**15,307**	14,970
Cash held in escrow(1)	**—**	2,217
Trade receivables(1)	**16,432**	13,755
Unbilled receivables(1)	**802**	816
Investments in equity and debt instruments(3)	**—**	—
Lease receivable(4)	**40**	70
Total financial assets	**32,581**	31,828

Cash and short-term deposits at 31 July 2023 are held in bank accounts with a floating rate of interest. This is consistent with cash and short-term deposits held at 31 July 2022.

24 Financial risk management *continued*

Financial liabilities	**2023 £000**	2022 £000
Trade and other payables(1)	**7,597**	8,167
Contingent consideration(2)	**139**	9,321
Deferred consideration(4)	**308**	605
Lease liabilities(4)	**2,090**	2,767
Total financial liabilities	**10,134**	20,860

(1) Items are measured at amortised cost. There are no significant financing components and they are short-term in nature.

(2) Measured at fair value with changes through the Income Statement.

(3) Investments in equity measured at fair value through Other Comprehensive Income, investments in debt instruments measured at amortised cost.

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

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

Fair value or cash flow interest rate risk

The Group has surplus cash balances so does not have a borrowing requirement. Where appropriate surplus cash is put on short-term deposit with high credit worthy banking institutions at either fixed or floating rates.

Total finance income in the year amounted to £38,000. The Group has cash balances of £15,307,000 as at 31 July 2023 which is spread across different banks as detailed below, and each attracts a different interest rate.

Any sensitivity to interest rates would depend on the following factors: Tracsis subsidiary entity making the investment, the amount invested, the length of commitment and ability to access to the funds, and the choice of financial institution. In view of current interest rates and the current economic backdrop, the Group does not consider that it has a major exposure to interest rates and should interest rates change, this would have an immaterial impact on the amount of finance income receivable. The Board monitors the financial markets and the Group's future cash requirements to ensure that this policy is exercised in the Group's best interests.

Credit risk

The Group monitors credit risk closely and considers that its current policies of credit checks meet its objectives of managing exposure to risk. The Group has no significant concentration of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event that other parties fail to perform their obligations under financial instruments. The Group did not incur any material bad debts in the financial year, nor has it historically and so views the overall credit risk to be low. As noted in note 6 and note 18 the Group derives approximately 9% of its revenue from one major customer, whose credit worthiness is strong. The Group had a trade receivables balance of £16,432,000 as at 31 July 2023, and this related to over 300 individual customers. The largest individual trade receivable was £1,323,000 and related to a global professional services firm in a very strong financial position. Other trade receivables over £100,000 were spread across 34 individual clients and amounted to approximately £10.9m. These clients include for example large infrastructure providers, train operators and owning groups, numerous Government departments and other bodies, engineering consultants, plus shopping centre providers; all of whom are deemed to be creditworthy.

On this basis the Group carred an expected credit loss provision of £54,000 as at 31 July 2023, at an expected loss rate of 0.3% (2022: £56,000 at an expected loss rate of 0.4%).

Notes to the consolidated financial statements *continued*

24 Financial risk management *continued*

Liquidity risk

Liquidity risk is managed on a day-to-day basis. Facilities are agreed at appropriate levels having regard to the Group's forecast operating cash flows and future capital expenditures. The Group holds its cash balances with highly rated financial institutions, and it is also spread across numerous institutions to avoid any exposure to one individual bank. As at 31 July 2023, of the Group's total cash balances of £15.3m, £15.0m was spread across seven major, highly rated banking institutions with £5.4m held at the lead bank, £3.9m held at another bank, and £5.7m held with others.

The maturity of the Group's financial liabilities is set out below. The tables below include the gross cash outflows associated with the financial liabilities on an undiscounted basis.

Maturity analysis of financial liabilities at 31 July 2023:

	Trade and other payables £000	**Contingent consideration £000**	**Deferred consideration £000**	**Lease liabilities £000**	**Total £000**
Balance sheet value at 31 July 2023	**7,597**	**139**	**308**	**2,090**	**10,134**
Gross undiscounted cash outflows					
Due within one year	7,597	157	315	1,183	9,252
Due between one and five years	—	—	—	986	986
Total cash flows	**7,597**	**157**	**315**	**2,169**	**10,238**

Maturity analysis of financial liabilities at 31 July 2022:

	Trade and other payables £000	Contingent consideration £000	Deferred consideration £000	Lease liabilities £000	Total £000
Balance sheet value at 31 July 2022	8,167	9,321	605	2,767	20,860
Gross undiscounted cash outflows					
Due within one year	8,167	9,155	315	1,387	19,024
Due between one and five years	—	913	315	1,534	2,762
Total cash flows	8,167	10,068	630	2,921	21,786

Foreign currency risk

The Group makes some overseas sales and some overseas purchases, some of which are invoiced in sterling and others in the local currency.

The Group is exposed to the Euro principally thorugh Compass Informatics Limited and The Icon Group Limited. These entities raise the vast majority of their sales invoices in Euros. Total sales to customers in Ireland amounted to £10,802,000 in the year representing around 13% of total Group revenue. The closing exchange rate used was approximately 1.17 EUR to GBP, with an average throughout the year of approximately 1.15 EUR to GBP.

The Group is exposed to the US Dollar principally through Railcomm LLC which raises the vast majority of its sales invoices in US Dollars. Total sales to customers in North America amounted to £8,643,000 in the year representing around 11% of total Group revenue. The closing exchange rate used was approximately 1.28 USD to GBP, with an average throughout the year of approximately 1.21 USD to GBP.

Any changes to these exchange rate would increase the Group's foreign currency risk, though as noted above the vast majority of the Group's sales continue to be made in sterling.

Capital disclosures

The Group's objectives when maintaining capital are:

- to safeguard the Company'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 12,22 and 23. 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.

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.

Changes in liabilities from financing activities

	Contingent consideration £000	Deferred consideration £000	Lease liabilities £000	Financial liability £000
At 1 August 2021	7,909	892	2,059	590
Changes from financing cash flows				
Payment of lease liabilities	—	—	(1,421)	—
Settlement of financial liability	—	—	—	(416)
Total changes from financing cash flows	—	—	(1,421)	(416)
Changes from non-financing cash flows				
Payment of contingent consideration	(4,126)	—	—	—
Payment of deferred consideration	—	(315)	—	—
Total changes from non-financing cash flows	(4,126)	(315)	—	—
Other changes				
Changes in fair value	1,792	—	—	(127)
Arising on acquisition	2,832	—	260	—
Gain on settlement	—	—	—	(47)
Lease additions and modifications	—	—	1,754	—
Interest unwind on liabilities	774	28	97	—
Exchange adjustments	140	—	18	—
At 31 July 2022	**9,321**	**605**	**2,767**	**—**

	Contingent consideration £000	Deferred consideration £000	Lease liabilities £000	Financial liability £000
At 1 August 2022	9,321	605	2,767	—
Changes from financing cash flows				
Payment of lease liabilities	—	—	(1,491)	—
Total changes from financing cash flows	—	—	(1,491)	—
Changes from non-financing cash flows				
Payment of contingent consideration	(9,252)	—	—	—
Payment of deferred consideration	—	(315)	—	—
Total changes from non-financing cash flows	(9,252)	(315)	—	—
Other changes				
Changes in fair value	(559)	—	—	—
Lease additions and modifications	—	—	713	—
Interest unwind on liabilities	649	18	98	—
Exchange adjustments	(20)	—	3	—
At 31 July 2023	**139**	**308**	**2,090**	**—**

Notes to the consolidated financial statements *continued*

25 Related party transactions

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

	Purchase of goods and services		Amounts owed to related parties	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Nutshell Software Limited(1)	**10**	157	**28**	12
Vivacity Labs Limited(1)	**356**	409	**35**	24
Ashtead Group PLC(2)	**1**	—	**1**	—

	Sale of goods and services		Amounts owed by related parties	
	2023 £000	2022 £000	**2023 £000**	2022 £000
WSP UK Limited(2)	**3,238**	2,738	**1,323**	909
Nutshell Software Limited(1)	**41**	37	**—**	—
Vivacity Labs Limited(1)	**—**	38	**—**	—
Ashtead Group PLC(2)	**7**	—	**—**	—

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

(2) Ashtead Group PLC ("Ashtead ") is a company which is connected to Jill Easterbrook who served as a non-executive director of Tracsis plc and also of Ashtead during the year. Sales to and purchases from Ashtead took place at arm's length commercial rates and were not connected to Ms Easterbrook's position at Ashtead.

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

Terms and conditions of transactions with related parties

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

Compensation of key management personnel of the Group

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

	2023 £000	2022 £000
Short-term employee benefits:		
Wages and salaries	**3,399**	3,236
Post-employment benefits:		
Contributions to defined contribution plans	**316**	262
Share-based payment charges	**478**	700
	4,193	4,198

26 Employee benefits

The Group makes contributions to defined contribution pension schemes for its employees. The assets of the schemes are held separately in independently administered funds. The pension cost charge for the year comprises contributions payable by the Group to the schemes and other personal pension plans and amounted to £1,400,000 (2022: £1,182,000). There were outstanding contributions at 31 July 2023 of £159,000 (2022: £273,000).

27 Group entities

The following table lists the subsidiary undertakings which contribute to the Group results:

Name	Principal activity	Country of incorporation	% ordinary share capital owned
Tracsis Rail Consultancy Limited (1)	Rail industry consultancy	England and Wales	100%
Tracsis Passenger Analytics Limited (2)	Dormant	England and Wales	100%
Safety Information Systems Limited (1)	Software and consultancy	England and Wales	100%
MPEC Technology Limited (1)	Rail industry hardware & Datalogging	England and Wales	100%
Tracsis Traffic Data Limited (3)	Transportation data collection	England and Wales	100%
Datasys Integration Limited (1)	Holding Company	England and Wales	100%
Tracsis Retail and Operations Limited (1)	Rail industry software	England and Wales	100%
SEP Limited (3)	Dormant	England and Wales	100%
SEP Events Limited (3)	Dormant	England and Wales	100%
Ontrac Technology Limited (1)	Holding company	England and Wales	100%
Ontrac Limited (1)	Rail industry software	England and Wales	100%
Tracsis Travel Compensation Services Limited (1)	Rail industry software	England and Wales	100%
Delay Repay Sniper Limited (8)	In liquidation	England and Wales	100%
Tracsis Events Limited (3)	Event planning & traffic management	England and Wales	100%
Compass Informatics Limited (6)	Software development	Republic of Ireland	100%
Bellvedi Limited (1)	Rail industry software	England and Wales	100%
iBlocks Limited (1)	Rail industry software	England and Wales	100%
Flash Forward Consulting Limited (1)	Dormant	England and Wales	100%
Compass Informatics UK Limited (2)	Software development	England and Wales	100%
Northbrook Investments Limited (6)	Holding company	Republic of Ireland	100%
The Icon Group Limited (6)	Software development	Republic of Ireland	100%
Railcomm, LLC (7)	Rail industry software and hardware	United States of America	100%
Railcomm Associates, Inc (7)	Payroll company	United States of America	100%
Tracsis Group US Holdings, LLC (7)	Holding company	United States of America	100%
S Dalby Consulting Limited (1)	Dormant	England and Wales	100%
Sky High Data Capture Limited (3)	Dormant	England and Wales	100%
Sky High Traffic Data Limited (3)	Dormant	England and Wales	100%
The Web Factory Birmingham Limited (3)	Dormant	England and Wales	100%
Forsyth Whitehead & Associates Limited (3)	Dormant	England and Wales	100%
Sky High Technology (Scotland) Limited (3)	Dormant	England and Wales	100%
Count on Us Traffic Limited (3)	Dormant	England and Wales	100%
Burra Burra Distribution Limited (3)	Dormant	England and Wales	100%
Sky High NCS Limited (3)	Dormant	England and Wales	100%
Halifax Computer Services Limited (3)	Dormant	England and Wales	100%
Skyhightraffic Limited (3)	Dormant	England and Wales	100%
The Traffic Survey Company Limited (3)	Dormant	England and Wales	100%
The People Counting Company Limited (3)	Dormant	England and Wales	100%
Myratech.net Limited (3)	Dormant	England and Wales	100%
Footfall Verification Limited (3)	Dormant	England and Wales	100%

The following table lists the Group's minority investments:

Name	Principal activity	Country of incorporation	% ordinary share capital owned
Citi Logik Limited	In liquidation	England and Wales	15.4%
Nutshell Software Limited (4)	Mobile application development	England and Wales	14.2%
Vivacity Labs Limited (5)	Machine Learning technology	England and Wales	13.5%

The registered offices of the Group's investees are as follows:

(1) Nexus, Discovery Way, Leeds, England, LS2 3AA

(2) Templar House, 1 Sandbeck Court, Sandbeck Way, Wetherby, England LS22 7BA

(3) High Moor Yard, High Moor Road, Boroughbridge, North Yorkshire, England, YO51 9DZ

(4) Floor 1, Baltimore House, Baltic Business Quarter, Gateshead, Tyne And Wear, England, NE8 3DF

(5) 3 Haberdasher Street, London, United Kingdom, N1 6ED

(6) Block 8, Blackrock Business Park, Carysfort Avenue, Blackrock, County Dublin, Ireland, A94 W209

(7) Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, United States of America

(8) C/o Azets Holdings Limited, 5th Floor Ship Canal House, 98 King Street, Manchester, M2 4WU

Notes to the consolidated financial statements *continued*

28 Dividends

The Board intends to pursue a sustainable and progressive dividend policy, having regard to the development of the Group.

The cash cost of dividend payments made during the year is below:

	2023 **£000**	2022 £000
Interim dividend for 2021/22	**—**	266
Final dividend for 2021/22	**328**	—
Interim dividend for 2022/23	**300**	—
Total dividends paid	**628**	266

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

	2023 **£000**	2022 £000
Interim dividend for 2021/22 of 0.9p per share paid	**—**	266
Final dividend for 2021/22 of 1.1p per share paid	**—**	328
Interim dividend for 2022/23 of 1.0p per share paid	**300**	—
Final dividend for 2022/23 of 1.2p per share proposed	**361**	—

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total dividends paid per share	**2.2p**	2.0p	£nil	£nil	1.8p	1.6p	1.4p	1.2p	1.0p

29 Reconciliation of alternative performance measures ("APMs")

The Group uses APMs, which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). These metrics adjust for certain items which impact upon IFRS measures, to aid the user in understanding the activity taking place across the Group's businesses. The largest components of the adjusting items, being depreciation, amortisation, share-based payments, and share of result of equity-accounted investees, are "non-cash" items and are separately analysed to assist with the understanding of underlying trading. Share-based payments are adjusted to reflect the underlying performance of the group as the fair value is impacted by market volatility that does not correlate directly to trading performance. APMs are used by the Directors and management for performance analysis, planning, reporting and incentive purposes.

Adjusted EBITDA

Calculated as earnings before net finance expense, tax, depreciation, amortisation, exceptional items, other operating income, share-based payment charges and share of result of equity accounted investees. This metric is used to show the underlying trading performance of the Group from period to period in a consistent manner and is a key management incentive metric. The closest equivalent statutory measure is profit before tax. Adjusted EBITDA can be reconciled to statutory profit before tax as set out below:

	2023 **£000**	2022 £000
Profit before tax	**7,136**	2,558
Finance expense – net	**119**	141
Share-based payment charges	**1,248**	1,502
Exceptional items – net	**90**	3,063
Other operating income	**(350)**	(426)
Amortisation of intangible assets	**5,599**	5,000
Depreciation	**2,110**	1,767
Share of result of equity accounted investees	**—**	556
Adjusted EBITDA	**15,952**	14,161

29 Reconciliation of alternative performance measures (“APMs”) *continued*

Adjusted basic earnings per share

Calculated as profit after tax before amortisation, share-based payment charges, exceptional items and other operating income divided by the weighted average number of ordinary shares in issue during the period. This is a common metric used by the market in monitoring similar businesses and is used by equities analysts who cover the Group to better understand the underlying performance of the Group. See note 12: Earnings per share.

Free cash flow

Calculated as net cash flow from operating activities after purchase of property, plant and equipment, proceeds from disposal of property, plant and equipment, proceeds from exercise of share options, lease liability payments, lease receivable receipts and capitalised development costs and before payment of contingent consideration. This measure reflects the cash generated in the period that is available to invest in accordance with the Group’s growth strategy and capital allocation policy.

Free cash flow reconciles to net cash flow from operating activities as set out below:

	2023 £000	2022 £000
Net cash flow from operating activities	**9,557**	8,188
Purchase of property, plant and equipment	**(1,524)**	(1,129)
Proceeds from disposal of property, plant and equipment	**10**	123
Add back: payment of contingent consideration presented within cash flow from operating activites	**1,661**	—
Proceeds from exercise of share options	**100**	37
Capitalised development costs	**(300)**	—
Lease liability payments	**(1,491)**	(1,421)
Lease receivable receipts	**32**	32
Free cash flow	**8,045**	5,830

30 Subsequent events

On 1 September 2023 Jill Easterbrook was appointed Non-Executive Chair of the Board; at the same date Chris Cole resigned from the Board and Tracy Sheedy was appointed to the Board as a non-executive director and succeeded Jill as Chair of the Remuneration Committee. Tracy also joined the Audit and Nomination Committees at that date.

Company balance sheet (prepared under FRS 101)

as at 31 July 2023

Company number: 05019106

	Note	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	32	**641**	825
Investments	33	**79,935**	79,935
Deferred tax assets	38	**372**	216
Other receivables	34	**6,375**	6,375
		87,323	87,351
Current assets			
Cash and cash equivalents		**3,286**	3,925
Trade and other receivables	34	**10,446**	8,333
		13,732	12,258
Total assets		**101,055**	99,609
Non-current liabilities			
Deferred tax liabilities		**2**	—
Lease liabilities	35	**141**	322
Contingent consideration	37	**139**	736
		282	1,058
Current liabilities			
Trade and other payables	36	**50,756**	36,157
Lease liabilities	35	**182**	177
Contingent consideration	37	**—**	6,428
		50,938	42,762
Total liabilities		**51,220**	43,820
Net assets		**49,835**	55,789
Capital and reserves			
Called up share capital	39	**120**	119
Share premium		**6,535**	6,436
Merger reserve		**6,161**	6,161
Translation reserve		**(15)**	9
Retained earnings		**37,034**	43,064
Total equity		**49,835**	55,789

The Company's loss after taxation for the year amounted to £6,650,000, after receiving dividends from subsidiary undertakings of £nil (2022: loss of £3,712,000 after receiving dividends from subsidiary undertakings of £4,752,000 and incurring an impairment loss on investments of £1,850,000).

The financial statements were approved and authorised for issue by the Board of Directors on 14 November 2023 and were signed on its behalf by:

Chris Barnes
Chief Executive Officer

Andrew Kelly
Chief Financial Officer

The accompanying notes form an integral part of these financial statements.

Company statement of changes in equity
for the year ended 31 July 2023

	Share capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
At 1 August 2021	117	6,401	5,525	—	45,540	57,583
Loss after tax	—	—	—	—	(3,712)	(3,712)
Other comprehensive income	—	—	—	9	—	9
Total comprehensive income	—	—	—	9	(3,712)	(3,703)
Transactions with owners						
Dividends	—	—	—	—	(266)	(266)
Share-based payment charges	—	—	—	—	1,502	1,502
Shares issued as consideration for business combinations	—	—	636	—	—	636
Exercise of share options	2	35	—	—	—	37
At 31 July 2022	119	6,436	6,161	9	43,064	55,789
At 1 August 2022	119	6,436	6,161	9	43,064	55,789
Loss after tax	—	—	—	—	(6,650)	(6,650)
Other comprehensive income	—	—	—	(24)	—	(24)
Total comprehensive income	—	—	—	(24)	(6,650)	(6,674)
Transactions with owners						
Dividends	—	—	—	—	(628)	(628)
Share-based payment charges	—	—	—	—	1,248	1,248
Exercise of share options	1	99	—	—	—	100
At 31 July 2023	**120**	**6,535**	**6,161**	**(15)**	**37,034**	**49,835**

Details of the nature of each component of equity are:

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

The accompanying notes form an integral part of these financial statements.

Notes to the Company balance sheet

31 Company accounting policies

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

The Company's accounting reference date is 31 July.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") which has been applied.

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

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

Disclosure exemptions adopted:

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

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

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

Revenue recognition

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

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

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

31 Company accounting policies *continued*

Revenue recognition *continued*

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

Property, plant and equipment

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

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

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

Investments

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Subsequent changes to the fair value of the contingent consideration are recognised in operating profit or loss as such changes are primarily as a result of operating performance.

Notes to the Company balance sheet *continued*

31 Company accounting policies *continued*

Taxation

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

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

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

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

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

Leases

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

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

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

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

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

Share-based payments

The Company's accounting policies followed are in all material regards the same as the Group's policy as shown on page 79. Where there are charges relating to subsidiary undertakings an amount equal to the IFRS 2 share-based payment charge is borne in full to the relevant subsidiary undertaking via a recharge through the intra-group current accounts.

Profit and loss account

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006.

32 Property, plant and equipment

	Land and buildings* £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
At 1 August 2022	1,380	203	20	1,603
Additions	—	44	—	44
At 31 July 2023	**1,380**	**247**	**20**	**1,647**
Depreciation				
At 1 August 2022	620	152	6	778
Charge for the year	193	33	2	228
At 31 July 2023	**813**	**185**	**8**	**1,006**
Net book value				
At 31 July 2022	760	51	14	825
At 31 July 2023	**567**	**62**	**12**	**641**

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

Included in the net carrying amount of property, plant and equipment are right of use assets held under leases of £316,000 (2022: £496,000).

A reconciliation of the right of use assets is as follows:

	Land and buildings £000
Cost	
At 1 August 2022	980
Additions	—
At 31 July 2023	**980**
Depreciation	
At 1 August 2022	484
Charge for the year	180
At 31 July 2023	**664**
Net book value	
At 31 July 2022	496
At 31 July 2023	**316**

33 Investments

	Shares in, and loans to subsidiary undertakings £000
At 1 August 2022	79,935
Impairment	—
At 31 July 2023	**79,935**

Share-based payment amounts of £808,000 have been recharged to subsidiary entities to represent the amount equal to the IFRS 2 share-based payment charge.

Notes to the Company balance sheet *continued*

33 Investments *continued*

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

Name	Principal activity	Country of incorporation	Class and percentage of shares held	Holding
Tracsis Rail Consultancy Limited	Rail industry consultancy	England and Wales	Ordinary 100%	Direct
Tracsis Passenger Analytics Limited	Dormant	England and Wales	Ordinary 100%	Direct
Safety Information Systems Limited	Software and consultancy	England and Wales	Ordinary 100%	Direct
MPEC Technology Limited	Rail industry hardware & Datalogging	England and Wales	Ordinary 100%	Direct
Tracsis Traffic Data Limited	Transportation data collection	England and Wales	Ordinary 100%	Direct
Datasys Integration Limited	Holding Company	England and Wales	Ordinary 100%	Direct
Tracsis Retail and Operations Limited	Rail industry software	England and Wales	Ordinary 100%	Indirect
SEP Limited	Dormant	England and Wales	Ordinary 100%	Direct
SEP Events Limited	Dormant	England and Wales	Ordinary 100%	Indirect
Ontrac Technology Limited	Holding company	England and Wales	Ordinary 100%	Direct
Ontrac Limited	Rail industry software	England and Wales	Ordinary 100%	Indirect
Tracsis Travel Compensation Services Limited	Rail industry software	England and Wales	Ordinary 100%	Indirect
Delay Repay Sniper Limited	In liquidation	England and Wales	Ordinary 100%	Direct
Tracsis Events Limited	Event planning & traffic management	England and Wales	Ordinary 100%	Direct
Compass Informatics Limited	Software development	Republic of Ireland	Ordinary 100%	Direct
Bellvedi Limited	Rail industry software	England and Wales	Ordinary 100%	Direct
iBlocks Limited	Rail industry software	England and Wales	Ordinary 100%	Direct
Flash Forward Consulting Limited	Dormant	England and Wales	Ordinary 100%	Indirect
Compass Informatics UK Limited	Software development	England and Wales	Ordinary 100%	Indirect
Northbrook Investments Limited	Holding company	Republic of Ireland	Ordinary 100%	Direct
The Icon Group Limited	Software development	Republic of Ireland	Ordinary 100%	Indirect
Railcomm, LLC	Rail industry software and hardware	United States of America	Ordinary 100%	Indirect
Railcomm Associates, Inc	Payroll company	United States of America	Ordinary 100%	Indirect
Tracsis Group US Holdings, LLC	Holding company	United States of America	Ordinary 100%	Direct
S Dalby Consulting Limited	Dormant	England and Wales	Ordinary 100%	Direct
Sky High Data Capture Limited	Dormant	England and Wales	Ordinary 100%	Indirect
Sky High Traffic Data Limited	Dormant	England and Wales	Ordinary 100%	Indirect
The Web Factory Birmingham Limited	Dormant	England and Wales	Ordinary 100%	Indirect
Forsyth Whitehead & Associates Limited	Dormant	England and Wales	Ordinary 100%	Indirect
Sky High Technology (Scotland) Limited	Dormant	England and Wales	Ordinary 100%	Indirect
Count on Us Traffic Limited	Dormant	England and Wales	Ordinary 100%	Indirect
Burra Burra Distribution Limited	Dormant	England and Wales	Ordinary 100%	Indirect
Sky High NCS Limited	Dormant	England and Wales	Ordinary 100%	Indirect
Halifax Computer Services Limited	Dormant	England and Wales	Ordinary 100%	Indirect
Skyhightraffic Limited	Dormant	England and Wales	Ordinary 100%	Indirect
The Traffic Survey Company Limited	Dormant	England and Wales	Ordinary 100%	Indirect
The People Counting Company Limited	Dormant	England and Wales	Ordinary 100%	Indirect
Myratech.net Limited	Dormant	England and Wales	Ordinary 100%	Indirect
Footfall Verification Limited	Dormant	England and Wales	Ordinary 100%	Indirect

33 Investments *continued*

The following table lists the Group's minority investments:

Name	Principal activity	Country of incorporation	Class and percentage of shares held	Holding
Citi Logik Limited	In liquidation	England and Wales	Ordinary 15.4%	Direct
Nutshell Software Limited	Mobile application development	England and Wales	Ordinary 14.2%	Direct
Vivacity Labs Limited	Machine learning technology	England and Wales	Ordinary 13.5%	Direct

34 Trade and other receivables

	2023 £000	2022 £000
Due in less than one year		
Trade receivables	**1,390**	1,146
Amounts owed by Group undertakings	**4,982**	4,798
Other debtors	**878**	910
Corporation tax	**2,384**	903
Prepayments	**812**	576
Total due in less than one year	**10,446**	8,333
Due in more than one year		
Amounts owed by Group undertakings	**6,375**	6,375
Total due in more than one year	**6,375**	6,375

The carrying value of trade receivables approximates to the fair value. The expected credit loss for trade receivables is immaterial. Amounts owed by Group undertakings due in less than one year are interest free and repayable on demand. Amounts due in more one than one year relate to two tranches of intercompany loan notes issued as part of the acquisition of Railcomm. These loan notes have a fixed repayment date in March 2025. Interest accrues on the loan notes daily at 4.9%, and is due for payment monthly in arrears.

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

35 Lease liabilities

	2023 £000	2022 £000
Due within one year	**182**	177
Due after more than one year:		
– Between one and two years	**141**	182
– Between two and five years	**—**	140
Total due after more than one year	**141**	322
Total obligation	**323**	499

A reconciliation of the obligation is stated below:

	2023 £000	2022 £000
At 1 August	**499**	137
New contracts	**—**	542
Total cash outflow	**(191)**	(186)
Interest	**15**	6
At 31 July	**323**	499

Notes to the Company balance sheet *continued*

35 Lease liabilities *continued*

Future minimum lease payments at 31 July 2023 were as follows:

	Carrying amount £000	Contractual cash flows £000	Less than one year £000	One to two years £000	Two to five years £000
2023	**323**	**333**	**190**	**143**	**—**
2022	499	523	190	190	143

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

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

	2023 £000	2022 £000
Short-term leases	**—**	—
Leases of low value assets	**1**	1
Total	**1**	1

36 Trade and other payables

	2023 £000	2022 £000
Trade payables	**473**	360
Other tax and social security	**218**	189
Amounts owed to Group undertakings	**48,834**	33,438
Accruals and other payables	**1,231**	2,170
Total trade and other payables	**50,756**	36,157

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

37 Contingent consideration

During the financial year, the final contingent consideration due on the 2019 acquisition of Compass Informatics Limited was paid totalling £377,000 (2022 £281,000). A £116,000 loss was recognised on the change in fair value of the liability up to the payment date.

The final contingent consideration due on the 2019 acquisition of Bellvedi Limited was also paid totalling £4,314,000 (2022 £3,586,000). A £32,000 loss was recognised on the change in fair value of the liability up to the payment date.

The final contingent consideration due on the 2020 acquisition of iBlocks Limited was also paid totalling £2,365,000 (2022 £nil). A £7,000 gain was recognised on the change in fair value of the liability up to the payment date.

In 2022 the Group acquired The Icon Group Limited ("Icon"). Under the share purchase agreement, contingent consideration is payable which is based on the profitability of Icon in the 3-year period after the acquisition, and on the successful renewal of certain key contracts. Contingent consideration is payable in Euros up to a maximum of €1,750,000 (£1,500,000). During the financial year, an instalment payment was made totalling £22,000. Based on reduced activity under certain contracts and current expectations regarding the renewal of certain contracts, the fair value of the amount payable was assessed as €162,000 (£139,000 at 31 July 2023) generating a £700,000 gain on the change in fair value of the liability.

A net exceptional credit of £559,000 was recognised, following the settlement of liabilities during the year and a review of the assumptions of the fair value of the outstanding contingent consideration as at 31 July 2023. At the balance sheet date, the Directors assessed the fair value of the remaining amounts payable which were deemed to be as follows.

	2023 £000	2022 £000
Compass Informatics Limited	**—**	243
Bellvedi Limited	**—**	3,940
iBlocks Limited	**—**	2,224
The Icon Group Limited	**139**	757
	139	7,164

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

	2023 £000	2022 £000
Payable in less than one year	**—**	6,428
Payable in more than one year	**139**	736
Total	**139**	7,164

38 Deferred tax asset

	2023 £000	2022 £000
At start of the year	**216**	225
Charge to statement of comprehensive income during the year	**154**	(9)
At end of the year	**370**	216

The deferred tax asset can be split as follows:

	2023 £000	2022 £000
Accelerated capital allowances	**(2)**	—
Share options	**363**	210
Other	**9**	6
At end of the year	**370**	216

39 Share capital

	2023 Number	2023 £	2022 Number	2022 £
Allotted, called up and fully paid:				
Ordinary shares of 0.4p each	**29,957,908**	**119,832**	29,662,218	118,649

The following share transactions have taken place during the year ended 31 July 2023:

	2023 Number	2022 Number
At start of the year	**29,662,218**	29,332,177
Issued as consideration for business combinations	**—**	68,762
Exercise of share options	**295,690**	261,279
At end of the year	**29,957,908**	29,662,218

During the year, a number of options were exercised from the schemes with exercise price varying from 0.4p to 155.5p – all took place at either the nominal value or above the nominal value.

40 Related party transactions

Other than the key management personnel transactions noted below, there were no related party transactions in the year or in the previous year. The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Tracsis plc group.

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.

The Company is party to a composite unlimited multilateral guarantee put in place between itself, Tracsis Retail & Operations Limited, MPEC Technology Limited, Safety Information Systems Limited, Tracsis Passenger Analytics Limited, Tracsis Rail Consultancy Limited, Tracsis Traffic Data Limited, SEP Limited and Tracsis Travel Compensation Services Limited put in place to ensure continuity of day-to-day banking operations.

There have been no other guarantees provided or received for any related party receivables or payables.

Compensation of key management personnel

The Company considers its directors to be its key management personnel. Their remuneration is as set out below.

	2023 £000	2022 £000
Short-term employee benefits		
Wages and salaries	**983**	1,029
Non-cash benefits	**2**	2
Post-employment benefits		
Contributions to defined contribution plans	**21**	19
Share-based payment charges	**206**	349
Total compensation of key management personnel	**1,212**	1,399

Notes to the Company balance sheet *continued*

41 Employees and personnel costs

	2023 **£000**	2022 £000
Staff costs		
Wages and salaries	**5,508**	4,822
Social security contributions	**687**	640
Contributions to defined contribution plans	**352**	287
Equity-settled share-based payment transactions	**440**	658
Total staff costs	**6,987**	6,407

	2023	2022
Staff numbers		
Average number of permanent staff	**80**	75
Total number of staff	**80**	75

The Directors' remuneration and share options are detailed within the Directors' Remuneration Report on pages 58 to 64 and in note 7 to the Group Financial Statements.

Group information

Company Secretary and registered office

Andrew Kelly

Nexus
Discovery Way
Leeds
LS2 3AA

The registered office of all subsidiary entities is detailed in note 27 to the Group financial statements.

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

Registered number

05019106

Website

www.tracsis.com

Auditor

Grant Thornton UK LLP

No 1 Whitehall Riverside
Leeds
LS1 4BN

Principal bankers

HSBC Bank plc

33 Park Row
Leeds
LS1 1LD

Additional bankers

Barclays
NatWest
Santander
Royal Bank of Scotland
The Co-Operative Bank
Bank of Ireland
Allied Irish
Key Bank
Triodos

Nominated adviser and stockbroker

Cavendish

1 Bartholomew Close
London
EC1A 7BL

Registrars

Neville Registrars

18 Laurel Lane
Halesowen
West Midlands
B63 3DA

Solicitors

Haynes & Boone

1 New Fetter Lane
London
EC4A 1AN

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TRACSIS

Tracsis plc

Nexus
Discovery Way
Leeds
LS2 3AA

Email: info@tracsis.com

www.tracsis.com