Tracsis plc

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

Audited results for the year ended 31 July 2021

Tracsis, a leading provider of software, hardware, data analytics/GIS and services for the rail, traffic data and wider transport industries, is pleased to announce its audited final results for the year ended 31 July 2021.

Financial Highlights:

- Strong financial performance with a return to growth in revenue and increased profit despite continued Covid-19 challenges
- Revenue increased to £50.2m (2020: £48.0m) with growth in the higher margin Rail Technology & Services Division and in Data Analytics/GIS only partially offset by lower sales in our Events and Traffic Data businesses as expected due to ongoing Covid-19 restrictions on their end markets
  - Revenue growth of 12.7% in Rail Technology & Services Division
  - Revenue decrease of only 3.0% in Data, Analytics, Consultancy & Events Division which was impacted by Covid-19
- Adjusted EBITDA* of £13.0m (2020: £10.5m) reflects growth in software revenue and the positive impact of cost reduction actions taken in response to the pandemic
- PBT increased to £4.6m (2020: £4.1m)
- Cash balance of £25.4m (31 July 2020: £17.9m) with no Covid deferrals due to be paid
- The Board is not declaring a final dividend but expects to restore the progressive dividend policy for the year to 31 July 2022

Operational Highlights:

- Large, multi-year RailHub enterprise software contract win in the UK which will double user base to over 30,000 individuals
- Continued to implement a number of large multi-year TRACS Enterprise rail contracts won in previous years
- Continued growth of pipeline of other multi-year rail contract opportunities
- Well positioned to benefit from the strategic direction outlined for the UK Rail Industry in the Williams-Shapps plan for Rail
- Strengthened the Group's transport insights offering through the acquisition of Flash Forward Consulting Ltd
- Continued investment in Group integration, management capability, processes and systems including launch of new groupwide branding and securing ISO27001 certification across all our rail businesses

Post year end Highlights:

- Rebound of activity levels in Events and Traffic Data with both markets expected to recover to full activity levels through the course of the coming year
- Acquisition of Icon Group to enhance the Group's Data Analytics/GIS capabilities
- Secured another smart ticketing contract award in the UK
- Q1 trading in line with Board's expectations and well positioned to deliver further growth in the coming financial year and beyond

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

Chris Barnes, Chief Executive Officer, commented:

"I am pleased with our strong performance this year in the face of continued Covid-19 challenges. This reflects the great job our teams have done in steering the business through the pandemic. My highest priorities were to look after the wellbeing of all our employees and to protect as many jobs as possible, and I am really pleased that all parts of the Group are now busy as the Covid restrictions on our end markets have been lifted.

We have a record pipeline of large multi-year opportunities across all business units, and we are continuing to implement a number of large contracts won in previous years. We completed delivery of a large RailHub enterprise software contract at the end of the year, which is a significant achievement for our safety and risk management software business and creates a strong foundation for future growth. The publication of the Williams-Shapps plan for Rail has established the strategic direction of the UK Rail Industry, and Tracsis is well positioned to help deliver this vision. We have a number of TRACS Enterprise contracts which will go-live in early 2022.

In the Data, Analytics, Consultancy and Events Division we continue to see high activity levels in the Data Analytics/GIS market. The recent acquisition of Icon Group further expands our capabilities and offering in this growing market. Our consultancy business has been strengthened following the acquisition of Flash Forward Consulting in February 2021. This has now been fully integrated and we are seeing a growing pipeline of opportunities as a result. Activity levels in the Events and Traffic Data business that were hardest hit by the pandemic have started to rebound strongly. Provided that we do not return to lockdown restrictions, we expect both markets to recover to full activity levels through the course of the coming year.

We are confident that there are strong growth prospects for all parts of the Group and therefore remain committed to implementing our overall strategic growth and investment plans. We will continue to pursue organic and acquisitive growth supported by a strong balance sheet"

Presentations and Overview video

Tracsis is hosting an investor webinar on Friday 12 November, at 13:30 hrs GMT. If you would like to attend please register here: https://bit.ly/Tracsis_FY_webinar_r

A video overview of the results from the CEO, Chris Barnes, and CFO, Andy Kelly, is available to watch here: https://bit.ly/TRCS_FY21_overview

Enquiries:

Tracsis plc	Tel: 0845 125 9162
Chris Barnes, CEO	
Andy Kelly, CFO	
finnCap Ltd	Tel: 020 7220 0500
Christopher Raggett, Charlie Beeson, Corporate Finance	
Andrew Burdis, Sunila da Silva Corporate Broking	
Alma PR	Tel: 020 3405 0205
David Ison/Hilary Buchanan/Joe Pederzolli	tracsis@almapr.co.uk

Chairman & Chief Executive Officer's Report

Introduction

The Group has performed well during the year ended 31 July 2021, delivering growth in revenue and adjusted EBITDA*, and making further progress in executing its strategy, despite ongoing Covid-19 driven revenue challenges.

Activity levels in the Rail Technology and Services Division remain high and this part of the Group has demonstrated the resilience of its business model in supporting the operational requirements of running and maintaining the railway. The Division has won some key contracts during the year, and there has been good progress in delivering large multi-year contracts won in previous years. Our focus on these projects is to work closely with our customers as a partner to deliver significant value over the long-term. Delivery timelines here are determined in partnership with our customers.

The release of the Williams-Shapps Plan for Rail in May 2021 has provided clarity on the strategic direction of the UK rail industry, with a greater focus on passenger and freight customers, the delivery of an increasingly safe and reliable rail network, and greater integration across different transport modes whilst prioritising innovation in new technologies. The Directors believe that Tracsis is well positioned to help deliver this strategic vision. With the rail industry focused on improving safety, improving timetabling and on-time train performance, increasing pre-emptive and asset-condition maintenance, and accelerating innovation in areas like pay-as-you-go smart ticketing and delay repay, the Group is well positioned to benefit from the commitment to greater innovation and investment in a digital railway.

Our pipeline across the Rail Technology and Services Division is at record levels, and the diversification of our revenue streams provides some mitigation against any potential short-term volatility as the industry transitions to a new Great British Railways-led operating model.

As anticipated, there were continued Covid-related challenges in the Events and Traffic Data businesses. Cost reduction actions taken in summer 2020 in response to these challenges were delivered in line with expectations. By taking these actions, we were able to protect jobs and both businesses were able to respond quickly when activity levels in their end markets increased as Covid restrictions were eased. We anticipate a continued recovery in these markets through the coming year. There was further growth in Data Analytics/GIS during the year, and our Transport Insights offering has been significantly enhanced with the acquisition of Flash Forward Consulting in February 2021 and the subsequent consolidation of our rail consultancy and passenger analytics businesses into Tracsis Transport Consultancy.

The Group has made good progress in implementing a more integrated business model and adopting common processes and systems. Key achievements in the year include securing ISO27001 certification across all our rail businesses, rolling out new Group-wide branding, launching the Innovation Hub to drive 'next generation' R&D and implementing a shared services model across core support functions.

The Board would like to recognise the outstanding contribution that Tracsis' people have made during the year, especially during the unprecedented Covid pandemic. Our highest priorities through this period were to safeguard our employee's health and welfare and to protect as many jobs as possible. The response of our teams to these unique challenges was outstanding and it is pleasing to see high activity levels across all parts of the Group.

Financial Summary

Group revenues of £50.2m (2020: £48.0m) were £2.2m (4.7%) higher than prior year. Revenues in the Rail Technology and Services segment grew by £3.0m (12.7%), with the impact of Covid-19 limited only to reduced delay repay transaction revenues which were a direct result of lower passenger numbers. In the Data, Analytics, Consultancy and Events segment revenue was £0.7m (3.0%) lower than prior year as a result of the continued impact of Covid-19 restrictions on end markets in our Events and Traffic Data businesses. The adverse year-on-year revenue performance across the Events, Traffic Data and Delay Repay businesses was £2.1m (12.3%). Across the rest of the Group, there was organic revenue growth of £2.4m (7.7%) after adjusting for a net £1.9m year-on-year benefit from acquisitions.

Adjusted EBITDA* of £13.0m was £2.5m (24.0%) higher than prior year (2020: £10.5m). This includes increased revenue from software and the positive impact of cost reduction actions taken in response to the pandemic, which delivered a benefit to EBITDA versus the comparative period of £1.8m. In addition, the Group has claimed through the Coronavirus Job Retention Scheme ("CJRS") in respect of furloughed staff in the year, with support to the income statement of £0.9m (2020: £0.7m[1]).

Statutory profit before tax of £4.6m is £0.5m higher than prior year (2020: £4.1m). In addition to the increase in adjusted EBITDA* described above, this reflects the following items:

- £1.6m depreciation charge (2020: £1.9m) which includes a net charge of £1.0m (2020: £1.0m) in relation to right of use assets in accordance with IFRS accounting standards;
- £4.3m amortisation of intangible assets (2020: £3.6m) reflecting a full year charge following the acquisition of iBlocks in March 2020 and the initial charge for the five month period following the acquisition of Flash Forward Consulting in February 2021;
- £1.3m share-based payment charges (2020: £1.1m) which principally relate to employee participation in the Group share option schemes;
- £1.1m exceptional items (2020: £0.1m credit) reflecting £0.7m unwinding of previously discounted contingent consideration balances in accordance with IFRS accounting standards; a £0.3m net increase in the assessed fair value of contingent consideration based on the future expectations of performance from previous acquisitions; and £0.1m of transaction costs associated with the acquisition of Flash Forward Consulting;
- £0.4m other operating income (2020: £0.4m) relating to a credit in respect of research and development costs for Corporation Tax purposes;
- £0.1m net finance expense (2020: £nil) representing the interest charge on lease liabilities in accordance with IFRS accounting standards; and
- £0.4m charge (2020: £0.3m) relating to the share of the result of equity accounted investees

The Group continues to have significant levels of cash and remains debt free. At 31 July 2021, the Group's cash balances were £25.4m (2020: £17.9m). Cash generation remains strong. The Group has paid all contingent consideration, VAT, PAYE and Corporation Tax due in the period and has not taken advantage of any Government support in respect of taxes.

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

[1] Total received under the CJRS for the year ending 31 July 2020 was £2.4m, of which £1.7m was paid directly to casual labour leaving a balance of £0.7m which represents the true support to the Income Statement regarding permanent employees.

Trading Progress and Prospects

Rail Technology & Services

Summary segment results[1]:

Revenue	£26.4m	(2020: £23.4m)
Adjusted EBITDA*	£9.1m	(2020: £8.6m)
Profit before Tax	£8.3m	(2020: £8.1m)

The Division has delivered further revenue growth in the year and continues to benefit from high levels of recurring software revenue, including that from multi-year contract wins in previous years. Annual recurring and routinely repeating revenue for the year to 31 July 2021 was approximately 70%. Underlying organic revenue growth, after adjusting for the effect of acquisitions and the impact of Covid-19 on delay repay revenue, was £2.4m (10.9%).

We continue to see good growth in our Operations & Planning product suites, where work continues on implementing our TRACS Enterprise product suite with Train Operating Companies ("TOCs"). Our digital railway and infrastructure businesses delivered record revenue in the year, and secured notable contract wins for our remote condition monitoring and risk and safety management products. The impact of Covid-19 in this Division was limited to delay repay revenues, with fewer passengers travelling due to Government restrictions. This was more than offset by the contribution from iBlocks, acquired in March 2020, where the pipeline for its smart ticketing technology is growing strongly.

Rail Operations & Planning

Total revenues from the Group's rail operations & planning software and hosting offerings were £10.9m (2020: £10.5m). This takes account of the various revenue streams from our TRACS, ATTUne, COMPASS, and Retail & Operations product suites. Software sales continue to benefit from high renewal rates from existing customers, and also from multi-year contract wins from previous years which we are currently implementing for our clients. Work continues on implementing our TRACS Enterprise product with TOCs which were secured in previous years. Delivery timelines here are determined in partnership with our customers, and we expect two major TOC's to go-live in the early stages of 2022. An update on timing for a third TOC will be provided in due course. We have a strong pipeline of new large multi-year TRACS Enterprise opportunities in both the passenger and freight sectors of the industry. Bellvedi continues to perform well, and the ATTUne product forms an integral part of the overall TRACS Enterprise solution.

Digital Railway & Infrastructure

Total revenues across the Digital Railway and Infrastructure offerings increased by 19% to a record £13.0m (2020: £11.0m). Our remote condition monitoring business MPEC had a very strong year. It has continued to see strong demand from our core UK client base and during the year was awarded new contracts for the supply of remote condition monitoring hardware and software to a major North American transit agency which will expand our installed base in this market.

Our safety and risk management software business OnTrac also had a very strong year. Activity here was dominated by design and development work on our RailHub product suite as part of a funded enterprise licence project. The completion of this work led to the award of a significant multi-year contract in the UK that will double RailHub's user base to over 30,000 individuals. This reflects the growing momentum in UK rail's shift to digital, and underpins our confidence in the future of the RailHub platform with both rail infrastructure providers and maintainers. The contract award delivered a non-repeat high-margin licence contribution in the year to 31 July 2021, and will deliver additional recurring annual software revenue in future years in this part of the Group.

Both businesses have a good pipeline of large contract opportunities.

Customer Experience

Revenue of £2.5m increased by £0.5m versus prior year (2020: £2.0m). As anticipated, the reduction in rail passenger numbers as a result of Covid-19 restrictions resulted in lower delay repay transaction revenues. This business continues to operate from a modest cost base. The decrease in delay repay revenue was more than offset by the revenue contribution from iBlocks that was acquired in March 2020. We are seeing good levels of interest in iBlocks' smart ticketing product offering, which is well aligned with future passenger requirements as Covid-19 restrictions are lifted and with the UK Government's strategic intent to deliver increased Pay As You Go (PAYG), multi-modal ticketing as outlined in the Williams-Shapps Plan for Rail. Post year-end we were awarded another contract to supply this technology in the UK.

Data, Analytics, Consultancy & Events

Summary segment results[1]:

Revenue	£23.8m	(2020: £24.6m)
Adjusted EBITDA*	£3.9m	(2020: £1.8m)
Profit before Tax	£3.0m	(2020: £0.5m)

As anticipated, Covid-19 restrictions had a significant impact on the end markets of our Events and Traffic Data businesses in the year. In both cases, demand for our products and services remains strong and we have seen activity levels progressively recover as restrictions have been lifted. Our primary objective throughout the Covid pandemic was to protect jobs and employee wellbeing, as a result of which we have been well positioned to respond quickly to this increase in demand. We anticipate further recovery in activity levels in these markets through the year to 31 July 2022, supported by the Government-backed insurance scheme for the live events sector.

The Data Analytics / GIS market continues to offer attractive opportunities for growth and has been largely unaffected by Covid-19. We have a strong pipeline of opportunities in this area and post year-end we enhanced our product offering with the acquisition of Icon Group. Our Transport Insights business continues to perform well and was strengthened in the year by the acquisition of Flash Forward Consulting and the subsequent launch of a broader Transport Consultancy offering.

Despite lower revenue, adjusted EBITDA* increased by £2.1m which includes the £1.8m benefit from cost reduction actions taken in response to the pandemic.

Data Analytics/GIS

Revenue increased to £5.7m for the year (2020: £5.4m) with high activity levels across Irish and UK customers. During the year the business went live with an innovative new product that is now used by three water utilities to manage the regulated use of biosolids in agriculture, and continued to develop a range of innovative mobile apps and data analytics tools for other clients across the rail, bus, environmental and utilities sectors. The business has a strong pipeline of new opportunities. Post year-end, the acquisition of Icon Group has further enhanced our product offering in this growing market by adding earth observation capabilities. Icon Group will be integrated with Tracsis' existing Data Analytics/GIS solutions provider Compass Informatics to create an Irish-based Data Analytics centre of excellence specialising in providing location-related technologies and analytics solutions to government and commercial organisations. The combined Irish business will have c.130 staff and will work across a variety of sectors deriving most of its revenue from regulated industries including transportation, asset management, environmental and utilities.

Transport Insights

Revenue of £3.5m was broadly similar to the prior year (2020: £3.4m). The Flash Forward Consulting business acquired at the end of February 2021 was fully integrated during the second half of the year with the Group's existing Rail Consultancy and Passenger Analytics businesses to create a consolidated Tracsis Transport Consultancy business delivering an enhanced offering to customers that covers all areas of the Group. This is already delivering a growing pipeline of opportunities and expanding our reach outside of rail into other transport industry sectors.

Rail Consultancy revenue increased versus the prior year, and there was further incremental contribution from Flash Forward. This was offset by lower activity in Passenger Analytics which was impacted by lower rail passenger numbers.

Traffic Data

Revenue of £7.7m was £1.0m lower than the prior year (2020: £8.7m) due to the impact of Covid-19 related restrictions, which resulted in work being postponed or cancelled as the prevailing traffic conditions were not representative of client needs. The main exception was the National Road Traffic Census which continued and was a valuable source of revenue in the year. Cost reduction measures were implemented in this part of the Group, including utilising the CJRS to protect jobs. This has left the business well placed to respond to increasing activity levels as Covid-related restrictions have eased. We anticipate a full recovery in activity levels through the coming financial year, although the timing of this remains uncertain.

Event Transport Planning & Management

Revenue of £6.9m was very close to the prior year (2020: £7.0m) despite continued headwinds in the first half of the year from events being cancelled or postponed due to the Covid pandemic. This reflects the business winning additional work with new and existing customers, as well as a recovery in underlying activity levels in the final months of the financial year as Covid restrictions were lifted. New work secured included contracts to support Covid test and vaccination centres which delivered £1.3m revenue in the year. Similar to the Traffic Data business, the CJRS scheme enabled us to both protect jobs and to respond quickly to the rapid increase in demand towards the end of the year. The demand for sporting events and music festivals remains strong and we anticipate a full recovery in activity levels through the coming financial year.

[1] *Comparative information for 2020 has been updated to reflect the change in segmental analysis detailed further in note 3b.*

Acquisitions

The Group acquired Flash Forward Consulting ("FFC") on 26 February 2021, which has enabled it to consolidate and expand its Transport Insights offering. Established in 2012, FFC is a London-based consultancy business that operates predominantly across the rail and bus sectors. It has a well-established senior level network across the transport owning groups, local and central transport governing authorities and Network Rail, and offers a range of strategic and practical technical consultancy services. Alex Warner, FFC founder, has joined the Group to lead our consolidated consultancy business which combines FFC with our existing Rail Consultancy and Passenger Analytics offerings. The consolidated business delivers an expanded offering to customers across the transport industries and offers consultancy services that cover all areas of the Group.

The acquisition consideration comprised an initial cash payment of £1.1m to reflect the net current asset position of the business which was funded out of Tracsis cash reserves and the issue of shares in Tracsis to a value of £0.1m. Deferred consideration totalling £0.9m is payable in three equal instalments on the first, second and third anniversary of the acquisition. Additionally the sellers were allotted 10,225 "A" shares in Tracsis Rail Consultancy Limited which have an assessed fair value of £0.6m at the acquisition date. The "A" shares have full dividend and capital distribution rights attached but do not have any voting rights attached to them. "A" shares guarantee the holder a dividend each financial year. The Group holds a call option to re-purchase the full amount of "A" shares for a pre-determined multiple of Profit Before Tax from two years after the acquisition date.

Post year end the Group acquired Icon Group ("Icon") on 3 November 2021. Headquartered in Dublin, Icon is an interdisciplinary geoscience business who specialise in earth observation (EO), Geographical Information Systems (GIS) and spatial data analytics. Icon Group has several long-term repeat contracts and employs around 60 full-time staff, all of whom will remain with the business post transaction.

Icon Group will be integrated with Tracsis' existing Data Analytics/GIS solutions provider Compass Informatics to create an Irish-based Data Analytics centre of excellence specialising in providing location-related technologies and analytics solutions and services to government and commercial organisations. The acquisition of Icon adds EO capabilities that enhance the Group's offering in this growing market, and has a customer base that is complementary to Tracsis'. The combined business will have c.130 staff and will work across a variety of sectors deriving most of its revenue from regulated industries including transportation, asset management, environmental and utilities.

The acquisition consideration comprises an initial cash payment of £1.9m which was funded out of Tracsis cash reserves and the issue of 68,762 new ordinary shares in Tracsis to a value of £0.6m. An additional payment of approximately £1.7m will be made on a euro for euro basis to reflect the net current asset position of the business (above a working capital hurdle) at completion and will be finalised in due course. Additional contingent consideration of up to £1.5m is payable subject to Icon Group achieving certain stretched financial targets in the three years post acquisition.

People

The Group is thankful to the whole team for their hard work during the year, especially during the unprecedented Covid pandemic. Our priorities throughout this period have been to safeguard the health, welfare and safety of our people, and to protect as many jobs as possible. The response of our teams has been outstanding. We largely moved to remote homeworking across the Group, whilst ensuring that our product and service offerings have continued. As Covid restrictions have eased, we have re-opened all of our offices with safe working practices in place and we are transitioning to a hybrid working model with most employees spending some time in the office and some time working from home.

The Board believes that the long-term success of the Company depends on the engagement and commitment of its employees. We consider our employees to be some of the best in the sector, and we strive to provide them with opportunities for personal development, career progression, and a safe and inclusive working culture. The Group hired a Director of People in July 2021. This role is part of the senior leadership team and will ensure we have the processes, learning & 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.

Operations

The Group has made progress in implementing a more closely integrated operating model, as we continue to implement best practice across the Group and to lay the foundations to deliver further growth. A shared services structure has been adopted in core support functions including health & safety, HR, bid management, finance, IT security, risk management and quality. New Group-wide branding was implemented in the second half of the year, ensuring that all parts of the Group share a consistent brand identity. This will broaden the awareness of the Group's breadth of products and services, whilst enhancing collaboration across the business. ISO27001 certification has been secured for all Rail Technology & Services businesses.

Dividends

As detailed above, certain of the Group's businesses were adversely impacted by the Covid-19 pandemic. In order to protect jobs in the Group that would otherwise have been at risk, the Group utilised the Coronavirus Job Retention Scheme ("CJRS") in respect of furloughed staff in the year. In this context, the Board does not consider it appropriate to pay a final dividend this year. The Board expects to restore the progressive dividend policy for the year ending 31 July 2022.

Board

On 1 February 2021 Andy Kelly was appointed Chief Financial Officer, replacing Max Cawthra. The Board would like to thank Max for his significant contribution to Tracsis over the past decade. Mac Andrade resigned from the Board on 31 July 2021 to focus on other interests and the Board would like to thank Mac for his contribution to our success. Post year-end Dr James Routh was appointed to the Board as a Non-Executive Director and Senior Independent Director on 29 September 2021.

Summary and Outlook

Our end market drivers are strong, and Tracsis' products and services are well aligned with these drivers as they enable our customers to deliver mission-critical activities with increased efficiency, enhanced performance, higher productivity, and improved safety.

The Group has a clear growth strategy and has a strong balance sheet to support its delivery. We continue to implement a number of large multi year enterprise software contracts and have a record pipeline of future opportunities. Whilst the timing of these remains difficult to predict, the Directors believe they establish a strong foundation for future growth. In addition to delivering organic growth, M&A remains a core part of our strategy. We also recognise the need to continue to enhance integration and collaboration across our businesses, increase senior management bandwidth and talent, and improve our systems and processes as we prepare for scalable growth. We have made good progress in the year and will continue to invest in this area.

Q1 trading has been in line with the Board's expectations, and we have seen further recovery in activity levels in those parts of the Group that have been previously impacted by Covid-19. We believe that activity levels will progressively return to normal through the rest of the financial year, although the timing of this remains uncertain.

The Board believes that the Group is well positioned to deliver further growth in the coming financial year and beyond.

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

9 November 2021

Consolidated Statement of Comprehensive Income for the year ended 31 July 2021

		2021			2020
		Group excluding in-year acquisitions	Acquisitions in-year	**Total**	Total
	Note	£000	£000	**£000**	£000
Revenue	3	49,825	412	**50,237**	47,998
Cost of sales		(15,157)	(267)	**(15,424)**	(16,796)
Gross profit		34,668	145	**34,813**	31.202
Administrative costs		(29,390)	(267)	**(29,657)**	(26,779)
Adjusted EBITDA*	3,6	12,941	37	**12,978**	10,463
Depreciation		(1,602)	(1)	**(1,603)**	(1,882)
Adjusted profit **	6	11,339	36	**11,375**	8,581
Amortisation of intangible assets		(4,240)	(29)	**(4,269)**	(3,599)
Other operating income		440	-	**440**	376
Share-based payment charges		(1,276)	-	**(1,276)**	(1,050)
Operating profit before exceptional items		6,263	7	**6,270**	4,308
Exceptional items:	9				
Impairment losses		-	-	**-**	(1,155)
Other		(985)	(129)	**(1,114)**	1,270
Operating profit		5,278	(122)	**5,156**	4,423
Finance income		11	-	**11**	76
Finance expense		(98)	-	**(98)**	(79)
Share of result of equity accounted investees		(434)	-	**(434)**	(309)
Profit before tax	3	4,757	(122)	**4,635**	4,111
Taxation		(2,258)	(21)	**(2,279)**	(1,234)
Profit after tax		2,499	(143)	**2,356**	2,877
Other comprehensive income/(expense)					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		(126)	-	**(126)**	21
Total comprehensive income/(expense) for the year		2,373	(143)	**2,230**	2,898
Earnings per ordinary share					
Basic	4			8.06p	9.95p
Diluted	4			7.82p	9.67p

Consolidated Balance Sheet as at 31 July 2021

	Note	**2021**	2020
		£000	£000
Non-current assets			
Property, plant and equipment		**3,540**	3,581
Intangible assets		**51,745**	54,376
Investments – equity		**50**	50
Investments in equity accounted investees		**605**	1,039
Deferred tax assets		**551**	877
		56,491	59,923
Current assets			
Inventories		**381**	430
Trade and other receivables		**11,263**	6,382
Cash and cash equivalents		**25,387**	17,920
		37,031	24,732
Total assets		**93,522**	84,655
Non-current liabilities			
Lease Liabilities		**1,131**	986
Contingent consideration payable	8	**3,220**	5,587
Deferred consideration payable	8	**584**	-
Deferred tax liabilities		**8,517**	8,234
		13,452	14,807
Current liabilities			
Lease liabilities		**928**	1,128
Trade and other payables		**17,007**	13,509
Contingent consideration payable	8	**4,689**	1,747
Deferred consideration payable	8	**308**	-
Current tax liabilities		**473**	439
		23,405	16,823
Total liabilities		**36,857**	31,630
Net assets		**56,665**	53,025
Equity attributable to equity holders of the company			
Called up share capital		**117**	116
Share premium reserve		**6,401**	6,373
Merger reserve		**5,525**	5,420
Retained earnings		**44,710**	41,078
Translation reserve		**(88)**	38
Total equity		**56,665**	53,025

Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Merger reserve £'000	Retained Earnings £'000	Translation reserve £'000	Total £'000
At 1 August 2019	115	6,343	3,921	37,545	17	47,941
Adjustment on initial application of IFRS 16 (net of tax)	-	-	-	(106)	-	(106)
Profit for the year	-	-	-	2,877	-	2,877
Other comprehensive income	-	-	-	-	21	21
Total comprehensive income	-	-	-	2,877	21	2,898
Transactions with owners:						
Dividends	-	-	-	(288)	-	(288)
Share based payment charges	-	-	-	1,050	-	1,050
Exercise of share options	-	30	-	-	-	30
Shares issued as consideration for business combinations	1	-	1,499	-	-	1,500
At 31 July 2020	**116**	**6,373**	**5,420**	**41,078**	**38**	**53,025**

	Share Capital £'000	Share Premium £'000	Merger reserve £'000	Retained Earnings £'000	Translation reserve £'000	Total £'000
At 1 August 2020	116	6,373	5,420	41,078	38	53,025
Profit for the year	-	-	-	2,356	-	2,356
Other comprehensive income	-	-	-	-	(126)	(126)
Total comprehensive income	-	-	-	2,356	(126)	2,230
Transactions with owners:						
Share based payment charges	-	-	-	1,276	-	1,276
Exercise of share options	1	28	-	-	-	29
Shares issued as consideration for business combinations	-	-	105	-	-	105
At 31 July 2021	**117**	**6,401**	**5,525**	**44,710**	**(88)**	**56,665**

Consolidated Cash Flow Statement

	Note	**2021** **£000**	2020 £000
Operating activities			
Profit for the year		**2,356**	2,877
Finance income		**(11)**	(76)
Finance expense		**98**	79
Depreciation		**1,603**	1,882
Profit on disposal of plant and equipment		**(46)**	(12)
Non cash exceptional items		**985**	(320)
Other operating income		**(440)**	(376)
Amortisation of intangible assets		**4,269**	3,599
Share of result of equity accounted investees		**434**	309
Income tax charge		**2,279**	1,234
Share based payment charges		**1,276**	1,050
Operating cash inflow before changes in working capital		**12,803**	10,246
Movement in inventories		**49**	(49)
Movement in trade and other receivables		**(4,796)**	5,121
Movement in trade and other payables		**2,784**	(3,875)
Cash generated from operations		**10,840**	11,443
Interest received		**7**	76
Interest paid		**(74)**	(79)
Income tax paid		**(1,417)**	(908)
Net cash flow from operating activities		**9,356**	10,532
Investing activities			
Purchase of plant and equipment		**(400)**	(387)
Proceeds from disposal of plant and equipment		**88**	66
Acquisition of subsidiaries (net of cash acquired)	7	**127**	(13,852)
Payment of contingent consideration	8	**(410)**	(1,228)
Net cash flow used in investing activities		**(595)**	(15,401)
Financing activities			
Dividends paid	5	**-**	(288)
Proceeds from exercise of share options		**27**	30
Lease liability payments		**(1,260)**	(1,089)
Lease receivable receipts		**32**	11
Net cash flow used in financing activities		**(1,201)**	(1,336)
Net increase/(decrease) in cash and cash equivalents		**7,560**	(6,205)
Exchange adjustments		**(93)**	21
Cash and cash equivalents at the beginning of the year		**17,920**	24,104
Cash and cash equivalents at the end of the year		**25,387**	17,920

Notes to the Consolidated Financial Statements

1 Financial information

The financial information set out herein does not constitute the Group's statutory accounts for the 12 months 31 July 2021 or the year ended 31 July 2020 within the meaning of sections 434 of the Companies Act 2006, but is derived from those accounts. The audited accounts for the year ended 31 July 2021 will be posted to all shareholders in due course and will be available on the Group's website. The auditors have reported on those accounts and expressed an unmodified audit opinion which did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial information for the year ended 31 July 2020 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The auditors have reported on those accounts and expressed an unmodified audit opinion which did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group.

2 Basis of preparation

(a) Statement of compliance

The Group consolidated financial statements have been prepared in accordance with International Accounting Standards in conformity with the Companies Act 2006 ("IFRSs").

(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) Functional and 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. Judgements and estimates in relation to revenue recognition, intangible fixed assets, contingent consideration, and IFRS 16 leases are consistent with the prior year with the exception of estimation uncertainty in relation to Revenue which is no longer considered to be significant. There is still considered to be significant judgement over Revenue The Directors have made an additional judgement in assessing the accounting for the investment in Vivacity Labs Limited applying IAS 28 Investment in Associates and Joint Ventures (2011). In the financial year the Group holding in Vivacity Labs Limited fell below 20% to 17.6%, however the Group continued to maintain a Board seat and take an active role in the future development of Vivacity Labs Limited. Considering the criteria set out in IAS 28 it was determined that the Group continues to exert significant influence over Vivacity Labs Limited and the investment continues to be accounted for using the equity method.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(e) Accounting Developments

The Group and Company financial statements have been prepared and approved by the directors in accordance with International Accounting Standards in conformity with the Companies Act 2006 ("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 2021 the Group had net cash and cash equivalents totalling £25.4m. The Board has prepared cash flow forecasts for the forthcoming year based upon assumptions for trading and the requirements for cash resources, these forecasts take into account reasonably possible changes in trading financial performance and include an expectation of the Group's continued recovery from the impact of Covid-19 predominantly on entities within the Data, Analytics, Consultancy and Events segment.

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 cashflow assumptions required to eliminate any headroom under the reverse stress test are considered by the Board to be highly unlikely and particularly given trading performance to date.

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

3 Revenue and Segmental Analysis

a) Revenue

Sales revenue is summarised below

	2021	2020
	£000	£000
Rail Technology & Services	**26,424**	23,441
Data, Analytics, Consultancy and Events	**23,813**	24,557
Total revenue	**50,237**	47,998

As reported in the Group's final results for the year ended 31 July 2020, the Group has been reorganised into a new segmental structure to better align with key areas of future growth. See note 3b for further details of this change. Comparative periods have been re-stated to reflect these segments.

Revenue can also be analysed as follows:

	2021	2020
	£000	£000
Software and related services	**20,980**	18,840
Other	**29,257**	29,158
Total	**50,237**	47,998

Major customers

Transactions with the Group's largest customer represent 17% of the Group's total revenues (2020: 21%).

Geographic split of revenue

A geographical analysis of revenue is provided below:

	2021	2020
	£000	£000
United Kingdom	**43,965**	41,529
Ireland	**5,449**	5,885
Rest of Europe	**338**	242
North America	**189**	57
Rest of the World	**296**	285
Total	**50,237**	47,998

b) Segmental analysis

As reported in the Group's final results for the year ended 31 July 2020, the Group has been reorganised into a new segmental structure in order to align with key areas of future growth. The Group has divided its results into two segments being 'Rail Technology & Services' and 'Data, Analytics, Consultancy & Events'. As a result of this change the results of one subsidiary entity are now presented within the Data, Analytics, Consultancy & Events which were previously presented in the Traffic & Data Services segment. Flash Forward Consulting Limited is included in 'Data, Analytics, Consultancy & Events'. The comparatives included in these financial statements have been re-stated to reflect the new segmental structure.

The Group has a wide range of products and services and 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 and event planning & traffic management, and data and 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 the reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance. There are no material inter-segment transactions, however, when they do occur, pricing between segments is determined on an arm's length basis. Revenues disclosed below materially represent revenues to external customers.

As noted previously the segmental structure has changed from the previous financial year end. As a result of this change the results of one subsidiary entity are now presented within the Data, Analytics, Consultancy & Events which were previously presented in the Traffic & Data Services segment. 2020 results presented below reflect this new segmental structure.

	2021			
	Rail Technology & Services	**Data, Analytics, Consultancy & Events**	**Unallocated**	**Total**
	£000	**£000**	**£000**	**£000**
Revenues				
Total revenue for reportable segments	**26,424**	**23,813**	**-**	**50,237**
Consolidated revenue	**26,424**	**23,813**	**-**	**50,237**
Profit or loss				
EBITDA for reportable segments	**9,059**	**3,919**	**-**	**12,978**
Amortisation of intangible assets	**-**	**-**	**(4,269)**	**(4,269)**
Depreciation	**(699)**	**(904)**	**-**	**(1,603)**
Exceptional items (net)	**-**	**-**	**(1,114)**	**(1,114)**
Other operating income	**-**	**-**	**440**	**440**
Share-based payment charges	**-**	**-**	**(1,276)**	**(1,276)**
Interest receivable/payable(net)	**(36)**	**(37)**	**(14)**	**(87)**
Share of result of equity accounted investees	**-**	**-**	**(434)**	**(434)**
Consolidated profit before tax	**8,324**	**2,978**	**(6,667)**	**4,635**

	2020			
	Rail Technology & Services	Data, Analytics, Consultancy & Events	Unallocated	Total
	£000	£000	£000	£000
Revenues				
Total revenue for reportable segments	23,441	24,557	-	47,998
Consolidated revenue	23,441	24,557	-	47,998
Profit or loss				
EBITDA for reportable segments	8,633	1,830	-	10,463
Amortisation of intangible assets	-	-	(3,599)	(3,599)
Depreciation	(589)	(1,293)	-	(1,882)
Exceptional items (net)	-	-	115	115
Other operating income	-	-	376	376
Share-based payment charges	-	-	(1,050)	(1,050)
Interest receivable/payable(net)	33	(36)	-	(3)
Share of result of equity accounted investees	-	-	(309)	(309)
Consolidated profit before tax	8,077	501	(4,467)	4,111

	2021			
	Rail Technology & Services	**Data, Analytics, Consultancy & Events**	**Unallocated**	**Total**
	£'000	**£000**	**£000**	**£000**
Assets				
Total assets for reportable segments (exc. cash)	**6,515**	**8,669**	**-**	**15,184**
Intangible assets and investments	**-**	**-**	**52,400**	**52,400**
Deferred tax assets	**-**	**-**	**551**	**551**
Cash and cash equivalents	**16,862**	**6,483**	**2,042**	**25,387**
Consolidated total assets	**23,377**	**15,152**	**54,993**	**93,522**
Liabilities				
Total liabilities for reportable segments	**(11,913)**	**(7,036)**	**(590)**	**(19,539)**
Deferred tax liabilities	**-**	**-**	**(8,517)**	**(8,517)**
Contingent consideration	**-**	**-**	**(7,909)**	**(7,909)**
Deferred consideration	**-**	**-**	**(892)**	**(892)**
Consolidated total liabilities	**(11,913)**	**(7,036)**	**(17,908)**	**(36,857)**

	2020			
	Rail Technology & Services	Data, Analytics, Consultancy & Events	Unallocated	Total
	£'000	£000	£000	£000
Assets				
Total assets for reportable segments (exc. cash)	5,070	5,323	-	10,393
Intangible assets and investments	-	-	55,465	55,465
Deferred tax assets	-	-	877	877
Cash and cash equivalents	11,103	4,827	1,990	17,920
Consolidated total assets	16,173	10,150	58,332	84,655
Liabilities				
Total liabilities for reportable segments	(11,562)	(4,500)	-	(16,062)
Deferred tax liabilities	-	-	(8,234)	(8,234)
Contingent consideration	-	-	(7,334)	(7,334)
Consolidated total liabilities	(11,562)	(4,500)	(15,568)	(31,630)

4 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 July 2021 was based on the profit attributable to ordinary shareholders of £2,356,000 (2020: £2,877,000) and a weighted average number of ordinary shares in issue of 29,229,000 (2020: 28,919,000), calculated as follows:

Weighted average number of ordinary shares

In thousands of shares

	2021	2020
Issued ordinary shares at 1 August	**29,122**	28,749
Effect of shares issued related to business combinations	**7**	76
Effect of shares issued for cash	**100**	94
Weighted average number of shares at 31 July	**29,229**	28,919

Diluted earnings per share

The calculation of diluted earnings per share at 31 July 2021 was based on profit attributable to ordinary shareholders of £2,356,000 (2020: £2,877,000) and a weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares of 30,131,000 (2020: 29,740,000).

Adjusted EPS

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

	2021	2020
	£'000	£'000
Profit attributable to ordinary shareholders	**2,356**	2,877
Amortisation of intangible assets	**4,269**	3,599
Share-based payment charges	**1,276**	1,050
Exceptional items (net)	**1,114**	(115)
Other operating income	**(440)**	(376)
Tax impact of adjusting items	**746**	(55)
Adjusted profit for EPS purposes	**9,321**	6,980

Weighted average number of ordinary shares
In thousands of shares

For the purposes of calculating Basic earnings per share	**29,229**	28,919
Adjustment for the effects of all dilutive potential ordinary shares	**902**	821
For the purposes of calculating Dilutive earnings per share	**30,131**	29,740

Basic adjusted earnings per share	**31.89p**	24.14p
Diluted adjusted earnings per share	**30.93p**	23.47p

5 Dividends

The Group introduced a progressive dividend policy during previous years. In order to protect jobs in the Group that would otherwise have been at risk, the Group utilised the Coronavirus Job Retention Scheme ("CJRS") in respect of furloughed staff in the year. In this context, the Board does not consider it appropriate to pay a final dividend this year. The Board expects to restore the progressive dividend policy for the year ending 31 July 2022. The cash cost of the dividend payments is below:

	2021	2020
	£000	£000
Final dividend for 2018/19 of 1.0p per share paid	**-**	288
Total dividends paid	**-**	288

6 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"), to improve the comparability of reporting between different periods. These metrics are used by Equities Analysts who cover the Group as they reflect the underlying performance of the Group, and its ability to generate cash. The largest components of the adjusting items, being depreciation, amortisation, share based payments, and share of 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 finance income, 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:

	2021	2020
	£000	£000
Profit before tax	**4,635**	4,111
Finance expense – net	**87**	3
Share-based payment charges	**1,276**	1,050
Exceptional items - net	**1,114**	(115)
Other operating income	**(440)**	(376)
Amortisation of intangible assets	**4,269**	3,599
Depreciation	**1,603**	1,882
Share of result of equity accounted investees	**434**	309
Adjusted EBITDA	**12,978**	10,463

Adjusted Profit

Calculated as Earnings before finance income, tax, 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 business performance of the Group from period to period in a consistent manner. The closest equivalent statutory measure is profit before tax. Adjusted profit can be reconciled to statutory profit before tax as set out below:

	2021	2020
	£000	£000
Profit before tax	**4,635**	4,111
Finance expense – net	**87**	3
Share-based payment charges	**1,276**	1,050
Exceptional items - net	**1,114**	(115)
Other operating income	**(440)**	(376)
Amortisation of intangible assets	**4,269**	3,599
Share of result of equity accounted investees	**434**	309
Adjusted profit	**11,375**	8,581

Adjusted EBITDA reconciles to adjusted profit as set out below:

	2021	2020
	£000	£000
Adjusted EBITDA	**12,978**	10,463
Depreciation	**(1,603)**	(1,882)
Adjusted profit	**11,375**	8,581

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 4 “Earnings per share”.

7 Acquisitions and Investments in the current year

On 26 February 2021 the Group acquired Flash Forward Consulting Limited (“FFC”), a UK based transport consultancy business that operates predominantly across the rail and bus sectors. It has a well established senior level network across the transport owning groups, local and central transport governing authorities and Network Rail and offers a range of strategic and practical technical consultancy services. The acquisition aligns with the strategic objective of the Group to expand the existing consultancy offering to customers across the transport industries. On completion of the acquisition FFC has been consolidated with the Group’s existing Rail Consulting and Passenger Analytics businesses to form a new business unit “Tracsis Transport Consultancy” under the existing Tracsis Rail Consultancy Limited statutory entity.

The acquisition consideration comprised an initial cash payment of £1.1m to reflect the net current asset position of the business which was funded out of Tracsis cash reserves and the issue of shares in Tracsis to a value of £0.1m. Deferred consideration totalling £0.9m is payable in three equal instalments on the first, second and third anniversary of the acquisition. Additionally the sellers were allotted 10,225 “A” shares in Tracsis Rail Consultancy Limited which have an assessed fair value of £0.6m at the acquisition date. The “A” shares have full dividend and capital distribution rights attached but do not have any voting rights attached to them. “A” shares guarantee the holder a dividend each financial year.

The A ordinary shares are classified as financial liabilities due to the shares having no voting rights and the dividend rights attached to them. The financial liability is held at fair value with changes recognised in the profit and loss. The fair value of the A shares has been calculated with reference to discounted future cashflows from the Tracsis Transport Consultancy business unit which has been assessed as £590,000 at the acquisition date, which will be included at amortised cost going forward. The Group holds a call option to re-purchase the full amount of “A” shares for a pre-determined multiple of Profit before Tax from two years after the acquisition date, and which is accounted for at Fair Value through Profit and Loss (FVTPL).

The business is cash generative and debt free. In the period from acquisition to 31 July 2021 Flash Forward Consulting contributed revenue to the Group of £0.4m and pre tax profit of £36,000, before amortisation of associated intangible assets and exceptional deal costs. If the acquisition had occurred on 1 August 2020 management estimates that the contribution to Group revenue would have been £1.1m and Group pre tax profit for the period of £0.2m. The fair value of intangible assets will be assessed throughout the measurement period up to 12 months from the date of acquisition.

Pre-acquisition carrying amounts were determined based on applicable IFRSs, immediately prior to the acquisition. The values of assets and liabilities recognised on acquisition are the estimated fair values. The gross contractual amounts receivable for acquired receivables is consistent with fair value. Acquired receivables are expected to be collected in full following acquisition.

The goodwill that arose on acquisition can be attributed to a multitude of assets that cannot readily be separately identified for the purposes of fair value accounting.

The fair value adjustments arise in accordance with the requirements of IFRSs to recognise intangible assets acquired. In determining the fair values of intangible assets the Group has used discounted cash flow forecasts. The fair value of shares issued was based on market value at the date of issue. The Group incurred acquisition related costs of £0.1m which are included within administrative expenses.

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

	Pre-acquisition carrying amount £000	Fair value adjustments £000	Recognised value on acquisition £000
Intangible assets: Customer related intangibles	-	684	684
Tangible fixed assets	1	-	1
Cash and cash equivalents	1,269	-	1,269
Trade and other receivables	143	-	143
Trade and other payables	(157)	-	(157)
Income tax payable	(49)	-	(49)
Deferred tax liability	-	(130)	(130)
Net identified assets and liabilities	1,207	554	1,761
Goodwill on acquisition			954
			2,715

Consideration paid in cash	1,142
Consideration paid: fair value of shares issued	105
Present value of deferred consideration payable	878
Interest in Tracsis Rail Consultancy Limited	590
Total consideration	2,715

8 Contingent and Deferred Consideration

a. Contingent consideration

During the previous financial year, the Group acquired iBlocks Limited. Under the share purchase agreement in place for this acquisition, contingent consideration is payable which is linked to the profitability of the acquired business for a three year period post acquisition and the signing of certain contracts currently under negotiation. The maximum amount payable is £8.5m, and the fair value of the amount payable was assessed at £2.8m at the year end date.

In 2019, the Group acquired Cash & Traffic Management Limited, Compass Informatics Limited and Bellvedi Limited. Under the share purchase agreements for each of these companies, contingent consideration is payable which is linked to the profitability of the acquired businesses over a two to four year period post acquisition. The maximum amount payable is £750,000 for Cash & Traffic Management Limited, €2,000,000 for Compass Informatics Limited and £7,900,000 for Bellvedi Limited. The fair value of the amount payable was assessed at £253,000 for Cash & Traffic Management Limited, £462,000 for Compass Informatics Limited and £4,357,000 for Bellvedi Limited.

During the financial year, contingent consideration of £410,000 was paid in respect of the Compass Informatics Limited acquisition which was made in year ended 31 July 2019 (2020: £332,000), £nil in respect of the Cash & Traffic Management Limited acquisition which was made in year ended 31 July 2019 (2020: £491,000), £nil in respect of the Bellvedi Limited acquisition which was made in the year ended 31 July 2019 (2020: £57,000), and £nil (2020: £348,000) in respect of the acquisition of Tracsis Travel Compensation Services Limited which was made in the year ended 31 July 2018.

As detailed in note 9, a net exceptional charge of £327,000 was recognised following a review of the assumptions of the fair value of the contingent consideration as at 31 July 2021. At the balance sheet date, the Directors assessed the fair value of the remaining amounts payable which were deemed to be as follows.

	2021	2020
	£000	£000
Tracsis Travel Compensation Services Limited & Delay Repay Sniper Ltd	**-**	88
Cash & Travel Management Limited	**253**	112
Compass Informatics Limited	**462**	681
Bellvedi Limited	**4,357**	3,193
iBlocks Limited	**2,837**	3,260
	7,909	7,334

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

The Group has considered multiple profit related scenarios in estimating the fair value of contingent consideration payable in the future. In all cases, contingent consideration payable could range from zero to the maximum amount included in the Share Purchase Agreements as detailed in this note and also note 7. Each Share Purchase Agreement contains different provisions for calculating contingent consideration, timeframes over which it is calculated and payable, and therefore sensitivities regarding the total amount to be paid. Contingent consideration in respect of Cash & Traffic Management Limited was paid in October 2021 totalling £0.3m. In respect of Compass Informatics Limited, Bellvedi Limited and iBlocks Limited a change in the estimated profit of 10% would result in a change in the fair value of contingent consideration of £1.1m.

The movement on contingent consideration can be summarised as follows:

	2021	2020
	£000	£000
At the start of the year	**7,334**	6,183
Arising on acquisition	**-**	3,854
Cash payment	**(410)**	(1,228)
Fair value adjustment to Statement of Comprehensive Income	**327**	(1,475)
Unwind of discounting	**658**	-
At the end of the year	**7,909**	7,334

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

	2021	2020
	£000	£000
Payable in less than one year	**4,689**	1,747
Payable in more than one year	**3,220**	5,587
Total	**7,909**	7,334

b. Deferred consideration

The Group acquired Flash Forward Consulting Limited on 26 February 2021. As part of this acquisition cash consideration totalling £945,000 is payable in three equal instalments on the 1st, 2nd and 3rd 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 2021 the present value of this deferred consideration is £892,000. The movement on deferred consideration can be summarised as follows:

	2021	2020
	£000	£000
At the start of the year	**-**	-
Arising on acquisition (note 7)	**878**	-
Unwind of discounting	**14**	-
At the end of the year	**892**	-

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

	2021	2020
	£000	£000
Payable in less than one year	**308**	-
Payable in more than one year	**584**	-
Total	**892**	-

9 Exceptional Items

The Group incurred a number of exceptional items in 2021 and 2020 which are analysed as follows:

	2021	2020
	£000	£000
Impairment losses		
Non cash:		
Goodwill and investment impairment	**-**	1,155
Total impairment losses	**-**	1,155
Other		
Non cash:		
Contingent consideration fair value adjustment	**327**	(1,475)
Unwind of discounting of contingent consideration	**658**	-
Cash:		
Legal and professional fees in respect of acquisitions	**129**	205
Total other	**1,114**	(1,270)
Total exceptional items	**1,114**	(115)

2021

During 2021 the Group acquired Flash Forward Consulting Limited and incurred exceptional deal related costs totalling £129,000 in relation to this. A net exceptional charge of £327,000 has also been recognised in the year to increase the assessed fair value of the contingent consideration based on future expectations of performance of the entities. The increase in the fair value of contingent consideration payable principally reflects an increased pipeline of software contract opportunities, partly offset by some extension of procurement cycles from certain customers. Unwind of discounting of contingent consideration totalling £0.7m was completed in the year. Contingent consideration at 31 July 2021 has been discounted at 12% (31 July 2020: 12%). A breakdown of the remaining fair value of contingent consideration by acquisition is included in note 8. 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.

2020

In the previous financial year the Group incurred £205,000 of costs relating to the acquisition of iBlocks Limited. In addition, the Group reviewed the carrying value of the investment in Citi Logik Limited and concluded it was impaired, and as such a loss of £300,000 was recognised. A further impairment charge of £855,000 was also made against the remaining intangible assets of Tracsis Travel Compensation Services Limited. During the year, an exceptional credit of £1,475,000 was recognised due to a change in accounting estimate arising from the review of the assumptions of the fair value of the contingent consideration relating to recent acquisitions. The overall level of contingent consideration payable was assessed as being lower than in previous years due to reduced profit expectations and also using a higher discount rate, given the impact of Covid-19.

10 Subsequent Events

Post year end the Group acquired Icon Group ("Icon") on 3 November 2021. Headquartered in Dublin, Icon is an interdisciplinary geoscience business who specialise in earth observation (EO), GIS and spatial data analytics. Icon will be integrated with Tracsis' existing Data Analytics/GIS solutions provider Compass Informatics to create an Irish-based Data Analytics centre of excellence specialising in providing location-related technologies and analytics solutions and services to government and commercial organisations. The acquisition of Icon adds EO capabilities that enhance our offer in this growing market, and has a customer base that is complementary to Tracsis'.

The acquisition consideration comprises an initial cash payment of £1.9m which will be funded out of Tracsis cash reserves and the issue of 68,762 new ordinary shares in Tracsis to a value of £0.6m. An additional payment of approximately £1.7m will be made on a euro for euro basis to reflect the net current asset position of the business (above a working capital hurdle) at completion and will be finalised in due course. Additional contingent consideration of up to £1.5m is payable subject to Icon Group achieving certain stretched financial targets in the three years post acquisition. A formal valuation exercise has not yet been completed due to the timing of the acquisition.

11 Annual Report and Annual General Meeting

The Company anticipates dispatching a copy of its annual report and accounts to all shareholders in December 2021. A copy will also be available on the Company's website: www.tracsis.com. The Annual General Meeting of the Company will be held at Nexus, Discovery Way, Leeds, LS2 3AA on 18 January 2022 at 1pm.