Technology Makes It Possible, People Make It Happen

TRACSIS

Annual Report and Accounts 2022

Who we are

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 successfully executed a strategy that has seen it make a total of seventeen acquisitions.

Today Tracsis is a leading provider of software, hardware, data analytics/GIS and services for the rail, traffic data and wider transport industries. The Group has c.550 permanent employees serving its growing customer base from offices in the UK, Ireland and the US.

Strategic Report

Governance Report

Financial Statements

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.

What we do

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

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.

Tracsis at a glance

Our divisions

Rail Technology & Services

Operations and Planning
- Operational Planning, Timetabling, Stock and Crew and Rail Performance Software

19% of revenue

Digital Railway/Infrastructure
- Remote Condition Monitoring Hardware and Data Acquisition
- Safety and Risk Management Software and Asset Visualisation
- Yard Automation and Computer Aided Dispatch

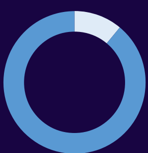
19% of revenue

Customer Experience
- Transit and Ticketing Solutions (PAYG)
- Automated Delay Repay

6% of revenue

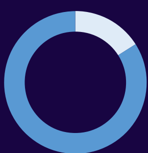
Data, Analytics, Consultancy & Events

Data Informatics
- Location Technologies (GIS)
- Earth Observation
- Analytics Solutions



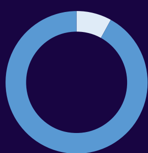
11% of revenue

Traffic Data
- Traffic Data Capture and Analysis (Video, ANPR, Machine Learning)



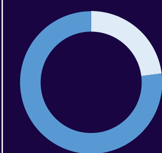
14% of revenue

Transport Insights
- Consultancy
- Passenger Analytics
- Bespoke Software Solutions



8% of revenue

Event Traffic Management
- Event Transport Planning and Management

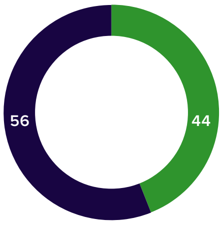


23% of revenue

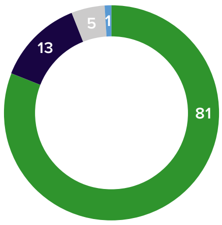
Read more about our divisions on **p.32-33**

Key Group locations

Revenue by Division (%)



Revenue by Geography (%)



Our brands

Rail Technology & Services

Operations & Planning	RAIL OPERATIONS Rail Planning and Performance Software	BELLVEDI Timetable and Control Software	
Digital Railway/Infrastructure	MPEC TECHNOLOGY Remote Condition Monitoring	ONTRAC Rail Safety Software	RAILCOMM Automated Rail Solutions
Customer Experience	iBLOCKS Transit and Ticketing	TCS Delay Repay Solutions	

Data, Analytics, Consultancy & Events

Data Informatics	COMPASS INFORMATICS Information and Location Insights	ICON GEO Earth Observation
Traffic Data	TRAFFIC DATA Transport Data Collection and Analytics	
Transport Insights	CONSULTANCY Insights and Bespoke Development	
Event Traffic Management	SEP Event Traffic Management	CTM Event Traffic Management

Read more about our brands at **www.tracsis.com**

Financial and Operational highlights

Financial highlights

- Strong financial performance with high levels of organic and acquisitive growth
- Revenue increased by 37% to £68.7m (2021: £50.2m)
  - Organic revenue growth of 24%
  - 63% revenue growth in Data, Analytics, Consultancy & Events division, including post-Covid recovery and contribution from acquisitions
  - Rail Technology & Services division revenue increased by 13% including the benefit from multi-year software contracts that went live during the year and the RailComm acquisition
- Adjusted EBITDA* increased by 9% to £14.2m (2021: £13.0m)
- Profit before tax of £2.6m (2021: £4.6m) after £3.1m of exceptional items including increase in fair value of contingent consideration and transaction costs associated with acquisition of businesses
- Total cash balances** of £17.2m with no debt (31 July 2021: £25.4m) after £13.5m net investment in acquisitions and contingent and deferred consideration
- Proposed final dividend of 1.1p per share, with total dividend of 2.0p per share (2021: nil) consistent with the Group's progressive dividend policy that was restored at the half year

Operational highlights

- Strong post-Covid recovery of activities in Events and Traffic Data, made possible by actions taken to safeguard these businesses during the pandemic, and including some activities not expected to repeat in the forthcoming financial year
- Formalised our sustainability strategy, with a target of being carbon neutral by 2030 for scope 1 and scope 2 emissions from Tracsis operations
- Further progress in implementing a more integrated operating model, with continued investment in management capability, people development, and common processes and systems

Revenue (£m)

£68.7m

2022	68.7
2021	50.2
2020	48.0
2019	49.2
2018	39.8

Adjusted EBITDA* (£m)

£14.2m

2022	14.2
2021	13.0
2020	10.5
2019	10.5
2018	9.4

PBT (£m)

£2.6m

2022	2.6
2021	4.6
2020	4.1
2019	6.6
2018	8.3

Cash** (£m)

£17.2m

2022	17.2
2021	25.4
2020	17.9
2019	24.1
2018	22.3

Adjusted EBITDA margin* (%)

20.6%

2022	20.6
2021	25.8
2020	21.8
2019	21.7
2018	23.7

Basic EPS (p)

5.1p

2022	5.1
2021	8.1
2020	10.0
2019	17.8
2018	25.7

Adjusted basic EPS (p)

33.2p

2022	33.2
2021	31.9
2020	24.1
2019	28.3
2018	26.3

Dividend per share (p)

2.0p

2022	2.0
2021	Nil
2020	Nil
2019	1.8
2018	1.6

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

** Cash and cash equivalents, and cash held in escrow.

Several multi-year rail technology software contract wins

We have secured several multi-year technology contracts in all parts of the Rail Technology and Services division during the year. In Rail Operations and Planning we have won two new contracts for our TRACS Enterprise product suite with UK passenger operators, as well as our first contract for this product in the rail freight sector. Development work on all three is underway. In Digital Railway and Infrastructure we have secured a large multi-year Centrix software contract win as well as an extension to our long-running Remote Condition Monitoring data logger framework contract with the UK's rail infrastructure provider. The user base for Centrix has increased by 20%. Moreover, in Customer Experience we won a new contract for the deployment of our smart ticketing solution as well as two new contracts for our delay replay solution; all three of these went live in the year.

First full deployment of TRACS Enterprise went live with UK passenger operator

The first end-to-end deployment of our TRACS Enterprise rail operations software went live with a large Train Operating Company ("TOC") in summer 2022, replacing disparate legacy systems. The customer has implemented all three modules – Train Planning, Rostering & Resourcing, and Control – providing a fully integrated solution with a single data source that helps to optimise all timetable, resource planning, work allocation and on the day control decision support activities.

Roll-out of large RailHub enterprise software contract progressing well

The large RailHub enterprise software contract that was awarded to our safety and risk management business OnTrac in the previous financial year is progressing to plan and is on schedule to be completed before the end of 2022. This will more than double the user base for this product to over c.40,000 UK-based rail infrastructure and maintenance staff.

Expanded addressable markets via acquisition

The acquisition of RailComm in March 2022 has given the Group direct access to the large and growing North American rail technology market. See pages 26 and 27 for further detail on this acquisition. In addition the Group has expanded its technology addressable market into Earth Observation with the acquisition of Icon GEO ("Icon") in November 2021. Icon has been fully integrated with the Group's Data Analytics/GIS business Compass Informatics, to create an Irish-based Data Analytics centre of excellence providing location-related technologies and analytics solutions to government and commercial organisations.

Read more at **www.tracsis.com**

Well positioned for future growth

Overview

I am pleased to report another good year for the Group, having emerged strongly from Covid-affected activities. Our revenue grew by 37% with support from strategic acquisitions and adjusted EBITDA* increased to £14.2m. Our balance sheet remains strong.

Our market drivers remain positive, and Tracsis' products and services are well aligned with these drivers, as demonstrated at our recent institutional investor day. We continue to integrate the Group to ensure we have the appropriate platform to support our strategic growth plan.

During the year we continued to invest in new businesses and technologies with the acquisitions of Icon GEO and RailComm. Both support our strategic objectives to increase our addressable markets. The RailComm acquisition in particular, being Tracsis' first direct presence in the North American rail market, provides an opportunity for the Group to progressively market its existing portfolio of rail products and services into this large, growing and addressable market.

Board

We regularly review the composition of the Board to ensure that we have the requisite mix of skills and experience to ensure the continued success of the Company. Dr James Routh was appointed to the Board as a Non-Executive Director and Senior Independent Director on 29 September 2021. James is currently Chief Executive Officer of AB Dynamics plc, an AIM-listed provider of advanced testing systems, simulation products and testing services to the global automotive and mobility sectors.

On 5 October 2022 Jill Easterbrook was appointed to the Board as a Non-Executive Director. Jill is Non-Executive Chair of Headland Consultancy and is a Non-Executive Director on the boards of FTSE 100 companies Auto-Trader Group plc and Ashtead Group plc, as well as international household brands company UP Global Sourcing Holdings plc. From 2017 to 2020 she served as Chief Executive Officer of fashion retailer Boden, prior to which she held a variety of senior roles at Tesco plc, where she was a member of the Executive Committee.

Both James and Jill bring excellent commercial, international and technological experience to the Board that will be invaluable in developing Tracsis for the future.

Lisa Charles-Jones will step down from the Board on 31 December 2022 after six years with the Group. Lisa will be succeeded as Chair of the Remuneration Committee by Jill Easterbrook at this date. I would like to thank Lisa for her service to Tracsis and wish her well for the future.

> I am pleased to report another good year for the Group. We have continued to invest in new businesses and technologies, and continue to integrate the Group's activities. Our markets have resilient long-term growth drivers, to which our products and services are well aligned.

Chris Cole
Chair

As part of the Board's programme we held Board meetings at the Company's sites in Derby and Leeds, and were given a demonstration of the MPEC Remote Condition Monitoring business operations. During financial year 2022/23 the Board plans to visit further Tracsis operations.

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. Further details are provided in the Statement of Corporate Governance on pages 52 to 53.

The Board is supported by a management team that has been strengthened with the additions of a Group Managing Director and a People Director.

On behalf of the Board I would like to express my thanks for all our management and staff for their hard work throughout the year.

Corporate governance

Strong corporate governance and risk management is an essential element of the Board's activities and is key to ensuring ongoing stability and growth of the Group. The Group's approach to governance and its procedures are reported separately in the Statement of Corporate Governance on pages 52 to 53.

ESG

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. This year we have formalised an environmental, social and governance ("ESG") strategy that articulates our sustainability ambitions and provides a framework for delivering these. Our target for Tracsis operations is to be carbon neutral for scope 1 and scope 2 emissions by 2030. Further information on this strategy and the Group's approach to ESG can be found on pages 36 to 43.

Dividend

The Group remains committed to the progressive dividend policy that was adopted in 2012. In the year ended 31 July 2022 we have seen a recovery in activity levels in those parts of the Group most impacted by Covid-19, and we have not utilised the UK Government's Coronavirus Job Retention Scheme ("CJRS"). In this context the Board considered it appropriate to restore the progressive dividend policy at the interims. Given the strong full year performance of the Group, the Board is recommending a final dividend of 1.1 pence per share payable on 10 February 2023 to shareholders on the register at 27 January 2023, subject to shareholder approval at the forthcoming AGM.

Outlook

Tracsis operates in markets that have long-term structural growth drivers, which the Board believes are resilient to near-term 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 10 to 11. Our products and services are well aligned with these drivers, which gives the Board confidence in delivering continued growth.

We will continue to pursue M&A as a core part of our growth strategy, supported by a strong balance sheet. This gives the opportunity to further expand the Group's addressable markets and to further diversify our sector and geographic reach in order to build a broader-based business.

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

Chris Cole
Chair
8 November 2022

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, are sold on a recurring basis under contract, and 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.

1

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. This is well aligned with industry drivers in the short, medium and long term.

The Williams-Shapps Plan for UK Rail issued in May 2021 outlined a strategic vision for the rail industry in the UK, 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.

Tracsis is well aligned 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.

Read more on **p.10-11**

2

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.

Read more on **p.32-33**

3

Multiple growth vectors in a large addressable market

Our growth strategy is focused on five core areas.

In the Rail Technology & Services segment, these are:

1. Operational Performance Software;
2. Remote Condition Monitoring Hardware and Software;
3. Risk Management and Safety Software; and
4. Smart Ticketing and customer experience software.

In the Data, Analytics, Consultancy & Events segment, the fifth growth vector is:

5. “Big Data” (data informatics and GIS).

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.

The addressable market for each of these growth vectors is significant. We estimate that the addressable UK rail market for Tracsis’ current products and services is at least £100m, and is growing due to the strong market fundamentals described above. The acquisition of RailComm in the year has further expanded our addressable market by providing the Group with direct access to a long-established sales network into a significant number of rail clients in North America. In addition to the growth opportunities that exist in RailComm’s core markets of rail yard automation and computer aided dispatching, the Group will progressively market its existing portfolio of rail products and services.

Read more on **p.18-23**

4

Strong cash generation

The Group has net cash of £17.2m at 31 July 2022, with 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.

Read more on **p.28-31**

5

M&A opportunities

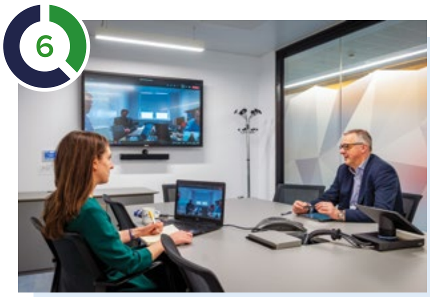
We are actively pursuing M&A opportunities to expand our addressable markets and increase our technical capabilities.

In the year to 31 July 2022 we completed two acquisitions:

- Enhanced the Group's technology capabilities with the acquisition of geoscience company Icon GEO which specialises in Earth Observation
- Acquired the US based rail technology software and services provider RailComm, giving direct access to the large and growing North American market

Read more on **p.26-27**

6



A resilient business model

Our business model is highly 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, as demonstrated during the Covid-19 pandemic. The wider focus on investing in modernising and digitising the UK railway is an important long-term trend that will support growth.

Our Events and Traffic Data businesses did see reduced activity levels as a result of Covid-19, but since Government restrictions were eased there has a significant recovery in both markets. Activity levels in Events have returned to pre-pandemic levels, and the performance in the year included some activities that are not expected to repeat. The recovery in Traffic Data was slower but has returned to close to the monthly run-rate seen pre-pandemic. Some month-to-month variability in demand remains and activity levels in this market are more sensitive to Government and public-sector funding.

Read more on **p.12-13**

Delivering across our markets

The Group's organic growth strategy is focused across five core areas:

1 Operational Performance Software

2 Remote Condition Monitoring Hardware and Software

3 Risk Management and Safety Software

4 Smart Ticketing and Customer Experience

5 Data Analytics and GIS

Product/software based (1–4)

Capability based (5)

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.

Read more about our organic growth strategy on **p.14**

Delivering a more efficient and futureproof railway

Drivers

Short term

- Increasing demand from the UK Government and train operators to deliver cost, efficiency and performance improvements
- Legacy operational systems are under-invested and poorly integrated
- Operational efficiencies from real-time asset tracking and condition-based maintenance
- Consumer demand for improved real-time information

Long term

- Public bodies including UK Government and European Commission continuing a broad digital transformation agenda in rail in order to futureproof the industry by increasing efficiency, improving safety outcomes, and delivering an enhanced customer experience
- Williams-Shapps Plan for UK Rail will bring the operation of track and trains under a single supervisory body, Great British Railways ("GBR"), providing opportunity for better industry-wide integrated tools and processes
- A data-driven approach to delivering a more agile and flexible timetable
- US investment in 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, delivering significant cost savings and enhanced operational capabilities including scenario planning and information to customers
- Our Remote Condition Monitoring products enable both reactive and predictive maintenance of rail industry assets, improving their performance and life cycle and reducing the requirement for scheduled maintenance visits
- In the North American market, Tracsis' Yard Automation and Computer-Aided Dispatching tools improve the efficiency and productivity of rail operations and rail-served ports and industrials by providing digital solutions that optimise decision making and traffic throughput

Link to growth vectors

1 2

Delivering a safe and sustainable railway

Drivers

Short term

- Improving the safety of people working on or near the railway
- Reducing the number of near-misses and fatalities for rail users and workers

Long term

- Ongoing focus on improving safety outcomes
- Network Rail target of a net-zero emissions railway by 2050
- Increasing public transport use 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 provides 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
- 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 safe operations and maintenance of the railway

Link to growth vectors

3

An improved and modern customer experience

Drivers

Short term

- Ensuring customers can purchase tickets in a more convenient and flexible way
- Growing demand for pay-as-you-go ("PAYG") travel post-Covid
- Consumer demand for best value, in the face of ticket and fare complexity

Long term

- Increasing demand for multi-modal transport solutions
- Improving the customer ticketing proposition, including PAYG, is a key theme of the Williams-Shapps Plan for Rail

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. Token agnostic journey taps are captured and virtual tickets are created. It is capable of applying all rail fare types, railcard discounts and weekly capping, and can ensure that the customer always pays the cheapest fare
- Through our Innovation Hub R&D incubator, we have developed a mobile app ("Hopsta") that puts this PAYG technology directly into the hands of the consumer and avoids the requirement for expensive gateline infrastructure. The first pilots of this product are expected to begin during 2023
- Tracsis delay repay solutions deliver fully automated claim assessment on the UK rail network for train operators, including claim decision, fulfilment and fraud detection

Link to growth vectors

4

Using data for greater industry insight

Drivers

Short term

- Data-rich organisations seeking greater insight into how they can facilitate better and faster decision making
- Market regulated industries requiring data/GIS solutions to demonstrate ongoing compliance

Long term

- Increased data usage to deliver a more efficient, reliable and sustainable railway

Tracsis solutions

- Dublin-based data centre of excellence with capabilities in geographical information systems ("GIS"), earth observation, data analytics and field computing, and mobile app development
- Increasing range of digital rail products and solutions that generate or collect data from multiple components of running and maintaining the railway

Link to growth vectors

5

A resilient and sustainable business model

Rail Technology & Services

How we create value

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

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.

Customers
We provide innovative, technology-driven solutions that solve complex problems for our customers and enables 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.

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.

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
- Retained our core teams and skills through Covid, enabling a strong recovery
- 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. 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.

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 **p.36-43**

Suppliers

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

Our growth strategy is focused in four areas

Our vision for Tracsis is to become a leading provider of high value, niche technology solutions and services that solve complex problems which maximise efficiency in regulated industries.

Our strategy to achieve this vision is focused in four areas, as outlined below. We believe this strategy will allow Tracsis to deliver further significant value to shareholders in the short and long-term.

Organic growth

Delivery of our pipeline, continual innovation of products and services, flawless high quality delivery, and an excellent close working relationship with our customers

Progress in 2022

- 24% organic revenue growth for the Group
- Multi-year TRACS Enterprise contract wins with two UK passenger operators, and our first contract win in the rail freight sector
- New smart ticketing contract won and implemented with a large passenger train operating company ("TOC"). Two new delay repay contracts also secured and implemented with UK TOCs
- Large multi-year Centrix software contract win in Remote Condition Monitoring and an extension to our long-running data logger framework contract
- Roll-out of RailHub enterprise software contract won in previous financial year progressing to plan and will more than double the user base to c.40,000 individuals by late 2022
- First full deployment of TRACS Enterprise went live in summer 2022; work continues on implementing other TRACS Enterprise contracts due to go-live over the next 2 years
- Large pipeline of rail technology contract opportunities
- Strong post-Covid recovery of activities in Events and Traffic Data, made possible by actions taken to safeguard these businesses during the pandemic

Future focus

- Complete deployments of TRACS Enterprise contracts won in previous years where development work is underway
- Secure further multi-year rail technology contracts across all product lines
- Leverage RailComm to cross-sell existing Tracsis products and services into North America
- Continued investment in software & technology products
- Support UK rail industry to deliver the strategic vision outlined in the Williams-Shapps Plan

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 2022

- RailComm acquisition provides direct access to a significant number of rail clients in North American market
- Icon GEO acquisition enhances technology capabilities into Earth Observation
- Secured new contract wins in both Icon GEO and RailComm post acquisition
- Further growth from Compass Informatics

Future focus

- Execute growth strategy for North America
- Continued growth in data informatics and GIS
- Targeted growth opportunities overseas or in adjacent markets

Integration and capability

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 2022

- Developed a comprehensive people strategy to attract, retain and develop talent
- Enhanced management capability and bandwidth with targeted recruitment for senior roles
- Launched "OneTracsis" leadership training programme
- Started workstream to implement a single Group-wide IT operating model
- ESG strategy and targets agreed
- Developed Hopsta PAYG smart ticketing app through Innovation Hub programme
- Icon GEO acquisition fully integrated

Future focus

- Execution of people strategy, including further development programmes
- Complete IT transformation
- Further R&D collaboration via Innovation Hub
- Implement ISO 14001 (Environmental Management)
- Continued alignment of Group-wide systems and processes

Acquisitions

Reinvesting Group profits to fund further accretive acquisitions that meet our disciplined investment criteria

Progress in 2022

- Acquisition of RailComm providing direct access to North American market
- Expanded technology addressable market into Earth Observation through Icon acquisition
- Further potential targets evaluated

Future focus

- Active pursuit of M&A to extend rail software and Data Informatics footprint – focus on recurring revenue growth

Our strategy in action – delivering digital transformation

First full deployment of TRACS Enterprise

The first full deployment of our TRACS Enterprise system for rail operators went live in July 2022 with a large UK passenger operator. This provides a single source of information for all timetable, resource planning, work allocation and control decision support activities, and delivers cost, efficiency and performance improvements for our customers. It also has enhanced functionality over the legacy systems it has replaced including the ability to simulate operational changes in a sandbox environment before releasing into a live environment. Five other passenger and freight operators are scheduled to go-live with this system over the next two years.

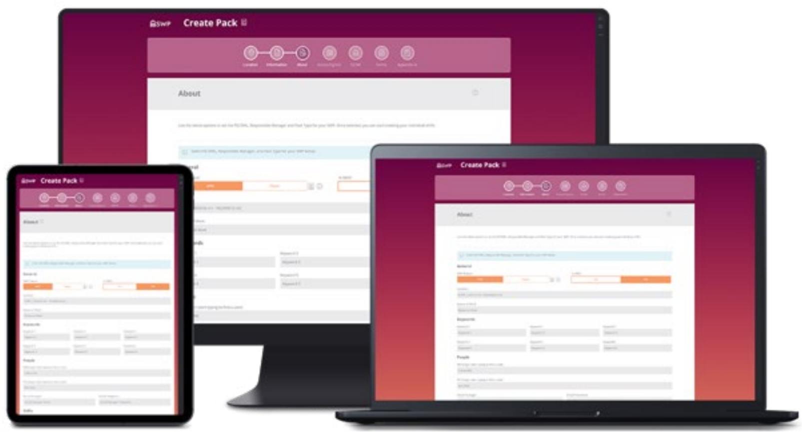
TRACSIS | RAIL OPERATIONS
Rail Planning and Performance Software

Centrix delivering data-driven insights to infrastructure owners

There has been a c.20% increase in the user base for our Centrix data acquisition, diagnostics and performance analysis software over the last 12 months. This powerful software platform delivers operational efficiencies for rail infrastructure owners by enabling them to optimise their asset management strategy, including real-time asset tracking and condition-based maintenance.

TRACSIS | MPEC TECHNOLOGY
Remote Condition Monitoring

Doubling the user base for our RailHub risk management and safety software



The roll-out of the large enterprise software contract for our RailHub software platform that was won in the previous financial year is progressing to plan and is scheduled to be completed by December 2022. This will more than double the user base of this unique product to over 40,000 individuals involved in the planning and delivery of maintenance and upgrade work on or near the railway line. It underpins our confidence in the future of the RailHub platform, with opportunities to develop further functionality and applications that support improved safety outcomes for rail infrastructure providers and maintainers.

TRACSIS ONTRAC Rail Safety Software

Deployment of our smart ticketing technology with a third UK operator

Our smartTIS solution, the only RDG accredited pay-as-you-go ("PAYG") smart ticketing technology for use on the UK rail network, has now gone live with a third train operating company in the UK. Already in use on the GTR and Southwestern Railway networks, it is now live on the GWR network enabling passengers in the West of England to get best value walk-up fares for the day of travel including weekly season ticket price capping.

TRACSIS iBLOCKS Transit and Ticketing

> We have delivered strong organic and acquisitive growth and are making good progress in delivering our strategic growth strategy and in implementing a more integrated operating model. We have won several new software contracts and have good growth prospects across the Group.
>
> **Chris Barnes**
> **Chief Executive Officer**

Committed to our strategy

Overview

I am pleased with the progress the Group has made this year in executing its growth strategy. We have delivered financial performance aligned to our long term strategic plan, with high levels of organic and acquisitive growth. Revenue increased by 37% to £68.7m, including organic revenue growth of 24%. We have won a number of new multi-year software contracts that will support further growth in recurring revenues. We have expanded our addressable markets with the acquisitions of RailComm and Icon GEO. In Data, Analytics, Consultancy and Events we have seen a strong post-Covid recovery in activity levels. We have also made further progress in implementing a more integrated and scalable operating model.

The UK rail industry's transition to a new Great British Railways structure is ongoing and the overall objective is to create a data-driven, customer-focused, safety-critical future for the industry. Digital transformation will play a significant role in the industry's transition and our range of rail technology products and services is well placed to help the rail industry deliver operational performance improvements and efficiency savings.

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 year we have formalised our sustainability strategy and set ourselves the ambition of being carbon neutral by 2030 for scope 1 and scope 2 emissions from Tracsis operations.

There are strong growth prospects across the Group and we 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.

Strategic progress

Large multi-year software contract wins and deployments support further Rail Technology and Services revenue growth

We continue to secure multi-year technology contracts in the Rail Technology and Services division that will support further growth in annual recurring licence revenue consistent with our strategy. During the year we secured new contracts for our TRACS Enterprise, Centrix, pay-as-you-go ("PAYG") smart ticketing and delay repay technologies previously announced, and we have a strong pipeline of further opportunities. We are also making good progress in implementing large contracts that were won in previous years. The first end-to-end deployment of TRACS Enterprise went live with a large Train Operating Company ("TOC") in summer 2022, replacing disparate legacy systems, and work continues on delivering our orderbook of further passenger and freight implementations for this product that are due to go-live through the next two financial years. The roll-out of the large RailHub contract won in July 2021 has been progressing to plan and is on schedule to be completed before the end of 2022, which will double the user base for this product to over 40,000 individuals. Post year end we have secured further orders for the next phase of development of the RailHub product. This conversion of our large pipeline of opportunities is delivering growth in annual recurring and routinely repeat revenue. For the Rail Technology and Services division this increased in the year by 13% to £21.1m.

Significant recovery completed in Events and Traffic Data
We have seen a significant recovery in activity levels in the Events and Traffic Data businesses that were most impacted by Covid-19. Both were able to quickly respond to improving market demand as a result of the actions taken to safeguard those businesses and protect jobs and skills during the pandemic. Activity levels in Events returned to pre-pandemic levels in the first half of the year and have maintained those through the remainder of the year. The final quarter in particular saw very high volumes as demand for sporting and music events increased. The performance in the year included some activities that are not expected to repeat in the forthcoming financial year. The recovery in Traffic Data was slower; however, in this market we also saw demand return close to pre-pandemic levels in the final quarter of the year. Activity levels in this market are more sensitive to central and local authority funding. Alongside the incremental contribution from the acquisitions of Icon GEO in November 2021 and Flash Forward Consulting in February 2021, this drove extremely strong revenue growth in the Data, Analytics, Consultancy and Events Division of 63%.

US growth strategy underway, with RailComm performing well
The acquisition of RailComm in March 2022 provides direct access to the large and growing North American rail market. There are opportunities to deliver growth both in RailComm's core markets of rail yard automation and Computer-Aided Dispatching, as well as by progressively marketing Tracsis' existing portfolio of rail products and services. An experienced Tracsis Rail Managing Director has relocated to the US to oversee delivery of this growth strategy.

RailComm has performed well since acquisition, delivering a good revenue and profit performance and winning new contracts for its core products. Implementation work continues on a number of large projects with North American customers that will support further revenue and profit growth. We are seeing good levels of interest in our Remote Condition Monitoring, Movement Planner and Crew Calling solutions that are already well established in the UK rail market.

Continuing to build the foundations for future growth
The Group has made further good progress this year in implementing a more integrated business model and adopting common processes and systems. As part of our commitment to investing in our people we have launched a "OneTracsis" leadership development scheme with 100 managers and senior leaders enrolled on an 18-month programme that will also promote collaboration and innovation across the Group. This is part of a comprehensive people strategy that has been developed, under a new Group People Director, with a focus on succession planning, talent acquisition, and reward & benefits. We are expanding our shared services operating model by implementing a single Group-wide IT operating environment, under the direction of a Group Managing Director who was recruited in the year and is an experienced technology leader. Furthermore, we have formalised our sustainability strategy and targets, with the goal of making Tracsis carbon neutral for Scope 1 and Scope 2 emissions by 2030.

Trading progress

Rail Technology & Services

Revenue

£29.9m +13%

2021: £26.4m

Adjusted EBITDA*

£9.8m +8%

2021: £9.1m

Profit before tax

£4.8m -3%

2021: £5.0m

Data, Analytics, Consultancy & Events

Revenue

£38.8m +63%

2021: £23.8m

Adjusted EBITDA*

£4.4m +12%

2021: £3.9m

Profit before tax

£1.8m -4%

2021: £1.9m

* 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.

Acquisitions

Our strategy is to continue to supplement organic growth with M&A, with a focus on software, technology and Data Analytics and GIS businesses that have a good level of high quality, recurring revenue. Our M&A strategy is supported by a strong balance sheet and good levels of cash generation, and we continue to actively pursue acquisition opportunities.

Our approach to M&A is to identify established businesses with a well differentiated product or service offering that is complementary to Tracsis' existing portfolio. Importantly we look for businesses that have a culture of entrepreneurship and customer focus that fits with our ethos of building strong, long-term relationships with our customers that deliver compelling value propositions. In executing acquisitions we are able to mobilise quickly and we place a high value on acting with integrity. We take a partnership approach to the acquisition process, preferring to retain existing management to continue in their roles post-acquisition to deliver an agreed strategic plan.

This year we completed two acquisitions which have expanded our addressable markets in both divisions.

The acquisition of Icon Group Limited ("Icon GEO") in November 2021 adds Earth Observation to our existing Data Informatics and Geographic Information Systems ("GIS") capabilities. Icon GEO has been 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 combined business won a new multi-year contract with the Irish Government in the second half of the financial year based on this extended range of capabilities.

In March 2022 the Group completed its first direct expansion into North America with the acquisition of RailComm LLC ("RailComm"). Headquartered in Fairport, New York, and established in 1999, RailComm provides 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. The acquisition of RailComm is in line with Tracsis' strategy of extending its rail software footprint and expanding the addressable markets for its products and services. In addition to the significant growth opportunities that exist within RailComm's core rail markets, we now have direct access to a long-established sales network into a significant number of rail clients in the North American market. This will enable Tracsis to progressively market its existing portfolio of rail products and services, with Remote Condition Monitoring the initial area of focus. One of Tracsis' senior rail managers from the UK has relocated to the US to oversee delivery of these growth opportunities.

Trading progress and prospects

Rail Technology & Services

Summary segment results:

Revenue	£29.9m	(2021: £26.4m)
Adjusted EBITDA*	£9.8m	(2021: £9.1m)
Profit before tax	£4.8m	(2021: £5.0m)

Activity levels in our Rail Technology & Services division remain high, which has driven further revenue growth. All parts of the division won new contracts in the year, many of which went live with customers in the second half of the year, and we have a strong pipeline of additional multi-year software opportunities. Work has also continued on implementing contracts won in previous years, including the first go-live of the end-to-end TRACS Enterprise solution in summer 2022 and the ongoing roll-out of the large RailHub enterprise software contract that was won in the previous financial year and is due to be completed before the end of 2022.

Total revenue of £29.9m was 13% higher than prior year as a result of strong organic growth in our Rail Operations & Planning and Customer Experience businesses, as well as a good initial contribution from RailComm. Revenue in both our Remote Condition Monitoring ("RCM") business and our Risk Management and Safety Software business (OnTrac) was lower than the record levels achieved in the prior year, reflecting the typical investment cycle in RCM and the timing of a large licence contribution in the prior year in OnTrac. Both businesses are well positioned to deliver growth in the coming year.

As a result of the new contract wins and the deployment of contacts won in previous years, annual recurring and routinely repeating revenue in the Rail Technology & Services division increased by 13% to £21.1m.

Adjusted EBITDA* increased by 8% to £9.8m (2021: £9.1m).). Profit before Tax decreased by £0.2m after £0.4m of transaction costs related to the acquisition of RailComm (2021: £nil) and £0.4m increase in the amortisation of acquired intangible assets.

The industry's transition to a new Great British Railways structure, which aims to create a data-driven, customer-focused, safety-critical future for the industry, is ongoing, and we have been asked at senior client level to formally input our ideas into how the UK can achieve this vision. This demonstrates the value the industry attaches to Tracsis' expertise and range of rail technology products, which offer a compelling and, in some cases, unique value proposition. Digital transformation will play a significant role in the rail industry's transition and our range of products and services is well placed to help the industry deliver operational performance improvements and efficiency savings.

Rail Operations & Planning

Total revenues from the Group's Rail Operations and Planning software and hosting offerings grew by 17% to £12.7m (2021: £10.9m). This includes the various revenue streams from our TRACS, ATTUne, COMPASS and Retail & Operations product suites. We continue to benefit from high renewal rates from existing customers. The strong revenue growth was mainly driven by new multi-year TRACS Enterprise contracts won in the year, which were previously announced and which we are currently implementing for our clients. 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 in this sector are typically determined in partnership with our customers.

Work has also continued on implementing contracts won in previous years. The first end-to-end implementation of all TRACS Enterprise modules went live with a customer in the summer of 2022. We expect the second to be completed in 2023.

The TRACS Enterprise contract wins have also resulted in increased contribution from Bellvedi, that was acquired in 2019. As a result the fair value of contingent consideration payable in respect of this acquisition has increased.

We have a strong pipeline of new multi-year TRACS Enterprise opportunities in both the passenger and freight sectors of the industry.

Digital Railway & Infrastructure
Total revenues across the Digital Railway and Infrastructure offerings were £13.3m (2021: £13.0m). This includes revenue from RailComm following its acquisition in March 2022, as well as from Remote Condition Monitoring ("RCM") within MPEC and from our RailHub Safety and Risk Management product suites within OnTrac. Both MPEC and OnTrac delivered record levels of revenue in the prior year. Whilst these were not repeatable in FY21/22 as anticipated, reflecting the investment cycle of its UK customer base which consists of 5 year 'Control Periods', both business are well positioned for future growth and the lower revenue was more than offset by a strong post-acquisition performance from RailComm.

We saw lower RCM volumes in the first half of the year which was consistent with the historic investment cycle trend of its UK customer base. Activity levels increased in the second half of the year, and revenue over this period was at a similar level to the second half of the prior financial year. Having secured a large multi-year Centrix contract and the extension of our long-running RCM data logger framework contract as previously announced, the business is well placed to deliver growth moving forward.

OnTrac revenue was lower than the prior year which included a large, high margin RailHub licence sale. Activity was dominated by the roll-out of this product with our customer which has delivered implementation and support revenue in the year. This has been proceeding according to plan and is expected to be completed before the end of 2022, at which point the user base for our RailHub product will have more than doubled to over 40,000 individuals. There is a growing pipeline of future opportunities for the RailHub platform including additional functionality that is being developed by Tracsis and the opportunity to host third party applications on the platform. Post year end we have secured new orders for the next phase of development of the RailHub product, and work on these is underway.

RailComm has delivered a strong revenue contribution for the period under Tracsis ownership. This includes completion of some large project milestones that were in the business' order book on acquisition. Implementation work is underway on a number of other large rail technology projects, and since acquisition the business has also won a number of new contracts in the North American market that will support ongoing revenue and profit growth. RailComm also opens up direct access into North America for Tracsis' existing portfolio of rail products and services. We see RCM as the initial area of focus here, and an experienced Tracsis Managing Director has relocated to the US to oversee these growth opportunities.

Rail Customer Experience
There was very strong growth from our Customer Experience products, with revenue increasing by 56% to £3.9m (2021: £2.5m). This was mainly driven by the "go-live" in H2 of the financial year of new contract wins that were previously announced – one with a UK TOC for our pay-as-you-go ("PAYG") smart ticketing solution, and two further delay repay contracts. This part of the Group also benefited from increased delay repay transaction volumes across its existing customer base as rail passenger numbers recovered post Covid-19.

We are seeing increased interest in iBlocks' smart ticketing product offering that is well aligned with passenger requirements and with the UK Government's strategic intent to deliver increased PAYG multi-modal ticketing as outlined in the Williams-Shapps Plan for Rail. Through our Innovation Hub R&D incubator, iBlocks has developed a mobile app ("Hopsta") that puts this technology directly in the hands of the consumer and avoids the requirement for expensive gateline infrastructure. The first pilots of this product with train operators are expected to start during financial year 22/23.

Data, Analytics, Consultancy & Events

Summary segment results:

Revenue	£38.8m	(2021: £23.8m)
Adjusted EBITDA*	£4.4m	(2021: £3.9m)
Profit before tax	£1.8m	(2021: £1.9m)

We have seen a significant recovery in activity levels in the Events and Traffic Data businesses that were most impacted by Covid-19. As a result of the actions taken during the pandemic to protect jobs, look after our people and safeguard these businesses, we have been able to respond quickly to this increase in demand, and both businesses are currently operating at monthly run rates close to pre-pandemic levels. In Events we benefitted from certain activities that are not expected to repeat in the forthcoming financial year. The division has also benefited from the incremental contribution from the acquisitions of Flash Forward Consulting in February 2021 and Icon GEO in November 2021 and both businesses have been fully integrated into the Group. After excluding the growth from acquisition, organic revenue growth for the division was £12.1m (51%). This also included underlying growth in both Compass Informatics and in transport insights.

Adjusted EBITDA* increased by 12% to £4.4m (2021: £3.9m). The prior period included £0.9m of support to the income statement from the Coronavirus Job Retention Scheme ("CJRS"). We did not take any CJRS support in the financial year ended 31 July 2022.

Data Analytics/GIS
Revenue increased to £7.9m (2021: £5.7m) which includes the incremental contribution from Icon GEO as well as continued underlying growth in Compass Informatics. Icon GEO has been fully integrated within this business to create an Irish-based Data Analytics centre of excellence with c.130 staff specialising in providing location-related technologies, earth observation and analytics solutions to government and commercial organisations. The combined business has secured additional contracts with government agencies in Ireland based on the combined skillset and service offering it can now offer.

Transport Insights
Revenue of £5.2m was 49% higher than prior year (2021: £3.5m). After adjusting for the year-on-year benefit from the acquisition of Flash Forward Consulting in February 2021, this represents organic growth of c.22% across the expanded range of consulting and specialist services this business offers in the transport space. We are seeing ongoing strong demand for our specialist timetabling and rail performance expertise.

Traffic Data
Revenue increased by 29% to £9.9m (2021: £7.7m) with activity levels steadily increasing as Covid-related restrictions were eased. The return of some restrictions linked with the Omicron variant did present some headwinds in the first half of the financial year, with work being postponed or cancelled as the prevailing traffic conditions were not representative of client needs. There has been a steady recovery of activity levels through the second half of the financial year, and the final quarter was particularly strong.

Data, Analytics, Consultancy & Events *continued*

Traffic Data *continued*

The business is now operating at close to the monthly run rate seen pre-pandemic although some month-to-month variability in demand remains and activity levels in this market are more sensitive to central and local authority funding. Post year-end we have secured a multi-year renewal of the National Road Traffic Census contract.

Event Transport Planning & Management

The Events business delivered a very strong performance, with record revenue of £15.7m (2021: £6.9m). Activity levels in its market returned to pre-pandemic levels very quickly, with high demand for sporting and music events particularly in the final quarter of the financial year. We were able to quickly respond to this increased demand as a result of actions taken to protect the business during the pandemic. We continued to support Covid testing and vaccination centres which delivered c.£1.4m revenue in the period and is not expected to repeat.

People

Tracsis has c.550 permanent employees across three countries and over fifteen operating sites, 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 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.

Engagement with our teams is a priority for me. I make regular visits to our offices to provide an update on what is happening across the Group and to enable employees to ask questions in a more informal setting. Since the year end we have implemented our first ever employee survey to ensure we better understand how we can continue to ensure Tracsis attracts and retains the best talent.

We hired a Director of People in July 2021, who is implementing a comprehensive strategy to ensure that 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 that we have the capabilities and talent to deliver our growth strategy. As part of this, the Group launched a "OneTracsis" leadership development scheme with 100 managers and senior leaders enrolled on an 18-month programme that will also promote collaboration and innovation across the Group. The CFO and I have attended modules of this training programme to update attendees on strategy and Group performance.

Safeguarding the health, welfare and safety of our people is a priority. During the Covid pandemic we took actions to safeguard as many jobs as possible, which has enabled a quick response to the increase in activity levels we saw when Government restrictions were eased. We continue to operate a hybrid working model with most of our employees spending some time working in the office and some time working from home. We recognise that the increasing cost of energy, food and fuel is having a direct impact on our employees. In order to support our people, the Board decided in August 2022 to make a one-off supplementary payment equivalent to £1,000 to all our permanent employees (excluding Group and business unit senior management teams). This was pro-rated for part time employees, and locally equivalent schemes were implemented outside of the UK.

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 by enabling them 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 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 recognise the need to continue to integrate the Group's activities, technologies and operating model in order to provide a solid platform for ongoing scalable growth. We have made good progress in the year and will continue to invest in this area.

M&A remains a core part of our strategy and we have taken an important step in the year with our first acquisition in North America. This further increases our addressable markets and diversifies our growth opportunities. We will 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 been in line with the Board's expectations and the Group remains well positioned to deliver further growth in the coming financial year and beyond.

Chris Barnes
Chief Executive Officer
8 November 2022

CEO Q&A

Q1 How is Tracsis evolving as a business?

Tracsis has a long track record of successful organic and acquisitive growth, and our success has been driven by an agile entrepreneurial approach where we are first to market with leading edge products and services. The key future challenge is to continue this success by developing a more scalable technology platform, investing in the skills and career paths of our people and utilising latest generation data and analytics capabilities. Our investment over the past 12 months in a Group Managing Director and a Group People Director are an important step in providing the leadership bandwidth to deliver these changes.

Q2 Are your end markets fully recovered post Covid?

Yes they are. Three different areas of the Tracsis business were impacted by the Covid pandemic. In our Events businesses we have seen very strong levels of demand over the past 6 months with major sporting events and music festivals achieving record attendance levels. Our delay repay business units have seen month-on-month growth in revenues over the past 6 months as rail passenger numbers recover to near pre-Covid levels. The only part of the business that has seen a more delayed recovery has been our Traffic Data business unit where it has taken until the autumn of 2022 for demand levels to return to pre-Covid levels.

Q3 What has the acquisition of RailComm added to Tracsis?

RailComm provides Tracsis with a market entry platform into the North American rail market. RailComm have established long term relationships with Class 1 freight companies, short line freight operators, transit operators and port and industrial clients into whom they successfully provide yard automation and computer aided dispatch solutions. These relationships provide the wider Tracsis Group with opportunities to sell directly into North America the full breadth of proven rail technology solutions that we already supply into the UK rail industry. Remote Condition Monitoring and Crew Calling are two immediate areas of growth opportunity.

Q4 How are changes in the UK Rail Industry impacting Tracsis?

With ongoing industrial action alongside the recent change of UK Prime Minister and Transport Secretary there remains uncertainty as to the future direction of the UK rail industry. The transition to a Great British Railways (GBR) structure continues for now and this is likely to see much closer levels of collaboration and integration on a regional basis between the infrastructure provider (Network Rail) and the passenger and freight operators with an improved customer experience at the heart of future decision making. There is also renewed discussion about the possibility of future renationalisation should there be a change of government at the next general election. Whatever the future direction, 'Digital transformation' will be at the centre of this transition and Tracsis is extremely well placed to play a key role in providing software and hardware products, consultancy, and data analytics/GIS solutions, all of which deliver significant operational benefits to the UK rail industry.

Q5 What do you need to successfully deliver the next phase of growth?

Tracsis has market leading products and services and a very talented team of people all underpinned by long term strategic relationships with our clients. People and technology are crucial to our future success and this year we launched the OneTracsis leadership programme which is designed to develop the next generation of leaders and accelerate collaboration across the Group. Alongside this we continue to invest in the next generation of technology solutions and in the IT infrastructure and processes that will drive the standardisation of best practice across the Group.

Q6 What is Tracsis' approach to ESG?

Our approach is employee led. We have established a cross business ESG working group whose key objective is to prioritise the activities that resonate most with our employees. This year the focus has been on volunteering, diversity and inclusion, green energy conversion and recycling. We now have a detailed understanding of our scope 1 and 2 carbon emissions, and this has enabled us to set ambitious carbon targets which will be delivered through targeted actions across the Group. Our target is to be carbon neutral for scope 1 and scope 2 emissions from Tracsis operations by 2030. More detail is contained in the ESG report on pages 36 to 43.

Q7 What are your priorities for the next financial year?

Our primary organic growth objective is to convert our pipeline of new opportunities by ensuring that clients fully understand the operational and financial benefits that our technology solutions deliver. We will also continue to look at a wide range of acquisition targets both in the UK and internationally as we look to grow our technology capabilities and diversify our risk. Alongside both activities is the need to manage employee wellbeing by ensuring that we do what we can to support all employees with the current cost of living crisis. This will ensure that we maintain the skills and capabilities required to deliver future innovation and growth.

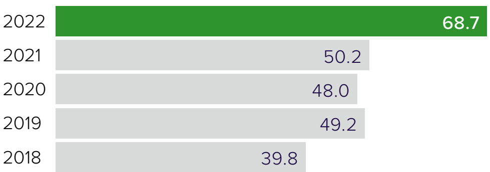
Our Key Performance Indicators

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 strategy to be monitored.

Revenue
(£m)

£68.7m

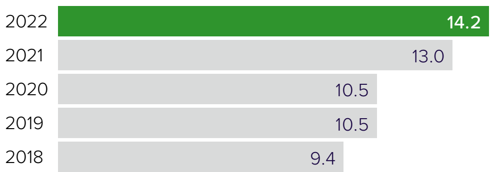


Definition
Value of goods sold and services provided to customers, net of sales taxes

Comment
Strong organic and acquisitive growth, including new multi-year software contracts in Rail Technology & Services, strong post-Covid recovery in Data, Analytics, Consultancy & Events, and benefit from acquisitions of RailComm and Icon

Adjusted EBITDA
(£m)

£14.2m

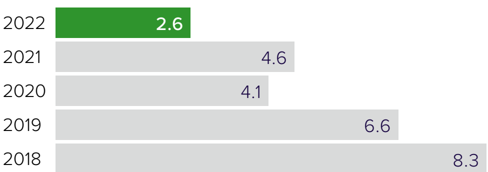


Definition
Earnings before finance income, tax, depreciation, amortisation, exceptional items, other operating income, share-based payment charges and share of result of equity accounted investees. See note 29 for reconciliation

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

Profit Before Tax
(£m)

£2.6m

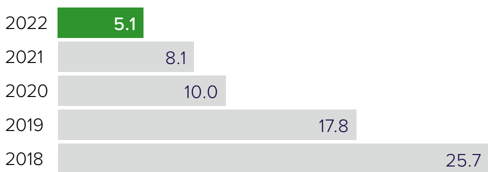


Definition
Earnings before Taxation

Comment
Increase in adjusted EBITDA is more than offset by increased amortisation of intangible assets, share-based payment charges, exceptional items including increased fair value of contingent consideration and transaction costs associated with acquisitions, and share of results of equity accounted investees

Basic Earnings per Share
(p)

5.1p

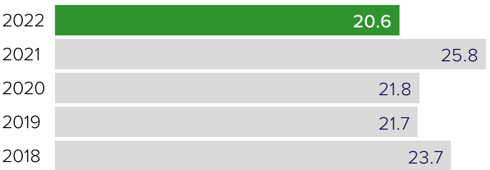


Definition
Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue

Comment
Decrease in profit before tax

Adjusted EBITDA margin
(%)

20.6%

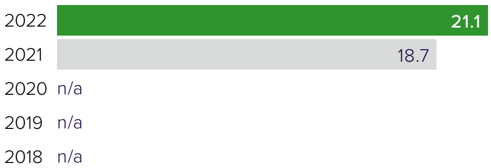


Definition
Adjusted EBITDA divided by revenue

Comment
Reflects the increased weighting of Data, Analytics, Consultancy & Events revenue and the prior year margin benefit from furlough support

Annual recurring revenue
(Rail Technology and Services)
(£m)(1)

£21.1m



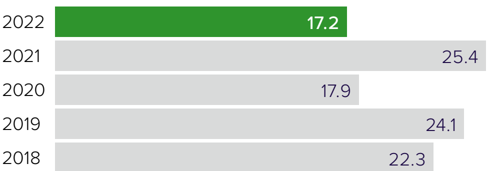
Definition
Revenue in the financial year from recurring software licences relating to products that have gone live, and annually repeating hardware revenue from framework agreements

Comment
New multi-year software contract wins and go-live of products previously in implementation

(1) This metric was not reported prior to FY21.

Cash
(£m)

£17.2m

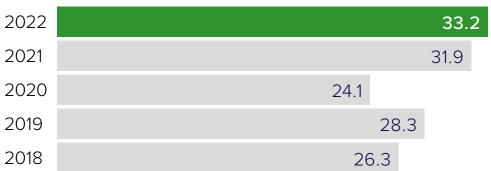


Definition
Value of cash and cash equivalents, and cash held in escrow

Comment
Continued strong cash generation across the Group, partly offset by £13.5m net investment in acquisitions and contingent and deferred consideration

Adjusted Basic EPS
(p)

33.2p



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

Comment
Growth in adjusted EBITDA

North American rail acquisition

The active pursuit of M&A opportunities to expand the Group's addressable markets and increase our technical capabilities is a core part of Tracsis' growth strategy. 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.

Introduction to RailComm

Headquartered in Fairport, New York, and established in 1999, RailComm provides mission-critical automation and control solutions that reduce costs, improve safety, and increase operational efficiency for rail passenger and freight operators and rail-served ports and industrials. Its two core products are rail yard automation and Computer-Aided Dispatching. The business has good levels of annual recurring software revenues in addition to large project delivery and systems integration work, and it has a wide and diversified client base across the North American market. The business employs 33 full time staff.

Strategic rationale

The acquisition of RailComm is consistent with the Group's strategy to extend Tracsis' rail software footprint and to expand the addressable market for our products and services. It provides Tracsis with direct access to a long-established sales network into a significant number of rail clients in North America, covering all key market segments.

Integration

RailComm will continue to operate as a standalone business under the management of an experienced executive team who have remained with the business post transaction. An experienced Tracsis Rail Managing Director has relocated from the UK to North America to focus on delivering Tracsis' growth strategy in this market.

Growth strategy

There are good growth opportunities for RailComm's core products in the North American market. Similar to the trend in the UK, rail operators in North America are increasingly seeking digital solutions in order to deliver efficiency, cost and safety improvements. RailComm has a significant order book and has won several new contracts in this market since acquisition that will support ongoing revenue and profit growth.

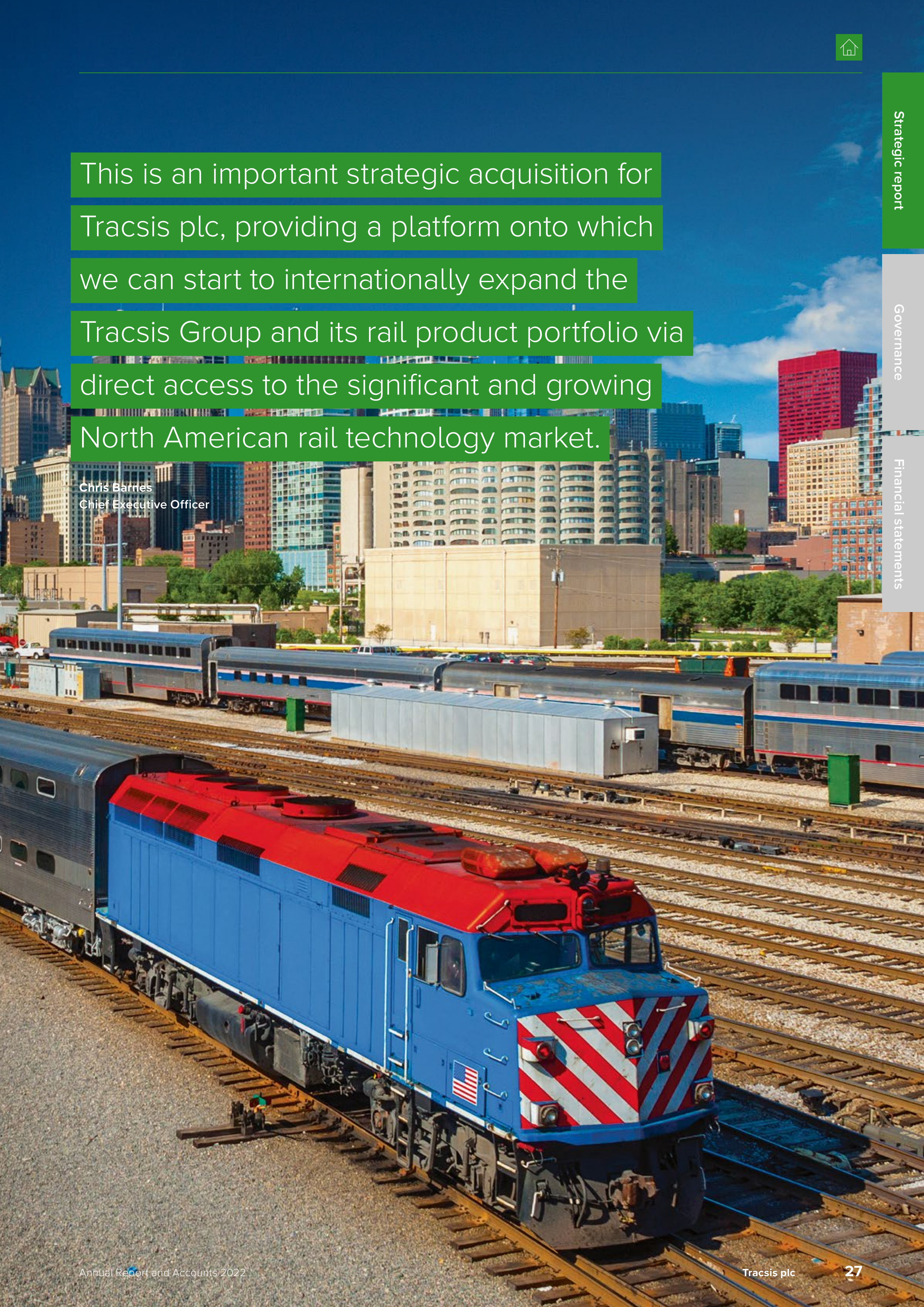
The acquisition also provides an opportunity to progressively market Tracsis' existing portfolio of rail products in the North American market. Remote Condition Monitoring is the initial area of focus.

We will continue to pursue other opportunities to enhance Tracsis' technical capabilities and product offering in this large and growing market.

33
employees

23
years operating in the US rail market

Links to strategy:



This is an important strategic acquisition for Tracsis plc, providing a platform onto which we can start to internationally expand the Tracsis Group and its rail product portfolio via direct access to the significant and growing North American rail technology market.

Chris Barnes
Chief Executive Officer

> The Group's strong balance sheet and good levels of cash generation allow us to continue to invest to support future growth.
>
> **Andy Kelly**
> **Chief Financial Officer**

Strong organic and acquisitive growth, and continued high cash generation

The Group delivered strong organic and acquisitive revenue growth during the year and has continued to invest in product development, in expanding our addressable markets, and in implementing a more integrated operating model.

Group revenue of £68.7m was £18.5m (37%) higher than the prior year (2021: £50.2m), reflecting strong organic and acquisitive growth. Revenue in the Data, Analytics, Consultancy and Events division increased by £15.0m (63%) principally as a result of a strong post-Covid-19 recovery in Events and Traffic Data. There was also strong revenue growth in both our Transport Insights and Data Analytics/GIS businesses, including the benefit from the acquisition of Icon GEO in November 2021. Revenue in the Rail Technology and Services division was £3.5m (13%) higher than prior year, which includes strong organic growth in our Rail Operations and Planning and Customer Experience businesses as well as the benefit from the acquisition of RailComm in the year.

Adjusted EBITDA* of £14.2m was £1.2m (9%) higher than prior year (2021: £13.0m), which included £0.9m of support to the Income Statement from the Coronavirus Job Retention Scheme ("CJRS"). No claims have been made under the CJRS in this financial year. Excluding the CJRS benefit in the prior year, adjusted EBITDA* increased by 17%. Adjusted EBITDA* margin of 20.6% was lower than the prior year as anticipated (2021: 25.8%) reflecting the increased mix of revenue from the post-Covid recovery in Data, Analytics, Consultancy and Events.

Statutory profit before tax of £2.6m is £2.0m lower than prior year (2021: £4.6m) after £3.1m of exceptional items (FY21: £1.1m). These principally reflect an increase in the fair value of contingent consideration following strong underlying trading performance in Bellvedi (part of our Rail Operations & Planning business), as well as transaction costs associated with acquisitions made in the year.

In addition to the £1.2m increase in adjusted EBITDA* described above, the movement in profit before tax reflects the following items:

- £1.8m depreciation charge at a similar level to the prior year (2021: £1.6m);
- £5.0m amortisation of intangible assets (2021: £4.3m). The increase versus prior year includes charges relating to the acquisitions of Icon GEO in November 2021 and RailComm in March 2022, as well as a full year charge from the acquisition of Flash Forward Consulting in February 2021;
- £1.5m share-based payment charges (2021: £1.3m);
- £3.1m exceptional items (2021: £1.1m) representing: a net £1.8m increase in the assessed fair value of contingent consideration based on the future expectations of performance from previous acquisitions (2021: £0.3m) which principally relates to the expected performance from Bellvedi in the final year of its earnout; £0.8m unwinding of previously discounted contingent consideration balances in accordance with IFRS accounting standards (FY21: £0.7m); £0.6m of transaction costs associated with the acquisitions of Icon GEO (£0.2m) and RailComm (£0.4m) (2021: £0.1m relating to the acquisition of Flash Forward Consulting); and £0.1m impairment charge relating to an equity accounted investee (2021: £nil); partly offset by £0.2m credit relating to the fair value adjustment and subsequent gain on settlement of a financial liability (2021: £nil);
- £0.1m net finance expense (2021: £0.1m); and
- £0.6m charge (2021: £0.4m) relating to the share of the result of equity accounted investees.

Adjusted diluted earnings per share increased by 4% to 32.3 pence (2021: 30.9 pence). Statutory diluted earnings per share was 5.0 pence (2021: 7.8 pence).

Cash generation

The Group continues to have significant levels of cash and remains debt free. At 31 July 2022 the Group's cash balances, including cash held in escrow, were £17.2m (2021: £25.4m). Cash generation remains strong.

Cash generated from operations was £9.5m (2021: £10.8m) after a net £4.0m increase in working capital (2021: £2.0m increase). This was principally due to an increase in trade receivables in the final trading months of the year including the strong post-Covid recovery in Events and Traffic Data. The Group has not had any material bad debt incidences. There was £0.6m cash outflow on transaction costs for acquisitions completed in the year (2021: £0.1m). Adjusted EBITDA* includes £0.1m profit on disposal of plant and equipment (2021: <£0.1m).

Net capital expenditure increased to £1.0m (2021: £0.3m) which principally reflects the post-Covid recovery in activity levels in Events and Traffic Data, as well as investment in IT assets. Net lease liability payments of £1.4m were £0.2m higher than prior year (2021: £1.2m) which includes the effect of acquisitions. Tax paid of £1.3m was at a similar level to the prior year (2021: £1.4m).

As a result free cash flow* was £5.8m (2021: £7.8m).

Free cash flow*

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Adjusted EBITDA*	**14,161**	12,978
Changes in working capital	**(3,953)**	(1,963)
Other adjustments[1]	**(692)**	(175)
Cash generated from operations	**9,516**	10,840
Purchase of plant and equipment (net of proceeds from disposal)	**(1,006)**	(312)
Lease liability payments (net of lease receivable receipts)	**(1,389)**	(1,228)
Tax paid	**(1,334)**	(1,417)
Other[2]	**43**	(40)
Free cash flow*	**5,830**	7,843

(1) Includes cash outflows on exceptional items (see note 9.3) and profit on disposal of plant and equipment.

(2) Includes net interest received or paid and proceeds from exercise of share options.

The Group invested £9.1m in the acquisitions of Icon GEO and RailComm, net of cash acquired (2021: (£0.1m)) and there was a further outflow of £0.3m relating to deferred consideration for the prior year acquisition of Flash Forward Consulting (2021: £nil). Cash payments of £4.1m (2021: £0.4m) were made in the year relating to contingent consideration on the previous acquisitions of: Bellvedi, part of Rail Operations and Planning, £3.5m; Cash & Traffic Management Limited, part of Events, £0.3m; and Compass Informatics Limited, part of Data Analytics/GIS, £0.3m. £0.4m was paid to repurchase 'A' shares in Tracsis Rail Consultancy, as described below (2021: nil). Dividends paid to shareholders were £0.3m (2021: nil) and there was a £0.2m favourable impact from foreign exchange (2021: £0.1m adverse).

As a result, total cash balances decreased by £8.2m to £17.2m. £2.2m of this is held in escrow following the acquisition of RailComm and will be payable during the year ending 31 July 2023 to satisfy any contingent consideration associated with this acquisition.

Acquisitions and other corporate activity

Icon GEO

On 3 November 2021 the Group acquired The Icon Group Limited ("Icon GEO"). Headquartered in Dublin, Icon GEO is an interdisciplinary geosciences business specialising in earth observation, geographical information systems, and spatial data analytics. The acquisition consideration comprised an initial cash payment of €2.2m (£1.9m) which was funded out of Tracsis cash reserves, a further cash payment to reflect the working capital position of the business (above a working capital hurdle) on completion totalling €2.2m (£1.9m) and the issue of 68,762 new ordinary shares in Tracsis plc to a value of €0.8m (£0.6m). Additional contingent consideration of up to €1.8m (£1.5m) is payable subject to Icon GEO achieving certain stretched financial targets in the three years post acquisition.

RailComm LLC & RailComm Associates Inc

The Group acquired RailComm LLC and its wholly owned subsidiary RailComm Associates Inc (together "RailComm") on 11 March 2022. Headquartered in Fairport, New York, and established in 1999, RailComm provides 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. The acquisition consideration comprised an initial cash payment of $11.5m (£8.8m) which was funded out of Tracsis cash reserves. Additional contingent consideration of up to $2.7m (£2.2m) is payable subject to RailComm achieving certain financial targets in the first full year post acquisition through to 31 March 2023. This cash is being held in escrow through that period.

Tracsis Rail Consultancy

In the previous financial year the Group acquired Flash Forward Consulting Limited. As part of the transaction the sellers were allotted 10,225 "A" shares in Tracsis Rail Consultancy Limited. 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 fair value of this liability at 31 July 2021 was assessed as £590,000. On 17 June 2022 the Group acquired all of these "A" shares in return for a cash payment of £416,000. The fair value of the "A" shares at this date was £463,000. A fair value adjustment of £127,000 and a gain on purchase of £47,000 have been recognised in exceptional items in the year. See note 9.3.

Contingent and deferred consideration

The Group has made several acquisitions over the past few years and carries contingent and deferred consideration payable in respect of them. These are carried at fair value, which is based on the estimated amounts payable according to the specific provisions of the terms of each transaction. The fair value of contingent and deferred consideration payable at 31 July 2022 was £9.9m (2021: £8.8m). The movement on contingent and deferred consideration is set out below:

	2022 £000	2021 £000
At the start of the year	**8,801**	7,334
Arising on acquisition	**2,832**	878
Cash payment	**(4,441)**	(410)
Fair value adjustment to Statement of Comprehensive Income	**1,792**	327
Unwind of discounting	**802**	672
Exchange adjustment	**140**	—
At the end of the year	**9,926**	8,801

The £1.8m fair value adjustment mainly relates to Bellvedi where the forecast performance for the business in the final year of its earnout period has increased following the new TRACS Enterprise contracts that have been won in the year.

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

	2022 £000	2021 £000
Payable in less than one year	**8,893**	4,997
Payable in more than one year	**1,033**	3,804
Total	**9,926**	8,801

Dividend

The Group remains committed to the progressive dividend policy that was adopted in 2012. In the financial year ended 31 July 2022, we have seen a strong recovery in activity levels in those parts of the Group most impacted by Covid-19, and we did not utilise the UK Government's CJRS scheme. In this context the Board has recommended a final dividend of 1.1 pence per share. The final dividend, subject to shareholder approval at the forthcoming Annual General Meeting, will be paid on 10 February 2023 to shareholders on the register at the close of business on 27 January 2023. This will bring the total dividend for the year to 2.0 pence per share.

Andy Kelly
Chief Financial Officer
8 November 2022

* This report provides alternative performance measures ("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 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 on issue 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. See note 29 for a reconciliation of APMs to the closest equivalent IFRS measure.

Rail Technology & Services

Operations and Planning

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 & optimisation, real time performance and control, service recovery, incident management, retail services and asset management. Products include TRACS, ATTUne, Compass, and Retail & 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.

Digital Railway/Infrastructure

Remote Condition Monitoring (MPEC)

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.

Safety and Risk Management (OnTrac)

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, that 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.

Customer Experience

Transit and Ticketing Solutions (iBlocks)

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 about 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.

Automated Delay Repay (iBlocks and TCS)

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

RailComm Products and Solutions

Yard Automation

RailComm's automation solutions improve the efficiency and safety of rail yard operations by enabling enhanced centralised control of complex operations and by automating safety-critical processes. Its 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.

Computer-Aided Dispatching

RailComm's 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. Its 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.

Revenue	Adjusted EBITDA*	Profit Before Tax
£29.9m	£9.8m	£4.8m
+13%	+8%	-3%

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

Data, Analytics, Consultancy & Events

Core activities

Data Informatics
(Compass Informatics and Icon GEO)
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. Headquartered in Dublin, the business has a strong client base in Ireland and UK.

Transport Insights
(Tracsis Transport Consultancy)
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
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.

Event Traffic Management
(SEP and CTM)
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.

Revenue	Adjusted EBITDA*	Profit Before Tax
£38.3m	£4.4m	£1.8m
+63%	+12%	-4%

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
- Employee Training
- Internal communications
- Health & 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 rotate the location of their meetings around Tracsis operating locations.

As part of a people strategy to ensure we have the capabilities and talent to deliver our growth ambition, we launched a 'OneTracsis' leadership development scheme involving 100 managers and senior leaders. The CEO and CFO have attended modules of this training programme to update on strategy and Group performance.

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

We recognise that the increasing cost of energy, food and fuel is having a direct impact on our employees. To help support our people, the Board approved a one-off supplementary payment equivalent to £1,000 to all permanent employees (excluding senior management teams). This was pro-rated for part time employees, and locally equivalent schemes were implemented outside of the UK. These payments were made after 31 July 2022.

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 business unit 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 won several large, multi-year contracts across both divisions.

The Board made a conscious decision during the Covid-19 pandemic to protect the Events and Traffic Data 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. Activity levels in both markets returned to pre-pandemic levels through the year to 31 July 2022, and as a result of these actions we were able to quickly respond to our customers' needs in order to meet this 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
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 2022 report indicated that the average time taken to pay invoices was 19 days and that 85% 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
- Individual businesses mainly maintain these relationships at a local level
- Group volunteering & community outreach policy

Outcomes
We have a volunteer & 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 formalised its ESG strategy and targets. These are described in more detail on pages 36 to 43.

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, finnCap Ltd

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. As part of the roadshow for the full year results for FY 21/22 the Group will also be participating in the MelloLondon investor conference.

The Group maintains regular contact with major shareholders and there were various ad hoc meetings throughout the year with both UK and overseas investors. A Rail Technology product demonstration day was held in October 2022 for institutional investors. The demonstration videos for the Group's TRACS Enterprise, Remote Condition Monitoring, Smart Ticketing, and Safety and Risk Management rail technology products are available for all holders and non-holders to view on the Tracsis plc website.

Tracsis is committed to delivering sustainable growth. This year we have formalised our sustainability strategy that articulates our ambitions and provides a framework for delivering these.

Chris Barnes
Chief Executive Officer

Our target is to be carbon neutral for scope 1 and scope 2 emissions by

2030

Sustainability is intrinsic to 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 & safety performance, delivering enhanced customer experience, and providing expert consultancy on environmental and transport issues. Our growth strategy is focused in these areas.

The Group sees sustainability as a fundamental component of delivering long-term stakeholder value and of our employee proposition in order to attract and retain talent. This year we have formalised an environmental, social and governance ("ESG") strategy that 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")

We have aligned our ESG strategy and ambitions to the United Nations SDGs. In reviewing this alignment we have considered the subindicators within each of the SDGs. Our products and services, as well as our own environmental ambitions, are aligned with SDG 12 Responsible Consumption and Production and SDG 13 Climate Action. Our social ambitions and people strategy are aligned with SDG 3 Good Health and Wellbeing, SDG 4 Quality Education, SDG 5 Gender Equality, and SDG 8 Decent Work and Economic Growth. Our products and services support our customers in delivering critical transport infrastructure that is aligned with SDG 9 Industry, Innovation and Infrastructure, and SDG 11 Sustainable Cities and Communities.

Tracsis sustainability framework

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

Our sustainability focus areas and ambition

Environment	Social	Governance
Enabling a zero carbon future	Helping people to prosper	An ethical and transparent business

How we achieve this

Through how we operate	Through our products and services
An operating model that delivers positive outcomes for our people, our communities and our environment	Enabling our customers to achieve their sustainability goals through our products and services

Corporate governance and compliance underpinning product and service quality

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 reporting

Our commitment to net zero

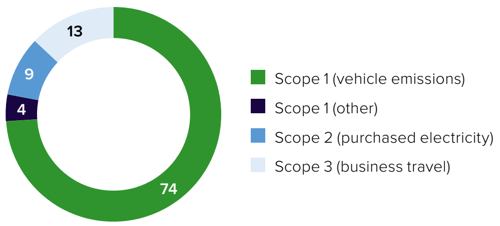
We are committed to environmental sustainability. We see enabling a net zero carbon future as the area in which Tracsis can make the most positive environmental impact – both in terms of our own operating model and through our products and services supporting our customers to achieve a net zero carbon transport future.

Our target for Tracsis operations is to be carbon neutral for Scope 1 and 2 emissions by 2030. We feel that this ambitious target will provide a focus for our activities.

	Aim	Metric	2030 target
Environment	**Carbon neutral** (Scope 1 and 2)	Tonnes of equivalent carbon dioxide emissions, tCO_2e	Zero
	Fleet electrification (owned and hired for operations)	Number of Electric Vehicles / Total Number of Vehicles	100%
	100% renewable energy supply	% kWh of renewable electricity supply (Scope 2)	100%

As shown in the chart below over 70% of the Group's carbon emissions are generated from its vehicle fleet which is primarily in the Events and Traffic Data businesses. Our primary focus to achieve our carbon neutral goal is therefore on achieving 100% electrification of this fleet. This involves iterating our operating model to progressively increase the utilisation of full electric vehicles. In the near term we will also seek smarter deployment of hybrid vehicles as part of this transition. Alongside this we are committed to ensuring that 100% of the Group's electricity supply is from renewable sources.

Tracsis Group – total CO_2 emissions for the year ended 31 July 2022 (%)

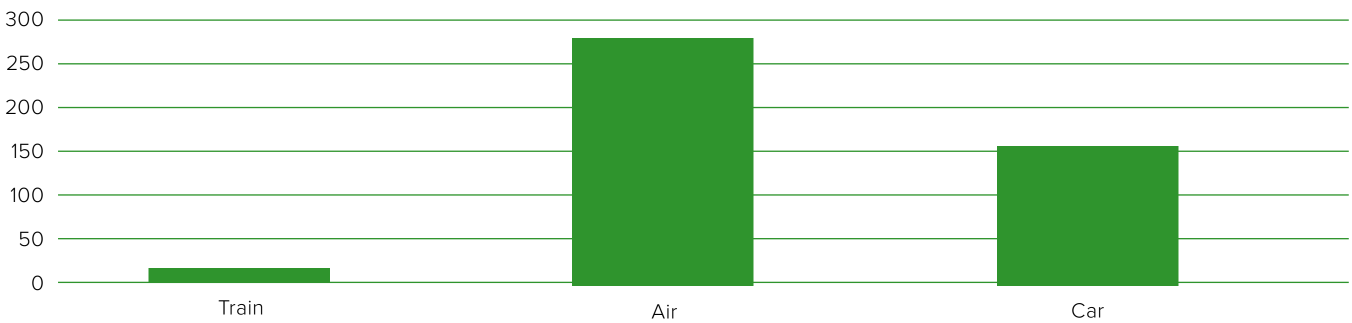


Our focus on carbon does not mean we are not also committed to delivering other positive environmental outcomes. For example we have a waste management policy to reduce the amount of waste the Group produces, and to increase the amount of reuse and recycling of waste materials.

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. Achieving this requires the digital transformation of the rail industry. As shown by the chart below rail travel is a significantly lower carbon intensity form of transport versus air and car (less than 5% of CO_2 emissions of air travel, and less than 15% of car travel).

Carbon emissions per mode of travel, grams of CO_2 per passenger mile



Source: European Environment Agency

Travel trends across modes since 2002

The table below shows that rail travel has been taking share from other modes of transport since 2002.

				
Trips per person per year				
Since 2002	21	50	580	250
	+58%	-22%	-14%	-5%
Miles per person per year				
Since 2002	625	231	5,009	205
	+43%	-16%	-14%	-1%
Miles per person per year				
Since 2002	29	30	212	70
	+56%	-15%	-10%	-4%

Source: Department for Transport

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. As such we are no longer applying the usage exemption and therefore we are reporting for the first time 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.

	Current reporting year (to 31 July 2022)		Emissions by division year (to 31 July 2022)	
	UK and offshore	Global (excluding UK and offshore)	Rail Technology & Services	Data, Analytics, Consultancy & Events
Energy consumption used to calculate emissions: /kWh	4,188,923	327,106	338,350	4,177,679
Scope 1: Direct emissions from owned/controlled operations	782	44	10	817
Scope 2: Indirect emissions from the use of electricity	73	18	39	52
Scope 3: Emissions from sources that we do not own	126	17	16	126
Total emissions	**981**	**79**	**65**	**995**
Intensity ratio: total gross tCO_2e (as above)/£100,000 revenue	1.72	0.63	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 SEAI (Sustainable Energy Authority of Ireland) 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).

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.

Events going green

Our Events business has started the journey to vehicle fleet electrification and is learning how to adapt and best utilise electric vehicles in day to day operations:

- they are using green energy to charge an emerging fleet of electric vehicles where possible;
- have introduced e-bikes at some large events venues to quickly and efficiently move staff around; and
- are offering their insights to scale-up this approach to other Group businesses who operate vehicle fleets.

This work represents the start of our transition to a full hybrid/electric vehicle fleet in line with the Group's strategy.

Photovoltaic panels are powering the Events head office, as well as charging operational equipment such as e-bikes, two way radios and where possible electric vehicles etc.

Green initiatives have moved to the forefront of our business leaders thoughts, and are positively influencing our business strategies, generating momentum and encouraging pragmatic solutions to reduce carbon emissions.

Social reporting
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 & safety
Ensuring our people are safe and protected from harm in the workplace is a key priority and the Board are 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 & safety related incidents including near misses, and mitigating actions being taken to ensure these are not repeated. During the financial year ended 31 July there were two RIDDOR reportable incidents, no serious injuries, 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 have also started to rotate the location of their meetings around Tracsis operating locations, which provides further opportunity for engagement with our employees.

In September 2022 the Group undertook its first employee survey, to better understand how we could improve our employee proposition. The results of this are being evaluated, and will be discussed with our teams to ensure that opportunities for improvement are fully understood and are implemented. 60% of employees completed the survey. We will repeat this exercise on a regular basis going forward and will work to ensure we maximise the number of employees participating in the survey.

Training, development and opportunities

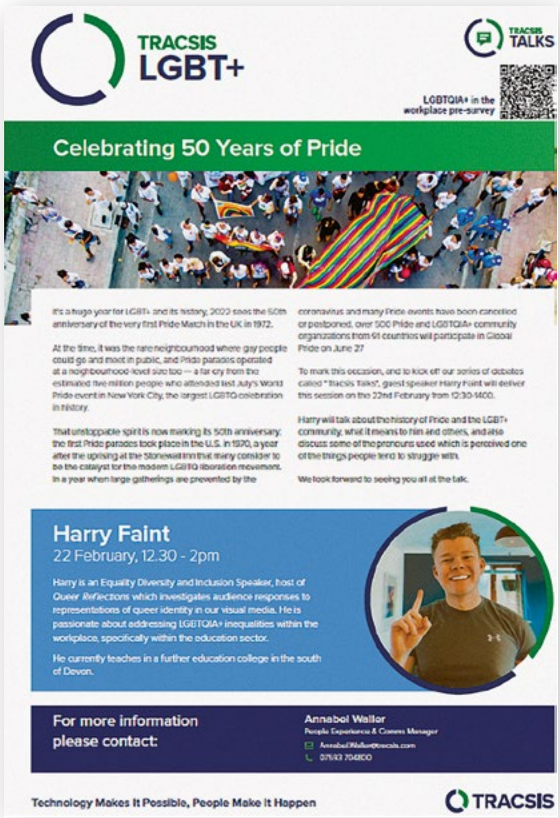
We consider our employees to be some of the best in the sector and we strive to provide them with a rewarding working environment, providing opportunities for personal development, career progression, and an inclusive and open culture. The Group hired a Director of People in July 2021 who has developed a comprehensive strategy to ensure that 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.

As part of this, the Group launched a "OneTracsis" leadership development scheme with 100 managers and senior leaders enrolled on an 18-month programme that will also 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.

> The one-to-one session and subsequent follow-ups have been excellent… they deal with the things that directly relate to my role.

> I have enjoyed meeting colleagues from other teams… it has broadened my thinking beyond my actual business group.

We are committed to ensuring there is equal opportunity for employment and progression across the Group, based solely on merit and performance, and supported by an inclusive and open culture. We have created an employee-led equality, diversity and inclusion forum to drive further improvements and awareness in these areas. One key outcome from this has been the roll-out of "Tracsis Talks". These are lunchtime sessions covering a range of employee-generated topics that are open to all employees and enable knowledge sharing and an open forum for discussion and sharing of ideas and experiences. Topics covered in the year include LGBT+ and mental health awareness.



Governance

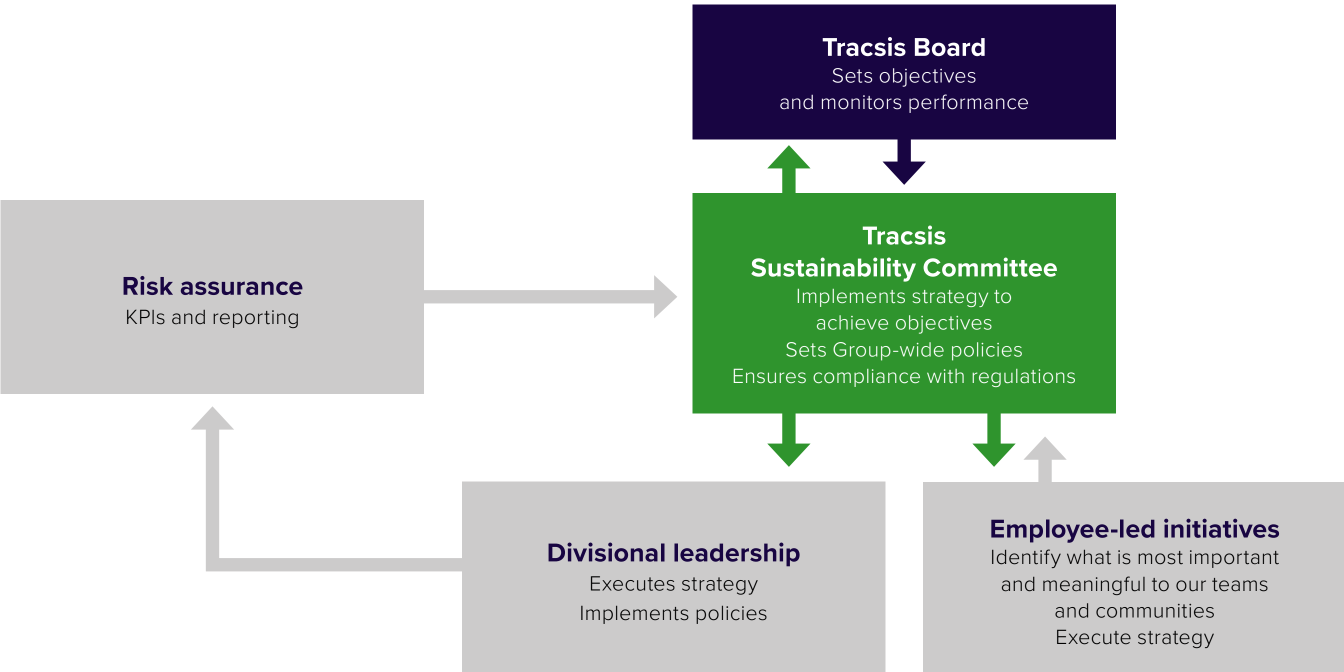
The Tracsis Board provides oversight and has overall responsibility for the Group's sustainability performance. It sets the targets for the Group and monitors progress on delivering these.

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 senior executives 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 Group-wide 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 are 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



Sustainability - Risk/TCFD

The recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD) provide a framework for consistent disclosure of climate-related information. We support the TCFD disclosures and are taking steps to be fully compliant for financial year 2022-23 reporting. The key actions to achieve this are focused around extending our analysis of the impact of climate-related risks on the Group's strategy. Our approach and the next steps of our journey towards meeting the TCFD recommendations in full are summarised below.

Governance

Our approach

Climate-related risks and opportunities are managed within the Group's established risk management model which is overseen by a Group Risk Oversight Committee (GROC) chaired by the Chief Executive Officer. The GROC reports formally to the Tracsis Board at least twice a year.

During the last 12 months the GROC has overseen modifications on the risk model, to ensure that it captures climate related risks and opportunities.

Future focus

Continued engagement between the Board and the GROC on climate-related matters

Strategy

Our approach

Our purpose – to empower the world to move freely, safely and sustainably – is aligned with the UK Government target to achieve net zero carbon emissions by 2050. We contribute to achieving this both through our own sustainability goals and by delivering products and services that help our customers to deliver positive sustainability outcomes.

Our growth strategy is outlined on pages 14 and 15. As we progress to full TCFD compliance we will conduct a detailed risk mapping exercise to assess the potential impact of climate-related risks and opportunities on our strategy.

Future focus

Undertake a climate-related scenario analysis exercise to assess the resilience of our growth strategy against climate-related risks

Execute a carbon reduction plan to achieve the sustainability goals for Tracsis' own operations as outlined on page 38.

Risk Management

Our approach

The assessment and management of climate-related risks is integrated into our groupwide approach to risk management as overseen by the GROC. Climate change is a principal risk category associated with this approach. An analysis of all principal risk categories, including climate change, is presented to the Board at least twice a year.

Future focus

Undertake a targeted analysis of the risk areas identified for further exploration

Metrics and Targets

Our approach

Our ambition is to be carbon neutral for scope 1 and 2 emissions across our global operations by 2030.

Progress in the year

We disclose our greenhouse gas emissions on page 39.

Future focus

Formalise a carbon reduction plan to achieve our carbon neutral ambition

Improving the way we manage our risks

The Group continues to grow rapidly including through acquisition, which brings additional challenges for managing risk. We have implemented a risk management model to systematically capture and evaluate risk at both the operating business and the Group level. The key risks facing the Group are reviewed by the Board on a regular basis.

The key risks currently facing the Group, and a summary of the mitigation measures in place, are set out below:

Project delivery

The Group has several significant contracts with major UK Train Operating Companies and infrastructure providers which contain a number of deadlines for implementation, in accordance with the contractual requirements and timeframes. The scale and complexity of these projects require careful management to ensure delivery. Certain events within the Data, Analytics, Consultancy and Events division are significant and require large staff deployments and delivery.

Area of Group impacted

1. Rail Technology & Services
2. Data, Analytics, Consultancy & Events

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 Group-wide project management office ("PMO") is being implemented that will oversee standardisation of programme and project management capabilities around best practice. Event-related work is subject to significant advance planning.

Change in the year

Increased in Rail Technology & Services due to additional contracts secured.

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.

Area of Group impacted

1. Rail Technology & Services

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 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.

Change in the year

No change in the year.

Competition

The success of the Group could lead to increased competition, in particular in Data, Analytics, Consultancy & Events where our products and services can be more easily replicated. The Group has a wide range of product and service offerings and some are more exposed to competition than others.

Area of Group impacted

1. Data, Analytics, Consultancy & Events
2. Rail Technology & Services

Mitigation

The Group pays close attention to pricing and customer satisfaction for areas subject to the most competition and seeks to be competitively priced where possible. The Group attempts to ensure its products and services have a clear value proposition and return on investment, and seeks to build long-term customer relationships that reduce the exposure to potential new entrants.

Change in the year

No change in the year.

Cyber security incident

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.

Area of Group impacted

All parts of the Group

Mitigation

ISO 27001 certification has been achieved during the year for certain parts of the Group. All of our Rail Technology & Services businesses now have this certification. Cyber Essentials certification has been maintained as a baseline for the remainder of the Group. The Group's outsourced IT services provider manages some elements of operational risk within the framework required by ISO 27001.

The Group has a Quality and Risk Director who also fulfils a defined information security role. Business continuity plans are in place, tested and maturing as a result of implementing ISO 27001. A Group-wide integrated IT strategy is in the process of being implemented.

Change in the year

Increased. The National Cyber Security Centre ("NCSC") highlighted an increased threat associated with the situation in Ukraine.

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.

Area of Group impacted

1. Data, Analytics, Consultancy & Events
2. Rail Technology & Services

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 RailComm acquisition in the US 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.

Change in the year

Increased due to macroeconomic factors including the situation in Ukraine and increasing inflation and cost of living in the UK and Ireland.

Reliance on certain 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. In addition, the Group's Data, Analytics, Consultancy and Events division operates under a number of Framework Agreements with one large customer from whom a significant amount of revenue is obtained. Across the Group, there are a number of key customers which contribute to large amounts of revenue.

Area of Group impacted

1. Rail Technology & Services
2. Data, Analytics, Consultancy & Events

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.

Change in the year

No change in the year.

Total revenues from the Group's largest customer were 12% of Group revenue (2021: 17%).

Attraction and retention of key employees

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.

Area of Group impacted

All parts of the Group

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. The Group Director of People is implementing a comprehensive people strategy to ensure the Group attracts and retains the skills and capabilities required to deliver our growth strategy.

Change in the year

No change in the year.

Technological changes

The Group has a variety of product and service offerings which may be threatened should competitors or other new market entrants develop rival technology that offers more effective ways of doing things.

Area of Group impacted

1. Data, Analytics, Consultancy & Events
2. Rail Technology & Services

Mitigation

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. The Group's evolving "Innovation Hub" provides a forum for cross-divisional collaboration to help identify opportunities and drive future product development.

Change in the year

No change in the year.

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 fulfill established high-risk and safety critical worker roles.

Area of Group impacted

1. Data, Analytics, Consultancy & Events
2. Rail Technology & Services

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.

Change in the year

Increased in year due to a strong post-Covid recovery in activity levels in Events and Traffic Data.

Customer pricing pressure

Price pressure from customers may potentially result in margins being reduced over time if lower revenues are achieved than those which were achieved historically.

Area of Group impacted

1. Data, Analytics, Consultancy & Events
2. Rail Technology & Services

Mitigation

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.

Change in the year

No change in the year.

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.

Area of Group impacted

1. Rail Technology & Services
2. Data, Analytics, Consultancy & Events

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.

Change in the year

No change in the year.

Regulatory breach

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.

Area of Group impacted

All parts of the Group

Mitigation

Effective Group-level corporate governance mechanisms exercised.

Directors briefed on AIM Rules in conjunction with nominated adviser, and regular dialogue maintained with our broker finnCap throughout the year.

Group controlled Privacy Programme 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.

Appointed PECB trained and certified Data Protection Officer to provide guidance, advice and support. Established an effective health and safety management team, policy and processes.

Change in the year

No change in the year.

Integration risk

The Group made two acquisitions in the year, including its first in North America, and has further M&A as a core part of its growth strategy. It plans to integrate each acquired business to deliver synergies and ensure compliance with all required governance policies and procedures.

Area of Group impacted

1. Rail Technology & Services
2. Data, Analytics, Consultancy & Events

Mitigation

Comprehensive due diligence processes are undertaken prior to acquisition.

A Group-controlled integration plan is developed for each acquisition, under the direction of the Group Operations Director, linked to the mitigation of risk and delivering synergies and growth.

A senior member of the UK leadership team has relocated to the US in order to oversee integration activities and execution of our growth strategy.

Change in the year

No change in the year.

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.

Area of Group impacted

All parts of the Group.

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 is being implemented. We are in the process of developing a carbon reduction plan in order to achieve our carbon target for Tracsis operations.

Change in the year

New in the year.

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

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

Executive directors and Non-Executive directors

Key

- R Remuneration Committee
- N Nomination Committee
- A Audit Committee
- Chair of Committee

Chris Barnes
Chief Executive Officer

Chris was appointed as Chief Executive Officer on 1 May 2019. Prior to joining Tracsis, Chris was Managing Director of Ricardo UK Limited's automotive consulting division, and had previously held a number of senior roles within Ricardo plc. 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.

Andy Kelly
Chief Financial Officer

Andy was appointed as Chief Financial Officer on 1 February 2021. Prior to joining Tracsis he 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.

Chris Cole
Independent Non-Executive Chair

N

Chris is Non-Executive Chairman of WSP Global Inc. (listed on the Toronto Stock Exchange), a leading global engineering and environmental consultancy. Chris held the post of Chief Executive Officer at WSP between 1987 and 2012. The company now has revenues approaching C$10bn and employs 70,000 people worldwide. Chris is also Non-Executive Chairman of Applus (listed on the Madrid Stock Exchange), a leading global testing, inspection and certification company that employs 20,000 people. He is a Chartered Engineer and has worked in the public company environment for more than 30 years, including the past chairmanship of Ashtead Group plc.

Lisa Charles-Jones
Independent Non-Executive Director

R A N

Lisa is currently HR Director for Parkdean Resorts. She is an HR professional and worked for LSL Property Services plc for 13 years, which is listed on the Main Market of the London Stock Exchange, firstly as Head of HR and for the last ten years as Group HR Director. Lisa is also a Trustee for the Percy Hedley Foundation. She is a member of the Chartered Institute of Personnel and Development and holds an MBA from the University of Durham. Lisa will be stepping down from the Board on 31 December 2022, and will be succeeded as Chair of the Remuneration Committee by Jill Easterbrook at this date.

Liz Richards
Independent Non-Executive Director

R A N

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 currently also holds Non-Executive Director and Audit Committee Chair positions at both LINK Scheme Ltd and dotdigital plc, as well as two pro bono roles – Governor and Chair of Audit for Leeds Trinity University and Trustee and Chair of Finance and Investment for Yorkshire Cancer Research.

Dr James Routh
Senior Independent Non-Executive Director

R A N

James was appointed to the Board on 29 September 2021. He 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 250 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.

Jill Easterbrook
Independent Non-Executive Director

R A N

Jill was appointed to the Board on 5 October 2022. She is also Non-Executive Chair of Headland Consultancy and is a Non-Executive Director on the boards of Auto Trader Group plc, Ashtead Group plc and UP Global Sourcing Holdings plc. She was previously Chief Executive Officer of Boden. This followed a 15-year career in a variety of senior management roles at Tesco plc, where she was a member of the Executive Committee. Jill will succeed Lisa Charles-Jones as Chair of the Remuneration Committee on 31 December 2022.

Tracsis plc was listed on AIM on 27 November 2007. The Group recognises the importance of, and is committed to, high standards of corporate governance. Tracsis plc, as an AIM Company, adopts the Quoted Companies 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 seven Board members, comprising two Executive Directors and five Non-Executive Directors. Lisa Charles-Jones will step down from the Board on 31 December 2022. The role of the Non-Executive Directors is to bring independent judgement to Board deliberations and decisions. Chris Cole was appointed as a Non-Executive Chairman of the Board in 2014 to oversee Board meetings and field all concerns regarding the executive management of the Group and the performance of the Executive Directors. A biography of each Director appears on pages 50 and 51. 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 56. 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. Lisa Charles-Jones has informed the Board of her intention to step down with effect from 31 December 2022. 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 the best practice recommendations of the Financial Reporting Council's UK Corporate Governance Code. Each of the Directors intends to stand for re-appointment by the shareholders.

Board meetings and attendance

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

	Board meetings total/poss	Nomination Committee meetings	Remuneration Committee meetings	Audit Committee meetings
Chris Barnes	10/10	—	—	3/3
Andy Kelly	10/10	—	—	3/3
Chris Cole	10/10	1/1	2/3	3/3
Lisa Charles-Jones	10/10	1/1	3/3	2/3
Liz Richards	10/10	1/1	3/3	3/3
James Routh	9/9	—	3/3	3/3

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 Chris Cole as Chair, Lisa Charles-Jones (until 31 December 2022), Liz Richards, James Routh and Jill Easterbrook (from 5 October 2022). The Committee's primary responsibilities are to make recommendations to the Directors on all new appointments of Directors and senior management, to interviewing nominees, to take up references and to consider related matters.

Remuneration Committee

The Remuneration Committee comprises Lisa Charles-Jones as Chair (until 31 December 2022), Liz Richards, James Routh and Jill Easterbrook. Chris Cole is an attendee. The Committee's primary responsibilities are to review the incentive and reward packages for the Chairman, 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. Jill Easterbrook will succeed Lisa Charles-Jones as Chair of the Remuneration Committee on 31 December 2022.

Audit Committee

The Audit Committee comprises Liz Richards as Chair, Lisa Charles-Jones (until 31 December 2022), James Routh and Jill Easterbrook (from 5 October 2022). Chris Cole 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 revenue recognition, intangible assets and contingent consideration, as detailed in note 4 to the financial statements.

Non audit services

In accordance with its policy on non-audit services provided by the Group's auditor, the Audit Committee reviews and approves the award of any such work. The Audit Committee refers to the Board for approval of any work comprising non-audit services where the fees for such work represent more than 25% of the annual audit fee. During the year, £5,000 was paid to Grant Thornton UK LLP in respect of non-audit work (2021: £5,000). This non-audit work comprised the review of 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 feels they do not.

Internal audit

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

Control procedures

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

Relations with shareholders

The Board recognises and understands that it has a fiduciary responsibility to the shareholders. The 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 2022 the Group had net cash and cash equivalents totalling £17.2m. 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. Areas for improvement that were identified through the evaluation were as follows:

Areas for improvement	Actions
Ensure succession planning is well considered and long term, and consider the skills and experience required as the Group evolves.	Succession plans are being implemented through consultation between the Chair, Senior Independent Non-Executive Director and Chief Executive. This supported the appointment of Jill Easterbrook to the Board in October 2022.
Incorporate increased focus on ESG strategy as part of the Board standing agenda.	ESG strategy has been agreed during the year. The Board will review progress on delivering this strategy on a regular basis.
Adopt a hybrid approach to Board meetings with a mixture of in-person and virtual meetings, in order to maintain flexibility and optimise in-person time.	The annual Board calendar includes two virtual meetings and eight in-person meetings. In-person meetings are held at several of the Group's office locations which also enables the Board to meet with a range of Tracsis employees.
Ensure the induction process for new Board members is regularly reviewed and updated in line with the evolution of the Group.	The Board will keep under constant review the induction process for newly appointed Board Directors.

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.

Annual Statement

Dear Shareholder, on behalf of the Board, I am pleased to present the Directors’ Remuneration Report for the year ended 31 July 2022. 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 Companies 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.

Consistent with best practice, this report is divided into three sections, being:

- this **Annual Statement**, which summarises the Committee and its work, remuneration outcomes in respect of the year just ended and how the Remuneration Policy will be operated for the forthcoming financial year;
- the **Remuneration Policy Report,** which summarises the Company’s Remuneration Policy; and
- the **Annual Report on Remuneration**, which discloses how the Remuneration Policy was implemented in the year ended 31 July 2022 in detail and how the Policy will operate for the year ending 31 July 2023.

Committee members

The Remuneration Committee is chaired by Lisa Charles-Jones as independent Non-Executive Director and also consists of Liz Richards and James Routh. The Committee meets at least three times a year and at other times during the year as agreed between the members of the Committee. Jill Easterbrook joined the Committee on 5 October 2022, and will take over as Chair from 1 January 2023. The attendance record for the regular scheduled meetings is included on page 52.

Committee responsibilities

Tracsis is committed to maximising shareholder value over time. Each year the Remuneration Committee reviews the incentive and reward packages for the Chairman, 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

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. FIT is 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.

Pay and performance for the year ended 31 July 2022

- As a result of partially meeting the financial and strategic targets, 69% of the maximum annual bonus was payable to the CEO and CFO for the year ended 31 July 2022. Details of the targets, and the performance against the targets, are set out overleaf.
- In respect of LTIP awards granted to Chris Barnes in 2019, 48% of awards will vest as a result of performance against the relative total shareholder return targets. No vesting will take place in respect of the statutory diluted EPS targets given that the threshold target was not met.

Implementation of the Remuneration Policy for the year ending 31 July 2023

In respect of implementing the Remuneration Policy for the year ending 31 July 2023:

- the CEO and CFO salaries were increased in line with the workforce in respect of strong performing employees. The current salaries for the CEO and CFO from 1 August 2022 are £304,425 and £207,900 respectively;
- pension provision will continue at 10% of salary;
- annual bonus potential will continue to be capped at 100% of salary for FY23. 80% of the bonus will be payable against sliding scale profit targets and 20% will be based on personal targets; and
- 2022 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 numbers of shares granted and the performance targets will be detailed in the RNS issued immediately following the grant date. We intend to extend the LTIP scheme to include certain members of the senior management team from the 2022 award inclusive. Performance conditions for these awards will be consistent with those for Executive Directors.

As a Committee, we recognise the need to foster good relations with our shareholders and encourage open dialogue. As such, the Chair of the Remuneration Committee is available to discuss the Company’s approach to remuneration with our investors at any time.

We trust you will find the new format of this report to be informative and look forward to receiving your support at our forthcoming AGM.

Lisa Charles-Jones
Chair of the Remuneration Committee
8 November 2022

Directors’ Remuneration Policy

This section sets out the Directors’ Remuneration Policy (“the 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.

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 a market-competitive benefits package.	Life assurance 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 the Group.	Awards are normally based on a combination of annual financial performance and individual business-related objectives. Awards may be 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 may be 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 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			
Chris Cole	28.04.14	Indefinite	3 months
Lisa Charles-Jones	25.08.16	Indefinite	3 months
Liz Richards	01.09.16	Indefinite	3 months
James Routh	29.09.21	Indefinite	3 months
Jill Easterbrook	05.10.22	Indefinite	3 months

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

Annual Report on Remuneration

Single total figure of remuneration for Directors

The remuneration of the Directors in respect of the year ended 31 July 2022 (and for the prior year) was as follows:

	Year	Basic salary £000	Annual bonus(1) £000	Benefits £000	Pension(2) £000	Total £000
Executive Directors						
Chris Barnes	**FY22**	**282**	**193**	**1**	**28**	**504**
	FY21	256	109	1	26	392
Andy Kelly (from 1 February 2021)	**FY22**	**186**	**128**	**1**	**19**	**334**
	FY21	88	37	—	9	134
Non-Executive Directors						
Chris Cole	**FY22**	**80**	**—**	**—**	**—**	**80**
	FY21	60	—	—	—	60
Lisa Charles-Jones	**FY22**	**45**	**—**	**—**	**—**	**45**
	FY21	33	—	—	—	33
Liz Richards	**FY22**	**45**	**—**	**—**	**—**	**45**
	FY21	33	—	—	—	33
James Routh (from 29 September 2021)	**FY22**	**42**	**—**	**—**	**—**	**42**
	FY21	—	—	—	—	—
Former Directors						
Max Cawthra (to 1 February 2021)	**FY22**	**—**	**—**	**—**	**—**	**—**
	FY21	75	34	—	4	113
Mac Andrade (to 2 August 2021)	**FY22**	**—**	**—**	**—**	**—**	**—**
	FY21	30	—	—	—	30
Total	**FY22**	**708**	**321**	**2**	**19**	**1,050**
	FY21	601	180	1	13	795

(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 FY21 and FY22. The quantum of this is reported within pension in the table above.

(3) In addition to the above, Chris Barnes:

- exercised 21,417 nominal cost options in May 2022 which were granted to him to compensate for unvested incentives forfeited from his previous employer. The pre-tax value of these options at the date of exercise was £225,328. Following the sale of shares to cover income tax and NI, he retained 11,083 shares; and
- holds 2019 LTIP awards vesting in December 2022, based on three-year performance to 31 July 2022. Details of the vesting level are set out below.

Annual Report on Remuneration continued

Annual bonus for the year ended 31 July 2022

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	Max	Actual	Result C Barnes (% of salary)	Result A Kelly (% of salary)
Adjusted EBITDA	80%	£12.4m (0% of salary)	£13.8m (40% of salary)	£15.2m (80% of salary)	£14.2m	52%	52%
Personal targets	20%		See table below			17%	17%
Total	100%					69%	69%

Personal objective performance

C Barnes

Objective	Weighting	Payment awarded	
Organic growth	20%	20%	
Acquisitive growth	20%	20%	17% of salary payable for personal objectives
Leadership capability	20%	20%	
Key account strategy	20%	15%	
Succession planning	20%	10%	
Total	100%	85%	

A Kelly

Objective	Weighting	Payment awarded	
Organic growth	20%	20%	
Acquisitive growth	20%	20%	17% of salary payable for personal objectives
Governance	20%	15%	
Market coverage	20%	15%	
Key strategies in place including ESG	20%	15%	
Total	100%	85%	

In addition to 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 69% of salary for the Executive Directors are appropriate.

LTIPs vesting in respect of three years to 31 July 2022

Details of the performance targets set and actual achievement against them in respect of the 2019 LTIP awards vesting in December 2022, based on three-year performance to 31 July 2022, are set out in the table below.

Performance measure	Weighting	Performance period end	Threshold (25% vesting)	Maximum (100% vesting)	Actual	% vesting for this part of the award
Statutory diluted EPS	50%	31 July 2022	22.92p	25.92p	4.95p	0%
Total shareholder return versus the FTSE AIM 100	50%	31 July 2022	Median	Upper quartile	97.34%	48.6%

Based on the above vesting, the pre-tax value of the 38,961 nominal value options held by Chris Barnes have a value of £169,469 based on the share price at 31 July 2022.

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 2021	Granted	Lapsed	Exercised	31 July 2022	Date of grant	Exercisable from	Expiry date
Chris Barnes								
Buyout[1]	21,417	—	—	(21,417)	—	01/05/2019	04/02/2022	01/05/2029
LTIP[2]	38,961	—	—	—	38,961	03/12/2019	03/12/2022	03/12/2029
LTIP[3]	40,891	—	—	—	40,891	29/12/2020	29/12/2023	29/12/2030
LTIP[4]	—	27,653	—	—	27,653	29/11/2021	29/11/2024	29/11/2031
Total	**101,269**	**27,653**	**—**	**(21,417)**	**107,505**			
Andy Kelly								
Buyout[1]	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
Total	**21,174**	**17,597**	**—**	**—**	**38,771**			

(1) Buyout award to compensate for unvested incentives forfeited from previous employer.

(2) Three-year performance targets are based on: 50% EPS (statutory diluted EPS for FY22 of 22.92p to 25.92p); and 50% relative TSR vs FTSE AIM 100 (median to upper quartile).

(3) Three-year performance targets are based on: 50% EPS (statutory diluted EPS for FY23 of 20.78p to 23.78p); and 50% relative TSR vs FTSE AIM 100 (median to upper quartile).

(4) Three-year performance targets are based on: 50% EPS (adjusted diluted EPS for FY24 of 33.59p to 47.82p); and 50% relative TSR vs FTSE AIM 100 (median to upper quartile).

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 2022	Interests in ordinary shares at 31 July 2021	**Interests in share-based incentive options at 31 July 2022**	Interests in share-based incentive options at 31 July 2021
Chris Barnes	**11,083**	—	**107,505**	101,269
Andy Kelly	**—**	—	**38,771**	21,174
Chris Cole	**7,000**	7,000	**—**	—
Lisa Charles-Jones	**—**	—	**—**	—
Liz Richards	**—**	—	**—**	—
James Routh	**—**	—	**—**	—

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.

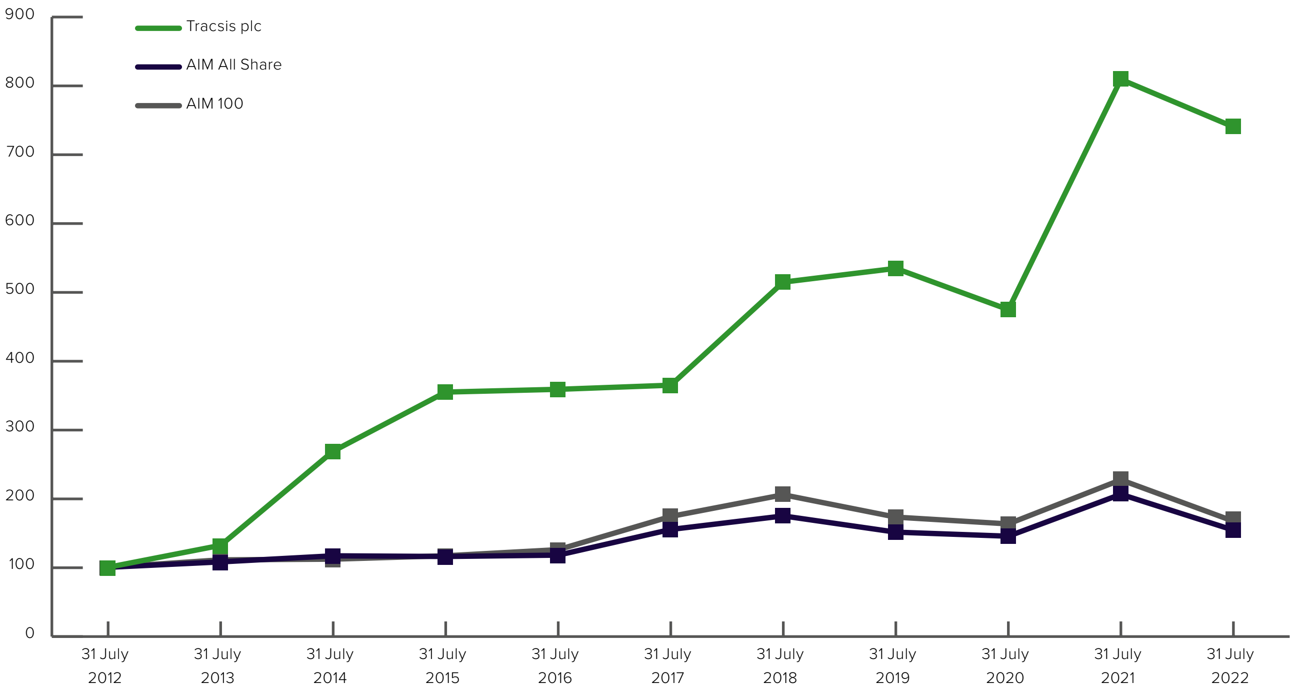
	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000	Change %
Employee expenditure	36,740	26,333	40%
Distributions to shareholders	266	—	n/a
Average number of permanent employees	561	434	29%
Revenue	68,723	50,237	37%
Adjusted EBITDA	14,161	12,978	9%

Share price

The market price of the Company's shares on 31 July 2022 was 895p per share. The highest and lowest market prices during the year were 1,095p and 885p 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 2022.



Lisa Charles-Jones
Chair of the Remuneration Committee
8 November 2022

The Directors present their report and the audited financial statements for the year ended 31 July 2022.

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 8 November 2022.

Further information on the activities of the business, the Group strategy and an indication of the outlook for the business are presented in the Chairman's Statement, the Chief Executive Officer's Report and the Strategy and Business Model sections of the report. The Corporate Governance Statement included on pages 52 to 53 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 72 to 110.

Dividends

The Group remains committed to the progressive dividend policy that was adopted in 2012. The Board has recommended a final dividend of 1.1 pence per share (2021: £nil). The final dividend, subject to shareholder approval at the 2022 Annual General Meeting, will be paid on 10 February 2023 to shareholders on the register at the close of business on 27 January 2023. This will bring the total dividend for the year to 2.0 pence per share (2021: £nil). The Board did not consider it appropriate to pay a dividend in the previous financial year while the Group was utilising the Coronavirus Job Retention Scheme in respect of furloughed staff.

Directors

The Directors who serve on the Board and on Board Committees during the year are set out on pages 50 to 51.

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 Annual 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 consider it appropriate for all Directors to retire and stand for re-election on an annual basis. Lisa Charles-Jones has informed the Board of her intention to step down with effect from 31 December 2022. 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 54 to 59.

Directors' shareholdings

Directors' beneficial interests in the shares of the Company, including family interests, at 31 July 2022 and 2021 were as follows:

	31 July 2022		31 July 2021	
	Number of shares	**% of issued share capital**	Number of shares	% of issued share capital
Chris Barnes	**11,083**	**0.04%**	—	—
Andy Kelly	**—**	**—**	—	—
Chris Cole	**7,000**	**0.02%**	7,000	0.02%
Lisa Charles-Jones	**—**	**—**	—	—
Liz Richards	**—**	**—**	—	—
James Routh	**—**	**—**	—	—
Jill Easterbrook	**—**	**—**	—	—

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 2022, 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
Charles Stanley	2,382,399	8.0%
Investec Wealth & Investment	2,329,156	7.8%
Schroder Investment Management	2,168,963	7.3%
Unicorn Asset Management	1,825,000	6.1%
Canaccord Genuity Wealth Management	1,429,855	4.8%
Rathbones	1,278,027	4.3%
Premier Miton Investors	1,131,093	3.8%
AXA Framlington Investment Managers	1,042,731	3.5%
Franklin Templeton Fund Management	1,014,663	3.4%
BGF	981,000	3.3%

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 2022 were 59 days (2021: 56 days).

Our approach to engagement with suppliers is detailed further in the Section 172 Statement on page 34.

Research and development

During the year the Group incurred £3,280,000 (2021: £3,383,000) of expenditure on research and development activity mainly relating to software development, which has been charged to the income statement in accordance with the Group's accounting policy.

Financial instruments

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

Employment policy

It is the policy of the Group to operate a fair employment policy. No employee or job applicant is less favourably treated than another on the grounds of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely on merit. The Directors encourage employees to be aware of all issues affecting the Group and place considerable emphasis on employees sharing in its success through its employee share option 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 are provided in the Section 172 Statement on page 34.

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 36 to 43. 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 39.

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, a subsidiary company, has a significant Framework Agreement with a major railway infrastructure provider, from which it has historically derived a significant amount of business;
- Tracsis Traffic Data Limited, another subsidiary company, has a significant contract with a major worldwide engineering consultancy company from which it has historically derived a significant amount of business;
- OnTrac Limited has a large contract with a major railway infrastructure provider, from which it derives a significant amount of business;
- SEP Limited and Cash & Traffic Management Limited both have a number of significant multi-year contracts with a number of key clients;
- Compass Informatics Limited has a range of contracts with government bodies and private sector organisations;
- iBlocks Limited has some significant contacts with train operating companies and also industry association bodies;
- 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 their audit and to establish that the auditor is aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

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 5 October 2022 Jill Easterbrook was appointed to the Board as a Non-Executive Director. Jill joined the Audit, Remuneration and Nomination Committees with immediate effect. On the same date it was also announced that Lisa Charles-Jones intends to resign from the Board from 31 December 2022.

By order of the Board

Andy Kelly
Company Secretary
8 November 2022
Nexus, Discovery Way
Leeds, United Kingdom
LS2 3AA

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 of the 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.

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 2022, which comprise the Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated cash flow statement, the notes to the consolidated financial statements including a summary of significant accounting policies, Company balance sheet, Company Statement of changes in equity and notes to the parent company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is 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 2022 and of the group's profit;
- 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 public interest 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:

- evaluating management's board paper, which incorporated detailed cashflow forecasts covering the period to 31 December 2023, along with challenge and assessment of the inputs and assumptions used to prepare the forecast;
- evaluating the historical accuracy of forecasting in relation to going concern assessments;
- testing management's severe but plausible scenario to check that there is adequate headroom in the forecast to cover unforeseen cost increases or reduced revenues; and
- assessing the reverse stress test that management have completed in concluding on the going concern assumption.

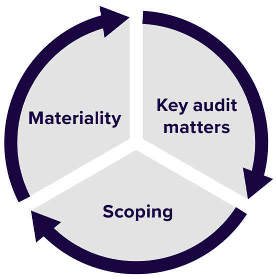
In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties, we assessed and challenged the reasonableness of estimates made by the directors and the related 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.

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.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit



Overview of our audit approach

Overall materiality:

Group: £268,000, which represents 5% of the group's profit before tax, adjusted for impairment and other exceptional items.

Parent company: £183,000, which represents 3% of the parent company's revenue.

Key audit matters were identified as:

- Valuation of goodwill and other intangible assets (same as previous year);
- Completeness and Valuation of acquired intangibles in respect of the Icon Group and RailComm LLC acquisitions (same as previous year); and
- Valuation of contingent consideration (same as previous year).

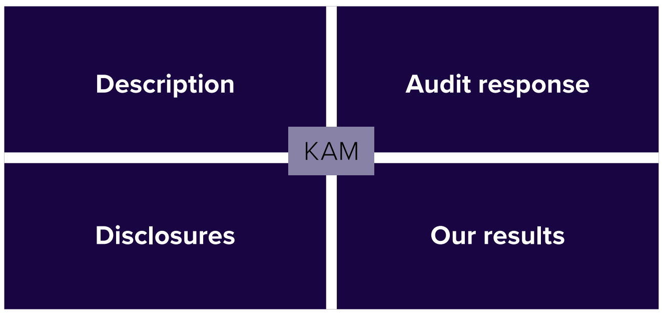
Our auditor's report for the year ended 31 July 2021 included one key audit matter that has not been reported as a key audit matter in our current year's report being Revenue Recognition. Revenue recognition has not been assessed as a key audit matter as a result of the low complexity identified in the course of performing the audit.

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

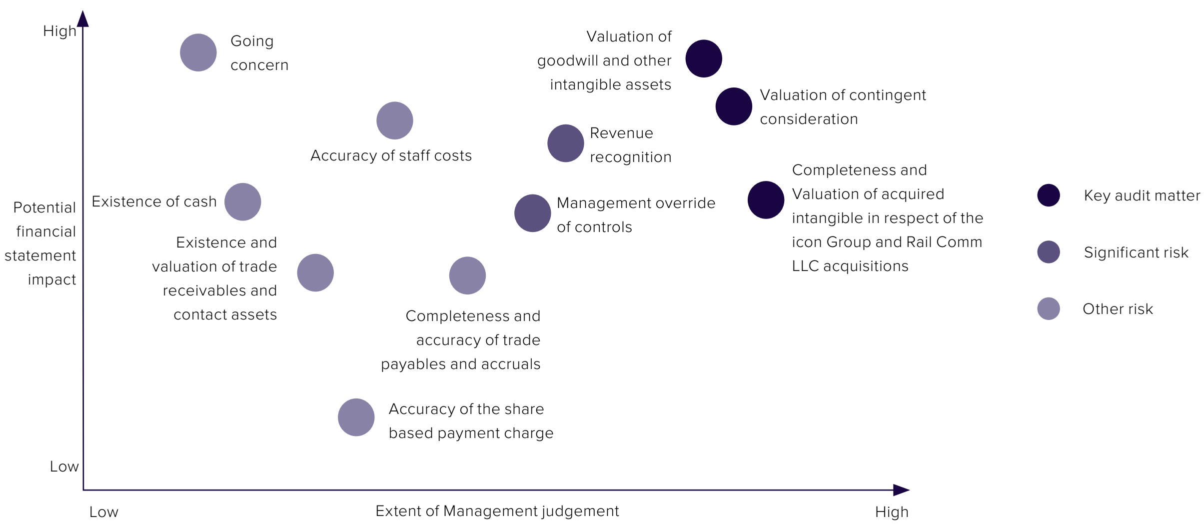
We performed an audit of the financial information of five components using component materiality (full-scope audit) and an audit of one or more account, balances, classes of transactions or disclosures of the component (specific-scope audit) for seven components assessed to be material. We performed 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 five audits of one or more account, balances, classes of transactions or disclosures. There has been a change in the 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, significant risks and other risks relevant to the audit.



Key Audit Matter – Group	How our scope addressed the matter – Group
Valuation of goodwill and other intangible assets We identified impairment of goodwill and other intangible assets 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 £65.9m as at 31 July 2022 (2021: £51.7m). There is an increased risk that the goodwill and intangibles held by the group are impaired as per International Accounting Standard ('IAS') 36 'Impairment of Assets' because of the high level of estimation uncertainty in assessing the future performance of the group using operating cash flows and long-term growth rates and also in assessing the appropriate discount rate to apply in calculating the 'value in use' of the cash generating units (CGUs). Our significant risk relates to the iBlocks CGU as this represents £17.3m of intangible assets and has seen a delay in certain contracts.	In responding to the key audit matter, we performed the following audit procedures: • assessing and challenging management's impairment review, checking whether appropriate costs are included or excluded, that cash flows included in the model are appropriate, and that the methodology used is in accordance with the requirements of IAS 36; • obtaining evidence in relation to management's assumptions including specific, future contracts that have been included in management's forecasts including correspondence to date with prospective customers and assessing the impact on the value in use to check if there are changes in expected completion dates; • utilising internal valuation experts to independently determine a weighted average cost of capital (WACC) for the iBlocks CGU and assessing whether the WACC used by management as determined by the management expert, is appropriate; • assessing the competence of management's expert through consideration of their qualifications and experience; • performing sensitivity analysis on the forecast cash flows, long term growth rates and discount rates and determining their impact on the carrying value of the intangible assets; • evaluating historical forecasting accuracy by comparing results achieved in prior years to budgets; • evaluating whether the goodwill and intangible assets are allocated to the CGUs appropriately and challenging whether the CGUs identified are appropriate; and • assessing whether the disclosure included for headroom sensitivities is appropriate and assessing whether the accounting policy is in line with IAS 36.
Relevant disclosures in the Annual Report and Accounts 2022 • Financial statements: Note 14 Intangible Assets	**Our results** From our audit work performed we are satisfied with management's assessment that the goodwill and intangibles allocated to the iBlocks CGU is not materially impaired.
Completeness and Valuation of acquired intangibles in respect of the Icon Group and RailComm LLC acquisitions We identified valuation and completeness of intangible assets arising on acquisition as one of the most significant assessed risks of material misstatement due to error. The group acquired RailComm LLC and Icon Group in the year resulting in additions of £18.1m to intangible assets, of which £3.1m is allocated to customer related intangibles, £5.7m is allocated to technology related intangibles, £0.4m is allocated to order book, £0.8m is allocated to marketing related intangibles and £8.1m allocated to goodwill. International Financial Reporting Standard (IFRS) 3 'Business Combinations' requires most assets and liabilities in the consolidated financial statements to be recorded at fair value. There is significant management judgement involved in determining the fair value of the assets and liabilities acquired, including the calculation of the fair value of technology and customer related intangibles acquired, and the discount rate and long-term growth rates used in the valuation.	In responding to the key audit matter, we performed the following audit procedures: • utilising our valuation experts to assist in assessing the work performed by management's valuation expert in relation to the valuation of acquired intangible assets and consideration paid. This included challenging whether the methodology used in the valuation is in line with acceptable valuation methods and whether inputs such as future profits, attrition rates and discount rates used are appropriate; • assessing the competence of management's expert through consideration of their qualifications and experience; • challenging management's rationale and calculations behind the fair value of consideration; • testing of the acquisition balance sheet by agreeing material balances to supporting evidence, including cash balances to bank statements, inventory counts on acquisition and treatment of significant contracts ongoing at acquisition to supporting documentation; • reperforming the calculation of goodwill and comparing to the figure as determined by management to gain assurance over the mathematical accuracy of the calculation; • agreeing the consideration paid to bank statement by reference to acquisition agreements; and • assessing the adequacy of the accounting policy and relevant disclosures made in the financial statements with respect to the acquisition to determine whether they are complete, accurate and in line with IFRS 3.

Key Audit Matter – Group	How our scope addressed the matter – Group
Relevant disclosures in the Annual Report and Accounts 2022 • Financial statements: Note 5 Acquisitions and investments in the current year • Financial statements: Note 14 Intangible Assets	**Our results** Based on our audit work performed we have not identified any material misstatements relating to the completeness and valuation of intangible assets arising on acquisition.
Valuation of contingent consideration We identified the valuation of contingent consideration payable as one of the most significant assessed risks of material misstatement due to error. At the year end the group recorded total contingent consideration payable of £9.3m (2021: £7.9m). iBlocks and Bellvedi account for £6.2m of the total balance and there were material movements in the underlying profit estimates for both. £2.9m relates to the two new acquisitions being Icon Group and Railcomm LLC. The valuation of contingent consideration at fair value involves a significant degree of management judgement and is a material accounting estimate with a high degree of estimation uncertainty.	In responding to the key audit matter, we performed the following audit procedures: • agreeing contingent consideration per management's workings to the trial balance and financial statements, and agreeing brought forward contingent consideration to prior year financial statements; • checking the mathematical accuracy of the schedules provided to us by performing recalculations of contingent consideration due; • utilising internal valuation experts to assess the discount rate used by management in the fair value calculation for contingent consideration relating to new acquisitions; • testing the movement in contingent consideration payable year on year by checking whether there were any changes to the fair value of contingent consideration and agreeing it to supporting documentation including forecasts and fair value calculations. Where there were payments made, we also agreed these to bank records; • challenging management's rationale and assumptions used in calculations behind the fair values of any contingent consideration, including the assessment of the range of possible outcomes and the probability of each of these. This included a focussed assessment of the discounting applied in measuring the fair value of the contingent consideration in relation to the acquisitions; • assessing the historical forecasting accuracy of management in relation to fair value estimations and prior year estimates of payments; and • assessing the adequacy of the accounting policy and relevant disclosures made in the financial statements to ensure they are complete, accurate and in line with IFRS 9 'Financial Instruments'.
Relevant disclosures in the Annual Report and Accounts 2022 • Financial statements: Note 4 Critical Accounting Estimates and Judgements • Financial statements: Note 20 Contingent and deferred consideration	**Our results** Based on our audit work performed we have not identified any material misstatements relating to the valuation of contingent consideration.

We did not identify any key audit matters relating to the audit of the financial statements 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.

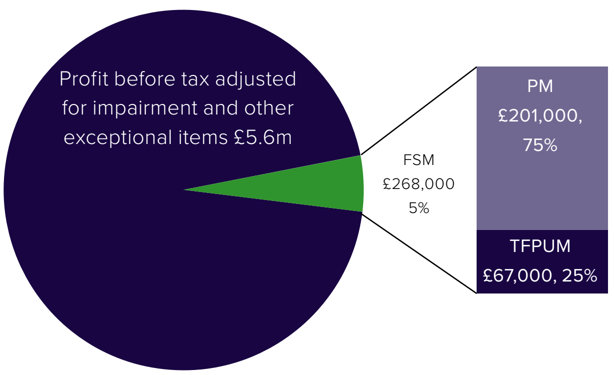
Materiality was determined as follows:

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	£268,000, which is 5% of the group's profit before tax, adjusted for impairment and other exceptional items.	£183,000, which is 3% of revenue.

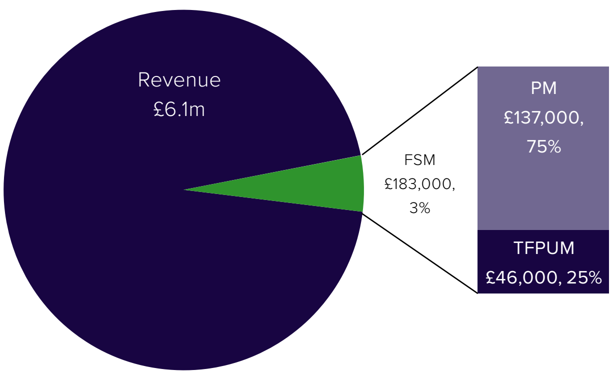
Materiality measure	Group	Parent company
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: • profit before tax is a key performance indicator for the group; and • charges in relation to acquisitions and other investments, 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 2021 to reflect an increase in adjusted profit before tax.	In determining materiality, we made the following significant judgements: • That this benchmark is the most appropriate because the parent company is both a trading company and a holding company and revenue is less volatile than the profit before tax which is impacted by intra group costs and costs of acting as a holding company. Materiality for the current year is higher than the level that we determined for the year ended 31 July 2021 to reflect the increase in revenue recognised.
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	£201,000, which is 75% of financial statement materiality.	£137,000, 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 not identified 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, we have not identified 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	£13,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£9,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality – Group



Overall materiality – Parent company



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

- We obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level.
- We obtained an understanding of the group organisational structure and considered its effect on the scope of the audit.

Identifying significant components

- We 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, profit before tax and adjusted profit before interest and tax or based on qualitative factors, such as 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)

- Full-scope audits were performed on the financial information of five components using component materiality. These procedures included a combination of tests of details and analytical procedures. The key audit matters were tested as part of our work at a group level rather than in a specific component.
- Specific scope audits were carried out on a further seven 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.
- For the eight components that were not individually significant to the group, we carried out analytical procedures. Where there were material balances in these components that affect the group, we performed procedures on those balances to consider whether there was material error.

Performance of our audit

- All three KAMs were addressed with the full-scope audit procedures and specific-scope audits where relevant to the component.
- We performed the full-scope audit and specific-scope audits across the components in line with the scope described above with the support of one UK component auditor. We also engaged with a further component auditor to provide support to the group engagement team in Ireland.

Communications with component auditors

- We issued group instructions to component auditors and reviewed the work performed by the component auditors during the planning, fieldwork and completion stages of the audit. These reviews were based on the size and risk of the component and the financial statement line items selected to audit.

Changes in approach from previous period

The scope has been amended in the current year to include only those components with a material impact on the group results or that are materially exposed to the significant risks. This has changed the mix of components in scope but not the overall coverage. There has been an increase in the number of specific scope entities due to the increased financial performance of those entities and the addition of Railcomm following acquisition by the group.

Audit approach	No. of components	% coverage Revenue	% coverage Profit before tax
Full-scope audit	5	52	—
Specified audit procedures	7	42	87
Analytical procedures	8	6	13
Total	20	100	100

Other information

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

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

We have nothing to report in this regard.

Our opinions on other matters prescribed by the Companies Act 2006 are 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 its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

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.
- We obtained an understanding of the legal and regulatory framework applicable to the entity by discussing relevant frameworks with management and component management and seeking and obtaining correspondence with relevant parties 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 increased revenues or that reclassified costs from the income statement to the balance sheet that are posted by senior finance personnel;
  - potential management bias in determining accounting estimates, especially in relation to their assessment of the valuation of intangible assets; and
  - transactions with related parties.

- 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 had 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 made enquiries with both component auditors, requesting that they confirm to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.

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
8 November 2022

Consolidated statement of comprehensive income
for the year ended 31 July 2022

	Notes	2022 Group excluding in-year acquisitions £000	2022 Acquisitions in year £000	2022 Total £000	2021 Total £000
Revenue	6	**63,380**	**5,343**	**68,723**	50,237
Cost of sales		**(25,246)**	**(1,237)**	**(26,483)**	(15,424)
Gross profit		**38,134**	**4,106**	**42,240**	34,813
Administrative costs		**(34,649)**	**(4,336)**	**(38,985)**	(29,657)
Adjusted EBITDA*	6, 29	**13,018**	**1,143**	**14,161**	12,978
Depreciation	13	**(1,700)**	**(67)**	**(1,767)**	(1,603)
Adjusted profit**	29	**11,318**	**1,076**	**12,394**	11,375
Amortisation of intangible assets	14	**(4,253)**	**(747)**	**(5,000)**	(4,269)
Other operating income	9.4	**426**	**—**	**426**	440
Share-based payment charges	8	**(1,502)**	**—**	**(1,502)**	(1,276)
Operating profit before exceptional items		**5,989**	**329**	**6,318**	6,270
Exceptional items:					
Impairment losses	9.3	**(49)**	**—**	**(49)**	—
Other	9.3	**(2,455)**	**(559)**	**(3,014)**	(1,114)
Operating profit/(loss)	9	**3,485**	**(230)**	**3,255**	5,156
Net finance expense	10	**(132)**	**(9)**	**(141)**	(87)
Share of result of equity accounted investees	15	**(556)**	**—**	**(556)**	(434)
Profit/(loss) before tax		**2,797**	**(239)**	**2,558**	4,635
Taxation	11	**(987)**	**(69)**	**(1,056)**	(2,279)
Profit/(loss) after tax		**1,810**	**(308)**	**1,502**	2,356
Other comprehensive (expense)/income					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		**423**	**—**	**423**	(126)
Items not to be reclassified to profit and loss in subsequent period					
Revaluation of financial assets	15	**(50)**	**—**	**(50)**	—
Total comprehensive income/(expense) for the year		**2,183**	**(308)**	**1,875**	2,230
Earnings per ordinary share					
Basic	12			**5.09p**	8.06p
Diluted	12			**4.95p**	7.82p

* 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.

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

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

Consolidated balance sheet
as at 31 July 2022

Company number: 05019106

	Note	2022 £000	2021 £000
Property, plant and equipment	13	**4,897**	3,540
Intangible assets	14	**65,867**	51,745
Investments – equity	15	**—**	50
Investments in equity accounted investees	15	**—**	605
Deferred tax assets	21	**410**	551
		71,174	56,491
Current assets			
Inventories	16	**1,090**	381
Trade and other receivables	18	**18,454**	11,263
Cash held in escrow	20	**2,217**	—
Cash and cash equivalents		**14,970**	25,387
		36,731	37,031
Total assets		**107,905**	93,522
Non-current liabilities			
Lease liabilities	17	**1,476**	1,131
Contingent consideration payable	20	**736**	3,220
Deferred consideration payable	20	**297**	584
Deferred tax liabilities	21	**10,671**	8,517
		13,180	13,452
Current liabilities			
Lease liabilities	17	**1,291**	928
Trade and other payables	19	**24,092**	17,007
Contingent consideration payable	20	**8,585**	4,689
Deferred consideration payable	20	**308**	308
Current tax liabilities		**—**	473
		34,276	23,405
Total liabilities		**47,456**	36,857
Net assets		**60,449**	56,665
Equity attributable to equity holders of the company			
Called up share capital	22	**119**	117
Share premium reserve	23	**6,436**	6,401
Merger reserve	23	**6,161**	5,525
Retained earnings	23	**47,448**	44,710
Translation reserve	23	**335**	(88)
Fair value reserve	23	**(50)**	—
Total equity		**60,449**	56,665

The financial statements on pages 72 to 110 were approved and authorised for issue by the Board of Directors on 8 November 2022 and were signed on its behalf by:

Chris Barnes
Chief Executive Officer

Andy Kelly
Chief Financial Officer

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

Consolidated statement of changes in equity
for the year ended 31 July 2022

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Translation reserve £000	Fair value 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
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 (note 22)	2	35	—	—	—	—	37
Shares issued as consideration for business combinations (note 5)	—	—	636	—	—	—	636
At 31 July 2022	**119**	**6,436**	**6,161**	**47,448**	**335**	**(50)**	**60,449**

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 2022

	Notes	2022 £000	2021 £000
Operating activities			
Profit for the year		**1,502**	2,356
Net finance expense	10	**141**	87
Depreciation	13	**1,767**	1,603
Profit on disposal of plant and equipment	9.1	**(70)**	(46)
Non cash exceptional items	9.3	**2,441**	985
Other operating income	9.4	**(426)**	(440)
Amortisation of intangible assets	14	**5,000**	4,269
Share of result of equity accounted investees	15	**556**	434
Income tax charge	11	**1,056**	2,279
Share based payment charges	8	**1,502**	1,276
Operating cash inflow before changes in working capital		**13,469**	12,803
Movement in inventories		**(233)**	49
Movement in trade and other receivables		**(4,103)**	(4,796)
Movement in trade and other payables		**383**	2,784
Cash generated from operations		**9,516**	10,840
Interest received	10	**6**	7
Interest paid	10	**—**	(74)
Income tax paid		**(1,334)**	(1,417)
Net cash flow from operating activities		**8,188**	9,356
Investing activities			
Purchase of plant and equipment	13	**(1,129)**	(400)
Proceeds from disposal of plant and equipment		**123**	88
Acquisition of subsidiaries (net of cash acquired)	5	**(9,097)**	127
Payment of contingent consideration	20	**(4,126)**	(410)
Cash held in escrow for payment of contingent consideration	20	**(2,217)**	—
Payment of deferred consideration	20	**(315)**	—
Net cash flow used in investing activities		**(16,761)**	(595)
Financing activities			
Dividends paid	28	**(266)**	—
Proceeds from exercise of share options		**37**	27
Settlement of financial liability	19	**(416)**	—
Lease liability payments	17	**(1,421)**	(1,260)
Lease receivable receipts		**32**	32
Net cash flow used in financing activities		**(2,034)**	(1,201)
Net (decrease)/increase in cash and cash equivalents		**(10,607)**	7,560
Exchange adjustments		**190**	(93)
Cash and cash equivalents at the beginning of the year		**25,387**	17,920
Cash and cash equivalents at the end of the year		**14,970**	25,387

The accompanying notes form an integral part of these 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 2022 comprise the Company and its subsidiaries (together referred to as the 'Group') and equity account the Group's interest in associates. The parent company financial statements present information about the Company as a separate entity and not about its Group.

2 Basis of preparation

(a) Statement of compliance

The Group consolidated financial statements have been prepared in accordance with 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 appear after the notes to the consolidated financial statements.

(b) Basis of measurement

The Accounts have been prepared under the historical cost convention, with the exception of the valuation of investments, contingent consideration, 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 2022 the Group had net cash and cash equivalents totalling £15.0m, with a further £2.2m held in an escrow account for settlement of contingent consideration relating to the Railcomm acquisition. The Board has prepared cash flow forecasts for the period through to December 2023 based upon assumptions for trading and the requirements for cash resources, these forecasts take into account reasonably possible changes in trading financial performance. The Group's policies for financial risk management are detailed in note 24 to these 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 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 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 percent of the voting power of another entity or when the Group is deemed to have a significant influence by virtue of a Board position. 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.

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 & condition monitoring technology, consultancy and professional services, traffic data collection & capture, passenger counting, plus event planning, parking and traffic management services.

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

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

Rail Technology & Services

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

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 & 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, the 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 its 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, the 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 not 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.

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.

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.

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

(g) Financial instruments

i) Recognition and initial measurement

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

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

ii) Classification and subsequent measurement

Financial assets

Classification

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

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

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

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

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

Subsequent measurement and gains and losses

Financial assets at FVTPL – these assets 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 own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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 12-month ECL.

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

Measurement of ECLs

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

Write-offs

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

(h) Taxation

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

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

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

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.

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

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 3.5 year period and partial vesting at the 1st, 2nd and 3rd 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 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 and 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.

(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. Grant income in the previous financial year included claims made under the Coronavirus Job Retention Scheme which was recognised as the staff costs to which it related were incurred.

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

Contingent consideration

Within the share purchase agreements for the acquisitions of Compass Informatics Limited, Cash & Traffic Management Limited, Bellvedi Limited, iBlocks Limited, The Icon Group Limited, and Railcomm LLC, are various provisions relating to the payment of contingent consideration which are linked to financial performance post acquisition. There is a degree of estimation uncertainty in calculating the fair value of the contingent consideration as it is dependent on the future profit performance which results from assumptions about revenues and costs of the acquired businesses, and each of which is subject to a separate share purchase agreement and basis for calculating contingent consideration. Each Share Purchase Agreement contains different provisions for calculating contingent consideration, timeframes over which it is calculated and payable, and therefore sensitivities regarding the total amount to be paid. Included within the balance sheet is a total amount of £9.3m, which is management's best estimates of the fair value of the amount payable in respect of all of the acquisitions which have a remaining contingent consideration liability. Further details on management's assessment of this, including sensitivities, is provided in note 20 to these financial statements.

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 a period of 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 the 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.

Investments in associates

Judgements have been taken in assessing the accounting for the investment in Vivacity Labs Limited applying IAS 28 Investment in Associates and Joint Ventures (2011). In the previous financial year, the Group holding in Vivacity Labs Limited fell below 20% to 17.6% and has reduced again in the current financial year to 14.7%, however the Group continues 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.

In the current financial year, the Group holding in Nutshell Software Limited has also fallen to below 20% following a fundraising round that the Group did not participate in. The Group has also resigned its position on the Board in the financial year. Having made an assessment against the criteria in IAS 28 it has been determined that the Group no longer exerts significant influence over Nutshell Software Limited and as such the investment has ceased to be accounted for as an Associate from 24 November 2021. After this point Nutshell has been accounted for as an investment held at fair value with changes in fair value recognised in Other Comprehensive Income, and accumulated in a separate reserve in Equity.

5 Acquisitions in the current 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. Icon has several long-term repeat contracts. The acquisition of Icon Group adds EO capabilities that enhance the Group's offering in this growing market. Icon has a customer base that is complementary to Tracsis'.

The acquisition consideration comprised an initial cash payment of €2.2m (£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 €0.8m (£0.6m). An additional payment of approximately €2.2m (£1.9m) reflects the net current asset (above a working capital hurdle) position at completion on a euro for euro basis. Additional contingent consideration of up to €1.8m (£1.5m) is payable subject to Icon Group achieving certain stretched financial targets in the three years post acquisition.

The business is cash generative and debt free. In the period from acquisition to 31 July 2022 The Icon Group Limited contributed revenue to the Group of £2.0m and pre-tax profit of £0.3m, before amortisation of associated intangible assets and exceptional deal costs (pre tax loss £0.2m including amortisation of associated intangible assets and exceptional deal costs). If the acquisition had occurred on 1 August 2021 management estimates that the contribution to Group revenue would have been £2.7m and Group pre-tax profit for the period of £0.4m (estimated pre tax loss £0.2m including amortisation of associated intangible assets and exceptional deal costs if the acquisition had occurred on 1 August 2021).

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, including the skills and experience of staff within the acquired business and anticipated synergies arising from the acquisition, 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. Due to the nature of the company acquired, this often requires the recognition of additional intangible assets, specifically in relation to customer relationships. An external valuation specialist has been engaged by the Group to assist with the valuation of the intangibles. In determining the fair values of intangible assets the Group has used discounted cash flow forecasts. The fair value of shares issued was based on market value at the date of issue. The Group incurred acquisition related costs of £0.2m which are included within administrative expenses.

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

	Pre-acquisition carrying amount €000	Fair value adjustments €000	Recognised value on acquisition €000	Recognised value on acquisition £000
Intangible assets: Customer related intangibles	—	2,367	2,367	2,014
Tangible fixed assets	15	—	15	13
Cash and cash equivalents	2,069	—	2,069	1,760
Trade and other receivables	1,037	—	1,037	882
Trade and other payables	(493)	—	(493)	(419)
Deferred tax liability	—	(296)	(296)	(252)
Net identified assets and liabilities	2,628	2,071	4,699	3,998
Goodwill on acquisition			1,537	1,308
			6,236	5,306
Consideration paid in cash			4,484	3,820
Consideration paid: fair value of shares issued			750	636
Fair value of contingent consideration payable			1,002	850
Total consideration			6,236	5,306

5 Acquisitions in the current year *continued*

(b) 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. The acquisition is in line with Tracsis' strategy of extending its rail software footprint and expanding the addressable markets for its products and services.

The acquisition consideration comprised an initial cash payment of $11.5m (£8.8m) which was funded out of Tracsis cash reserves. Additional contingent consideration of up to $2.7m (£2.1m) is payable subject to Railcomm delivering certain financial targets in the first full year after acquisition through to 31 March 2023. A further $0.1m (£0.1m) post completion adjustment in accordance with the purchase agreement was due to the sellers following completion.

The business was acquired on a debt free basis. In the period from acquisition to 31 July 2022 Railcomm contributed revenue to the Group of £3.3m and pre-tax profit of £0.8m, before amortisation of associated intangible assets and exceptional deal costs (pre-tax loss £0.1m including amortisation of associated intangible assets and exceptional deal costs). If the acquisition had occurred on 1 August 2021 management estimates that the contribution to Group revenue would have been £8.9m and Group pre-tax profit for the period of £2.0m (estimated pre-tax profit £0.7m including amortization of associated intangible assets and exceptional deal costs if the acquisition had occurred on 1 August 2021). 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, including the skills and experience of staff within the acquired business, and anticipated synergies arising from the acquisition, 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. Due to the nature of the companies acquired, this often requires the recognition of additional intangible assets, specifically in relation to technology, customer relationships, order books and marketing. An external valuation specialist has been engaged by the Group to assist with the valuation of the intangibles. In determining the fair values of intangible assets, the Group has used discounted cash flow forecasts. The Group incurred acquisition related costs of £0.4m 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	Recognised value on acquisition £000
Intangible assets: Technology intangibles	—	7,398	7,398	5,654
Intangible assets: Customer related intangibles	—	1,481	1,481	1,132
Intangible assets: Order backlog intangible	—	501	501	383
Intangible assets: Marketing related intangibles	—	1,082	1,082	827
Tangible fixed assets	345	—	345	264
Cash and cash equivalents	2,257	—	2,257	1,725
Trade and other receivables	2,687	—	2,687	2,053
Inventory	576	—	576	440
Trade and other payables	(2,837)	—	(2,837)	(2,168)
Contract liabilities	(5,302)	—	(5,302)	(4,052)
Deferred tax liability	—	(2,825)	(2,825)	(2,159)
Net identified assets and liabilities	(2,274)	7,637	5,363	4,099
Goodwill on acquisition			8,841	6,756
			14,204	10,855
Consideration paid in cash			11,610	8,873
Fair value of contingent consideration payable			2,594	1,982
Total consideration			14,204	10,855

6 Revenue and segmental analysis

(a) Revenue

Sales revenue is summarised below:

	2022 £000	2021 £000
Rail Technology & Services	**29,935**	26,424
Data, Analytics, Consultancy & Events	**38,788**	23,813
Total revenue	**68,723**	50,237

Revenue can also be analysed as follows:

	2022 £000	2021 £000
Software and related services	**22,088**	20,980
Data, Analytics, Consultancy, and Events	**38,788**	23,813
Other	**7,847**	5,444
Total	**68,723**	50,237

Revenue to come from contracts entered into with performance obligations not fulfilled or only partially fulfilled amounted to £28.9m as at 31 July 2022, of which £15.6m is expected to be recognised within one year, and £13.3m after one year (£15.1m as at 31 July 2021, with £8.9m to be recognised within one year and £6.2m after one year).

Further information on revenue is provided below:

	2022 £000	2021 £000
Recognised over time	**14,925**	12,180
At a point in time	**15,010**	14,244
Rail Technology & Services	**29,935**	26,424
Recognised over time	**—**	—
At a point in time	**38,788**	23,813
Data, Analytics, Consultancy & Events	**38,788**	23,813
Recognised over time	**14,925**	12,180
At a point in time	**53,798**	38,057
Total revenue	**68,723**	50,237

Major customers

Transactions with the Group's largest customer represent 12% of the Group's total revenues (2021: 17%).

Geographic split of revenue

A geographical analysis of revenue is provided below:

	2022 £000	2021 £000
United Kingdom	**55,849**	43,965
Ireland	**8,827**	5,449
Rest of Europe	**280**	338
North America	**3,343**	189
Rest of the World	**424**	296
Total	**68,723**	50,237

6 Revenue and segmental analysis *continued*

(b) Segmental analysis

The Group has divided its results into two segments being 'Rail Technology & Services' and 'Data, Analytics, Consultancy & Events' consistent with disclosure in the 2021 Financial Statements.

The Group has a wide range of products and services for the rail industry, such as software, hosting services, 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. Presented below segmental analysis of profit before tax for 2021 has been further analysed to allocate amortisation and exceptional items, assets and liabilities for 2021 has been further analysed to allocate Intangibles & Investments, Contingent Consideration and Deferred Consideration to each individual segment.

	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**

6 Revenue and segmental analysis *continued*

(b) Segmental analysis *continued*

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

	2021			
	Rail Technology & Services £000	Data, Analytics, Consultancy & Events £000	Unallocated £000	Total £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	(3,345)	(924)	—	(4,269)
Depreciation	(699)	(904)	—	(1,603)
Exceptional items (net)	—	(129)	(985)	(1,114)
Other operating income	—	—	440	440
Share-based payment charges	—	—	(1,276)	(1,276)
Interest payable (net)	(36)	(37)	(14)	(87)
Share of result of equity accounted investees	—	—	(434)	(434)
Consolidated profit before tax	4,979	1,925	(2,269)	4,635

	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	**54,277**	**11,590**	**—**	**65,867**
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	**76,347**	**31,148**	**410**	**107,905**
Liabilities				
Total other liabilities for reportable segments	**(17,070)**	**(9,789)**	**—**	**(26,859)**
Deferred tax liabilities	**—**	**—**	**(10,671)**	**(10,671)**
Contingent consideration	**(8,320)**	**(1,001)**	**—**	**(9,321)**
Deferred consideration	**—**	**(605)**	**—**	**(605)**
Consolidated total liabilities	**(25,390)**	**(11,395)**	**(10,671)**	**(47,456)**

6 Revenue and segmental analysis *continued*

(b) Segmental analysis *continued*

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

	2021			
	Rail Technology & Services £000	Data, Analytics, Consultancy & Events £000	Unallocated £000	Total £000
Assets				
Total other assets for reportable segments	6,515	8,669	—	15,184
Intangible assets and investments	42,171	9,574	655	52,400
Deferred tax assets	—	—	551	551
Cash and cash equivalents	16,862	6,483	2,042	25,387
Consolidated total assets	65,548	24,726	3,248	93,522
Liabilities				
Total other liabilities for reportable segments	(11,913)	(7,036)	(590)	(19,539)
Deferred tax	—	—	(8,517)	(8,517)
Contingent consideration	(7,194)	(715)	—	(7,909)
Deferred consideration	—	(892)	—	(892)
Consolidated total liabilities	(19,107)	(8,643)	(9,107)	(36,857)

Non-current assets can be split as follows:

	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**	**15,396**	**65,867**
Investments – equity	**—**	**—**	**—**	**—**
Investments in equity accounted investees	**—**	**—**	**—**	**—**

	2021			
	UK £000	Ireland £000	North America £000	Total £000
Non-current assets				
Property, plant and equipment	3,240	300	—	3,540
Intangible assets	48,116	3,629	—	51,745
Investments – equity	50	—	—	50
Investments in equity accounted investees	605	—	—	605

7 Employees and personnel costs

	2022 £000	2021 £000
Staff costs:		
Wages and salaries	**30,855**	21,834
Social security contributions	**3,201**	2,419
Contributions to defined contribution plans	**1,182**	804
Equity-settled share based payment transactions	**1,502**	1,276
	36,740	26,333
Split:		
Cost of Sales	**13,582**	7,031
Administrative expenses	**23,158**	19,302
Total	**36,740**	26,333
Average number of permanent staff	**561**	434
Average number of casual staff (full time equivalents)	**395**	124
	956	558

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

Included within the staff costs are claims made under the furlough scheme totalling £nil (2021: £884,000).

The directors' remuneration and share options are detailed within the Directors' Remuneration Report on pages 54 to 59. Total directors' remuneration, including bonus and pension contributions was £1,050,000 (2021: £795,000). The aggregate remuneration of the highest paid director was £504,000 (2021: £392,000). The highest paid director exercised 21,417 share options in the year (2021: nil). One director (2021: nil) exercised share options during the year. Two directors (2021: two) currently participate in the long-term incentive plan. One director (2021: one) receives employer pension contributions into a personal pension scheme. Directors of the Company control 0.06% of the voting shares of the company (2021: 0.02%). 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.

EMI Share options

Options are exercisable at a price agreed at the date of grant. The vesting period is usually between one and five years. The exercise of options is dependent upon eligible employees meeting performance criteria. The options are settled in equity once exercised. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest. This scheme is no longer open to new participants.

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 10 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 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest. Employees are liable for settling income tax and national insurance liabilities arising from the exercise of options.

8 Share-based payments *continued*

Directors' scheme

Directors were not entitled to take part in the 2015 to 2021 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 Staff schemes	Employees entitled	Number of options	Performance conditions	Exercise price (p)	Earliest exercise date	Expiry date
02/08/2012	2	4,004	Time served	0.40	02/08/2013[1]	02/08/2022
28/01/2013	1	65,000	Time served	155.5	28/07/2013[2]	28/01/2023
01/08/2013	2	1,616	Time served	0.40	01/08/2014[1]	01/08/2023
01/08/2014	11	34,796	Time served	0.40	01/08/2015[1]	01/08/2024
01/08/2015	18	29,423	Time served	0.40	01/08/2016[3]	01/08/2025
25/09/2015	8	8,140	Time served	0.40	25/09/2016[3]	25/09/2025
01/12/2015	2	28,378	Time served	0.40	01/12/2016[3]	01/12/2025
01/08/2016	18	55,235	Time served	0.40	01/08/2017[3]	01/08/2026
01/08/2017	13	40,414	Time served	0.40	01/08/2018[3]	01/08/2027
01/08/2018	53	76,904	Time served	0.40	01/08/2019[3]	01/08/2028
16/01/2019	11	27,236	Time served	0.40	16/01/2020[3]	16/01/2029
01/05/2019	7	40,075	Time served	0.40	01/05/2023[4]	01/05/2029
01/08/2019	62	86,587	Time served	0.40	01/08/2020[3]	01/08/2029
01/08/2020	97	181,506	Time served	0.40	01/08/2021[3]	01/02/2030
01/08/2021	73	116,011	Time served	0.40	01/08/2022[3]	01/08/2031
29/07/2022	1	1,900	Time served	0.40	09/05/2025	28/07/2032
Directors' schemes[5]						
02/12/2019	1	38,961	EPS and TSR	0.40	02/12/2022	02/12/2029
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
Outstanding		**943,501**				

(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: 10% vest six months after grant date, 15% vest 12 months after grant date, 15% vest 18 months after grant date, 15% vest 24 months after grant date, 20% vest 30 months after grant date, 25% vest 36 months after grant date.

(3) 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.

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

(5) Details of EPS and TSR are disclosed in the Directors remuneration report.

8 Share based payments *continued*

Directors' scheme *continued*

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

	2022 Number	2022 Weighted average exercise price	2021 Number	2021 Weighted average exercise price
Outstanding at 1 August	**1,054,795**	**13.2p**	978,469	17.0p
Granted	**163,161**	**0.4p**	275,668	0.4p
Lapsed	**(13,176)**	**0.4p**	(5,912)	0.4p
Exercised	**(261,279)**	**14.1p**	(193,430)	14.9p
Outstanding at 31 July	**943,501**	**11.1p**	1,054,795	13.2p
Exercisable at 31 July	**494,124**	**20.8p**	543,821	25.5p

Share options were exercised at numerous points in the year, and the average share price for the year ended 31 July 2022 was 980p (2021: 695p).

The share options outstanding at the end of the year have a weighted average remaining contractual life of 6.4 years (2021: 6.5 years).

Fair value assumptions of share-based payment charges

The estimate of the fair value of share-based awards is calculated using the Black-Scholes option pricing model. The following assumptions were used on options granted in the year:

Options granted on	01/08/2021	29/11/2021	29/07/2022
Share price at date of grant	980.0p	1010.0p	895.0p
Exercise price	0.4p	0.4p	0.4p
Vesting period (years)	3.5	3.0	3.0
Expected volatility	30%	30%	30%
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	980p	884p	895p

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

Charge to the income statement

	2022 £000	2021 £000
Share-based payment charges	**1,502**	1,276

9 Operating profit

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

	2022 £000	2021 £000
Depreciation of property, plant and equipment – owned	**608**	560
Depreciation of property, plant and equipment – leased (including right of use assets)	**1,159**	1,043
Total depreciation of property, plant and equipment (note 13)	**1,767**	1,603
Total amortisation (note 14)	**5,000**	4,269
Profit on disposal of plant and equipment	**(70)**	(46)
Operating lease rentals: Land and buildings*	**112**	53
Operating lease rentals: Motor Vehicles*	**—**	50
Operating lease rentals: Plant & machinery*	**2**	1
Total operating lease rentals	**114**	104
Research and development expenditure expensed as incurred	**3,280**	3,383
Grants received:		
Government grants	**(459)**	(625)
Coronavirus Job Retention Scheme	**—**	(884)

* Operating lease rentals in 2022 and 2021 relate to items for which the recognition and measurement exemptions have been taken available within IFRS 16.

9.2 Auditor's remuneration:

	2022 £000	2021 £000
Audit of these financial statements	**132**	72
Amounts receivable by auditors and their associates in respect of:		
– Audit of financial statements of subsidiaries pursuant to legislation	**190**	153
– Other services	**5**	5
Total	**327**	230

An additional £45,000 was charged in relation to 2021, for audit of financial statements of subsidiaries pursuant to legislation.

9.3 Exceptional items:

The Group incurred a number of exceptional items in 2022 and 2021 which are analysed as follows:

	2022 £000	2021 £000
Impairment losses		
Non cash:		
Investment in Associate	**49**	—
Total impairment losses	**49**	—
Other		
Non cash:		
Contingent consideration fair value adjustment	**1,792**	327
Unwind of discounting of contingent consideration	**774**	658
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**	129
Total other	**3,014**	1,114
Total exceptional items	**3,063**	1,114

Split:	2022 £000	2021 £000
Non cash	**2,441**	985
Cash	**622**	129
Total	**3,063**	1,114

9 Operating profit *continued*

9.3 Exceptional items: *continued*

2022

An exceptional cost has been recognised to increase the fair value of the contingent consideration payable at the end of the financial year. A £1,792,000 charge to the income statement has been recorded which reflects the increased pipeline for software contract opportunities, and the impact of software contracts which have been secured in the financial year. A further charge totalling £774,000 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. 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 re-purchase and a resulting fair value adjustment recognised of £127,000. Consideration for the shares paid was £416,000 and a resulting one-off gain has been recognised totalling £47,000.

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 (2021: £nil) of legal and professional costs associated with the transfer of a UK employee to oversee the integration of the acquisition.

Legal and professional fees have also been incurred in relation to one off transactions (including the re-purchase of TRC A Shares) and as they will not recur in future years, are deemed to be exceptional in nature.

An impairment loss of £49,000 has been recognised in the year in relation to the Investment in the 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.

2021

In the previous financial year, 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 was also recognised 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 £658,000 was completed in the year. Contingent consideration at 31 July 2021 has been discounted at 12%.

9.4 Other operating income

The Group does not qualify as a SME for R&D purposes and as such is governed by the large company ‘above the line’ credit in respect of research and development costs for Corporation Tax purposes. This amounted to £426,000 in 2022 (2021: £440,000).

10 Net finance expense

	2022 £000	2021 £000
Interest received on bank deposits	**6**	7
Interest on Lease receivable	**3**	4
Interest on Lease liabilities	**(98)**	(74)
Net foreign exchange loss	**(23)**	(10)
Unwind of discount of Deferred Consideration	**(29)**	(14)
Total net finance expense	**(141)**	(87)

11 Taxation

Recognised in the income statement

	2022 £000	2021 £000
Current tax expense		
Current year	**1,327**	1,850
Adjustment in respect of prior periods	**(3)**	(48)
Total current tax	**1,324**	1,802
Deferred tax		
Current year		
Origination and reversal of temporary differences	**(200)**	(1,144)
Rate changes	**—**	1,673
Adjustment in respect of prior periods	**(68)**	(52)
Total deferred tax	**(268)**	477
Total tax in income statement	**1,056**	2,279

11 Taxation *continued*

Recognised in the income statement *continued*

Reconciliation of the effective tax rate:

	2022 £000	2022 %	2021 £000	2021 %
Profit before tax for the period	**2,558**	**100.0**	4,635	100.0
Expected tax charge based on the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	**486**	**19.0**	881	19.0
Expenses not deductible for tax purposes	**623**	**24.4**	(251)	(5.4)
Rate changes	**—**	**—**	1,673	36.1
Adjustments in respect of previous years	**(71)**	**(2.8)**	(100)	(2.2)
Overseas tax not at 19%	**(104)**	**(4.1)**	(79)	(1.7)
Trading losses carried forward	**73**	**2.9**	77	1.7
Other movements	**49**	**1.9**	78	1.7
Total tax expense	**1,056**	**41.3**	2,279	49.2

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly. The net deferred tax liability has been calculated at the rate that it is anticipated to unwind; for UK entities either 19% or 25% (2021: 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 carried forward tax losses at the year-end totalling £nil (2021: £0.9m). There are no unrecognised tax losses carried forward.

12 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 July 2022 was based on the profit attributable to ordinary shareholders of £1,502,000 (2021: £2,356,000) and a weighted average number of ordinary shares in issue of 29,486,000 (2021: 29,229,000), calculated as follows:

Weighted average number of ordinary shares

In thousands of shares	2022	2021
Issued ordinary shares at 1 August	**29,332**	29,122
Effect of shares issued related to business combinations	**51**	7
Effect of shares issued for cash	**103**	100
Weighted average number of shares at 31 July	**29,486**	29,229

Diluted earnings per share

The calculation of diluted earnings per share at 31 July 2022 was based on profit attributable to ordinary shareholders of £1,502,000 (2021: £2,356,000) and a weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares of 30,330,000 (2021: 30,131,000):

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 Equities 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. The Group has also presented an 'Adjusted Profit' metric as detailed in note 29, with the key difference between the numbers presented below, and those disclosed in note 29 being the income tax charge.

	2022 £000	2021 £000
Profit after tax	**1,502**	2,356
Amortisation of intangible assets	**5,000**	4,269
Share-based payment charges	**1,502**	1,276
Exceptional items (net)	**3,063**	1,114
Other operating income	**(426)**	(440)
Tax impact of adjusting items	**(847)**	746
Adjusted profit for EPS purposes	**9,794**	9,321

12 Earnings per share *continued*

Weighted average number of ordinary shares

In thousands of shares	**2022 £000**	2021 £000
For the purposes of calculating Basic earnings per share	**29,486**	29,229
Adjustment for the effects of all dilutive potential ordinary shares	**844**	902
For the purposes of calculating Dilutive earnings per share	**30,330**	30,131

Basic adjusted earnings per share	**33.22p**	31.89p
Diluted adjusted earnings per share	**32.29p**	30.93p

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 2020	2,508	1,459	1,909	2,404	8,280
Lease Modifications	644	—	—	—	644
Additions	356	233	194	176	959
Arising on acquisition	—	—	1	—	1
Disposals	—	(426)	(1)	(39)	(466)
Exchange adjustment	—	—	(6)	—	(6)
At 31 July 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**
Depreciation					
At 1 August 2020	841	762	1,558	1,538	4,699
Charge for the year	814	251	223	315	1,603
Disposals	—	(400)	—	(24)	(424)
Exchange adjustment	—	—	(6)		(6)
At 31 July 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**
Net book value					
At 1 August 2020	1,667	697	351	866	3,581
At 31 July 2021	1,853	653	322	712	3,540
At 31 July 2022	**2,222**	**1,344**	**721**	**610**	**4,897**

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

13 Property, plant and equipment *continued*

	Land and buildings £000	Plant machinery 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**
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**
Net book value			
At 31 July 2021	1,597	562	2,159
At 31 July 2022	**1,983**	**1,005**	**2,988**

Additions to right of use assets in the 2021 totalled £356,000 for Land and Buildings, and £203,000 for Plant, Machinery & Vehicles. Lease modifications were recognised totalling £213,000 for Land and Buildings. In the previous financial year the depreciation charge was £798,000 for Land and Buildings, and £245,000 for Plant, Machinery & Vehicles. The net book value of disposals in 2021 were £10,000 of Plant, Machinery & Vehicles.

14 Intangible assets

	Goodwill £000	Customer-related intangibles £000	Technology-related intangibles £000	Order Book intangibles £000	Marketing-related intangibles £000	Total £000
Cost						
At 1 August 2020	11,850	36,125	20,417	—	—	68,392
Arising on acquisition	954	684	—	—	—	1,638
At 31 July 2021	12,804	36,809	20,417	—	—	70,030
Arising on acquisition	8,064	3,146	5,654	383	827	18,074
Exchange adjustment	484	58	421	29	62	1,054
At 31 July 2022	**21,352**	**40,013**	**26,492**	**412**	**889**	**89,158**
Amortisation						
At 1 August 2020	623	9,112	4,281	—	—	14,016
Charge for the year	—	2,263	2,006	—	—	4,269
At 31 July 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**
Carrying amounts						
At 1 August 2020	11,227	27,013	16,136	—	—	54,376
At 31 July 2021	12,181	25,434	14,130	—	—	51,745
At 31 July 2022	**20,729**	**25,871**	**18,039**	**383**	**845**	**65,867**

14 Intangible assets *continued*

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

	Goodwill		Customer-related intangibles		Technology-related intangibles		Order Book-related intangibles		Marketing-related intangibles	
	2022 £000	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Rail Operations(1)	**495**	495	**1,926**	2,094	**297**	463	**—**	—	**—**	—
Bellvedi Limited	**40**	40	**3,690**	3,912	**3,216**	3,682	**—**	—	**—**	—
MPEC Technology Limited	**269**	269	**564**	628	**—**	—	**—**	—	**—**	—
OnTrac Technology Limited	**602**	602	**8,997**	9,671	**467**	606	**—**	—	**—**	—
iBlocks Limited	**7,109**	7,109	**3,221**	3,487	**6,949**	7,841	**—**	—	**—**	—
Tracsis Travel Compensation Services Limited and Delay Repay Sniper Limited	**—**	—	**554**	616	**488**	656	**—**	—	**—**	—
Tracsis Traffic Data Limited	**390**	390	**121**	291	**—**	—	**—**	—	**—**	—
Event Traffic Management(2)	**587**	587	**1,601**	1,923	**—**	—	**—**	—	**—**	—
Compass Informatics Limited and The Icon Group Limited	**2,309**	1,021	**3,183**	1,725	**764**	882	**—**	—	**—**	—
Transport Consultancy(3)	**1,668**	1,668	**964**	1,087	**—**	—	**—**	—	**—**	—
RailComm LLC	**7,260**	—	**1,050**	—	**5,858**	—	**383**	—	**845**	—
	20,729	12,181	**25,871**	25,434	**18,039**	14,130	**383**	—	**845**	—

(1) Comprises Safety Information Systems Limited and Datasys Integration Limited.

(2) Comprises SEP Limited and Cash & Traffic Management Limited.

(3) Comprises Tracsis Rail Consultancy Limited, Tracsis Passenger Analytics Limited and Flash Forward Consulting Limited.

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

	2022 £000	2021 £000
Administrative expenses	**5,000**	4,269

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 10 years remaining to amortise, order book intangibles have 5 years remaining to amortise and Marketing related intangibles have 8 years left to amortise.

The majority of technology related intangibles relates to seven brands of software that have been acquired in past acquisitions. These are named in the annual report and accounts.

In accordance with the requirements of IAS36 "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.

14 Intangible assets *continued*

	Discount rate	Long term growth rate
Rail Operations	14.5%	2%
Bellvedi Limited	14.5%	2%
MPEC Technology Limited	14.5%	2%
Ontrac Technology Limited	14.5%	2%
iBlocks Limited	14.5%	2%
Tracsis Travel Compensation Services Limited & Delay Repay Sniper Limited	14.5%	2%
Tracsis Traffic Data Limited	14.5%	2%
Event Traffic Management	14.5%	2%
Compass Informatics Limited & The Icon Group Limited	12.5%	2%
Transport Consultancy	14.5%	2%
Railcomm LLC	13.5%	2.5%

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.

Sensitivities of reasonably possible changes have been considered for each CGU as below, resulting in the carrying amount not exceeding the recoverable amount for each CGU:

- a 1% point increase in the discount rate
- a 1% point reduction in the long term growth rate.

The discount rate applied would need to increase by more than 2.3% points before the carrying amount would not exceed the recoverable amount in any CGU.

The CGU that is most sensitive to assumptions around future contract wins is iBlocks. Were the discount rate to increase by 3.1% points, this would reduce headroom against the non-current assets to £nil. For this same CGU forecast net cashflows would need to reduce by more than 21.7% before its carrying amount would exceed the recoverable amount. Management do not consider either scenario to be reasonably possible.

As a newly acquired subsidiary, the RailComm CGU is sensitive to changes in forecasting assumptions. A decrease in forecasted revenues of 3% with no cost mitigation and into perpetuity would reduce the headroom against the non-current assets to £nil. Management consider this unlikely because of the good performance since acquisition of Railcomm and the value of its current orderbook.

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 2022	**2022 £000**	2021 £000
Investments – equity			
Citi Logik Limited	15.40%	**–**	50
Nutshell Software Limited	17.22%	**–**	–
Investments in equity accounted investees			
Nutshell Software Limited	17.22%	**–**	57
Vivacity Labs Limited	14.65%	**–**	548
		–	655

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

During the financial year, Nutshell Software 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 overall holding of the Group in Nutshell Software Limited to 17.22%. The Group has also resigned its Board seat in the financial year. It is considered that the Group no longer exerts significant influence over Nutshell Software Limited, and as such the Investment is no longer an equity accounted investment.

In the current financial year, a further round of fundraising was completed by Vivacity Labs Limited. The Group did not subscribe to the new shares issued, and its interest in the Company has diluted to 14.65%. The Group has maintained a Board seat at the year-end date. The Group has assessed its ability to exert significant influence over Vivacity Labs Limited, despite the holding being below 20% of the overall issued share capital, and considers it meets the requirements set out in IAS 28, including but not limited to the maintenance of a Board seat.

15 Investments *continued*

An assessment of the fair value of the Equity Investment in Citi Logik Limited was completed at the end of the year, and a reduction in fair value has been recognised of £50,000. In accordance with the Group accounting policies changes in fair value of the Equity Investment are recognised in Other Comprehensive Income. The remaining fair value of the investment has been determined as £nil.

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

	2022 £000	2021 £000	Prior years £000	**Total £000**
Nutshell Software Limited[1]	**(8)**	(160)	(283)	**(451)**
Vivacity Labs Limited[2]	**(548)**	(274)	(478)	**(1,300)**
	(556)	(434)	(761)	**(1,751)**

(1) Share of loss calculated to 24 November 2021 at which point the Group ceased to exert significant influence over the entity.

(2) Share of loss in this financial year has been recognised to the extent that the carrying value of the Investment in Equity Accounted Investees has been reduced to £nil.

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

Name	Date of last signed accounts	Revenue £000	Loss after tax £000	Net assets £000
Vivacity Labs Limited	31 December 2021	5,936	(2,330)	3,954

16 Inventories

	2022 £000	2021 £000
Raw materials and work in progress	**521**	83
Finished goods	**569**	298
	1,090	381

The value of inventories expensed in the period in cost of sales was £1,393,000 (2021: £1,585,000). Provision is made for slow moving and obsolete stock on a line-by-line basis. The value of any write downs/reversals in the current and previous period was not material.

17 Lease liabilities

	2022 £000	2021 £000
Due within one year	**1,291**	928
Due after more than one year:		
– Between one and two years	**841**	754
– Between two and five years	**635**	377
Total due after more than one year	**1,476**	1,131
Total obligation	**2,767**	2,059

A reconciliation of the obligation is stated below.

	2022 £000	2021 £000
At 1 August	**2,059**	2,114
Lease modifications	**213**	644
New contracts	**1,540**	561
Arising on acquisition	**260**	—
Total cash outflow	**(1,421)**	(1,334)
Interest	**97**	74
Exchange adjustments	**19**	—
At 31 July	**2,767**	2,059

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% (2021: 2.6% to 2.7%)

17 Lease liabilities *continued*

Future minimum lease payments at 31 July 2022 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
2022	**2,767**	**2,921**	**1,387**	**882**	**652**
2021	2,059	2,105	985	632	488

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:

	2022 £000	2021 £000
Short-term leases	**112**	103
Leases of low value assets	**2**	1
Total	**114**	104

18 Trade and other receivables

	2022 £000	2021 £000
Trade receivables	**13,755**	8,874
Other receivables and prepayments	**4,551**	2,290
Lease receivable	**70**	99
Corporation tax receivable	**78**	—
	18,454	11,263

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 (2022: 12% of revenue, 2021: 17% 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.

The fair values of trade and other receivables are approximately the same as their book values. The expected credit loss for Group trade receivables is immaterial. The other classes within trade and other receivables do not contain impaired assets.

19 Trade and other payables

	2022 £000	2021 £000
Trade payables	**2,256**	1,173
Other tax and social security	**3,604**	2,644
Contract liabilities	**12,321**	8,085
Accruals and other payables	**5,911**	4,515
Financial liability	**—**	590
	24,092	17,007

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

Contract liabilities relates to consideration received in advance of the completion of the associated performance obligation. Revenue recognised in the reporting period that was included in the contract liability balance at beginning of the year totalled £6,458,000 (2021: £6,079,000).

Financial liabilities are valued at fair value through the profit and loss (FVTPL). The instrument arose in the previous financial year as part of the acquisition of Flash Forward Consulting Limited and was in relation to A shares issued in Tracsis Rail Consultancy, which have no voting rights attached to them, and guarantee the holder a dividend each financial year. On 17 June 2022 the Group settled the financial liability in exchange for a cash payment of £416,000. The fair value of the A shares on this date was determined as £463,000. A gain on settlement totalling £47,000 has been recognised in exceptional items in the year, see note 9.3 for further details.

20 Contingent and deferred consideration

(a) Contingent consideration

During this financial year the Group acquired The Icon Group Limited ("Icon") and Railcomm, LLC and Railcomm Associates Inc (together "Railcomm"). Under the share purchase agreement in place for Icon, 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 (£1,471,000), and the fair value of the amount payable was assessed as €902,000 (£757,000). Contingent consideration under the share purchase agreement for Railcomm is payable up to a maximum of $2,700,000 (£2,217,000) linked to the financial performance of the business in the year following the acquisition through to 31 March 2023. At the year-end date the fair value of the amount payable was assessed at $2,626,000 (£2,157,000). Cash held in escrow for the purpose of settlement of the contingent consideration for the Railcomm acquisition totalled £2,217,000 at the balance sheet date. The cash held in escrow is held as a financial asset not within the overall cash and cash equivalents balance, due to restrictions on access to the cash on demand. Prior approval of any transfers must be completed by both Tracsis and the seller before they can take place, and as such the cash is not considered to be available on demand. If the financial performance metrics linked to the contingent consideration are not met in full, the balance will be returned to Tracsis.

In 2020 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 £2,224,000 at the year-end date.

In 2019, the Group acquired 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 over the contingent consideration period is €1,500,000 (£1,261,000) for Compass Informatics Limited and £7,900,000 for Bellvedi Limited. The fair value of the amount payable was assessed at £243,000 for Compass Informatics Limited and £3,940,000 for Bellvedi Limited at the year-end date.

During the financial year, the final contingent consideration due on the 2019 acquisition of Cash & Traffic Management Limited was paid totalling £259,000 (2021: £nil). Contingent consideration of €329,000 (£281,000) was paid in respect of the Compass Informatics Limited acquisition (2021: £410,000) and £3,586,000 in respect of the Bellvedi Limited acquisition.

As detailed in note 9.3, a net exceptional charge of £1,792,000 was recognised, following a review of the assumptions of the fair value of the contingent consideration as at 31 July 2022. At the balance sheet date, the Directors assessed the fair value of the remaining amounts payable which were deemed to be as follows:

	2022 £000	2021 £000
Cash & Travel Management Limited	**—**	253
Compass Informatics Limited	**243**	462
Bellvedi Limited	**3,940**	4,357
iBlocks Limited	**2,224**	2,837
The Icon Group Limited	**757**	—
Railcomm, LLC	**2,157**	—
	9,321	7,909

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

The Group has considered multiple profit related scenarios in estimating the fair value of contingent consideration payable in the future. In all cases, contingent consideration payable could range from zero to the maximum amount included in the Share Purchase Agreements as detailed in this note and also note 5. Each Share Purchase Agreement contains different provisions for calculating contingent consideration, timeframes over which it is calculated and payable, and therefore sensitivities regarding the total amount to be paid. In respect of Compass Informatics Limited, Bellvedi Limited, iBlocks Limited, The Icon Group, and Railcomm a change in the estimated profit of 10% would result in a change in the fair value of contingent consideration of £1.0m.

20 Contingent and deferred consideration *continued*

(a) Contingent consideration *continued*

The movement on contingent consideration can be summarised as follows:

	2022 £000	2021 £000
At the start of the year	**7,909**	7,334
Arising on acquisition (note 5)	**2,832**	—
Cash payment	**(4,126)**	(410)
Fair value adjustment to Statement of Comprehensive Income	**1,792**	327
Unwind of discounting	**774**	658
Exchange adjustment	**140**	—
At the end of the year	**9,321**	7,909

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

	2022 £000	2021 £000
Payable in less than one year	**8,585**	4,689
Payable in more than one year	**736**	3,220
Total	**9,321**	7,909

(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 2022 the present value of this deferred consideration is £605,000. The movement on deferred consideration can be summarised as follows:

	2022 £000	2021 £000
At the start of the year	**892**	—
Arising on acquisition (note 5)	**—**	878
Cash payment	**(315)**	—
Unwind of discounting	**28**	14
At the end of the year	**605**	892

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

	2022 £000	2021 £000
Payable in less than one year	**308**	308
Payable in more than one year	**297**	584
Total	**605**	892

21 Deferred tax

Non-current liability/(asset)	Intangible assets £000	Accelerated capital allowances £000	Share options £000	Other £000	Total £000
At 31 July 2020	8,200	34	(634)	(243)	7,357
Arising on acquisition	132	—	—	—	132
(Credit)/charge to statement of comprehensive income (note 11)	1,140	22	(683)	(2)	477
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)	2,411	—	—	—	2,411
Charge/(credit) to statement of comprehensive income (note 11)	(969)	224	238	307	(200)
Exchange Adjustment	152	—	—	—	152
At 31 July 2022	**11,066**	**314**	**(1,079)**	**(40)**	**10,261**

The net deferred tax liability has been calculated at the rate that it is anticipated to unwind; for the UK either 19% or 25% (2021: 19% or 25%), and for those overseas at a range between 12.5% to 27%, appropriate to the tax jurisdiction in which they operate.

21 Deferred tax *continued*

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

	2022 £000	2021 £000
Deferred tax assets	**(410)**	(551)
Deferred tax liabilities	**10,671**	8,517
Net liability per table above	**10,261**	7,966

22 Share capital

	2022 Number	**2022 £**	2021 Number	2021 £
Allotted, called up and fully paid:				
Ordinary shares of 0.4p each	**29,662,218**	**118,649**	29,332,177	117,329

The following share transactions have taken place during the year ended 31 July 2022:

	2022 Number	2021 Number
At start of the year	**29,332,177**	29,122,548
Issued as consideration for business combinations	**68,762**	16,199
Exercise of share options (Note 8)	**261,279**	193,430
At end of the year	**29,662,218**	29,332,177

During the year, a number of options were exercised from the schemes with exercise price varying from 0.4p to 162.5p – all took place at either the nominal value or above the nominal value.

23 Capital and reserves

The following describes the nature and purpose of each reserve:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	Amounts arising from the premium of the fair value of shares issued over their nominal value, in respect of certain business combinations
Retained earnings	Cumulative net profits recognised in the income statement. The share-based payment reserve which was previously shown separately was incorporated into retained earnings during a previous year
Translation reserve	Translation differences on retranslation of 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 receivables and 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	**2022 £000**	2021 £000
Cash and short-term deposits(1)	**14,970**	25,387
Cash held in escrow(1)	**2,217**	—
Trade Receivables(1)	**13,755**	8,874
Investments in Equity and Debt instruments(3)	**—**	50
Lease Receivable(4)	**70**	99
	31,012	34,410

24 Financial risk management *continued*

Cash and short-term deposits at 31 July 2022 are held in bank accounts with a floating rate of interest. This is consistent with cash and short-term deposits held at 31 July 2021.

Financial liabilities	2022 £000	2021 £000
Trade and Other Payables[1]	**8,167**	5,688
Contingent Consideration[2]	**9,321**	7,909
Financial Liabilities[2]	**—**	590
Deferred Consideration[4]	**605**	892
Lease Liabilities[4]	**2,768**	2,059
	20,861	17,138

(1) Items are measured at amortised cost. There are no significant financing components and short-term in nature.

(2) Measured at fair value with changes through the Income Statement.

(3) Investments in equity measured at fair value 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

Currently the Group has surplus cash balances so does not have a borrowing requirement. Surplus cash is put on short-term deposit with high credit worthy banking institutions where appropriate at either fixed or floating rates, though the interest rates being offered by the major financial institutions are generally less than 0.5% with many being much less than this. Total finance income in the year amounted to £9,000. The Group has cash balances of £15.0m as at 31 July 2022 which is spread across different banks as detailed below, and each attracts a different interest rate. Any sensitivity to interest rates would depend on the following factors: Tracsis subsidiary entity making the investment, the amount invested, the length of commitment and ability to access to the funds, and the choice of financial institution. In view of current interest rates and the current economic backdrop, the Group does not consider that it has a major exposure to interest rates and should interest rates rise, any additional rates would have a small impact on the amount of finance income receivable. The Board monitors the financial markets and the Group's future cash requirements to ensure that this policy is exercised in the Group's best interests. At 31 July 2022, the Group had £nil in a fixed rate 30 day deposit account (2021: £nil). At the year end the Group has $2.7m (£2.2m) held in an escrow account (2021: £nil). This balance is in relation to the Railcomm acquisition and is held separately from cash and cash equivalents as it does not meet the requirements under IAS7.

Credit risk

The Group monitors credit risk closely and considers that its current policies of credit checks meet its objectives of managing exposure to risk. The Group has no significant concentration of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event that other parties fail to perform their obligations under financial instruments. The Group did not incur any material bad debts in the financial year, and has historically not had any either, and so views the overall credit risk to be low. As noted in note 6 and note 18 the Group derives c. 12% of its revenue from a major customer, whose credit worthiness is unquestionably strong. The Group had a trade receivables balance of £13,755,000 at 31 July 2022, and this related to over 300 individual customers. The largest individual receivable was £1,198,000 and related to a major infrastructure Group in a very strong financial position. Other receivables over £100,000 were spread across 31 individual clients and amounted to c. £8.5m. 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.

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 2022, of the Group's total cash balances of £15.0m, £14.7m was spread across seven major, highly rated banking institutions with £5.7m held at the lead bank, £4.4m held at another bank, and £4.6m held with others.

The maturity of the Group's financial liabilities has been disclosed 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 2022:

	Trade and other payables(1) £000	Contingent consideration £000	Deferred consideration £000	Lease liabilities £000	Financial liability(1) £000	Total £000
Balance sheet value at 31 July 2022	8,167	9,321	605	2,768	—	20,861
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	**8,167**	**10,068**	**630**	**2,921**	**—**	**21,786**

(1) Included within Trade and Other Payables in the Statement of Financial Position.

Maturity analysis of financial liabilities at 31 July 2021:

	Trade and other payables[1] £000	Contingent consideration £000	Deferred consideration £000	Lease liabilities £000	Financial liability[1] £000	Total £000
Balance sheet value at 31 July 2021	5,688	7,909	892	2,059	590	17,138
Due within one year	5,688	5,047	315	985	590	12,625
Due between one and five years	—	3,914	630	1,120	—	5,664
Total	5,688	8,961	945	2,105	590	18,289

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 following the acquisition of Compass Informatics Limited in 2019 and The Icon Group Limited in 2022. These entities raise the vast majority of their sales invoices in Euros. Total sales to/from Ireland amounted to £8,827,000 in the year representing around 13% of total Group sales revenue. The closing exchange rate used was c.1.19 Euros to GBP, with an average throughout the year of c.1.18 Euros to GBP. The Group has acquired Railcomm LLC in the financial year and therefore has an increased exposure to the US Dollar. The vast majority of sales invoices raised by Railcomm are in USD. Total sales to customers in North America amounted to £3,343,000 (5% of total Group sales revenue). The closing exchange rate used was c.1.22 USD to GBP, with an average throughout the year of c1.25 USD to GBP. Any changes to this 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. In addition, as detailed in note 20 the Group has assessed the fair value of the contingent consideration relating to the acquisitions of Compass Informatics Limited as £0.2m and The Icon Group Limited as £0.8m, which under the terms of both Share Purchase Agreement has to be made in Euros. The fair value of the contingent consideration relating to the acquisition of Railcomm LLC has been calculated as £2.2m, this amount is due to be paid in USD. Any changes to the exchange rate would impact on the foreign currency exposure but as these payments are to be made over a number of years, the impact is not expected to be significant. The year end exposure to foreign currency risk is considered to be immaterial by management.

Capital disclosures

The Group's objectives when maintaining capital are:

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

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to shareholders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity and Notes 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 flow	—	—	(1,421)	(416)
Changes in fair value	1,792	—	—	(127)
Other changes				
Arising on acquisition	2,832	—	260	—
Payment of contingent consideration	(4,126)	—	—	—
Gain on settlement	—	—	—	(47)
Lease additions and modifications	—	—	1,754	—
Interest unwind on liabilities	774	28	97	—
Exchange adjustments	140	—	18	—
Payment of deferred consideration	—	(315)	—	—
At 31 July 2022	**9,321**	**605**	**2,767**	**—**

	Contingent consideration £000	Deferred consideration £000	Lease liabilities £000	Financial liability £000
At 1 August 2020	7,334	—	2,114	—
Changes from financing cash flows				
Payment of lease liabilities	—	—	(1,334)	—
Total changes from financing cash flow	—	—	(1,334)	—
Changes in fair value	327	—	—	—
Other changes				
Arising on acquisition	—	878	—	590
Payment of contingent consideration	(410)	—	—	—
Lease additions and modifications	—	—	1,205	—
Interest unwind on liabilities	658	14	74	—
At 31 July 2021	**7,909**	**892**	**2,059**	**590**

25 Related party transactions

The following transactions took place during the year with other related parties:

	Purchase of goods and services		Amounts owed to related parties	
	2022 £000	2021 £000	**2022 £000**	2021 £000
Nutshell Software Limited(1)	**157**	97	**12**	8
Vivacity Labs Limited(1)	**409**	439	**24**	—

	Sale of goods and services		Amounts owed by related parties	
	2022 £000	2021 £000	**2022 £000**	2021 £000
WSP UK Limited(2)	**2,738**	3,112	**909**	1,054
Nutshell Software Limited(1)	**37**	93	**—**	4
Vivacity Labs Limited(1)	**38**	6	**—**	2

(1) Citi Logik Limited, Nutshell Software Limited, and Vivacity Labs Limited, are related parties by virtue of the Group's shareholding in these entities.

(2) WSP UK Limited (WSP) is a company which is connected to Chris Cole who serves as non-executive Chairman of Tracsis plc and also of WSP Global Inc, WSP's parent company. Sales to WSP took place at arm's length commercial rates and were not connected to Mr Cole's position at WSP.

Terms and conditions of transactions with related parties

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

Compensation of key management personnel of the Group

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

	2022 £000	2021 £000
Short-term employee benefits:		
Wages and salaries	**3,236**	2,966
Post-employment benefits:		
Contributions to defined contribution plans	**262**	224
Share based payment charges	**700**	610
	4,198	3,800

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 £1,182,000 (2021: £804,000). There were outstanding contributions at 31 July 2022 of £273,000 (2021: £113,000).

27 Group entities

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

Held by Tracsis plc	Principal activity	Country of incorporation	% ordinary share capital owned
Tracsis Rail Consultancy Limited(1)	Rail industry consultancy	England and Wales	100%
Tracsis Passenger Analytics Limited (1)	Rail industry consultancy	England and Wales	100%
Safety Information Systems Limited(1)	Software and consultancy	England and Wales	100%
MPEC Technology Limited(1)	Rail industry hardware & Datalogging	England and Wales	100%
Tracsis Traffic Data Limited(2)	Transportation data collection	England and Wales	100%
Datasys Integration Limited(1)	Holding Company	England and Wales	100%
Tracsis Retail & Operations Limited(1)	Rail industry software	England and Wales	100%
SEP Limited(1)	Event planning & traffic management	England and Wales	100%
SEP Events Limited(2)	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) *	Rail industry software	England and Wales	100%
Cash & Traffic Management Limited(2)	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)	Transport industry consultancy	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 data loggers	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(2)	Dormant	England and Wales	100%
Sky High Traffic Data Limited(2)	Dormant	England and Wales	100%
The Web Factory Birmingham Limited(2)	Dormant	England and Wales	100%
Forsyth Whitehead & Associates Limited(2)	Dormant	England and Wales	100%
Sky High Technology (Scotland) Limited(2)	Dormant	England and Wales	100%
Count on Us Traffic Limited(2)	Dormant	England and Wales	100%
Burra Burra Distribution Limited(2)	Dormant	England and Wales	100%
Sky High NCS Limited(2)	Dormant	England and Wales	100%
Halifax Computer Services Limited(2)	Dormant	England and Wales	100%
Skyhightraffic Limited(2)	Dormant	England and Wales	100%
The Traffic Survey Company Limited(2)	Dormant	England and Wales	100%
The People Counting Company Limited(2)	Dormant	England and Wales	100%
Myratech.net Limited(2)	Dormant	England and Wales	100%
Footfall Verification Limited(2)	Dormant	England and Wales	100%
Minority investments:			
Citi Logik Limited(3)	Mobile Network Data Analysis	England and Wales	15.40%
Nutshell Software Limited(4)	Mobile application development	England and Wales	17.22%
Vivacity Labs Limited(5)	Machine Learning technology	England and Wales	14.65%

* At the year end date Delay Repay Sniper Limited had been placed into voluntary liquidation.

The registered offices of the subsidiaries are as follows:

(1) Nexus, Discovery Way, Leeds, England, LS2 3AA

(2) Templar House, 1 Sandbeck Court, Sandbeck Way, Wetherby, England LS22 7BA

(3) The Platform, New Station Street, Leeds, England, LS1 4JB

(4) Floor 1, Baltimore House, Baltic Business Quarter, Gateshead, Tyne And Wear, England, NE8 3DF

(5) International House 24 Holborn Viaduct, City Of London, London, England, EC1A 2BN

(6) 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.

28 Dividends

The Group did not pay an interim or final dividend in financial year 2019/20 or 2020/21. The Group is committed to a progressive dividend policy, and an interim dividend for financial year 2021/22 has been paid. The cash cost of the dividend payments is below:

	2022 £000	2021 £000
Interim dividend for 2021/22	**266**	—
Total dividends paid	**266**	—

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

	2022 £000	2021 £000
Interim dividend for 2020/21 of 0.0p per share paid	**—**	—
Final dividend for 2020/21 of 0.0p per share paid	**—**	—
Interim dividend for 2021/22 of 0.9p per share paid	**266**	—
Final dividend for 2021/22 of 1.1p per share proposed	**327**	—

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total dividends paid per share	**2.0**	Nil	Nil	1.8p	1.6p	1.4p	1.2p	1.0p	0.8p

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:

	2022 £000	2021 £000
Profit before tax	**2,558**	4,635
Finance expense – net	**141**	87
Share-based payment charges	**1,502**	1,276
Exceptional items – net	**3,063**	1,114
Other operating income	**(426)**	(440)
Amortisation of intangible assets	**5,000**	4,269
Depreciation	**1,767**	1,603
Share of result of equity accounted investees	**556**	434
Adjusted EBITDA	**14,161**	12,978

29 Reconciliation of alternative performance measures ("APMs") *continued*

Adjusted profit

Calculated as Earnings before net finance expense, 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:

	2022 £000	2021 £000
Profit before tax	**2,558**	4,635
Finance expense – net	**141**	87
Share-based payment charges	**1,502**	1,276
Exceptional item– net	**3,063**	1,114
Other operating income	**(426)**	(440)
Amortisation of intangible assets	**5,000**	4,269
Share of result of equity accounted investees	**556**	434
Adjusted profit	**12,394**	11,375

Adjusted EBITDA reconciles to adjusted profit as set out below:

	2022 £000	2021 £000
Adjusted EBITDA	**14,161**	12,978
Depreciation	**(1,767)**	(1,603)
Adjusted profit	**12,394**	11,375

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 plant and equipment, proceeds from disposal of plant and equipment, proceeds from exercise of share options, lease liability payments, and lease liability receipts. 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:

	2022 £000	2021 £000
Net cash flow from operating activities	**8,188**	9,356
Purchase of plant and equipment	**(1,129)**	(400)
Proceeds from disposal of plant and equipment	**123**	88
Proceeds from exercise of share options	**37**	27
Lease liability payments	**(1,421)**	(1,260)
Lease receivable receipts	**32**	32
Free cash flow	**5,830**	7,843

30 Subsequent events

On 5 October 2022 Jill Easterbrook was appointed to the Board as a non-executive director. Jill joined the Audit, Remuneration and Nomination Committees with immediate effect. On the same date it was also announced that Lisa Charles-Jones intends to resign from the Board from 31 December 2022 and Jill will assume Chair of the Remuneration Committee at this date.

Company balance sheet (prepared under FRS 101)
as at 31 July 2022

Company number: 05019106

	Note	2022 £000	2021 £000
Non-current assets			
Property, plant and equipment	32	**825**	431
Investments	33	**79,935**	74,186
Deferred tax assets	38	**216**	225
Other receivables	34	**6,375**	—
		87,351	74,842
Current assets			
Cash and cash equivalents		**3,925**	3,571
Trade and other receivables	34	**8,333**	4,943
		12,258	8,514
Total assets		**99,609**	83,356
Non-current liabilities			
Lease Liabilities	35	**322**	—
Contingent consideration	37	**736**	3,220
		1,058	3,220
Current liabilities			
Trade and other payables	36	**36,157**	17,727
Lease liabilities	35	**177**	137
Contingent consideration	37	**6,428**	4,689
		42,762	22,553
Total liabilities		**43,820**	25,773
Net assets		**55,789**	57,583
Capital and reserves			
Called up share capital	39	**119**	117
Share premium reserve		**6,436**	6,401
Merger reserve		**6,161**	5,525
Translation reserve		**9**	—
Retained earnings		**43,064**	45,540
Total equity		**55,789**	57,583

The Company's loss for the year, after dividends received and impairment of investments was £3,712,000 (2021: profit for the year after dividends received £241,000).

The financial statements were approved and authorised for issue by the Board of Directors on 8 November 2022 and were signed on its behalf by:

Chris Barnes
Chief Executive Officer

Andy 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 2022

	Share capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
At 1 August 2020	116	6,373	5,420	—	44,023	55,932
Profit and total comprehensive income	—	—	—	—	241	241
Transactions with owners						
Share-based payment charges	—	—	—	—	1,276	1,276
Shares issued as consideration for business combinations	—	—	105	—	—	105
Exercise of share options	1	28	—	—	—	29
At 31 July 2021	117	6,401	5,525	—	45,540	57,583

	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
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**

The following describes the nature and purpose of each reserve:

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

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

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;
- these financial statements do not include certain disclosures in respect of share based payments;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the Tracsis plc group of companies.

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

Revenue recognition

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

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

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

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	There are two separate performance obligations associated with this revenue stream: • provision of the perpetual or non-cancellable annual software licence; and • maintenance and support services. 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. The allocation of the transaction price between the two performance obligations included in the contract is based on an expected cost-plus margin approach as the stand-alone selling price is not observable. Revenue related to ongoing support and periodic updates is recognised over the license period as the Company is unable to predict at inception of the license when the support and updates will be required to be provided to the customer. As such, control is considered to pass over time.
Software as a service, and support services associated with these licenses	Under IFRS 15 two distinct performance obligations have been identified for these contracts: • hosted software 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. 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 most contracts as it is considered that control of the work does not pass until all development work has been completed. The development work does not create an asset with an alternative use to the Group. In some contracts the Group does have an enforceable contractual right to payment for performance completed to date and 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.

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

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

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 81. Where there are charges relating to subsidiary undertakings, these are borne in full by the relevant subsidiary undertakings via a recharge.

Profit and loss account

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's loss after taxation for the year amounted to £3,712,000 after receiving dividends from subsidiary undertakings of £4,752,000, and incurring an impairment loss on investments of £1,850,000 (2021: profit of £241,000 after receiving dividends from subsidiary undertakings of £2,500,000, impairment loss on investments of £nil).

32 Property, plant and equipment

	Land and buildings* £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
At 1 August 2021	838	160	20	1,018
Additions	542	43	—	585
At 31 July 2022	**1,380**	**203**	**20**	**1,603**
Depreciation				
At 1 August 2021	460	123	4	587
Charge for the year	160	29	2	191
At 31 July 2022	**620**	**152**	**6**	**778**
Net book value				
At 31 July 2021	378	37	16	431
At 31 July 2022	**760**	**51**	**14**	**825**

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

Included in the net carrying amount of property, plant and equipment are assets held under leases of £496,000 (2021: £104,000).

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

	Land and buildings £000
Cost	
At 1 August 2021	438
Additions	542
At 31 July 2022	**980**
Depreciation	
At 1 August 2021	334
Charge for the year	150
At 31 July 2022	**484**
Net book value	
At 31 July 2021	104
At 31 July 2022	**496**

33 Investments

	Shares in, and loans to subsidiary undertakings £000
At 1 August 2021	74,186
Effect of acquisitions	7,599
Impairment	(1,850)
At 31 July 2022	**79,935**

On 3 November 2021 the Company acquired the entire issued share capital of The Icon Group Limited. Further details about this acquisition are found in note 5 to the Group financial statements. On 11 March 2022, the Company invested $3,000,000 (£2,292,000) in Tracsis Group US Holdings LLC in exchange for the entire issued shareholding. Tracsis Group US Holdings LLC acquired Railcomm, LLC and Railcomm Associates, Inc (together "Railcomm") on the same day. Further details of the Railcomm acquisition are disclosed in note 5 to the Group financial statements.

An impairment charge totalling £1,850,000 has been recognised during the financial year relating to three minority investments held by the Group following assessment of the anticipated future cash flows of the businesses.

33 Investments *continued*

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

Name	Country of incorporation	Principal activity	Class and percentage of shares held	Holding
Subsidiary undertakings:				
Tracsis Rail Consultancy Limited	England and Wales	Rail industry consultancy	Ordinary 100%	Direct
Tracsis Passenger Analytics Limited	England and Wales	Rail industry ancillary services	Ordinary 100%	Direct
Safety Information Systems Limited	England and Wales	Software and consultancy	Ordinary 100%	Direct
MPEC Technology Limited	England and Wales	Rail industry hardware and data logging	Ordinary 100%	Direct
Tracsis Traffic Data Limited	England and Wales	Transportation data collection	Ordinary 100%	Direct
Datasys Integration Limited	England and Wales	Holding company	Ordinary 100%	Direct
Tracsis Retail & Operations Limited	England and Wales	Rail industry software	Ordinary 100%	Indirect
SEP Limited	England and Wales	Event planning and traffic management	Ordinary 100%	Direct
SEP Events Limited	England and Wales	Dormant	Ordinary 100%	Indirect
OnTrac Technology Limited	England and Wales	Holding company	Ordinary 100%	Direct
OnTrac Limited	England and Wales	Rail industry software	Ordinary 100%	Indirect
Tracsis Travel Compensation Services Limited	England and Wales	Rail industry software	Ordinary 100%	Indirect
Delay Repay Sniper Limited*	England and Wales	Rail industry software	Ordinary 100%	Direct
Cash & Traffic Management Limited	England and Wales	Event planning and traffic management	Ordinary 100%	Direct
Compass Informatics Limited	Republic of Ireland	Software development	Ordinary 100%	Direct
Bellvedi Limited	England and Wales	Rail industry software	Ordinary 100%	Direct
iBlocks Limited	England and Wales	Rail industry software	Ordinary 100%	Direct
Flash Forward Consulting Limited	England and Wales	Transport industry consultancy	Ordinary 100%	Indirect
Compass Informatics UK Limited	England and Wales	Software development	Ordinary 100%	Indirect
Northbrook Investments Limited	Republic of Ireland	Holding company	Ordinary 100%	Direct
The Icon Group Limited	Republic of Ireland	Software development	Ordinary 100%	Indirect
Tracsis Group US Holdings, LLC	United States of America	Holding company	Ordinary 100%	Direct
RailComm LLC	United States of America	Software development	Ordinary 100%	Indirect
RailCommRailComm Associates, Inc	United States of America	Payroll company	Ordinary 100%	Indirect
S Dalby Consulting Limited	England and Wales	Dormant	Ordinary 100%	Direct
Sky High Data Capture Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Sky High Traffic Data Limited	England and Wales	Dormant	Ordinary 100%	Indirect
The Web Factory Birmingham Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Forsyth Whitehead & Associates Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Sky High Technology (Scotland) Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Count on Us Traffic Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Burra Burra Distribution Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Sky High NCS Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Halifax Computer Services Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Skyhightraffic Limited	England and Wales	Dormant	Ordinary 100%	Indirect
The Traffic Survey Company Limited	England and Wales	Dormant	Ordinary 100%	Indirect
The People Counting Company Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Myratech.net Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Footfall Verification Limited	England and Wales	Dormant	Ordinary 100%	Indirect
Minority investments				
Citi Logik Limited	England and Wales	Mobile network data analysis	Ordinary 14.9%	Direct
Nutshell Software Limited	England and Wales	Mobile application development	Ordinary 23.4%	Direct
Vivacity Labs Limited	England and Wales	Machine learning technology	Ordinary 17.6%	Direct

* At 31 July 2022 Delay Repay Sniper Limited had been entered into voluntary liquidation.

34 Trade and other receivables

	2022 £000	2021 £000
Due in less than one year		
Trade receivables	**1,146**	284
Amounts owed by Group undertakings	**4,798**	2,871
Other debtors	**910**	600
Corporation Tax	**903**	922
Prepayments	**576**	266
	8,333	4,943
Due in more than one year		
Amounts owed by Group undertakings	**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 Payment on Account regime.

35 Lease liabilities

	2022 £000	2021 £000
Due within one year	**177**	137
Due after more than one year:		
– Between one and two years	**182**	—
– Between two and three years	**140**	—
Total due after more than one year	**322**	—
Total obligation	**499**	137

A reconciliation of the obligation is stated below:

	2022 £000	2021 £000
At start of the year	**137**	316
New leases	**542**	—
Interest on lease liabilities	**6**	6
Total cash outflow	**(186)**	(185)
At end of the year	**499**	137

Future minimum lease payments at 31 July 2022 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
2022	**499**	**523**	**190**	**190**	**143**
2021	137	139	139	—	—

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:

	2022 £000	2021 £000
Short-term leases	**—**	—
Leases of low value assets	**1**	1
Total	**1**	1

36 Trade and other payables

	2022 £000	2021 £000
Trade payables	**360**	88
Other tax and social security	**189**	139
Amounts owed to Group undertakings	**33,438**	15,278
Accruals and contract liabilities	**2,170**	2,222
	36,157	17,727

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 this financial year the Company acquired The Icon Group Limited ("Icon"). Under the share purchase agreement in place for Icon, 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 (£1,471,000), and the fair value of the amount payable was assessed as €902,000 (£757,000).

In 2020, the Company 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 £2,224,000 at the year-end date.

In 2019, the Company acquired 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 €1,500,000 (£1,261,000) for Compass Informatics Limited and £7,900,000 for Bellvedi Limited. The fair value of the remaining amount payable was assessed at £243,000 for Compass Informatics Limited and £3,940,000 for Bellvedi Limited.

During the financial year, the final contingent consideration due on the 2019 acquisition of Cash & Traffic Management Limited was paid totalling £259,000 (2021: £nil). Contingent consideration of €329,000 (£281,000) was paid in respect of the Compass Informatics Limited acquisition (2021: £410,000) and £3,586,000 in respect of the Bellvedi Limited acquisition which was made in the year ended 31 July 2019 (2021: £nil).

The company recognised an exceptional debit of £1,792,000, following a review of the assumptions of the fair value of the contingent consideration as at 31 July 2022. At the balance sheet date, the Directors assessed the fair value of the remaining amounts payable which were deemed to be as follows.

	2022 £000	2021 £000
Cash & Travel Management Limited	**—**	253
Compass Informatics Limited	**243**	462
Bellvedi Limited	**3,940**	4,357
iBlocks Limited	**2,224**	2,837
The Icon Group Limited	**757**	—
	7,164	7,909

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

	2022 £000	2021 £000
Payable in less than one year	**6,428**	4,689
Payable in more than one year	**736**	3,220
Total	**7,164**	7,909

38 Deferred tax asset

	2022 £000	2021 £000
At start of the year	**(225)**	(233)
Charge to statement of comprehensive income during the year	**9**	8
At end of the year	**(216)**	(225)

The deferred tax asset can be split as follows:

	2022 £000	2021 £000
Accelerated Capital Allowances	**—**	(1)
Share options	**(210)**	(224)
Other	**(6)**	—
At end of the year	**(216)**	(225)

39 Share capital

	2022 Number	2022 £	2021 Number	2021 £
Allotted, called up and fully paid:				
Ordinary shares of 0.4p each	**29,662,218**	**118,649**	29,332,177	117,329

The following share transactions have taken place during the year ended 31 July 2022:

	2022 Number	2021 Number
At start of the year	**29,332,177**	29,122,548
Issued as consideration for business combinations	**68,762**	16,199
Exercise of share options	**261,279**	193,430
At end of the year	**29,662,218**	29,332,177

40 Related party transactions

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. There have been no guarantees provided or received for any related party receivables or payables.

Compensation of key management personnel of the Group

The Company considers its directors to be its key management personnel. Their remuneration is as set out below.

	2022 £000	2021 £000
Short-term employee benefits:		
Wages and salaries	**1,029**	781
Non-cash benefits	**2**	1
Post-employment benefits:		
Contributions to defined contribution plans	**19**	13
Share based payments	**349**	183
	1,399	978

Group information

Company Secretary and registered office

Andy 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
Co-Operative
Bank of Ireland
Allied Irish
Key Bank
Triodos

Nominated adviser and stockbroker

finnCap Limited
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

FSC www.fsc.org MIX Paper from responsible sources FSC® C014531

WORLD LAND TRUST™ CARBON BALANCED PAPER
www.carbonbalancedpaper.com
CBP015880

Tracsis plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Arena Extra White Smooth, an FSC® certified material.

This document was printed by L&S using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

Produced by
designportfolio