Tracsis plc

Annual Report & Accounts 2014

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Strategic Report

Our Business at a Glance

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.

In the subsequent years Tracsis has grown rapidly, diversified into other related transport technologies, and successfully executed an aggregation strategy that has seen it make a total of 6 acquisitions so far. Today, the Group specialises in solving a variety of data capture, reporting and resource optimisation problems along with the provision of a range of associated professional services.

Tracsis' products and services are used to increase efficiency, reduce cost and improve the operational performance and decision making capabilities for clients and customers. The Group has a blue chip client base which includes the majority of UK transport operators such as Arriva, First, Go-Ahead, National Express, Stagecoach, and Virgin. The business also works extensively with large transport authorities and infrastructure operators such as Network Rail, the Department for Transport, Transport Scotland, Transport for London, numerous local authorities and a variety of large engineering and infrastructure companies.

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

- Software: Industry strength resource optimisation and rail management software that covers a variety of asset and information classes;
- Professional Services: Consulting and technology related professional services across the operational and strategic planning horizon;
- Remote Condition Monitoring (RCM): Technology and reporting for critical infrastructure assets in real time, to identify problems and aid with preventative maintenance; and
- Data Capture and Analytics: Collection, collation and analytical services of traffic and passenger/customer data within rail, traffic and pedestrian rich environments.

Tracsis has offices in the UK and Australia which service projects in Europe and Australasia. We currently employ close to 300 staff many of whom are shareholders in the company.

The business drives growth both organically and via strategic acquisition and has made six acquisitions since coming to marking in 2007.

Financial highlights
for the year ended 31 July 2014:

- Revenues increased 106% to £22.4m (2013: £10.8m)
- Adjusted EBITDA increased 61% to £5.4m (2013: £3.4m)
- Profit Before Tax increased 62% to £4.2m (2013: £2.6m)
- Cash balances grew to £8.9m (2013: £6.6m)
- Full year dividend increased 14% to 0.8p per share (2013: 0.7p)

Strategic Report

Strategy and Business Model

Our vision for Tracsis is to become a leading provider of high value, niche technology solutions and services for the global transportations markets. Our business model remains focussed 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 with limited competitive pressures. Our vision will be achieved via a 3 pronged strategy.

1) Manageable, industry-led organic growth through continual innovation of products and services.

2) International expansion in select overseas markets.

3) Reinvesting our profits to fund further accretive acquisitions that meet with our disciplined investment criteria.

We believe our strategy will allow Tracsis to continue the growth trajectory we have achieved since IPO in 2007 and deliver further significant value to shareholders in the short, medium and long term. Achievements made in the past year in respect of our business strategy can be summarised as follows:

	Strand of Strategy:	Achievements 2013/14:
1	**Organic** further sales from existing products to UK	• Renewal of a major Framework Agreement with our largest UK customer for the Group's Remote Condition Monitoring (RCM) technology. This has been extended until March 2018 • Tracsis Data Capture and Analytics division (trading as Sky High Technology) selected to deliver a significant piece of traffic data collection work for the Department for Transport • Consultancy division worked extensively with various transport owning groups on the re-franchising of East Coast, Docklands Light Railway and ScotRail • Growth in revenues, excluding acquisitions in the current year, to £21.8m versus £10.8m in 2012/13 • Software products continually evolving via industry led feedback • Remote Condition Monitoring technology continue to receive research and development investment
2	**Overseas Markets** as yet relatively untapped	• North American pilot for Remote Condition Monitoring technology with major Class 1 rail operator announced November 2013 • This work was subsequently extended in July 2014 and now includes 11 discrete geographies across the United States • Our Australian data capture division contributed £1.7m of revenue in the financial year • Significant software project won in Sweden working with a major transport owning group • Increased levels of business in Ireland for our Remote Condition Monitoring technology • Permanent Ireland presence established and new staff in place
3	**Acquisitions**	• Completed the purchase of Datasys Integration Limited in May 2014 – our sixth acquisition since IPO • This rail technology business is highly complementary to the core Tracsis software offering with good synergies across respective businesses • Datasys contributed £0.5m to revenue and £0.1m to profit in the two month period prior to year end • Purchase price of £4.5m, less £1.3m of cash acquired • The Group anticipates Datasys will be highly accretive to Tracsis with high levels of recurring revenue and profit going forward

Strategic Report

Chairman & Chief Executive Officer's Report

A welcome from Chris Cole, Non-Executive Chairman

I am pleased, with John, to provide this year's combined Chairman and CEO report. I was appointed in April 2014 as the Group's new Non-Executive Chairman and I can confirm that my expectations regarding the Business, its people and the Markets in which they work have been upheld.

I am excited by the opportunities available to Tracsis, indeed it was a key factor in my decision to join, and one of my jobs is to ensure direction and support as we navigate and deliver on these opportunities whilst making sure that the Group continues to mature as we grow. My thanks to the Directors and Management for assisting my induction into Tracsis.

Introduction

The Group has enjoyed a further year of substantial growth, with overall Group revenues exceeding £20m for the first time, and an EBITDA in excess of £5m. Both of these are significantly ahead of the previous year and a considerable achievement for Tracsis. This has been a year of rapid growth and success for the Group, and the Directors are very pleased with the performance in the year and the resulting financial position.

Business overview

The Tracsis Group specialises in solving a variety of resource optimisation, rail management, data capture, and reporting problems via the provision of a range of software, hardware, and associated high value technology led professional services. We choose to operate in these niche areas where we believe there is clear customer pain and where existing technology solutions are not available.

The Group's market offering can be broadly categorised into four distinct revenue streams;

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

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

3. **Data Capture & Analytics**: Collection, collation and analytical services of traffic and pedestrian data such as volumes, queuing times, categorisation, crowding and dwell times.

4. **Professional Services**: Transport consulting and related professional services across the operational and strategic planning horizon.

The Group's mission is to solve well recognised issues within transportation. Through the provision of its products and services, Tracsis provides its clients with better visibility and information to assist in front line decision making whilst driving efficiency and productivity. The Directors believe that the transport industry, in particular rail which forms a key part of the Group's business, is well positioned for further growth and the Group should be able to capitalise on this with its product and service offerings.

Financial summary

The Group delivered revenue of £22.4m for the year, an increase of 106% on the prior year (2013: £10.8m) which exceeded the Board's original expectations.

Organic revenues increased to £21.8m, which represents good growth across all other parts of the Group and a full year contribution from Sky High. Revenues from Datasys Integration Limited (acquired May 2014) contributed £0.5m to the total. The full benefit of this latest acquisition will be experienced in the next financial year ending July 2015.

Adjusted EBITDA* rose 61% to £5.4m (2013: £3.4m) with statutory profit before tax 62% higher at £4.2m (2013: £2.6m).

Chairman & Chief Executive Officer's Report continued

The full year contribution of Sky High and Datasys has led to higher amortisation of intangible asset charges and higher depreciation. It has also led to an additional share based payment charge relating to stock options that were granted to senior management within the team in order to retain and motivate key individuals for the future.

At 31 July 2014, the Group had cash balances of £8.9m (2013: £6.6m). The Group's strong cash generation and conversion capabilities is illustrated by the increase of £2.3m, which was in spite of the purchase of Datasys for net cash of £2.9m.

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

Trading Progress and Prospects

<u>Software</u>

Software sales increased to £2.8m, which includes a contribution of £0.5m from the acquisition of Datasys. Organic revenues were ahead of the prior year at £2.3m (2013: £2.1m). This demonstrates both the high levels of recurring revenue for the suite of products and also the high levels of renewals taking place. During the year we continued our strategy of cross selling products to our existing customer base and achieved new sales of TRACS Roster, TRACS-RS and also converting one of the few remaining UK TOCs to adopt TrainTRACS for operational use.

Our COMPASS team was also successful in winning a significant piece of work in Sweden with a major rail and bus operator. This work will be delivered during the FY14/15 financial year and follows on from other successful large projects the Group has delivered in both this territory as well as other international locations.

<u>Professional Services</u>

During the period, our Consultancy team worked extensively on various rail franchise bids for a number of transport owning Groups. Our teams supported submissions for the recent East Coast and Scot Rail franchises and earlier in the year worked on Essex Thameside, Docklands Light Railway (DLR) and Crossrail bids. This work contributed towards revenues delivered by our consultancy team amounting to £1.8m, which was a significant increase on the £1.1m delivered in the previous year largely due to the UK rail franchising model being back on track. Looking forward, the team expects to support bidders for the Northern and TransPennine Express franchise bids which are due to be submitted shortly. The DfT's revised timetable for bidding activity outlines what is expected to be a busy period in the coming years. The Group has also taken active measures to increase the level of non-TOC related consultancy revenue and in this vein has established new revenue streams within the signalling consultancy field.

<u>Remote Condition Monitoring (RCM)</u>

Trading within this part of the Group was once again buoyant with revenues increasing significantly from £3.4m to £5.8m. In October 2013, the Group secured the renewal of a Framework Agreement with a major UK infrastructure customer for a further five years through to 2018 which underpins our technology footprint and trading prospects for this division going forwards. In January 2014, the Group secured a significant initial order of £2.2m under this Framework Agreement and this was fulfilled prior to the end of the financial year. There was significant demand for this technology out with this agreement for substantial sales across a range of other customers.

North America roll-out

The Group secured a pilot project for its RCM technology with one of the largest class 1 railroad operators in the United States. The first sale was announced on 14th November 2013 which comprised hardware and software to cover five discrete geographies on the customer's rail network. On 24th July 2014, Tracsis announced a further sale to the same customer for a further six geographies, all of which have now been installed and are currently being monitored on a daily basis.

The Group anticipates further orders in due course as the client continues to evaluate the Group's technology and its benefits for its wider network. Following this success, the Group is now working towards developing commercial relationships with other large class 1 railroads. Our expansion plans within the US are a key driver of growth for this division and whilst the specific timing of technology uptake is difficult to predict, we see a considerable market opportunity that is many times larger than what we have achieved thus far within the UK.

Chairman & Chief Executive Officer's Report continued

Data capture and passenger counting

This part of the Group made a key contribution to revenues in the past year with an increase from £4.1m to £12.0m. This takes into account a full year contribution from Sky High which was acquired in April 2013. Following a period of integration with the wider Group, Sky High has performed extremely well and has diversified its range of data capture and analytics offering by moving into non-transport areas and adopting new technologies such as Wi-Fi and Bluetooth sensing that can be utilised in various ways to provide for greater project diversity. Our existing passenger counts division continued to operate well in its niche market and these two parts of the group have now been integrated.

Sky High was also selected to deliver a significant piece of traffic data collection work through a global engineering consultancy for a UK transport agency under a two year contract with the potential to be extended for a further period of two years, which was an important contract win.

Our team

We were delighted to strengthen our Board during the year with two non-executive Director appointments. Chris Cole was appointed as non-executive Chairman on 28 April 2014. As the founder, former Chief Executive, and now current Chairman of WSP Group, Chris brings with him a wealth of experience in growing successful businesses and has made an immediate impact.

On 1 November 2013, Sean Lippell was appointed as a non-executive Director and has also helped to strengthen the Board with his experience. As a former managing partner of a major law firm, Sean also has significant commercial experience and we welcome him to the Group.

Dividends

In February 2012, the Board implemented a progressive dividend policy and since then the Group has maintained this approach of growing its dividend in line with the Group's growth. To this end, an interim dividend of 0.35p per share for 2013/14 was paid in April 2014. A final dividend of 0.45p per share in respect of 2013/14 is proposed, to take the full year dividend to 0.80p. This represents a 14% increase on the 2012/13 total dividend paid of 0.70p per share, which in itself was a 27% increase on the 0.55p per share paid in respect of 2011/12.

The overall level of dividends continues to be well covered by the Group's profitability and cash position, which supports the Group's primary focus on growth via acquisition and development of new products and services. The progressive dividend policy will be continued going forwards provided that the business continues to trade in line with expectation.

Acquisitions

On 16 May 2014, the Group completed the acquisition of Datasys Integration Limited (the 100% holding company of the trading subsidiary Datasys Limited together referred to as 'Datasys'). The gross headline consideration was £4.5m, albeit £0.4m of this consideration was satisfied in Tracsis shares, and £1.3m of cash was acquired to give a net cash consideration of £2.9m. Datasys had been known to Tracsis for many years given both companies are specialist providers of software to UK rail. Datasys is an excellent strategic fit for the Group, given it has a strong software product offering, high levels of recurring revenue and profit, and a customer base that is highly complementary to certain parts of Tracsis. Integration of this business is well underway and Datasys made a positive contribution to the Group's results in the two month period from acquisition to year end, contributing revenues in excess of £0.5m.

Overseas growth

Overseas growth is a key part of the Group's future growth strategy and whilst this remains relatively untapped, further progress has been made. In the year under review, the Group generated £2.1m of revenue from overseas customers (9% of overall Group revenues). The majority of this (£1.7m) came from Sky High Australia, with the balance of £0.4m coming from clients in Sweden, Ireland and New Zealand. A small amount of revenue came from the American pilot for the Remote Condition Monitoring technology and this represents an exciting opportunity for the year ahead.

Chairman & Chief Executive Officer's Report continued

Summary and Outlook

Tracsis has performed well in the period and delivered another significant year of growth across all areas of the Group with revenue, adjusted EBITDA and Profit before Tax being well ahead of the same period last year. Good progress has been made in expanding the geographic footprint of our business with new customers and a technology partner within the US, whilst within the UK, the Group's acquisition has broadened our product offering to UK rail. Tracsis continues to benefit from a strong balance sheet with good cash generation and significant cash reserves that will allow us to realise our growth plans for the future.

The Group's strategy remains unchanged: to deliver shareholder value and growth both organically and by acquisition, by creating products and services that solve well recognised transport problems that are typically poorly served by existing technology. Our business model remains focussed on niche 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 with limited competitive pressures.

Looking ahead, the passenger transport markets both within the UK and internationally are experiencing record levels of government spending, rising passenger numbers, and regulatory change. This environment gives rise to greater demands for quality, safety, and the need from both passengers and operators for value for money. To this end, Tracsis is well placed to help solve some of these challenges and sees a wide range of opportunities for further growth across the Group. In the period ahead we intend to make further in-roads into overseas markets, most notably the US, whilst continuing to diversify our technology portfolio through a combination of in-house development and further prudent allocation of capital to fund new acquisitions.

As always, our thanks go to our valued customers, supportive shareholders and, most of all, our talented employees for their ongoing support towards the Group's growth and success.

Chris Cole, Chairman

John McArthur, Chief Executive Officer

12 November 2014

Strategic Report

Risk Management

Key risks

The board carefully considers the risks facing the Group and endeavour to minimise the impact of those risks. The key risks are as follows:

Description/Potential impact:	Area of Group impacted:	Mitigation:	Change in the year:
<u>Rail industry structure changes</u>			
The present structure and organisation of the rail industry in the UK may be changed in the future, or by a future government, impacting the Group. The Group derives a significant amount of its results from the UK rail industry.	1. Software 2. Consultancy 3. Condition Monitoring 4. Data Capture	Several of the Group's products and services will still be in demand regardless of the structure of the industry as some of them have a demonstrable value proposition and return on investment case. The Group expects that demand for certain solutions will remain regardless of ownership structure. However, in certain circumstances, there is very little mitigation against politically driven changes or other structural changes.	The threat of structural changes has existed for some time and is always a risk. The prospect of a general election in 2015 may potentially bring a change of Government which may potentially result in changes to the structure of the industry with a consequential impact on the Group.
<u>Competition</u>			
The success of the Group may lead to increased competition, especially in Data Capture where our products and services may be more easily replicated. The Group has a variety of product and service offerings and some are more exposed to more competition than others.	1. Data Capture 2. Consultancy 3. Condition Monitoring 4. Software	The Group pays close attention to pricing for areas most subject to strong competition and endeavours to make sure it is competitively priced where appropriate. Where possible, the Group tries to ensure its products and services have a clear value proposition and return on investment such that the products and services are embedded within its customer base to reduce the exposure to new entrants.	For the year under review, Data Capture, the area most heavily exposed to competition, accounted for around half of the Group's revenues, which increased on the previous year due to the timing of the acquisition of Sky High which has a full year of trading included this year as opposed to reduced levels last year, so the overall risk to the Group has increased.
<u>Reduced government spending</u>			
The Group derives revenues directly and indirectly from government commitment to invest and modernise transport infrastructure, especially in the UK and Australia, and would be significantly impacted if these public funding streams were reduced.	1. Data Capture 2. Condition Monitoring 3. Consultancy 4. Software	As the Group continues to grow and develop more revenue streams and sources of income, the exposure to government spending should in theory reduce. By ensuring that the Group's products and services have a clear return on investment and value proposition, then in the event that reduction in spending does take place, it is hoped that budget and demand for the group's offerings will remain strong and not subject to reduction.	The forthcoming general election and potential change of government may result in reduced spending. However, the UK rail industry, one of the group's key markets, has continued to experience significant investment from the Government and the Group has benefited from this.

Risk Management continued

Description/Potential impact:	Area of Group impacted:	Mitigation:	Change in the year:
<u>Reliance on certain key customers</u>			
The Group has a number of customers but derives a significant amount of business from single customer under a Framework Agreement for its Remote Condition Monitoring technology with no guarantee as to the timing or quantum of any potential future orders. Furthermore, the Group's Data Capture operates under a number of Framework Agreements and the Consultancy team works extensively with bidders during franchise bid work. Reduced levels of trading with any key customer may adversely impact the Group.	1. Condition Monitoring 2. Data Capture 3. Consultancy 4. Software	As the group continues to grow and evolve, the exposure to and reliance on any one customer will reduce. Although the Group will always be exposed to certain key customers, it manages this risk by engaging with the customers proactively to understand their needs and respond to them in terms of changes to products or service offerings to reinforce the relationship to ensure that its products and services are embedded with the customer as best as possible. The Group is also seeking to mitigate its exposure to one customer in Remote Condition Monitoring by expanding overseas and is targeting certain geographic markets.	The Group successfully extended its Framework Agreement for its Condition Monitoring Technology until 2018 with a key customer. However, there is no guarantee of sales orders under this agreement but the Framework itself provides a barrier to entry for new entrants. The Group also announced a major two year contract with the potential to be extended for a further two years, for its Data Capture business. The Group announced a pilot in North America for its Condition Monitoring technology which remains under review.
<u>Attraction and retention of key employees</u>			
The Group has a number of key individuals, though their individual importance has arguably reduced as the Group has grown and the reliance on certain people reduces. However, skills and expertise in our markets are specialist and hard to find or develop, and so further growth of the business may be restricted.	All parts of the Group.	The Group offers competitive remuneration packages, and also offers two share schemes to staff (EMI share options, and discounted share options) in order to attract and retain high calibre employees. Such share schemes are designed such that employees are rewarded in the success of the Group, and are tied in for a period of time. As the Group has grown, the EMI share scheme has been restricted to certain staff but a number of staff continue to hold these options from historic times. As the Group grows, the reliance on and exposure to certain individuals in terms of impact on the overall Group, is reduced.	As the Group has grown in size, arguably the exposure to certain employees reduces. However, as the economy continues to grow and exit recession, then the risk of not being able to recruit or retain key individuals increases given the competition from other potential employers.

Risk Management continued

Description/Potential impact:	Area of Group impacted:	Mitigation:	Change in the year:
<u>Technological changes</u> The Group has a variety of product and service offerings which may be under threat should competitors develop rival technology or should better ways of doing things be discovered which make some of the Group's services redundant. This could potentially lead to reduced levels of business.	1. Software 2. Condition Monitoring 3. Data Capture 4. Consultancy	The Group continues to invest in research and development for its technology products to ensure that they remain up to date and also relevant to the customer base, as it also takes feedback from its clients about what they require from the products. This helps to ensure that they remain relevant. The group works closely with its customers to deliver the next generation of products. For certain parts of the Group, the business works with technology partners who have specific expertise and can help the Group to maximise its service offerings. Some of the Group's offerings are protected by customer relationships, Framework Agreements, contractual agreements and also significant development costs, which provide protection even if new entrants may come along.	This is under constant review as a Technology focussed business and as the group becomes more diverse and larger, each of the Group's product and service offerings are subject to different levels of technology threats at various points in time.
<u>Customer pricing pressure</u> Price pressure from customers may potentially result in margins being eroded in the fullness of time if lower revenues are achieved than those which were achieved historically.	1. Data Capture 2. Software 3. Consultancy 4. Condition Monitoring	The Group believes it operates a relatively lean business in order to protect against pricing pressure, and is constantly searching for ways to keep its cost base to a minimum. When reviewing tenders and enquiries, pricing is submitted accordingly on the most favourable commercial terms. The Group is committed to ensuring customer satisfaction and offering a compelling return on investment for its products with a clear value proposition, with the objective that the customer base will continue to take its products due to their quality and business case, with price being of less concern to them.	Data Capture now makes up a larger part of the overall Group following the acquisition of Sky High, and this part of the business is most vulnerable to pricing pressure, and as the element of revenue derived from Data Capture has increased, the risk to the overall Group has increased in the year.

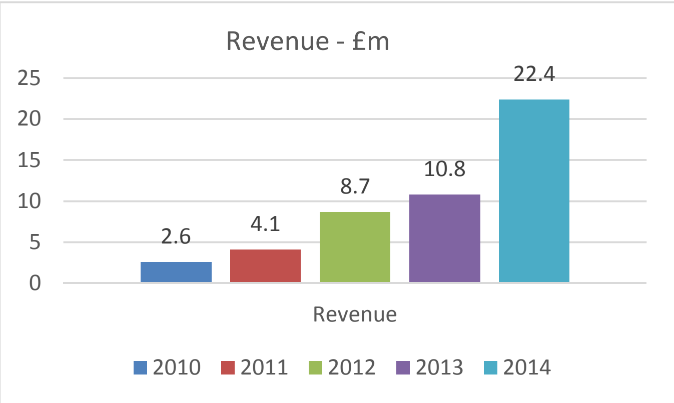
Strategic Report

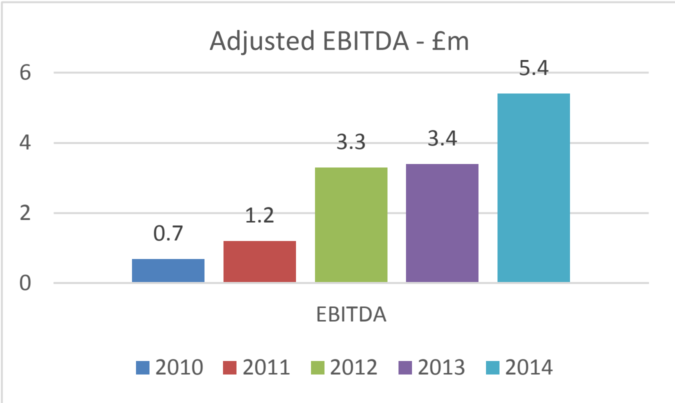
Key Performance Indicators

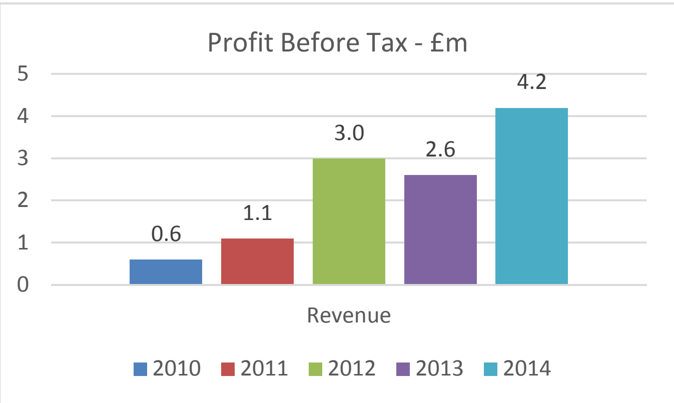
The Group's main Key Performance Indicators (KPIs) are as follows:

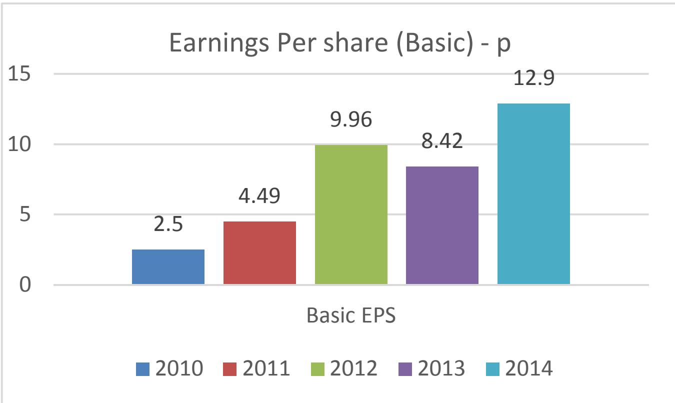
1. Assessed at Group Level:
    a. Sales Revenue and Profit (Adjusted EBITDA and Profit before Tax) versus budget and prior year
    b. Sales Pipeline prospects and forecasts versus budget and prior year
    c. Cash balances, debtors and working capital requirements

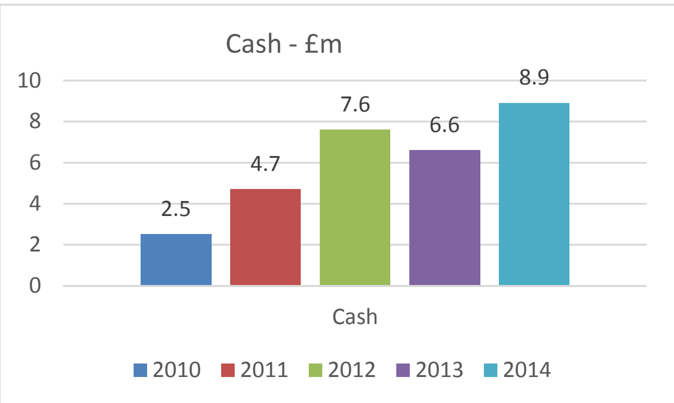
2. Additional Key Performance Indicators specific to certain revenue streams
    a. Software: Customer renewal rates and new customer take up / product matrix
    b. Consultancy: Staff utilisation and chargeability, revenue derived from various sources
    c. Data Capture & Analytics: Customer enquiries and conversion rates, working capital tie up in debtors and work in progress
    d. Remote Condition Monitoring: Delivery of major orders versus customer requirements, revenue by customer











Governance

Board of Directors

Executive Directors

John McArthur (39) Chief Executive Officer

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

Max Cawthra (36) Chief Financial Officer

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

Non-Executive Directors

Chris Cole (68) Non-Executive Chairman

Chris is Non-Executive Chairman of WSP Global Inc. (listed on the Toronto Stock Exchange), the successor to WSP Group plc. He is also Non-Executive Chairman of Ashtead Group plc, having previously been a Non-Executive Director, Senior Independent Non-Executive Director of Infinis plc, and Non-Executive Chairman of Redcentric plc.

Charles Winward (44) Non-Executive Director

Charles was an Executive Director of IP Group plc until April 2014, having joined in 2007. At IP Group, Charles successfully invested in and served as Non-Executive Director at high potential technology companies, including Retroscreen Virology plc and Xeros Technology plc. Previously, Charles was Vice President of Technology Infrastructure at J P Morgan Chase & Co, where he worked in London and New York. Charles is a Chartered Financial Analyst, holds an MBA from the University of California at Berkeley and an undergraduate engineering degree from the University of Bristol.

John Nelson (67) Non-Executive Director

John Nelson has worked at the top of the rail industry for over thirty years and has been in the sector for 46 in total. Before privatisation he was Managing Director of British Rail's biggest business, Network South East, and prior to that was General Manager of the Eastern Region, then a quarter of the rail network in the UK. Since privatisation he has established 7 new businesses including leading strategic management consultancy First Class Partnerships and the country's first Open Access company, Hull Trains. At one time or another he has chaired the Boards of 13 train operating companies and sat on the Boards of 4 others as a Non Executive Director. He continues to promote new rail ventures and was recently granted an award for outstanding personal contribution to the rail industry at the National Rail Awards 2013.

Sean Lippell (64) Non-Executive Director

Sean has more than 35 years' experience as a corporate lawyer and was formerly Member of Addleshaw Goddard LLP, a post which he held for 13 years, five of which were as Managing Partner within their corporate division. Sean is currently a director of Acceleris Marketing Communications Limited.

Governance

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 July 2014.

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 Leeds Innovation Centre, 103 Clarendon Road, Leeds, LS2 9DF.

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 12 November 2014.

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 and Chief Executive Officer's Statement and the Strategy and Business Model sections of the 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 23 to 55.

Dividends

The Directors have adopted a progressive dividend policy, subject to growth, profitability and cash position in the future. An interim dividend of 0.35p per share was paid in April 2014. The Directors propose a final dividend of 0.45p per share, subject to shareholder approval at the forthcoming Annual General Meeting. This will give a full year dividend of 0.8p per share.

Directors

The directors who serve on the Board and on Board Committees during the year are set out on page 12. Sean Lippell was appointed as a Director on 1 November 2013. Chris Cole was appointed as a Director on 28 April 2014.

Under the Articles of Association of the Company, one third of the directors are subject to retirement by rotation at the forthcoming Annual General Meeting, notice of which accompanies this Report and Accounts. Accordingly Max Cawthra and Charles Winward retire by rotation and, being eligible, offer themselves for re-election. In addition, Chris Cole will seek re-election given he was appointed since the last Annual General Meeting. In relation to the re-elections of each of the directors, the Board is satisfied that each of these directors continues to be effective and to demonstrate commitment to the Company.

Information in respect of directors' remuneration is given in the Directors' Remuneration Report on pages 16 to 18.

Directors' shareholdings

Directors' beneficial interests in the shares of the Company, including family interests, at 31 July 2013 and 2014 were as follows:

	31 July 2014		**31 July 2013**	
	Number of shares	% of issued share capital	Number of shares	% of issued share capital
John McArthur	1,117,433	4.26%	968,462	3.79%
Max Cawthra	54,000	0.21%	4,000	0.02%
John Nelson	230,824	0.88%	30,790	0.12%
Charles Winward	86,771	0.33%	56,500	0.22%
Chris Cole	-	-	N/A	N/A
Sean Lippell	-	-	N/A	N/A

On 10 September 2014, Chris Cole purchased 7,000 shares, representing 0.03% of the issued share capital.

Directors' Report continued

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 11 November 2014, being the latest practicable date prior to the publication of this document, the Company has been advised of the following shareholdings of 3% or more in the issued share capital of Tracsis plc:

	Number of shares	% of issued shares
Techtran Group Limited	2,776,846	10.5%
Unicorn Asset Management	1,860,532	7.1%
The University of Leeds	1,590,000	6.0%
Downing LLP	1,531,696	5.8%
Ennismore Fund Management	1,500,000	5.7%
BlackRock Inc	1,440,986	5.5%
Liontrust Investmet Partners	1,343,778	5.1%
Fidelity	1,286,166	4.9%
Hargreave Hale Limited	1,262,500	4.8%
Investec Asset Management	1,131,648	4.3%
John McArthur	1,117,433	4.2%

1 – Techtran Group Limited is a wholly owned subsidiary of IP Group plc.

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 2014 were 57 days (2013: 62 days).

Research and development

During the year the Group incurred £393,000 (2013: £411,000) of expenditure on research activity, which has been charged to the Income Statement.

Financial instruments

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

Employment policy

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

Environment

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

Significant Contracts

One of the Group's subsidiaries, MPEC Technology Limited, has a significant Framework Agreement with a major railway infrastructure provider, from which it has historically derived a significant amount of business.

Charitable donations

The Group made charitable donations to various charities amounting to £8,134 during the year (2013: £13,922). No political donations were made.

Directors' Report continued

Auditor

A resolution to appoint KPMG LLP will be proposed at the Annual General Meeting.

Provision of information to auditor

All of the current Directors have taken all steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

By order of the Board

Max Cawthra
Company Secretary

12 November 2014

Governance

Directors' Remuneration Report

Unaudited information:

Tracsis plc, as an AIM company, is not required to present a Directors Remuneration Report in accordance with the Combined Code. As part of the Company's commitment to Corporate Governance, we present a voluntary report below.

Remuneration committee

The Remuneration Committee is described in the Report on Corporate Governance. The remuneration for each Executive Director is determined by the Remuneration Committee, which comprises the Non-Executive Directors. None of the committee members has any personal financial interest, other than as shareholders, in the matters to be decided.

Service contracts

It is the Group's policy to enter into service contracts or letters of appointment with all Directors. Specific terms are:

	Date of contract	Commencement date	Unexpired term	Notice period
Executive Directors				
John McArthur	21.11.07	01.01.04	Indefinite	6 months
Max Cawthra	20.09.10	20.09.10	Indefinite	3 months
Non-Executive Directors				
John Nelson	21.11.07	21.11.07	Indefinite	3 months
Charles Winward	21.11.07	21.11.07	Indefinite	3 months
Chris Cole	28.04.14	28.04.14	Indefinite	3 months
Sean Lippell	01.11.13	01.11.13	Indefinite	3 months

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

Remuneration policy

The remuneration packages for Directors and senior management have been structured so as to fairly compensate them for their contribution to the Group and to encourage them to remain within the Group. The basic components of these packages include:

Basic salary and bonus arrangements

Each Director receives an annual salary or Directors' fee for his/her services. These salaries are reviewed annually by the Remuneration Committee and take into account the financial performance of the Group and market conditions. The Group operates a bonus scheme. The Remuneration Committee is entitled to decide whether any bonuses are payable, and if so, what amounts should be granted to Executive Directors. Directors, in line with all members of staff are entitled to exchange an element of any cash bonus awarded for discounted share options under the Group's Long Term Incentive Plan.

External appointments

The committee recognises that its directors may be invited to become executive or non-executive directors of other companies or to become involved in charitable or public service organisations. As the Committee believes that this can broaden the knowledge and experience of the directors to the benefit of the Group, it is the Group's policy to approve such appointments provided that there is no conflict of interest and the commitment is not excessive. The director concerned can retain the fees relating to any such appointment.

Directors' Remuneration Report continued

Pensions and benefits in kind

All staff, Executive Directors and senior management are entitled to participate in the stakeholder pension plan established by the Group. Benefits are provided to certain Executive Directors, including private health cover. The Group does not provide any company cars to any of its Directors. The Group makes employer pension contributions to the pension schemes of J McArthur and M Cawthra at a standard 5% of basic salary, in line with the level of contributions for other members of staff. During the previous financial year, John McArthur elected to take a reduction in basic salary in return for additional employers pension contributions and this was continued in the financial year under review. There was no additional cost to the Group in respect of this arrangement.

Audited information:

Directors' remuneration

Directors' remuneration for the year ended 31 July 2014 is set out below

	Basic salary £000	Pension Conts £'000	Bonus £000	Benefits in kind £000	Total 2014 £000	Total 2013 £000
Executive Directors						
John McArthur	117	30	75*	-	**222**	188
Max Cawthra	90	5	49*	-	**144**	112
	207	35	124	-	**366**	300
Non-Executive Directors						
John Nelson	16	-	-	-	**16**	15
Charles Winward	16	-	-	-	**16**	15
Chris Cole (from 28 April 2014)	13	-	-	-	**13**	-
Sean Lippell (from 1 November 2013)	12	-	-	-	**12**	-
	57	-	-	-	**57**	30

* Denotes cash bonus amount determined by Remuneration Committee – all Directors (with the exception of NEDs) are eligible to exchange any part of salary or bonus for discounted EMI Share Options under a scheme open to all staff.

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

	At 1 August 2013	Granted*	Lapsed	Exercised	At 31 July 2014	Exercise price pence	Date from Which Exercisable	Expiry date
Executive Directors								
John McArthur	240,000	-	-	(140,000)	100,000	175p	See note 3	26 Mar 2023
Max Cawthra	235,162	-	-	(75,000)	160,162	89p/0.4p	See notes 1 and 2	20 Jun 2022 /1 Aug 2022
Non-Executive Directors								
John Nelson	225,034	-	-	(200,034)	25,000	175p	See note 3	26 Mar 2023
Charles Winward	137,517	-	-	(87,517)	50,000	175p	See note 3	26 Mar 2023
Chris Cole	-	-	-	-	-	-	-	-
Sean Lippell	-	50,000*	-	-	50,000	185p	See note 4	1 November 2023

* In accordance with Corporate Governance best practice, the Group will no longer be granting stock options to Non-Executive Directors in lieu of salary. This will ensure objectivity and independence within the Board's decision making process.

Directors' Remuneration Report continued

Directors' interests in shares options in the Executive Share Option Schemes (continued)

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

2 – Options granted in 2012/13 relate to the Company's LTIP scheme where Max Cawthra exchanged an element of his 2011/12 cash bonus for discounted share options as part of a scheme available to all staff, in return for 10,162 options with an exercise price of 0.4p

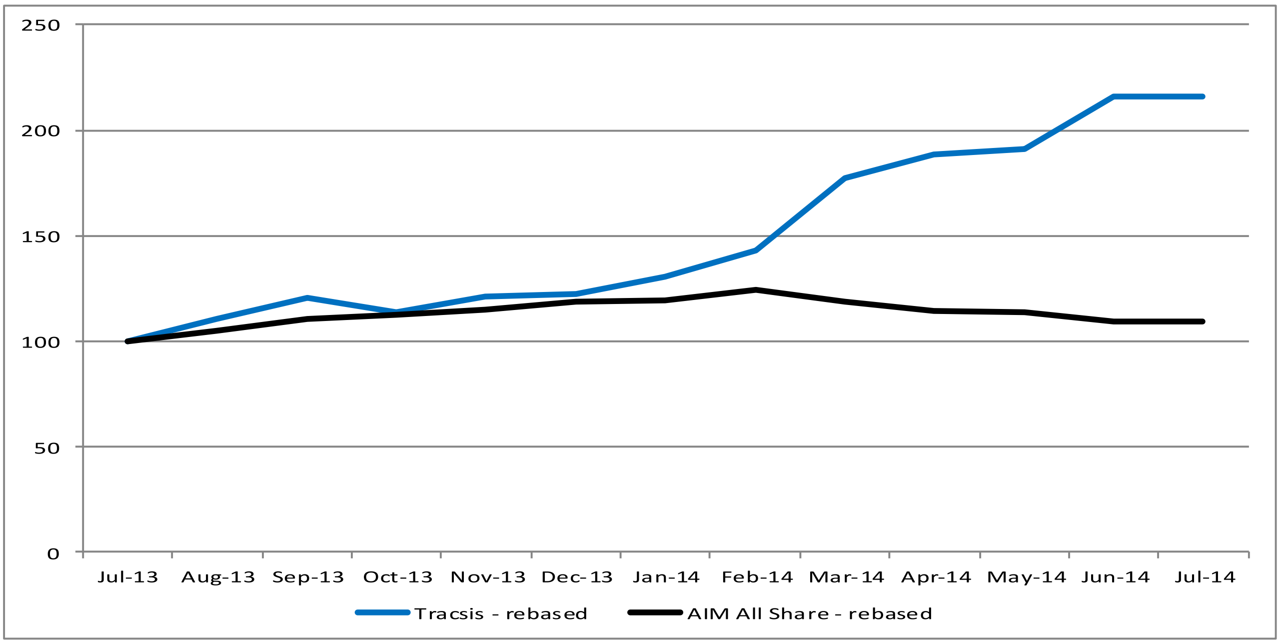
3 – Options granted in 2012/13 are exercisable in batches in 3 monthly intervals commencing 3 months from the date of grant (26 March 2013). All options will be fully exercisable 24 months after the date of grant.

4 – Options granted in 2013/14 are exercisable in batches in 3 monthly intervals commencing 3 months from the date of grant (1 November 2013). All options will be fully exercisable 36 months after the date of grant.

The aggregate amount of pre-tax gains made by directors on the exercise of share options was £220,512 (2013: £296,683). No directors received or were due to receive any shares under long term incentive schemes other than under the share options schemes set out above.

Performance graph

The following graph shows the Company's share price (rebased) compared with the performance of the FTSE AIM all-share index (rebased) for the period from 1 August 2013 to 31 July 2014.



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

On behalf of the Board

Sean Lippell
Chair of the Remuneration Committee
12 November 2014

Governance

Corporate Governance

Tracsis plc was listed on AIM on 27 November 2007. The Group recognises the importance of, and is committed to, high standards of corporate governance. Tracsis plc, as an AIM Company, is not required to comply with the June 2010 UK Corporate Governance Code, although it has adopted some of the principles as set out below.

The Board

There are currently 6 Board members, comprising 2 Executive Directors and 4 Non-Executive Directors. The role of the Non-Executive Directors is to bring independent judgement to Board deliberations and decisions. Chris Cole was appointed as a new Non-Executive Chairman of the Board during the year to oversee Board meetings and field all concerns regarding the executive management of the Group and the performance of the Executive Directors. Sean Lippell was appointed as a non-executive Director during the year too. A biography of each Director appears on page 12. The Directors each have diverse backgrounds and a wide range of experience is available to the Group. The Board meets on a monthly basis to review the Group's performance and to review and determine strategies for future growth. The Board has delegated specific responsibilities to its committees as set out below.

Each of the Directors is subject to either an executive services agreement or a letter of appointment as set out on page 16. 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. Max Cawthra and Charles Winward will be retiring at the Annual General Meeting and submitting themselves for re-election. In addition, Chris Cole will seek re-election given he was appointed since the last Annual General Meeting.

Board meetings and attendance

Board meetings were held on 12 occasions during the year. The table below shows attendance at the meetings whether in person or by telephone. The Company Secretary records attendance at all board meetings including where attendance is by telephone conference.

	Board Meetings (total/poss)	Nomination Committee Meetings	Remuneration Committee Meetings	Audit Committee Meetings
John McArthur	12/12	-	-	-
Max Cawthra	12/12	-	-	-
John Nelson	11/12	2/2	2/2	2/2
Charles Winward	10/12	2/2	2/2	2/2
Chris Cole	3/3	N/A	1/1	1/1
Sean Lippell	7/9	1/1	1/1	1/1

Board committees

Nomination Committee

The Nomination Committee comprises Chris Cole as Chairman, and the Non-Executive Directors. The committee's primary responsibilities are to make recommendations to the Directors on all new appointments of Directors and senior management, interviewing nominees, to take up references and to consider related matters.

Remuneration Committee

The Remuneration Committee comprises Sean Lippell as Chairman and the Non-Executive Directors. The committee's primary responsibilities are to review the performance of the Executive Directors and to determine the terms and conditions of service of senior management and any Executive Director appointed to the Board (including the remuneration of and grant of options to any such person under any share scheme adopted by the Group).

Audit Committee

The Audit Committee similarly comprises Charles Winward as Chairman and the Non-Executive Directors. The audit committee's primary responsibilities are to monitor the financial affairs of the Group, to ensure that the financial performance of the Group is properly measured and reported on, and to review reports from the Group's auditor relating to the accounting and internal controls.

Corporate Governance continued

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.

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 Chairman's Statement and Chief Executive's Statement include detailed analysis of the Group's performance and future expectations. The Group's website (www.tracsis.com) allows shareholders access to information, including contact details and the current share price. The Chief Executive is responsible for on-going dialogue and relationships with shareholders, 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 the foreseeable future in operational existence and have therefore adopted the going concern basis in preparing the accounts.

Independence of Non-Executive Directors

The Directors consider all Non-Executive Directors to be independent. With effect from 23 April 2014, Mr CS Winward resigned from his position as a Director of IP Group plc, one of the Group's major shareholders and as such no longer has a potential conflict of interest.

Board review process

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

Governance

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

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

Governance

Independent Auditor's Report to the Members of Tracsis plc

We have audited the financial statements of Tracsis plc for the year ended 31 July 2014 set out on pages 23 to 61. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Jeremy Gledhill (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 The Embankment
Neville Street
Leeds
LS1 4DW

12 November 2014

Financial Statements

Consolidated Statement of Comprehensive Income
for the year ended 31 July 2014

	Notes	2014 £000	2013 £000
Revenue			
- continuing		**21,843**	10,831
- acquisitions		**514**	-
Total revenue	6	**22,357**	10,831
Cost of sales		**(9,546)**	(3,033)
Gross profit		**12,811**	7,798
Administrative costs		**(8,614)**	(5,272)
Adjusted EBITDA*		**5,434**	3,367
Amortisation of intangible assets	15	**(460)**	(273)
Depreciation	14	**(431)**	(154)
Exceptional item: Acquisition costs		**(31)**	(225)
Share-based payment charges	8	**(315)**	(189)
Operating profit			
- continuing		**4,153**	2,751
- acquisitions		**75**	-
- exceptional acquisition costs		**(31)**	(225)
Total operating profit	9	**4,197**	2,526
Finance income	10	**36**	75
Finance expense	11	**(32)**	(11)
Profit before tax		**4,201**	2,590
Taxation	12	**(898)**	(486)
Profit after tax		**3,303**	2,104
Other comprehensive income/(expense):			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences – foreign operations		**(38)**	(62)
Total recognised income for the year		**3,265**	2,042
Earnings per ordinary share			
Basic	13	**12.90p**	8.42p
Diluted	13	**12.44p**	8.15p

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

Financial Statements

Consolidated Balance Sheet as at 31 July 2014 Company number: 05019106

	Note	**2014** £000	2013 £000
Non-current assets			
Property, plant and equipment	14	**1,689**	1,600
Intangible assets	15	**10,724**	6,067
		12,413	7,667
Current assets			
Inventories	16	**263**	236
Trade and other receivables	18	**4,442**	3,865
Cash and cash equivalents		**8,920**	6,571
		13,625	10,672
Total assets		**26,038**	18,339
Non-current liabilities			
Hire-purchase contracts	17	**133**	232
Deferred tax liabilities	20	**1,388**	1,046
		1,521	1,278
Current liabilities			
Hire-purchase contracts	17	**100**	96
Trade and other payables	19	**6,075**	3,532
Current tax liabilities		**493**	224
		6,668	3,852
Total liabilities		**8,189**	5,130
Net assets		**17,849**	13,209
Equity attributable to equity holders of the company			
Called up share capital	21	**105**	102
Share premium reserve	22	**4,591**	4,280
Merger reserve	22	**1,846**	1,472
Share based payments reserve	22	**698**	383
Retained earnings	22	**10,709**	7,034
Translation reserve	22	**(100)**	(62)
Total equity		**17,849**	13,209

The financial statements on pages 23 to 55 were approved and authorised for issue by the Board of Directors on 12 November 2014 and were signed on its behalf by:

John McArthur – Chief Executive Officer　　**Max Cawthra** – Chief Financial Officer

Financial Statements

Consolidated Statement of Changes in Equity

	Share Capital £000	Share Premium Reserve £000	Merger Reserve £000	Share-based Payments Reserve £000	Retained Earnings £000	Translation Reserve £000	Total £000
At 1 August 2012	99	4,113	935	194	5,092	-	10,433
Profit for the year	-	-	-	-	2,104	-	2,104
Other comprehensive income/(expense)	-	-	-	-	-	(62)	(62)
Total comprehensive income	-	-	-	-	2,104	(62)	2,042
Transactions with owners:							
Dividends	-	-	-	-	(162)	-	(162)
Share based payment charges	-	-	-	189	-	-	189
Exercise of share options	2	167	-	-	-	-	169
Shares issued as consideration for business combinations	1	-	537	-	-	-	538
At 31 July 2013	**102**	**4,280**	**1,472**	**383**	**7,034**	**(62)**	**13,209**
At 1 August 2013	102	4,280	1,472	383	7,034	(62)	13,209
Profit for the year	-	-	-	-	3,303	-	3,303
Other comprehensive income/(expense)	-	-	-	-	-	(38)	(38)
Total comprehensive income	-	-	-	-	3,303	(38)	3,265
Transactions with owners:							
Dividends	-	-	-	-	(191)	-	(191)
Share based payment charges	-	-	-	315	-	-	315
Tax movements in equity	-	-	-	-	563	-	563
Exercise of share options	2	311	-	-	-	-	313
Shares issued as consideration for business combinations	1	-	374	-	-	-	375
At 31 July 2014	**105**	**4,591**	**1,846**	**698**	**10,709**	**(100)**	**17,849**

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

Financial Statements

Consolidated Cash Flow Statement

for the year ended 31 July 2014

	Notes	2014 £000	2013 £000
Operating activities			
Profit for the year		**3,303**	2,104
Finance income	10	**(36)**	(75)
Finance expense	11	**32**	11
Depreciation	14	**431**	154
Amortisation of intangible assets	15	**460**	273
Income tax charge	12	**898**	486
Share based payment charges	8	**315**	189
Operating cash inflow before changes in working capital		**5,403**	3,142
Movement in inventories		**(27)**	-
Movement in trade and other receivables		**(94)**	(539)
Movement in trade and other payables		**1,080**	116
Cash generated from operations		**6,362**	2,719
Finance income	10	**36**	75
Finance expense	11	**(32)**	(11)
Income tax paid		**(649)**	(1,093)
Net cash flow from operating activities		**5,717**	1,690
Investing activities			
Purchase of plant and equipment	14	**(446)**	(75)
Acquisition of subsidiaries	5	**(2,886)**	(2,462)
Net cash flow used in investing activities		**(3,332)**	(2,537)
Financing activities			
Dividends paid	28	**(191)**	(162)
Proceeds from exercise of share options		**313**	169
Hire purchase repayments	17	**(120)**	(95)
Net cash flow from/(used in) financing activities		**2**	(88)
Net increase/(decrease) in cash and cash equivalents		**2,387**	(935)
Effect of exchange fluctuations		**(38)**	(62)
Cash and cash equivalents at the beginning of the year		**6,571**	7,568
Cash and cash equivalents at the end of the year		**8,920**	6,571

Financial Statements

Notes to the Consolidated Financial Statements

1 Reporting entity

Tracsis plc (the 'Company') is a company incorporated in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 July 2014 comprise the Company and its subsidiaries (together referred to as the 'Group').

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The Accounts have been prepared under the historical cost convention.

(c) Functional and presentation currency

These consolidated financial statements are presented in sterling, which is the Company's functional currency. All financial information presented in sterling has been rounded to the nearest thousand.

(d) Use of estimates and judgements

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

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

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

(e) Changes in accounting policies

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

The following amendments to financial reporting standards were adopted from 1 August 2013, the start of the new financial year. None of them have had a significant impact on the Group:

- Amendment to IFRS 7: Financial Instruments Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 13: Fair Value Measurement
- Amendment to IAS 1: Presentation of Financial Statements - comparative periods
- Amendment to IAS 16: Property, Plant and Equipment - servicing equipment
- Amendment to IAS 19: Employee Benefits – post employment benefits and termination benefits projects
- Amendment to IAS 32: Financial Instruments Presentation – tax effect of equity dividends
- Amendment to IAS 34: Interim Financial reporting – interim reporting of segment assets

Notes to the Consolidated Financial Statements continued

2 Basis of preparation (continued)

The following new amendments to standards were in issue but are not yet effective for the financial year beginning 1 August 2013 and are not currently relevant for the Group:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 15 – Revenue from contracts with customers (replacement of IAS11, IAS18, IFRIC13, IFRIC15, IFRIC18 and SIC-31) (effective 1 January 2017, not yet endorsed by EU).
- IFRS 9 Amendments – Financial Instruments (replacement of IAS39) (effective 1 January 2015, not yet endorsed by EU).
- IAS 36 Amendments – Impairment of Assets (effective 1 January 2014, endorsed by EU on 19 December 2013).

No new standards becoming effective and applied in the current year have had a material impact on the financial statements. The impact of IFRS15 – Revenue from contracts with customers, will be considered for future periods.

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed by the European Union and require adoption by the Group in future reporting periods.

(f) Going concern

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

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

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities, except as stated in note 2(e), which addresses changes in accounting policies.

(a) Basis of consolidation

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

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The accounting policies of subsidiary companies have been changed where necessary to align them with the policies adopted by the Group.

The Group entities included in these consolidated financial statements are those listed in note 27.

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

(b) Revenue recognition

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

Revenue from software is derived from the sale of software both as a perpetual and non-cancellable annual licences, the provision of software as a service and the support and hosting services associated with this.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

Revenue recognition (continued)

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

Revenue from the provision of Software as a Service under contracts with extended terms which combine software and support services elements are recognised evenly over the period to which the services relate. Customers pay an agreed fee covering a range of periods, for a defined contractual term, and the contracts provide the customer with various rights during the term of the contract. This policy reflects the continuous nature of the transfer of value to the customer.

Revenue capable of being allocated to customer support services is recognised on a straight-line basis over the term of the support contract. Revenue not recognised in the income statement under this policy is classified as deferred income in the balance sheet.

Revenue capable of being allocated to hosting services is recognised on a straight line basis over the term of the hosting contract. Revenue not recognised in the income statement under this policy is classified as deferred income in the balance sheet.

In the case where a single contract involves the combination of any or all of sale of software as a perpetual or non-cancellable annual licence, provision of Software as a Service, support services and hosting services, the amount of consideration is derived from an assessment of the fair value of each of the individual constituent elements of the goods and services provided. The revenue allocated to each element is recognised as outlined above.

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

Revenue from consultancy and professional services is recognised when the services have been performed, once the work and value has been agreed with the customer.

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

(c) Property, plant and equipment

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

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

Freehold buildings (excluding land)	–	4% on cost
Computer equipment	–	33 1/3% on cost
Office fixtures and fittings	–	10% - 20% on cost, or 15% reducing balance
Motor vehicles	–	25% per annum reducing balance basis

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(d) Intangible assets

Goodwill

Goodwill arising on acquisitions comprises the excess of the fair value of the consideration for investments in subsidiary undertakings over the fair value of the net identifiable assets acquired at the date of acquisition. Adjustments are made to fair values to bring the accounting policies of the acquired businesses into alignment with those of the Company. The costs of integrating and reorganising acquired businesses are charged to the post acquisition income statement. Goodwill arising on acquisitions of subsidiaries is included in intangible assets.

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the lowest level within the group at which the associated level of goodwill is monitored for management purposes and are not larger than the operating segments determined in accordance with IFRS 8 “Operating Segments”.

Business Combinations

From 1 August 2009 the Group has applied IFRS 3 *Business Combinations* (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

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

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

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

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

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For acquisitions prior to 1 August 2009, goodwill represents the excess of the cost of the acquisition over the Group’s interest in the recognised amounts (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of acquisition.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

Intangible assets (continued)

Other intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Intangible assets, primarily customer relationships and technology related assets, acquired as part of a business combination are capitalised separately from goodwill and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using a straight line method over the estimated useful life of the assets of 10 to 20 years for customer related assets and 10 years for technology related assets.

(e) Impairment of non-current assets

Where an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount (higher of fair value less cost to sell and value in use of an asset) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

(f) Research and Development Costs

Expenditure on internally developed products is capitalised as intangible assets if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs would be amortised over the periods the Group expected to benefit from selling the products developed. At present, the Group has not considered that its development expenditure meets the criteria for capitalisation.

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

(g) Financial instruments

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

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

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

(i) Cash and cash equivalents

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

(ii) Trade receivables

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

(iii) Trade payables

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

(iv) Equity instruments

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

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(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.

(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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(k) Employee benefits

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

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(l) Share based payments

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

Fair value is measured using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it was granted, the cancelled and new transactions are treated as if they were a modification of the original transaction as described in the previous paragraph.

(m) Retirement benefits

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

(n) Exceptional items

Items which are significant by virtue of their size or nature and/or which are considered non-recurring are classified as exceptional operating items. Such items, which include for example costs relating to acquisitions, amortisation of intangible assets and share based payment charges, are included within the appropriate consolidated income statement category but are highlighted separately. Exceptional operating items are excluded from the profit measures used by the board to monitor underlying performance.

(o) Finance income

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

(p) Cash and cash equivalents

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

(q) Operating segments

The Group has determined that, based on its internal reporting framework and management structure, that it has only one reportable segment on a business basis, but has two reportable segments on a geographical basis – UK and Australia. Such determination is necessarily judgemental in its nature and has been determined by management in preparing the financial statements. The level of disclosure of segmental and other information is determined by such assessment. Further details of the considerations made and the resulting disclosures are provided in note 6 to the financial statements.

(r) Inventories

Inventories are measured at the lower of cost and net realisable value. Provision is made for slow moving and obsolete inventories on a line by line basis.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(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.

(t) Translation of financial statements of foreign entities

The assets and liabilities of foreign operations are translated using exchange rates at the balance sheet date. The components of shareholders' equity are stated at historical value. An average exchange rate for the period is used to translate the results and cash flows of foreign operations.

Exchange differences arising on translating the results and net assets of foreign operations are taken to the translation reserve in equity until the disposal of the investment. The gain or loss in the income statement on the disposal of foreign operations includes the release of the translation reserve relating to the operation that is being sold.

Notes to the Consolidated Financial Statements continued

4 Critical Accounting Estimates and Judgements

The Group's accounting policies are set out in Note 3.

The Directors consider that the key judgements and estimates made in the preparation of the consolidated financial statements are:

Intangible fixed assets

On acquisition, the Company calculates the fair value of the net assets acquired. Due to the nature of the companies acquired, this often requires the recognition of additional intangible assets, specifically in relation to technology or customer relationships. The assessment of intangible assets acquired is necessarily judgemental and has been performed using a discounted cash flow model. Significant judgement has been applied in assessing the future revenues to be achieved from that acquisition, the growth rate of that revenue, the associated costs and the discount factor to be applied. In addition, management make estimates as to the useful economic life of the resulting intangible assets, based on their industry expertise. These estimates affect the amount of amortisation recognised in each financial year.

Actual results may vary significantly from expectations in future years. Annual reviews of the Group's intangible fixed assets are carried out, using commercial judgements to determine whether there is any evidence that the useful economic life is no longer appropriate, or whether there are impairment indicators relating to specific intangible assets due to changes in circumstance during the financial year in question.

Revenue recognition

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

Share-based payments

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

Notes to the Consolidated Financial Statements continued

5 Acquisition of subsidiaries

(a) Acquisition in the current year: Datasys Integration Limited

On 16 May 2014, the Group acquired 100% of the share capital of Datasys Integration Limited and its wholly owned subsidiary Datasys Limited (Datasys). Datasys Integration Limited is a holding company whilst Datasys Limited is a trading company. Based in Manchester, Datasys provides rail management software systems, business applications and hosting services for the majority of the UK's train operating companies. Its client base includes all of the major transport owning groups. The principle activity of the business is software development, sales and licensing with revenues predominantly derived from products that assist train operators capture, report and analyse the root causes of delays and other performance critical information. The vast majority of Datasys revenue comes from long term recurring software leases.

In the period to 31 July 2014 the company contributed revenue of £514,000 and operating profit of £75,000 to the Group's results, net of amortisation of associated intangible assets. If the acquisition had occurred on 1 August 2013, management estimates that consolidated revenue would have been £2,474,000 and consolidated profit for the year would have been £526,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 August 2013.

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

	Pre-acquisition carrying amount £000	Fair value adjustments £000	Recognised value on acquisition £000
Intangible assets: Technology assets	-	1,660	1,660
Intangible assets: Customer relationships	-	3,098	3,098
Other intangible assets	1,362	(1,362)	-
Tangible fixed assets	49	-	49
Trade and other receivables	483	-	483
Deferred tax asset	110	(110)	-
Trade and other payables and deferred income	(1,463)	-	(1,463)
Income tax receivable /(payable)	27	-	27
Deferred tax liability	-	(952)	(952)
Net identified assets and liabilities	568	2,334	2,902
Goodwill on acquisition			359
			3,261
Consideration paid in cash			4,150
Stamp Duty			23
Net cash acquired			(1,287)
Net cash flow			2,886
Consideration paid: fair value of shares issued			375
Total consideration			3,261

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

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

The Group incurred acquisition related costs of £31,000 which are included within administrative expenses.

Notes to the Consolidated Financial Statements continued

5 Acquisition of subsidiaries

(b) Acquisition in the previous year: Sky High plc (subsequently renamed Sky High Technology Limited)

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

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

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

In the period to 31 July 2013 the company contributed revenue of £3,190,000 and operating profit of £217,000 to the Group's results. If the acquisition had occurred on 1 August 2012, management estimates that consolidated revenue would have been £9,594,000 and consolidated profit for the year would have been £349,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 August 2012.

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

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

Pre-acquisition carrying amounts were determined based on applicable IFRSs, immediately prior to the acquisition. The values of assets and liabilities recognised on acquisition are the estimated fair values.

Notes to the Consolidated Financial Statements continued

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

The goodwill that arose on acquisition can be attributed to a multitude of assets that cannot readily be separately identified for the purposes of fair value accounting. These include an Australian presence which may be used to facilitate Tracsis overseas growth, cross selling opportunities, operating synergies, staff skills and capabilities, and a brand/reputation.

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

The Group incurred acquisition related costs of £225,000 which are included within administrative expenses.

6 Segmental analysis

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

In accordance with IFRS 8 'Operating Segments', the Group has made the following considerations to arrive at the disclosure made in these financial statements.

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

Operating segments have then been identified based on the internal reporting information and management structures within the Group. From such information it has been noted that the CODM reviews the business as a single operating segment, receiving internal information on that basis. The management structure and allocation of key resources, such as operational and administrative resources, are arranged on a centralised basis. Due to the small size and low complexity of the business, profitability is not analysed in further detail beyond the operating segment level and is not divided by revenue stream.

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

Revenue	**2014** **£000**	2013 £000
Software licences and post contract customer support	**2,798**	2,142
Rail Consultancy and professional services	**1,815**	1,145
Data capture & Analytics and passenger counting	**11,987**	4,124
Condition monitoring technology and embedded software & associated hardware	**5,757**	3,420
Total revenue	**22,357**	10,831

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

Notes to the Consolidated Financial Statements continued

6 Segmental analysis (continued)

	2014		
	UK	**Australia**	**Total**
	£000	**£000**	**£000**
Revenues			
Total revenue for reportable segments	**20,634**	**1,723**	**22,357**
Consolidated revenue	**20,634**	**1,723**	**22,357**
Profit or loss			
Total profit or loss for reportable segments	**5,295**	**139**	**5,434**
Unallocated amounts:			
Share based payment charge	**(315)**	**-**	**(315)**
Other exceptional items (net)	**(31)**	**-**	**(31)**
Depreciation	**(339)**	**(92)**	**(431)**
Amortisation of intangible assets	**(460)**	**-**	**(460)**
Interest receivable/payable(net)	**17**	**(13)**	**4**
Consolidated profit/(loss) before tax	**4,167**	**34**	**4,201**

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

Notes to the Consolidated Financial Statements continued

6 Segmental analysis (continued)

	UK £'000	2014 Australia £000	Total £000
Assets			
Total assets for reportable segments	**14,686**	**628**	**15,314**
Unallocated assets – intangible assets	**10,724**	**-**	**10,724**
Consolidated total assets	**25,410**	**628**	**26,038**
Liabilities			
Total liabilities for reportable segments	**6,428**	**373**	**6,801**
Unallocated liabilities – deferred tax	**1,388**	**-**	**1,388**
Consolidated total liabilities	**7,816**	**373**	**8,189**

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

Major customers

Transactions with the Group's largest customer represent 25% of the Group's total revenues (2013: 31%).

Geographic split of revenue

A geographical analysis of revenue is provided below:

	2014 £000	2013 £000
United Kingdom	**20,252**	9,951
Australia	**1,723**	457
Rest of the World	**382**	423
Total	**22,357**	10,831

Notes to the Consolidated Financial Statements continued

7 Employees and personnel costs

	2014	2013
	£000	£000
Staff costs:		
Wages and salaries	**8,363**	4,078
Social security contributions	**684**	344
Contributions to defined contribution plans	**135**	67
Equity-settled share based payment transactions	**315**	189
	9,497	4,678
Average number of employees (including directors) in the year	**295**	138

The increase in staff costs and numbers is due to the impact of having Sky High within the Group for a full year during this financial year. Parts of the business utilise high levels of casual workers for periods of time, and as such, full time equivalent figures have been derived.

The directors' remuneration and share options are detailed within the Directors' Remuneration Report on pages 16 to 18.

8 Share based payments

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

<u>EMI Share options</u>

Options are exercisable at a price agreed at the date of grant. The vesting period is usually between one and five years. The exercise of options is dependent upon eligible employees meeting performance criteria. The options may not be exercised before the occurrence of a takeover, sale or admission. The options are settled in equity once exercised. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

<u>Discounted EMI Share options</u>

In August 2012, the Group implemented a new EMI share option scheme, resulting in discounted EMI share options being issued to staff instead of cash bonuses, provided certain predetermined performance criteria were met for both the overall group, and the part of the business the employee directly works in. This scheme was made available to all staff. Staff are also able to exchange an element of annual salary in return for share options too. The vesting period is three years. The exercise of options is dependent upon eligible employees meeting performance criteria. The options may not be exercised before the occurrence of a takeover, sale or admission. The options are settled in equity once exercised. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Notes to the Consolidated Financial Statements continued

8 Share based payments (continued)

Details of the schemes are given below:

Grant date	Employees entitled	Number of options	Performance conditions	Exercise price (p)	Earliest exercise date	Expiry date
28/01/2009	4	143,000	Time served	52.0	28/07/2009*	28/01/2019
20/05/2010	2	62,000	Time served	51.5	20/01/2011*	20/05/2020
12/01/2011	2	12,500	Time served	49.5	12/07/2011*	12/01/2021
01/06/2011	1	90,000	Time served	50.0	01/12/2011*	01/06/2021
22/09/2011	12	267,500	Time served	63.5	22/03/2012*	22/09/2021
21/11/2011	1	25,000	Time served	57.5	21/05/2012*	21/11/2021
20/06/2012	1	150,000	Time served	89.0	20/12/2012*	20/06/2022
02/08/2012	24	72,592	Time served	0.40	02/08/2013**	02/08/2022
02/08/2012	7	72,500	Time served	123.0	02/02/2013*	02/08/2022
01/11/2012	1	100,000	Time served	133.5	01/06/2013*	01/11/2022
08/01/2013	7	55,000	Time served	159.0	08/07/2013*	08/01/2023
28/01/2013	1	4,823	Time served	0.40	28/01/2014**	28/01/2023
28/01/2013	1	70,000	Time served	155.5	28/07/2013*	28/01/2023
26/03/2013	3	175,000	Time served	175.0	26/06/2013***	26/03/2023
26/03/2013	1	14,286	Time served	0.40	26/03/2014**	26/03/2023
01/08/2013	11	312,500	Time served	162.5	01/02/2014*	01/08/2023
01/08/2013	35	62,173	Time served	0.40	01/08/2014**	01/08/2023
01/11/2013	1	50,000	Time served	185.0	01/02/2014****	01/11/2023
01/01/2014	2	75,000	Time served	199.5	01/07/2014*	01/01/2024
01/01/2014	2	24,686	Time served	0.40	01/01/2015**	01/01/2024
Outstanding		**1,838,560**				

* Vesting dates for these options are: 10% vest six months after grant date, 15% vest 12 months after grant date, 15% vest 18 months after grant date, 15% vest 24 months after grant date, 20% vest 30 months after grant date, 25% vest 36 months after grant date.

** Vesting dates for these options are linked to time served, and were awarded based on certain performance conditions being met, and in exchange for an annual cash bonus. The full vesting is achieved over a 3 year period, with various forfeit/reductions if exercise takes place sooner

*** Vesting dates for these options are in equal three month instalments over a 24 month period

**** Vesting dates for these options are in equal three month instalments over a 36 month period

Notes to the Consolidated Financial Statements continued

8 Share based payments (continued)

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

	2014 Number	**2014 Weighted Average Exercise Price**	2013 Number	2013 Weighted Average Exercise Price
Outstanding at 1 August	**1,929,016**	**79.1p**	1,784,102	53.6p
Granted	**525,251**	**142.8p**	664,965	133.0p
Forfeited	**(10,674)**	**111.8p**	(141,500)	104.2p
Exercised	**(605,033)**	**51.8p**	(378,551)	44.7p
Outstanding at 31 July	**1,838,560**	**106.0p**	1,929,016	79.1p
Exercisable at 31 July	**940,026**	**87.9p**	1,031,837	56.4p

The share options outstanding at the end of the year have a weighted average remaining contractual life of 7 years (2013: 6 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:

Options granted in previous years:

Options granted on	01/06/ 2011	12/01/ 2011	01/08/ 2010	20/05/ 2010	17/03/ 2010	28/01/ 2009	26/11/ 2007
Share price at date of grant	50.0p	49.5p	50.5p	51.5p	50.5p	52p	40p
Exercise price	50.0p	49.5p	50.5p	51.5p	50.5p	52p	40p
Vesting period (years)	3	3	3	3	3	3	1
Expected volatility	15%	15%	15%	15%	15%	15%	40%
Option life (years)	10	10	10	10	10	10	10
Expected life (years)	10	10	10	10	10	10	10
Risk-free rate	3.5%	0.5%	0.5%	0.5%	0.5%	0.5%	4.75%
Expected dividends expressed as a dividend yield	-	-	-	-	-	-	-

Options granted in previous years (continued):

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

Notes to the Consolidated Financial Statements continued

8 Share based payments (continued)

Options granted in previous years (continued):

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

Options granted in the current year:

Options granted on	01/08/ 2013	01/08/ 2013	01/11/ 2013	01/01/ 2014	01/01/ 2014
Share price at date of grant	162.5p	162.5p	185.0p	199.5p	199.5p
Exercise price	162.5p	0.4p	185.0p	199.5p	0.4p
Vesting period (years)	3	3	3	3	3
Expected volatility	30%	30%	30%	30%	30%
Option life (years)	10	10	10	10	10
Expected life (years)	10	10	10	10	10
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%
Expected dividends expressed as a dividend yield	-	-	-	-	-

The expected volatility is based on the historic volatility of the Company's share price.

Charge to the income statement

	2014	2013
	£000	£000
Share based payment charges	**315**	189

Notes to the Consolidated Financial Statements continued

9 Operating profit

Operating profit is stated after charging:	2014 £000	2013 £000
Depreciation of property, plant and equipment - owned	**372**	129
Depreciation of property, plant and equipment - leased	**59**	25
Total depreciation	**431**	154
Operating lease rentals: Land and buildings	**210**	114
Operating lease rentals: Plant & machinery	**59**	22
Total operating lease rentals	**269**	136
Research and development expenditure expensed as incurred	**393**	411

	2014 £000	2013 £000
Auditor's remuneration:		
Audit of these financial statements	**20**	43
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	**33**	3
- Other services relating to taxation	**3**	3
- Other services	**18**	46

10 Finance income

	2014 £000	2013 £000
Interest received on bank deposits	**36**	75

11 Finance expense

	2014 £000	2013 £000
Interest on finance lease obligations	**32**	11

12 Taxation

12.1 Recognised in the income statement

	2014 £000	2013 £000
Current tax expense		
Current year	**901**	563
Adjustment in respect of prior periods	**44**	1
Total current year	**945**	564
Deferred tax		
Current year	**(47)**	(78)
Adjustment in respect of prior periods	**-**	-
Total deferred tax	**(47)**	(78)
Total tax in income statement	**898**	486

Notes to the Consolidated Financial Statements continued

12 Taxation (continued)

Reconciliation of the effective tax rate

	2014 £000	2014 %	2013 £000	2013 %
Profit before tax for the period	**4,201**	**100.0**	2,590	100.0
Expected tax charge based on the standard rate of corporation tax in the UK of 22.33% (2013: 23.66%)	**938**	**22.3**	613	23.7
Expenses not deductible for tax purposes	**18**	**0.4**	51	2.0
Research and development enhancement	**(110)**	**(2.5)**	(121)	(4.7)
Adjustment in respect of prior periods	**44**	**1.0**	1	-
Marginal relief / effect of small company tax rates	**-**	**-**	(3)	(0.1)
Other movements	**8**	**0.2**	(55)	(2.1)
Total tax expense	**898**	**21.4**	486	18.8

Reductions in Corporation tax rates to 21% from 1 April 2014 and 20% from 1 April 2015 were substantially enacted on 2 July 2013. This reduces the Group's future tax charge accordingly. The Group also has some tax losses in respect of the Datasys acquisition where no deferred tax asset has been recognised which may reduce the future charge should these be utilised.

12.2 Recognised in reserves – direct to equity

	2014 £000	2013 £000
Deferred Tax		
Deferred tax relating to share based payments	**563**	-

13 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 July 2014 was based on the profit attributable to ordinary shareholders of £3,303,000 (2013: £2,104,000) and a weighted average number of ordinary shares in issue of 25,608,000 (2013: 24,982,000), calculated as follows:

Weighted average number of ordinary shares
In thousands of shares

	2014	2013
Issued ordinary shares at 1 August	**25,526**	24,839
Effect of shares issued related to business combinations	**26**	70
Effect of shares issued for cash	**56**	73
Weighted average number of shares at 31 July	**25,608**	24,982

Diluted earnings per share

The calculation of diluted earnings per share at 31 July 2014 was based on profit attributable to ordinary shareholders of £3,303,000 (2013: £2,104,000) and a weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares of 26,559,000 (2013: 25,827,000):

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

	2014 £000	2013 £000
Adjusted EBITDA*	**5,434**	3,367
Basic adjusted EBITDA* per share	**21.22p**	13.48p
Diluted adjusted EBITDA* per share	**20.46p**	13.04p

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

Notes to the Consolidated Financial Statements continued

14 Property, plant and equipment

	Freehold Land & Buildings £000	Motor Vehicles £000	Computer equipment £000	Office fixtures & fittings £000	**Total £000**
Cost					
At 1 August 2012	400	21	131	41	593
Additions	-	8	46	37	91
Arising on acquisition	-	719	619	1,162	2,500
Exchange rate variances	-	(18)	(40)	(14)	(72)
At 31 July 2013	400	730	756	1,226	3,112
Additions	-	55	207	209	471
Arising on acquisition	-	-	243	61	304
Exchange rate variances	-	(14)	(34)	(9)	(57)
At 31 July 2014	400	771	1,172	1,487	3,830
Depreciation					
At 1 August 2012	18	14	86	12	130
Charge for the year	12	38	61	43	154
Arising on acquisition	-	339	426	535	1,300
Exchange rate variances	-	(14)	(36)	(22)	(72)
At 31 July 2013	30	377	537	568	1,512
Charge for the year	12	117	151	151	431
Arising on acquisition	-	-	225	30	255
Exchange rate variances	-	(14)	(34)	(9)	(57)
At 31 July 2014	42	480	879	740	2,141
Net book value					
At 1 August 2012	382	7	45	29	463
At 31 July 2013	370	353	219	658	1,600
At 31 July 2014	**358**	**291**	**293**	**747**	**1,689**

The net book value of assets held under finance lease obligations is £194,000 (2013: £305,000).

Notes to the Consolidated Financial Statements continued

15 Intangible assets

	Goodwill	Customer related intangibles	Technology related intangibles	Total
	£000	£000	£000	£000
Cost				
At 1 August 2012	1,119	2,628	914	4,661
Arising on acquisition	390	1,704	-	2,094
At 31 July 2013	1,509	4,332	914	6,755
Arising on acquisition	359	3,098	1,660	5,117
At 31 July 2014	1,868	7,430	2,574	11,872
Amortisation and impairment				
At 1 August 2012	-	274	141	415
Charge for the year	-	182	91	273
At 31 July 2013	-	456	232	688
Charge for the year	-	333	127	460
At 31 July 2014	-	789	359	1,148
Carrying amounts				
At 1 August 2012	1,119	2,354	773	4,246
At 31 July 2013	1,509	3,876	682	6,067
At 31 July 2014	**1,868**	**6,641**	**2,215**	**10,724**

The following carrying values of intangible assets arising from the acquisitions of RWA Rail Limited in August 2008, Peeping Limited in July 2009, Safety Information Systems Limited in December 2009, MPEC Technology Limited in June 2011, Sky High plc in April 2013, and Datasys Integration Limited in May 2014 are analysed as follows:

	Goodwill		**Customer related intangibles**		**Technology related intangibles**	
	2014	2013	**2014**	2013	**2014**	2013
	£000	£000	**£000**	£000	**£000**	£000
RWA Rail Limited	**671**	671	**531**	567	**-**	-
Peeping Limited	**43**	43	**277**	295	**-**	-
Safety Information Systems Limited	**136**	136	**209**	222	**123**	146
MPEC Technology Limited	**269**	269	**1,075**	1,139	**467**	536
Sky High Technology Limited	**390**	390	**1,484**	1,653	**-**	-
Datasys Integration Limited	**359**	-	**3,065**	-	**1,625**	-
	1,868	1,509	**6,641**	3,876	**2,215**	682

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

	2014	2013
	£000	£000
Administrative expenses	**460**	273

Customer related intangibles and technology related intangibles are amortised over their useful life, which is the period during which they are expected to generate revenue.

Notes to the Consolidated Financial Statements continued

15 Intangible assets (continued)

Goodwill acquired in a business combination is allocated to cash generating units (CGUs) and is tested for impairment on an annual basis, or more frequently if there are indications that the carrying value might be impaired, by comparing the carrying amount against the discounted cash flow projections of the CGU. CGUs are not larger than the operating segments of the Group.

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

	2014	2013
Long term growth rate	**1.0%**	1.0%
Discount rate	**10%**	10%

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

16 Inventories

	2014	2013
	£000	£000
Raw materials & work in progress	**184**	138
Finished goods	**79**	98
	263	236

The value of inventories expensed in the period in cost of sales was £2,034,000 (2013: £922,000). 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 Hire purchase contracts

	2014	2013
	£000	£000
Due within one year	**100**	96
Due after more than one year:		
Between one and two years	**79**	100
Between two and three years	**32**	83
Between three and four years	**22**	25
Between four and five years	**-**	24
Total due after more than one year	**133**	232
Total hire purchase contract obligation	**233**	328

A reconciliation of the obligation is stated below.

	2014	2013
	£000	£000
At start of the year	**328**	-
Arising on acquisition	**-**	407
New hire purchase contracts	**25**	16
Repayments	**(120)**	(95)
At end of the year	**233**	328

Notes to the Consolidated Financial Statements continued

17 Hire purchase contracts (continued)

	Carrying amount £000	Contractual cash flows £000	Less than one year £000	One to Two years £000	Two to Five years £000
Hire Purchase Obligations					
2014	**233**	**255**	**114**	**84**	**57**
2013	328	365	113	113	139

18 Trade and other receivables

	2014	2013
	£000	£000
Trade receivables	**3,165**	3,019
Other receivables and prepayments	**387**	220
Amounts recoverable on contracts	**890**	626
	4,442	3,865

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

	2014	2013
	£000	£000
United Kingdom	**2,970**	2,889
Australia	**195**	130
	3,165	3,019

Although the Group has a large number of customers, there is a concentration of risk in that the Group derives a large amount of revenue from one major customer, though the credit worthiness of this customer is unquestionably strong. In other cases, where one customer represents a significant proportion of overall revenue, the relationship consists of a large number of small contracts which are not considered to be interdependent. The directors do not consider that any of the amounts from the sale of goods to be irrecoverable, hence no provision has been made for bad or doubtful debts in either the current or preceding year.

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

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

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

	2014	2013
	£000	£000
Under 30 days overdue	**941**	988
Between 30 and 60 days overdue	**282**	131
Over 60 days overdue	**66**	220
	1,289	1,339

The other classes within trade and other receivables do not contain impaired assets. The Group did not incur any material impairment losses on trade receivables in the period. The ageing profile above takes account of the enlarged Group, and the fact that the payment terms/collection period for an enlarged Group with a wide variety of customers has evolved.

Notes to the Consolidated Financial Statements continued

19 Trade and other payables

	2014	2013
	£000	£000
Trade payables	**760**	521
Other tax and social security	**1,391**	967
Deferred income	**1,731**	785
Accruals and other payables	**2,193**	1,259
	6,075	3,532

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

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

20 Deferred tax

Non-current liability/(asset)	**Intangible assets**	**Accelerated capital allowances**	**Share options**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
At 31 July 2012	718	24	(40)	-	702
Arising on acquisition	358	64	-	-	422
(Credit)/charge to income statement	(62)	(7)	47	-	(22)
Change in tax rates	(58)	(2)	4	-	(56)
At 31 July 2013	956	79	11	-	1,046
Arising on acquisition	952	-	-	-	952
(Credit)/charge to income statement	(96)	27	(8)	76	(1)
Change in tax rates	(41)	(5)	-	-	(46)
Recognised in equity	-	-	(563)	-	(563)
At 31 July 2014	**1,771**	**101**	**(560)**	**76**	**1,388**

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

The closing deferred tax asset and liability has been calculated at 20% as at 31 July 2014 (2013: 21%).

21 Share capital

	2014 Number	**2014 £**	2013 Number	2013 £
Allotted, called up and fully paid:				
Ordinary shares of 0.4p each	**26,258,114**	**105,032**	25,526,306	102,105

The following share transactions have taken place during the year ended 31 July 2014:

126,775 shares were issued in respect of the acquisition of Datasys Integration Limited.

605,033 share options, under the Group's share options schemes were exercised at various points in the year.

Notes to the Consolidated Financial Statements continued

21 Share capital (continued)

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

	2014	2013
	Number	Number
At start of the year	**25,526,306**	24,839,192
Issued as consideration for business combinations	**126,775**	308,563
Exercise of share options	**605,033**	378,551
At end of the year	**26,258,114**	25,526,306

22 Capital and reserves

The following describes the nature and purpose of each reserve:

Reserve	**Description and purpose**
Share capital	Amount subscribed for share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	Amounts arising from the premium of the fair value of shares issued over their nominal value, in respect of certain business combinations
Share based payments reserve	Amounts arising from the requirement to expense the fair value of share options in accordance with IFRS2 Share-based Payments
Retained earnings	Cumulative net profits recognised in the income statement
Translation reserve	Translation differences on retranslation of Australian subsidiary

23 Operating leases

Leases as lessee

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

Land and buildings

The Group leases several office facilities in the United Kingdom and Australia under operating leases. During the year £269,000 was recognised as an expense in the income statement in respect of operating leases (2013: £136,000).

	2014	2013
	£'000	£'000
Expiring within one year	**59**	20
Expiring in the second to fifth years	**195**	233
	254	253

Plant and machinery

	2014	2013
	£'000	£'000
Expiring within one year	**24**	14
Expiring in the second to fifth years	**225**	247
	249	261

Notes to the Consolidated Financial Statements continued

24 Financial risk management

The principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments, such as trade receivables and payables that arise directly from its operations. The Group has taken advantage of the exemption to exclude short term debtors and creditors from the disclosures given below. The fair values of the financial instruments are equal to their year end carrying values and represent the maximum exposure.

	2014			2013		
Financial assets	**Fixed Rate £000**	**Floating Rate £000**	**Total £000**	Fixed Rate £000	Floating Rate £000	Total £000
Cash and short term deposits	**1,500**	**7,420**	**8,920**	-	6,571	6,571

The Group had no financial liabilities or derivative contracts in either the current or previous year. It is policy that no trading in financial instruments should be undertaken. The surplus cash balances have been invested in deposit accounts.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade receivables;
- cash at bank;
- trade and other payables.

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

Fair value or cash flow interest rate risk

Currently the Group has surplus cash balances so does not have a borrowing requirement. Surplus cash is put on short term deposit with high credit worthy banking institutions where appropriate at either fixed or floating rates. The Board monitors the financial markets and the Group's future cash requirements to ensure that this policy is exercised in the Group's best interests.

At 31 July 2014, the Group had fixed-rate deposits in place as follows:

- £750,000 placed on a fixed 3 month deposit at an interest rate of 0.55%
- £750,000 placed on a fixed 3 month deposit at an interest rate of 0.55%

Credit risk

The Group monitors credit risk closely and considers that its current policies of credit checks meet its objectives of managing exposure to risk. The Group has no significant concentration of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event that other parties fail to perform their obligations under financial instruments.

Liquidity risk

Liquidity risk is managed on a day to day basis. Facilities are agreed at appropriate levels having regard to the Group's forecast operating cash flows and future capital expenditures.

Capital disclosures

The Group's objectives when maintaining capital are:

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

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to shareholders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity and Notes 13, 21 and 22. The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the Consolidated Financial Statements continued

24 Financial risk management (continued)

Sensitivity analysis

In managing interest rates the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the long term, permanent changes in interest rates would have an impact on consolidated earnings. The Directors consider that a change of 100 basis points in interest rates at any period end would not have a material impact on cash flows.

Market risks

The Directors consider that the Group has no significant exposure to market risks with respect to its financial instruments. The Group had some deposits and access accounts with Co-Operative Bank, but following their downgrade in the previous year, the majority of these were subsequently withdrawn and funds placed with alternative financial institutions who were deemed more creditworthy.

Foreign currency risk

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

25 Related Party Transactions

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

	Purchase of goods and services		Amounts owed to related parties	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Leeds Innovation Centre Limited [1]	**71**	80	**6**	6

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

	Sale of goods and services		Amounts owed by related parties	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
WSP Group [2]	**41**	-	**36**	-

2 – WSP Group (WSP) is a company which is connected to Chris Cole, a Director of Tracsis plc since 28 April 2014. Chris Cole is non-executive Chairman of Tracsis plc and is also a Director of WSP. Sales to WSP took place at arm's length commercial rates, and were not connected to Mr Cole's position at WSP as the group traded with WSP prior to his appointment at Tracsis. The values disclosed above represent amounts invoiced since 28 April 2014, the date on which Mr Cole became a Director and therefore the date from which WSP became a related party

Terms and conditions of transactions with related parties

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

Compensation of key management personnel of the Group

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

Notes to the Consolidated Financial Statements continued

26 Employee benefits

The Group makes contributions to defined contribution pension schemes for its employees. The pension cost charge for the year comprises contributions payable by the Group to the schemes and other personal pension plans and amounted to £135,000 (2013: £67,000). There were outstanding contributions at 31 July 2014 of £17,000 (2013: £10,000).

27 Group entities

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

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

28 Dividends

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

	2014 £000	2013 £000
Final dividend for 2011/12 of 0.35p per share paid	**-**	87
Interim dividend for 2012/13 of 0.30p per share paid	**-**	75
Final dividend for 2012/13 of 0.40p per share paid	**102**	-
Interim dividend for 2013/14 of 0.35p per share paid	**89**	-
Total dividends paid	**191**	162

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

	2014 £000	2013 £000	2012 £000
Interim dividend for 2011/12 of 0.20p per share paid	**-**	-	48
Final dividend for 2011/12 of 0.35p per share paid	**-**	-	87
Interim dividend for 2012/13 of 0.30p per share paid	**-**	75	-
Final dividend for 2012/13 of 0.40p per share paid	**-**	102	-
Interim dividend for 2013/14 of 0.35p per share paid	**89**	-	-
Final dividend for 2013/14 of 0.45p per share proposed	**119**	-	-

The dividend will be payable on 13 February 2015 to shareholders on the Register at 30 January 2015.

Financial Statements

Company Balance Sheet (presented under UK GAAP)

as at 31 July 2014

Company number: 05019106

	Note	**2014** **£000**	2013 £000
Fixed assets			
Tangible fixed assets	30	**359**	371
Investments	31	**14,093**	9,545
Current assets			
Debtors	32	**1,261**	1,030
Cash at bank and in hand		**5,294**	3,284
		6,555	4,314
Creditors: amounts falling due within one year	33	**(7,226)**	(5,785)
Net current (liabilities)/assets		**(671)**	(1,471)
Total assets less current liabilities		**13,781**	8,445
Provisions for liabilities and charges	34	**(6)**	(15)
Net assets		**13,775**	8,430
Capital and reserves			
Called up share capital	35	**105**	102
Share premium reserve	36	**4,591**	4,280
Merger reserve	36	**1,846**	1,472
Share based payments reserve	36	**698**	383
Retained earnings	36	**6,535**	2,193
Shareholders' funds		**13,775**	8,430

The financial statements were approved and authorised for issue by the Board of Directors on 12 November 2014 and were signed on its behalf by:

John McArthur – Chief Executive Officer

Max Cawthra – Chief Financial Officer

Financial Statements

Notes to the Company Balance Sheet

29 Company accounting policies (UK GAAP)

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

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

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

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

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

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

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

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

Tangible fixed assets
Tangible fixed assets are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

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

Freehold buildings (excluding land)	–	4% on cost
Computer equipment	–	33 1/3% on cost

Investments
Fixed asset investments are stated at cost less provision for impairment where appropriate. The directors consider annually whether a provision against the value of investments on an individual basis is required. Such provisions are charged in the profit and loss account in the year.

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

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

Notes to the Company Balance Sheet continued

29 Company accounting policies (UK GAAP) (continued)

FRS20 share based payments
The Company has adopted FRS20 and the accounting policies followed are in all material regards the same as the Group's policy under IFRS2 'Share based payments'. The policy is shown in the Group's accounting policies on pages 27 to 34.

30 Tangible fixed assets

	Freehold Land & Buildings £000	Computer equipment £000	**Total £000**
Cost			
At 1 August 2013	400	23	423
Additions	-	-	-
At 31 July 2014	400	23	423
Depreciation			
At 1 August 2013	30	22	52
Charge for the year	12	-	12
At 31 July 2014	42	22	64
Net book value			
At 31 July 2013	370	1	371
At 31 July 2014	**358**	**1**	**359**

31 Investments

	Shares in subsidiary undertakings £000
Cost	
At 1 August 2013	9,545
Additions	4,548
At 31 July 2014	**14,093**

The addition in the year relates to the acquisition of Datasys Integration Limited.

Notes to the Company Balance Sheet continued

31 Investments (continued)

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

Subsidiary undertaking	Country of incorporation	Principal activity	Class and percentage of shares held	Holding
R.W.A. Rail Limited	England and Wales	Rail industry consultancy	Ordinary 100%	Direct
Peeping Limited	England and Wales	Rail industry ancillary services	Ordinary 100%	Direct
Safety Information Systems Limited	England and Wales	Software and consultancy	Ordinary 100%	Direct
MPEC Technology Limited	England and Wales	Rail industry hardware & datalogging	Ordinary 100%	Direct
Sky High Technology Limited (previously Sky High plc)	England and Wales	Transportation data collection	Ordinary 100%	Direct
Sky High Traffic Data Australia Pty Limited	Australia	Transportation data collection	Ordinary 100%	Indirect
Datasys Integration Limited	England and Wales	Holding Company	Ordinary 100%	Direct
Datasys Limited	England and Wales	Rail industry software	Ordinary 100%	Indirect

32 Debtors

	2014	2013
	£000	£000
Trade debtors	**478**	769
Amounts owed by subsidiary undertakings	**603**	50
Other debtors	**12**	12
Corporation Tax	**141**	166
Prepayments	**27**	33
	1,261	1,030

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

33 Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Trade creditors	**29**	14
Other tax and social security	**586**	356
Corporation tax	**-**	-
Amounts owed to subsidiary undertakings	**5,869**	4,679
Accruals and deferred income	**742**	736
	7,226	5,785

Notes to the Company Balance Sheet continued

34 Provisions for liabilities and charges – deferred tax liability

	2014	2013
	£000	£000
At start of the year	**15**	(33)
(Credit) / charge to profit and loss account during the year	**(9)**	48
At end of the year	**6**	15

35 Share capital

	2014	**2014**	2013	2013
	Number	**£**	Number	£
Allotted, called up and fully paid:				
Ordinary shares of 0.4p each	**26,258,114**	**105,032**	25,526,306	102,105

The following share transactions have taken place during the year ended 31 July 2014:

126,775 shares were issued in respect of the acquisition of Datasys Integration Limited

605,033 share options, under the Group's share options schemes were exercised at various points in the year.

36 Reserves

	Share premium account £000	Merger reserve £000	Share based payments reserve £000	Profit and loss account £000
At 1 August 2013	4,280	1,472	383	2,193
Dividends	-	-	-	(191)
Issue of new shares	311	374	-	-
Profit for the period	-	-	-	4,533
Share based payment charges	-	-	315	-
At 31 July 2014	**4,591**	**1,846**	**698**	**6,535**

Profit for the period is stated after receiving dividends from subsidiary undertakings of £4,250,000.

Notes to the Company Balance Sheet continued

37 Operating leases

Operating lease commitments

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

	2014	2013
Land and buildings:	**£'000**	£'000
On leases expiring:		
Within one year	**9**	-
Expiring between one and two years	**-**	58

38 Reconciliation of movement in shareholders' funds

	2014	2013
	£'000	£'000
Profit attributable to ordinary shareholders	**4,533**	173
Dividends paid	**(191)**	(162)
Other recognised gains:		
- Issue of new shares	**688**	707
- Share based payments	**315**	189
	5,345	907
Opening shareholders' funds	**8,430**	7,523
Closing shareholders' funds	**13,775**	8,430

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