

Date: 23 March 2017  
On behalf of: Tracsis plc  
Embargoed until 0700hrs

## Tracsis plc

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

### Interim results for the six months ended 31 January 2017

Tracsis plc (AIM: TRCS), a leading provider of software and technology led products and services for the traffic data and transportation industry, is pleased to announce its interim results for the six months ended 31 January 2017.

#### Financial Highlights:

- Revenue increased 20% to £15.6m (2016: £13.1m<sup>1</sup>)
- Adjusted EBITDA increased 11% to £3.5m (2016: £3.2m<sup>1</sup>)
- Adjusted Pre-tax Profit<sup>2</sup> increased 11% to £3.1m<sup>2</sup> (2016: £2.8m<sup>1</sup>)
- Statutory Pre-tax Profit increased 10% to £1.8m (2016: £1.6m<sup>1</sup>)
- Cash balances at 31 January of £12.7m (31 July 2016: £11.4m, 31 January 2016: £8.0m)
- The business remains debt free with excellent cash flow and cash conversion
- Proposed interim dividend increased by 20% to 0.6p per share (2016: 0.5p)

#### Operational Highlights:

- Recently acquired businesses performing well and ahead of expectations
- Completion of significant operational improvements and cost reduction in our Traffic and Data division
- North American remote condition monitoring order announced August 2016 successfully delivered, and provides a platform for further opportunities
- Post period end: Successful renewal and expansion of major data capture contract with a value up to £4.8m over four years

<sup>1</sup> Excluding Tracsis Traffic Data Australia Pty which was disposed of in December 2015

<sup>2</sup> Profit before tax (£1.8m), plus amortisation of intangible assets (£0.8m), share based payments and exceptional items (£0.5m)

#### John McArthur, Chief Executive Officer, commented:

*"This was a period of further growth with revenues and profits ahead of the previous year and a good contribution from the businesses we acquired in 2015. The second half of our financial year is expected to be significantly stronger than the first due to natural seasonality within the Group combined with anticipated new software sales.*

*Tracsis continues to evolve and grow and the past six months have seen us undertake some significant technology, people and process improvements to accommodate a larger, more diverse business. The results of our efforts put Tracsis on stronger, more integrated footing for the future."*

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## Chairman & Chief Executive Officer's Report

### Introduction

The Group has reported a further period of growth in the period. Revenue performance in the period was satisfactory and the Board was pleased with the contributions made by its newly acquired businesses.

Group revenues were £15.6m (2016: £14.3m), EBITDA of £3.5m (2016: £3.4m) and statutory profit before tax was £1.8m (2016: £1.5m). Cash balances remained strong at £12.7m (2016: £8.0m), and the business continues to be debt free.

As highlighted previously, one of the key objectives of the period was process and gross margin improvement both in the Group's Traffic & Data Services division and where necessary across the wider Group, following many years of rapid growth. The Board is pleased that effective action has been taken to address some of the challenges that come with a growing and diverse technology and services Group.

The results of the Group incorporate the disposal of Tracsis Traffic Data Pty Limited that was made in 2015 and the full year results for the acquired businesses of SEP Limited ('SEP') and Ontrac Limited ('Ontrac') that were also made that year.

### Trading Progress and Prospects

A summary of performance in the period is as follows:

#### Rail Technology & Services

Summary segment results:

Revenue	£7.9m	(2016: £6.3m)
EBITDA	£3.2m	(2016: £2.5m)
Profit before Tax	£3.1m	(2016: £2.4m)

#### *Software & Consultancy*

Software sales of £3.1m (2016: £3.3m) continued to benefit from high renewal rates for existing products, and were adverse to the previous year partly due to the timing of certain key renewals which are now expected to take place in the second half of the year and also the absence of any franchise bid software licence sales due to changes made by the Department for Transport ('DfT') refranchising timetable. As has always been the case, this 'lumpiness' of opportunity is inherent with the rail industry both with the UK and abroad.

The strategy for our software products remains unchanged and we continue to invest in new product development and market these technologies to the major owning Groups who we work closely with. As such, the pipeline of potential opportunities for our suite of products remains consistently strong. Sales of TRACS Enterprise and DayOne are progressing well, although with a longer sales cycle than anticipated.

Consultancy sales of £0.8m (2016: £1.1m) were achieved almost entirely from non-franchise bid work due to the aforementioned DfT refranchising timetable. Looking ahead to the second half of the year, we expect franchise bid work will recommence, and span both the current H2 period and H1 for our next financial year starting August 2017. Whilst the specific timing of rail bidding can be unpredictable, our consultancy team is structured to be able to accommodate the very busy periods whilst remaining profitable and retaining our skilled people during the quieter times.

Ontrac, which was acquired in December 2015 and whose revenues comprise a combination of software sales, support, consultancy and hosting, performed well and made a good contribution to the Group. Revenues from Ontrac were £2.7m (2016: £0.5m) reflecting a full six month period of ownership. The business continues to work extensively within UK Rail, and has experienced continued demand for its product offerings which include bespoke development work and significant software hosting services. Tracsis remains confident on the prospects for this business.

Total revenues from the Group's software, hosting and consulting offerings were £6.6m taking account of all of the above revenue streams.

#### *Remote Condition Monitoring*

Revenues of £1.3m were in line with the previous year (2016: £1.3m). The Group was pleased to complete delivery of a significant order for a North American client that was originally announced in August 2016. This order ended up having a value of £0.4m which was more than originally anticipated. In line with our overseas strategy, we continue to target further sales in North America both with this client and other major Class 1 railroads together with large passenger and metro operators.

Although UK sales for Remote Condition Monitoring from the Group's major customer were adverse to the previous year this was not unexpected given the general sales cycle of Network Rail and being midway through Control Period 5. The Group was pleased to deliver a number of multi-year deals for the Group's Centrix software (the interrogation tool used to analyse RCM data) which has increased our recurring revenue within this part of the business.

#### Traffic & Data Services (T&DS)

Summary segment results:

Revenue	£7.7m	(2016: £8.0m)
EBITDA	£0.3m	(2016: £0.9m)
Profit before Tax	£0.1m	(2016: £0.2m)

This part of the Group has grown rapidly to become the UK's largest transport data collection company offering a variety of novel data capture techniques ranging from Bluetooth and wifi signal analysis through to pioneering MND (mobile network data) information which opens new, and potentially far larger, opportunities for Tracsis. At the start

of the financial year we commenced a programme focusing on improving our margin – this included increasing operational effectiveness and ensuring that we maximise the benefits and economies of scale that come from our position as market leader.

These changes, which included bolstering senior management, a move to larger more modern offices, a review of how we win and deliver work, and removal of some £0.5m direct costs are now complete, with the division positioned to continue growth on a far stronger footing. The benefit of these actions will begin to be felt in H2 with the full impact realised in FY17/18 and should deliver improved margin and profitability.

Continuing revenues from Traffic Data and Passenger Counts were slightly adverse to the previous year at £5.9m (2016: £6.1m).

Post period end, we were pleased to secure the renewal and expansion of a major contract with a value up to £4.8m over four years which is testament to our focus on driving new business and expanding the offering to current customers. Our commercial team continues to work hard to secure further contracts and Framework Agreements covering both renewals of existing contracts and new sales opportunities.

SEP, which was acquired in September 2015 has continued to trade well and delivered revenues of £1.8m (2016: £0.6m). As noted previously, the majority of revenue and profit from this business is delivered over the summer months and as in the previous year, the second half of the financial year is expected to be significantly stronger than the first half. Continued integration of this business with the Traffic and Data Services division took place, along with work on a number of technology based initiatives with other parts of the wider Group.

### **Overseas**

The contract award in North America was an important milestone in our overseas business development strategy and was delivered in full in the period under review. We also achieved software sales in the United Arab Emirates and continue to work with our existing clients in Sweden, Ireland and New Zealand.

### **Dividend**

The Group remains committed to following the progressive dividend policy that was adopted in previous years. Accordingly, the Directors propose an interim dividend of 0.6p per share, which is a 20% increase on the 0.50p paid in the interim period last year and will mark the 11<sup>th</sup> successive period of this policy. The dividend will be paid on 21 April 2017 to shareholders on the register on 7 April 2017.

### **Acquisitions**

The Group continues to target growth by acquisition and continues to appraise multiple potential opportunities. No acquisitions took place in the period under review despite a number of negotiations taking place.

## Income statement

A summary of the Group's results is set out below.

	<b>Unaudited Six months ended 31 January 2017 £'000</b>	Unaudited Six months ended 31 January 2016 £'000	Audited Year ended 31 July 2016 £'000
<b>Revenue<sup>3</sup></b>	<b>15,622</b>	13,057	31,403
<b>Discontinued</b>	-	1,238	1,238
<b>Total</b>	<b>15,622</b>	14,295	32,641
<b>Adjusted EBITDA<sup>1,3</sup></b>	<b>3,545</b>	3,195	7,444
<b>Discontinued</b>	-	201	201
<b>Total</b>	<b>3,545</b>	3,396	7,645
<b>Adjusted Pre-Tax Profit<sup>2,3</sup></b>	<b>3,109</b>	2,797	6,699
<b>Discontinued</b>	-	168	173
<b>Total</b>	<b>3,109</b>	2,965	6,872
<b>Profit before tax<sup>3</sup></b>	<b>1,788</b>	1,624	4,098
<b>Discontinued</b>	-	(135)	(143)
<b>Total</b>	<b>1,788</b>	1,489	3,955

<sup>1</sup>Earnings before finance income, tax, depreciation, amortisation, exceptional items and share-based payment charges

<sup>2</sup>Profit before tax, plus amortisation, share based payments and exceptional items

<sup>3</sup>Comparative figures exclude Tracsis Traffic Data Pty Limited which was disposed of in December 2015

Sales revenue is analysed further below:

	<b>Unaudited Six months Ended 31 January 2017 £'000</b>	Unaudited Six months ended 31 January 2016 £'000	Audited Year ended 31 July 2016 £'000
Rail Technology & Services	<b>7,922</b>	6,314	14,066
Traffic & Data Services - Continuing	<b>7,700</b>	6,743	17,337
Total revenue from continuing operations	<b>15,622</b>	13,057	31,403
Discontinued operations	-	1,238	1,238
<b>Total revenue</b>	<b>15,622</b>	14,295	32,641

## Balance sheet

The Group continues to have significant levels of cash and remains debt free. Cash balances at 31 January were £12.7m (31 January 2016: £8.0m, 31 July 2016: £11.4m), and cash conversion levels remain good. Contingent consideration of £1.1m was paid in respect of the Ontrac and SEP acquisitions in respect of the first year's earn out. Further amounts may be due depending on the financial performance of both businesses in the second year. A summary of cash flows is set out below:

	<b>Six months ended 31 January 2017 £'000</b>	Six months ended 31 January 2016 £'000	Year ended 31 July 2016 £'000
Net cash flow from operating activities	<b>2,315</b>	1,738	5,866
Net cash used in investing activities	<b>(1,062)</b>	(7,501)	(8,013)
Net cash from financing activities	<b>60</b>	389	179
Exchange differences	-	22	12
<b>Movement during the period</b>	<b>1,313</b>	(5,352)	(1,956)

## Outlook

The Group remains focussed on delivering full year numbers, and as communicated previously, the outcome for the full year remains subject to the timely conversion of new sales for our various software products and services. Our second half trading is also supported by the improvement in gross margin initiatives that commenced at the start of the financial year, and the natural H2 seasonality that is inherent across the Group's operations. Management is confident that the focus on process and margin improvement puts the business on a solid footing.

Our core target markets of rail technology and traffic and transport data services remain buoyant with good growth drivers and Tracsis remains well positioned for the future.

Chris Cole  
Non-Executive Chairman

John McArthur  
Chief Executive Officer

23 March 2017

**Tracsis plc**  
**Condensed consolidated interim income statement for the six months ended 31 January 2017**

	Note	6 months ended 31 January 2017 Continuing Operations (unaudited) Total	6 months ended 31 January 2016 (unaudited)			Year ended 31 July 2016 (audited)		
			Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		£'000	£'000	£'000	£'000	£'000	£'000	
<b>Revenue</b>		<b>15,622</b>	13,057	1,238	14,295	31,403	1,238	32,641
<b>Cost of sales</b>		<b>(6,632)</b>	(4,604)	(715)	(5,319)	(12,559)	(715)	(13,274)
<b>Gross profit</b>		<b>8,990</b>	8,453	523	8,976	18,844	523	19,367
Administrative costs		<b>(7,159)</b>	(6,765)	(654)	(7,419)	(14,745)	(662)	(15,407)
<b>Adjusted EBITDA *</b>		<b>3,545</b>	3,195	201	3,396	7,444	201	7,645
Amortisation of intangible assets		<b>(837)</b>	(566)	-	(566)	(1,378)	-	(1,378)
Depreciation		<b>(393)</b>	(334)	(29)	(363)	(744)	(29)	(773)
Exceptional item: Acquisition & disposal costs		-	(121)	(31)	(152)	(136)	(39)	(175)
Exceptional item: Loss on disposal		-	-	(272)	(272)	-	(272)	(272)
Share-based payment charges		<b>(484)</b>	(486)	-	(486)	(1,087)	-	(1,087)
<b>Operating profit / (loss)</b>		<b>1,831</b>	1,688	(131)	1,557	4,099	(139)	3,960
Finance income		<b>11</b>	28	-	28	36	-	36
Finance expense		<b>(18)</b>	(16)	(4)	(20)	(37)	(4)	(41)
Share of result of equity accounted investees		<b>(36)</b>	(76)	-	(76)	-	-	-
<b>Profit / (loss) before tax</b>		<b>1,788</b>	1,624	(135)	1,489	4,098	(143)	3,955
Taxation		<b>(387)</b>	(312)	(50)	(362)	(372)	(50)	(422)
<b>Profit / (loss) for the period</b>		<b>1,401</b>	1,312	(185)	1,127	3,726	(193)	3,533
<b>Other comprehensive income</b>								
Items that are or may be reclassified subsequently to profit or loss:								
Foreign currency translation differences – foreign operations		-	-	189	189	-	189	189
Total recognised income for the period		<b>1,401</b>	1,312	4	1,316	3,726	(4)	3,722
<b>Earnings per ordinary share</b>								
Basic	5	<b>5.06p</b>	4.88p	(0.69p)	4.19p	13.40p	(0.69p)	12.71p
Diluted	5	<b>4.90p</b>	4.70p	(0.66p)	4.04p	12.93p	(0.67p)	12.26p

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

**Tracsis plc**  
**Condensed consolidated interim balance sheet as at 31 January 2017**

	Unaudited At 31 January 2017 £'000	Unaudited At 31 January 2016 £'000	Audited At 31 July 2016 £'000
<b>Non-current assets</b>			
Property, plant and equipment	2,525	2,516	2,608
Intangible assets	25,295	30,205	26,132
Investments – loan notes receivable	165	125	250
Investments – equity	464	299	500
Deferred consideration receivable	59	238	167
Deferred tax assets	623	702	573
	<b>29,131</b>	<b>34,085</b>	<b>30,230</b>
<b>Current assets</b>			
Inventories	210	297	271
Trade and other receivables	5,568	5,897	6,166
Deferred consideration receivable	118	136	133
Cash and cash equivalents	12,698	7,989	11,385
	<b>18,594</b>	<b>14,319</b>	<b>17,955</b>
<b>Total assets</b>	<b>47,725</b>	<b>48,404</b>	<b>48,185</b>
<b>Non-current liabilities</b>			
Hire-purchase contracts	242	417	296
Contingent & Deferred consideration payable	-	5,830	4,485
Deferred tax liabilities	4,133	5,328	4,284
	<b>4,375</b>	<b>11,575</b>	<b>9,065</b>
<b>Current liabilities</b>			
Hire-purchase contracts	398	295	368
Trade and other payables	6,550	7,562	8,354
Contingent & Deferred consideration payable	5,061	2,840	1,665
Current tax liabilities	526	434	67
	<b>12,535</b>	<b>11,131</b>	<b>10,454</b>
<b>Total liabilities</b>	<b>16,910</b>	<b>22,706</b>	<b>19,519</b>
<b>Net assets</b>	<b>30,815</b>	<b>25,698</b>	<b>28,666</b>
<b>Equity attributable to equity holders of the Company</b>			
Called up share capital	111	109	110
Share premium reserve	5,834	5,308	5,622
Merger reserve	3,010	3,010	3,010
Share based payments reserve	2,892	1,807	2,408
Retained earnings	18,968	15,464	17,516
<b>Total equity</b>	<b>30,815</b>	<b>25,698</b>	<b>28,666</b>



**Tracsis plc- Consolidated statement of changes in equity**  
**For the six months ended 31 January 2017**

Unaudited	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 2015	106	4,776	1,846	1,321	14,517	(189)	22,377
Profit for the six month period ended 31 January 2016	-	-	-	-	1,127	-	1,127
Other comprehensive income	-	-	-	-	-	22	22
Reclassification on disposal	-	-	-	-	-	167	167
Total comprehensive income	-	-	-	-	1,127	189	1,316
Transactions with owners:							
Exercise of share options	2	532	-	-	-	-	534
Shares issued as consideration for business combinations	1	-	1,164	-	-	-	1,165
Tax movements in equity	-	-	-	-	(180)	-	(180)
Share based payment charges	-	-	-	486	-	-	486
<b>At 31 January 2016</b>	<b>109</b>	<b>5,308</b>	<b>3,010</b>	<b>1,807</b>	<b>15,464</b>	<b>-</b>	<b>25,698</b>

Audited	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 2015	106	4,776	1,846	1,321	14,517	(189)	22,377
Profit for the year ended 31 July 2016	-	-	-	-	3,533	-	3,533
Other comprehensive income	-	-	-	-	-	22	22
Reclassification on disposal	-	-	-	-	-	167	167
Total comprehensive income	-	-	-	-	3,533	189	3,722
Transactions with owners:							
Dividends	-	-	-	-	(301)	-	(301)
Share based payment charges	-	-	-	1,087	-	-	1,087
Tax movements in equity	-	-	-	-	(233)	-	(233)
Exercise of share options	3	846	-	-	-	-	849
Shares issued as consideration	1	-	1,164	-	-	-	1,165
At 31 July 2016	110	5,622	3,010	2,408	17,516	-	28,666

**Tracsis plc****Consolidated statement of changes in equity (continued)****For the six months ended 31 January 2017**

<b>Unaudited</b>	<b>Share Capital £'000</b>	<b>Share Premium Reserve £'000</b>	<b>Merger Reserve £'000</b>	<b>Share- Based Payments Reserve £'000</b>	<b>Retained Earnings £'000</b>	<b>Total £'000</b>
At 1 August 2016	110	5,622	3,010	2,408	17,516	28,666
Profit for the six month period ended 31 January 2017	-	-	-	-	1,401	1,401
Total comprehensive income	-	-	-	-	1,401	1,401
Transactions with owners:						
Exercise of share options	1	212	-	-	-	213
Tax movements in equity	-	-	-	-	51	51
Share based payment charges	-	-	-	484	-	484
<b>At 31 January 2017</b>	<b>111</b>	<b>5,834</b>	<b>3,010</b>	<b>2,892</b>	<b>18,968</b>	<b>30,815</b>

## Tracsis plc

### Condensed consolidated interim statement of cash flows for the six months to 31 January 2017

	Unaudited Six months to 31 Jan 2017 £'000	Unaudited Six months to 31 Jan 2016 £'000	Audited Year ended 31 July 2016 £'000
<b>Operating activities</b>			
Profit for the period	1,401	1,127	3,533
Finance income	(11)	(28)	(36)
Finance expense	18	20	41
Depreciation	393	363	773
Loss on disposal of plant & equipment	-	2	2
Share of result of equity accounted investees	36	76	-
Loss on disposal of business	-	272	272
Amortisation of intangible assets	837	566	1,378
Income tax charge	387	362	422
Share based payment charges	484	486	1,087
<b>Operating cash inflow before changes in working capital</b>	<b>3,545</b>	<b>3,246</b>	<b>7,472</b>
Movement in inventories	61	(23)	3
Movement in trade and other receivables	598	(237)	(506)
Movement in trade and other payables	(1,804)	(809)	(17)
<b>Cash generated from operations</b>	<b>2,400</b>	<b>2,177</b>	<b>6,952</b>
Finance income	11	28	36
Finance expense	(18)	(20)	(41)
Income tax paid	(78)	(447)	(1,081)
<b>Net cash flow from operating activities</b>	<b>2,315</b>	<b>1,738</b>	<b>5,866</b>
<b>Investing activities</b>			
Purchase of plant and equipment	(184)	(443)	(795)
Proceeds from disposal of plant and equipment	3	47	83
Acquisition of subsidiaries	-	(6,761)	(6,761)
Proceeds from disposal of subsidiaries	-	166	166
Equity investments and loans to investments	-	(500)	(750)
Repayment of loans from investments	85	-	-
Receipt of deferred consideration	123	-	74
Payment of contingent & deferred consideration	(1,089)	(10)	(30)
<b>Net cash flow used in investing activities</b>	<b>(1,062)</b>	<b>(7,501)</b>	<b>(8,013)</b>
<b>Financing activities</b>			
Dividends paid	-	-	(301)
Proceeds from the exercise of share options	213	534	849
Hire purchase repayments	(153)	(145)	(369)
<b>Net cash flow from financing activities</b>	<b>60</b>	<b>389</b>	<b>179</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,313</b>	<b>(5,374)</b>	<b>(1,968)</b>
Effect of exchange fluctuations	-	22	12
Cash and cash equivalents at beginning of period	11,385	13,341	13,341
<b>Cash and cash equivalents at end of period</b>	<b>12,698</b>	<b>7,989</b>	<b>11,385</b>

## **Notes to the consolidated interim report**

### **For the six months ended 31 January 2017**

#### **1 Basis of preparation**

Tracsis plc (the 'Company') is a company domiciled in England. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 January 2017 comprises the Company and its subsidiaries (together referred to as the 'Group'). The principal activities of the Group are the provision of software, services and technology for the rail industry ('Rail Technology & Services'), along with traffic surveys, event planning and traffic management, and data capture ('Traffic Data & Services') (see note 4).

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 July 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The interim financial information for each of the six month periods ended 31 January 2017 and 31 January 2016 has not been audited and does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. The information for the year ended 31 July 2016 does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006, but is based on the statutory accounts for that year, on which the Group's auditors issued an unqualified report and which have been filed with the Registrar of Companies.

The principal risks and uncertainties are largely unchanged for the remainder of the financial year and are as disclosed on pages 9 to 12 of the Annual Report & Accounts for the year ended 31 July 2016. The Board considers risks on a periodic basis and has maintained the key risks as follows, on a Group wide basis:

- Rail industry structure changes
- Competition
- Reduced government spending
- Reliance on certain key customers
- Attraction and retention of key employees
- Technological changes
- Customer pricing pressure
- Health & Safety
- Brand reputation
- Impact of EU Referendum

Further detail on risks is provided in the Annual Report & Accounts for the year ended 31 July 2016.

The condensed consolidated interim financial information was approved for issue on 23 March 2017.

## **2 Accounting Policies**

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 July 2016 and which will form the basis of the 2017 Annual Report except as described below. The basis of consolidation is set out in the Group's accounting policies in those financial statements.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended 31 July 2016.

## **3 Changes in accounting policies**

The following amendments to financial reporting standards were adopted from 1 August 2016, the start of the new financial year. None of them have had a significant impact on the Group:

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Disclosure Initiative (Amendments to IAS 1)
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards

The following new amendments to standards were in issue but are not yet effective for the financial year beginning 1 August 2016:

- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Annual Improvements to IFRSs 2014–2016 Cycle – various standards
- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- IFRS 16 Leases

#### 4 Segmental analysis

The Group has divided its results into two segments being 'Rail Technology and Services' and 'Traffic & Data Services'. 'Rail Technology and Services' includes the Group's Software, Consultancy and Remote Condition Monitoring technology and also includes Ontrac which was acquired in the previous period. Traffic & Data Services includes SEP which was acquired in the previous period.

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.

Sales revenue is summarised below:

	<b>Six months Ended 31 January 2017 £'000</b>	Six months ended 31 January 2016 £'000	Year ended 31 July 2016 £'000
Rail Technology & Services	<b>7,922</b>	6,314	14,066
Traffic & Data Services - Continuing	<b>7,700</b>	6,743	17,337
Total revenue from continuing operations	<b>15,622</b>	13,057	31,403
Discontinued operations	-	1,238	1,238
<b>Total revenue</b>	<b>15,622</b>	14,295	32,641

A geographical analysis of revenue is provided below:

	<b>Six months ended 31 January 2017 £'000</b>	Six months ended 31 January 2016 £'000	Year ended 31 July 2016 £'000
United Kingdom	<b>14,804</b>	12,799	30,798
North America	<b>414</b>	3	32
Australia	-	1,238	1,238
Rest of the World	<b>404</b>	255	573
<b>Total</b>	<b>15,622</b>	14,295	32,641

### 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.

	<b>Six months ended 31 January 2017</b>			
	<b>Rail Technology &amp; Services £000</b>	<b>Traffic &amp; Data Services £000</b>	<b>Unallocated £000</b>	<b>Total £000</b>
<b>Revenues</b>				
Total revenue for reportable segments	<b>7,922</b>	<b>7,700</b>	-	<b>15,622</b>
Consolidated revenue	<b>7,922</b>	<b>7,700</b>	-	<b>15,622</b>
<b>Profit or loss</b>				
EBITDA for reportable segments	<b>3,163</b>	<b>382</b>	-	<b>3,545</b>
Amortisation of intangible assets	-	-	<b>(837)</b>	<b>(837)</b>
Depreciation	<b>(71)</b>	<b>(322)</b>	-	<b>(393)</b>
Share-based payment charges	-	-	<b>(484)</b>	<b>(484)</b>
Share of result of equity accounted investees	-	-	<b>(36)</b>	<b>(36)</b>
Interest receivable/payable(net)	-	-	<b>(7)</b>	<b>(7)</b>
<b>Consolidated profit before tax</b>	<b>3,092</b>	<b>60</b>	<b>(1,364)</b>	<b>1,788</b>

## Six months ended 31 January 2016

	Rail Technology & Services £000	Traffic & Data Services £000	Unallocated £000	Total £000
<b>Revenues</b>				
Total revenue for reportable segments	6,314	7,981	-	14,295
Consolidated revenue	6,314	7,981	-	14,295
<b>Profit or loss</b>				
EBITDA for reportable segments	2,490	906	-	3,396
Amortisation of intangible assets	-	-	(566)	(566)
Depreciation	(48)	(315)	-	(363)
Exceptional item: Acquisition & disposal costs	-	-	(152)	(152)
Exceptional item: Loss on disposal	-	(272)	-	(272)
Share-based payment charges	-	-	(486)	(486)
Share of result of equity accounted investees	-	(76)	-	(76)
Interest receivable/payable(net)	-	-	8	8
Consolidated profit before tax	2,442	243	(1,196)	1,489

## Year ended 31 July 2016

	Rail Technology & Services £000	Traffic & Data Services £000	Unallocated £000	Total £000
<b>Revenues</b>				
Total revenue for reportable segments	14,066	18,575	-	32,641
Consolidated revenue	14,066	18,575	-	32,641
<b>Profit or loss</b>				
EBITDA for reportable segments	5,346	2,299	-	7,645
Amortisation of intangible assets	-	-	(1,378)	(1,378)
Depreciation	(111)	(662)	-	(773)
Exceptional item: Acquisition & disposal costs	(79)	(96)	-	(175)
Exceptional items: Loss on disposal	-	(272)	-	(272)
Share-based payment charges	-	-	(1,087)	(1,087)
Interest receivable/payable(net)	-	-	(5)	(5)
Consolidated profit before tax	5,156	1,269	(2,470)	3,955



	31 January 2017			
	Rail Technology & Services £'000	Traffic & Data Services £000	Unallocated £000	Total £000
<b>Assets</b>				
Total assets for reportable segments (exc. cash)	3,405	5,075	-	8,480
Intangible assets & investments	-	-	25,924	25,924
Deferred tax assets	-	-	623	623
Cash and cash equivalents	5,112	1,674	5,912	12,698
<b>Consolidated total assets</b>	<b>8,517</b>	<b>6,749</b>	<b>32,459</b>	<b>47,725</b>

<b>Liabilities</b>				
Total liabilities for reportable segments	(5,469)	(2,247)	-	(7,716)
Deferred tax	-	-	(4,133)	(4,133)
Deferred consideration	-	-	(5,061)	(5,061)
<b>Consolidated total liabilities</b>	<b>(5,469)</b>	<b>(2,247)</b>	<b>(9,194)</b>	<b>(16,910)</b>

	31 January 2016			
	Rail Technology & Services £'000	Traffic & Data Services £000	Unallocated £000	Total £000
<b>Assets</b>				
Total assets for reportable segments (exc. cash)	3,958	5,126	-	9,084
Intangible assets & investments	-	-	30,629	30,629
Deferred tax assets	-	-	702	702
Cash and cash equivalents	2,619	1,209	4,161	7,989
<b>Consolidated total assets</b>	<b>6,577</b>	<b>6,335</b>	<b>35,492</b>	<b>48,404</b>

<b>Liabilities</b>				
Total liabilities for reportable segments	(6,438)	(2,270)	-	(8,708)
Deferred tax	-	-	(5,328)	(5,328)
Deferred consideration	-	-	(8,670)	(8,670)
<b>Consolidated total liabilities</b>	<b>(6,438)</b>	<b>(2,270)</b>	<b>(13,998)</b>	<b>(22,706)</b>

	31 July 2016			
	Rail Technology & Services £'000	Traffic & Data Services £000	Unallocated £000	Total £000
<b>Assets</b>				
Total assets for reportable segments (exc. cash)	2,401	6,944	-	9,345
Intangible assets	-	-	26,882	26,882
Deferred tax assets	-	-	573	573
Cash and cash equivalents	4,365	1,507	5,513	11,385
<b>Consolidated total assets</b>	<b>6,766</b>	<b>8,451</b>	<b>32,968</b>	<b>48,185</b>
<b>Liabilities</b>				
Total liabilities for reportable segments	(5,004)	(4,081)	-	(9,085)
Deferred tax	-	-	(4,284)	(4,284)
Contingent & deferred consideration	-	-	(6,150)	(6,150)
<b>Consolidated total liabilities</b>	<b>(5,004)</b>	<b>(4,081)</b>	<b>(10,434)</b>	<b>(19,519)</b>

## 5 Earnings per share

### *Basic earnings per share*

The calculation of basic earnings per share for the Half Year to 31 January 2017 was based on the profit attributable to ordinary shareholders of £1,401,000 (Half Year to 31 January 2016: £1,127,000, Year ended 31 July 2016: £3,533,000) and a weighted average number of ordinary shares in issue 27,706,000 (Half Year to 31 January 2016: 26,872,000, Year ended 31 July 2016: 27,807,000), calculated as follows:

### **Weighted average number of ordinary shares**

In thousands of shares

	<b>Six months ended 31 January 2017</b>	Six months ended 31 January 2016	Year ended 31 July 2016
Issued ordinary shares at start of period	<b>27,546</b>	26,564	26,564
Effect of shares issued related to business combinations	-	106	360
Effect of shares issued for cash	<b>160</b>	202	883
<b>Weighted average number of shares at end of period</b>	<b>27,706</b>	26,872	27,807

### *Diluted earnings per share*

The calculation of basic earnings per share for the Half Year to 31 January 2017 was based on the profit attributable to ordinary shareholders of £1,401,000 (Half Year to 31 January 2016: £1,127,000, Year ended 31 July 2016: £3,533,000) and a weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive

potential ordinary shares of 28,591,000 (Half Year to 31 January 2016: 27,904,000, Year ended 31 July 2016: 28,811,000).

### *Adjusted EPS*

In addition, Adjusted Profit EPS is shown below on the grounds that it is a common metric used by the market in monitoring similar businesses. A reconciliation of this figure is provided below:

	<b>Six months ended 31 January 2017 £'000</b>	Six months ended 31 January 2016 £'000	Year ended 31 July 2016 £'000
Profit attributable to ordinary shareholders	<b>1,401</b>	1,127	3,533
Amortisation of intangible assets	<b>837</b>	566	1,378
Share-based payment charges	<b>484</b>	486	1,087
Exceptional item: Loss on disposal	-	272	175
Exceptional items: Acquisition & disposal costs	-	152	272
Adjusted profit for EPS purposes	<b>2,722</b>	2,603	6,445

### **Weighted average number of ordinary shares**

In thousands of shares

For the purposes of calculating Basic earnings per share	<b>27,706</b>	26,872	27,807
Adjustment for the effects of all dilutive potential ordinary shares	<b>28,591</b>	27,904	28,811
Basic adjusted earnings per share	<b>9.82p</b>	9.69p	23.18p
Diluted adjusted earnings per share	<b>9.52p</b>	9.33p	22.37p

## **6 Seasonality**

The Group offers a range of products and services within its overall suite, meaning that revenues can fluctuate depending on the status and timing of certain sales. Some of these are exposed to high levels of seasonality for example:

- SEP Limited has a high level of seasonality based on the timing of events and as such made a loss in the period to 31 January 2017 and 2016 but this is expected to reverse in the second half of the year as was noted in the year ended 31 July 2016;
- Ontrac Limited performs some significant software development projects and the specific timing of these can vary depending on the commercial terms;
- The Group's Traffic & Data Services division also derives revenue from work taking place at certain times of the year and is exposed to seasonality;
- Revenues from remote condition monitoring are also driven by the size and timing of significant orders received from major customers;

- Finally, the timing of certain software licence renewals and new sales along with consultancy offerings can also impact on when work is performed, revenues are delivered and therefore recognised.

As such, the overall Group continues to be exposed to a high degree of seasonality throughout the year and reporting period and this seasonality has increased in the period under review.

## 7 Dividends

As part of the Group's commitment to a progressive dividend policy adopted in 2012, the Directors recommend an interim dividend payment of 0.60p per share, with a total expected value of c. £167k based on the number of shares in issue at the date of this interim report.

The cash cost of the dividend payments made is shown below:

	<b>Six months ended 31 January 2017 £000</b>	Six months ended 31 January 2016 £000	Year ended 31 July 2016 £000
Final dividend for 2014/15 of 0.60p per share paid	-	-	164
Interim dividend for 2015/16 of 0.50p per share paid	-	-	137
<b>Total dividends paid</b>	<b>-</b>	<b>-</b>	<b>301</b>

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

	<b>2017 £'000</b>	2016 £'000	2015 £000	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 paid	-	-	-	119	-	-
Interim dividend for 2014/15 of 0.40p per share paid	-	-	106	-	-	-
Final dividend for 2014/15 of 0.60p per share paid	-	-	164	-	-	-
Interim dividend for 2015/16 of 0.50p per share paid	-	137	-	-	-	-
Final dividend for 2015/16 of 0.70p per share paid	-	195	-	-	-	-
Interim dividend for 2016/17 of 0.60p per share proposed	167	-	-	-	-	-

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

	<b>2017 £'000</b>	2016 £'000	2015 £000	2014 £000	2013 £000	2012 £000
<b>Total dividends paid per share</b>	<b>n/a</b>	<b>1.2p</b>	<b>1.0p</b>	<b>0.8p</b>	<b>0.7p</b>	<b>0.55p</b>

## 8 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		
	H1 2017	H1 2016	FY 2016	H1 2017	H1 2016	FY 2016
	£'000	£'000	£'000	£'000	£'000	£'000
Leeds Innovation Centre Limited	41	37	74	8	8	7
Ashtead Plant Hire Co Limited	10	-	25	1	-	13

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.

Ashtead Plant Hire Co Limited is a subsidiary of Ashtead Group plc (Ashtead) of which Chris Cole is Chairman. SEP Limited, one of the Group's subsidiaries purchased goods and services from Ashtead during the year. All transactions with Ashtead took place at arm's length commercial rates and were not connected to Mr Cole's position at Ashtead. SEP Limited traded with Ashtead prior to its acquisition by Tracsis plc.

	Sale of goods and services			Amounts owed by related parties		
	H1 2017	H1 2016	FY 2016	H1 2017	H1 2016	FY 2016
	£'000	£'000	£'000	£'000	£'000	£'000
WSP   Parsons Brinckerhoff	1,015	945	2,136	69	18	679

WSP | Parsons Brinckerhoff (WSP) is a company which is connected to Chris Cole who serves as non-executive Chairman of Tracsis plc and also 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 in April 2014. On 31 October 2014, WSP completed the acquisition of Parsons Brinckerhoff (PB) which made PB a related party of the Group from this date. One of the Group's subsidiary companies, Tracsis Traffic Data Limited, traded extensively with PB prior to its acquisition by WSP as it carried out an agreement for a significant piece of data collection work for a UK transport agency which was entered into in May 2014. All transactions with PB took place at arm's length commercial rates and were not connected to Mr Cole's position at WSP.

### Nutshell Software Limited

On 21 July 2016, the Group entered into an agreement to make an investment in Nutshell Software Limited, a company connected to Martyn Cuthbert who is a Director of Ontrac Limited and Ontrac Technology Limited, subsidiary companies of the Group following their acquisition in December 2015.

## Statement of Directors' Responsibilities

The Directors confirm to the best of their knowledge that:

- i) The condensed consolidated interim financial information has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union;
- ii) The interim management report includes a fair review of the information required by the FSA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Directors of Tracsis plc and their functions are listed below.

## Further information for Shareholders

<b>Company number:</b>	05019106
<b>Registered office:</b>	Leeds Innovation Centre 103 Clarendon Road Leeds LS2 9DF
<b>Directors:</b>	Chris Cole (Non-Executive Chairman) John McArthur (Chief Executive Officer) Max Cawthra (Group Finance Director) John Nelson (Non-Executive Director) Lisa Charles-Jones (Non-Executive Director) Liz Richards (Non-Executive Director)
<b>Company Secretary:</b>	Max Cawthra