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Tracsis plc

Annual Report & Accounts 2010

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Group Profile

Tracsis plc was founded in January 2004 to commercialise world class research and expertise developed in the field of transport scheduling

Tracsis is a provider of resource optimisation software and operational planning consultancy to companies in the passenger transport industries (primarily passenger rail) within the UK and overseas markets

The Group's products and services comprise three principal revenue streams - resource optimisation software, passenger demand analysis and surveys, and operational and performance planning consultancy.

The Group has developed a range of products that assist in the development of optimised crew schedules for all types of on-board labour, primarily automated resource scheduling software for worldwide transport markets

Tracsis is led by a team of experienced commercial and technical professionals who are recognised as specialists in their field

The Group's core product suite, developed in conjunction with applied research from the University of Leeds, is used to automate and optimise the process by which labour schedules and rosters are created, allowing for this activity to be done with greater speed and with a higher degree of accuracy and efficiency than existing methods

Our software is recognised as the most advanced intelligent crew scheduling application available and is widely used by many large transport operators

Tracsis works with the majority of large UK passenger bus and rail operators including Arriva, First Group, Govia, National Express, Network Rail, Stagecoach and Virgin

Board of Directors

Rodney Jones (58) Chairman

Rod has held a number of senior management roles in several different technology companies including European Vice President at Cincom Systems Inc., International Director of Western Data Systems Inc and President of NASDAQ listed Ross Systems Inc. He is currently Chief Executive Officer of Proactis Holdings plc, an AIM quoted provider of spend control software

Dr Raymond Kwan (53) Chief Technical Officer

Raymond is the Chief Technical Officer of Tracsis. He has a PhD in computer science and has dedicated his career to researching complex scheduling problems within the transport industry. Prior to the incorporation of Tracsis, Raymond worked as a senior lecturer within the School of Computing at the University of Leeds, where he continues his research on a part time basis. Raymond has written a number of research papers published in journals covering driver scheduling

Darren Bamforth (41) Chief Financial Officer

Darren has been the Chief Financial Officer, on a part-time basis, since the formation of Tracsis. He is a fellow of the Institute of Chartered Accountants in England and Wales and a Director of Atraxa Consulting Limited, his own business advisory practice which specialises in supporting early stage and growing companies. Prior to establishing his own practice in 2002, Darren was a Senior Manager with KPMG where he was responsible for a portfolio of clients in the SME sector. Darren is also a director of Syntopix Group Plc

Charles Winward (40) Non-Executive Director

Charles is an Investment Manager at IP Group plc, a company which holds shares in Tracsis through IP Group's subsidiary Techtran Group Limited. Charles joined IP Group in April 2007 to manage investments in Top Technology Ventures Limited, IP Group plc's venture capital fund management subsidiary. Top Technology Ventures Limited manages the IP Venture Fund which has also invested in Tracsis. Previously Charles was Vice President of Technology Infrastructure at JP Morgan Chase & Co, where he worked in a variety of roles in London, New York and Brussels, and an investment manager at Axiomlab Group plc. Charles has an MBA from the University of California at Berkeley and a Bachelors Degree in mechanical engineering from the University of Bristol

John McArthur (35) 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

Robert Watson (51) Chief Operating Officer

Robert is the founder and Chief Executive Officer of RWA Rail Limited, which was acquired by Tracsis plc in 2008. Before RWA Rail's inception in 2004, Robert previously operated as a sole trader under the name Robert Watson Associates. He began his career in the rail sector with British Rail in 1982 having gained an MPhil in Management Studies from Oxford University. After management roles within British Rail and the Boots Company, Robert moved to Railtrack (now Network Rail) in 1994 where he subsequently became the Head of Operational Planning. As part of this role he was involved in the company's flotation on the London Stock Exchange in 1996, before going on to consult to the Strategic Rail Authority, playing a leading role in the development of UK capacity utilisation policies and route utilisation strategies. Robert is a visiting lecturer in transport at Loughborough University, and has written a number of railway related publications covering timetable and scheduling

John Nelson (63) Non-Executive Director

John is currently Chairman of First Class Partnerships, a strategic consultancy business which services the UK rail industry and is the 'Operator of Last Resort' for the Department of Transport. Prior to this, John was the Chief Executive of Network South East and also headed up the Eastern Region of British Rail. John is a Non-Executive Director of Hull Trains and of rail operator Wrexham & Shropshire. In addition, John was, for 9 years until 2007, a Non-Executive Director of Laing Rail Limited (who operate the Chiltern Railways franchise) and was also a Non-Executive Director of South Eastern Trains

Chairman's and Chief Executive Officer's Report

Introduction

For the third successive year since IPO in 2007, the Group is pleased to report on a period of further growth which has included the acquisition of Safety Information Systems Limited ("SIS") and the successful marketing of a brand new product line - TRACSRoster. The Group has continued to invest in building our delivery and R&D capabilities, expanding our sales team, growing our organic revenue streams along with integrating the business offerings of RWA Rail Limited and Peeping Limited which were acquired in 2008 and 2009 respectively. Our efforts have resulted in record sales and a strengthened industry position.

Set against a background of continuing economic and industry turmoil, which has included a change of government, the Group has retained a tight control of costs and cash management which has resulted in a strong balance sheet with good cash reserves and no debt. Looking ahead, Tracsis is well placed for further growth and looks forward to reporting on the benefits of recent investments in the short term.

Business overview

Tracsis plc is a provider of resource optimisation software and operational planning consultancy to companies in the passenger transport industries (primarily passenger rail) within the UK and overseas markets.

Tracsis's products and services can be broadly categorised into three revenue streams: resource optimisation software, passenger demand analysis and surveys, and operational and performance planning consultancy. The majority of these services and the revenue generated therein remain within the passenger bus and rail sector. The Group's core product suite is used to automate and optimise the process by which labour schedules and rosters are created, allowing for this activity to be done with greater speed and with a higher degree of accuracy and efficiency than existing methods.

Financial summary

The Group achieved revenue of £2.65 million for the year, up 14.5% on our 2009 revenue of £2.31 million and delivered an adjusted EBITDA* of £701,000 (2009: £711,000).

Administrative costs excluding intangible asset amortisation and exceptional acquisition costs increased from £1.65m to £1.97m, due to the integration of the SIS acquisition and the investment in the Group's overhead base in anticipation of future growth. After taking into account intangible asset amortisation and exceptional acquisition costs, total administrative costs amounted to £2.07m (2009: £1.65m).

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

At 31 July 2010, the Group had cash balances of £2.55m (2009: £2.99m) and remains debt free. The reduction in cash against 2009 was largely due to the SIS acquisition and settlement of deferred consideration from previous acquisitions. The Group's operating cash generation remained strong.

Trading for our core software products was stronger than anticipated and this partly reflects the growing reputation of Tracsis within transport circles but also demonstrates the continued and significant pressure on transport operators to increase operational efficiency and remove extraneous costs.

Whilst software revenue was buoyant, our consultancy activity during the period was somewhat depressed and this was entirely in line with expectation given the on-going recession at large combined with the uncertainty in public spending (i.e. Network Rail) which was brought about by the change of government. An unforeseen knock-on effect of this uncertainty was a delay to the retendering process for UK rail franchises. As mentioned in our interim statement, this delay has resulted in no revenue being generated from franchise bidding during the period but it is testament to the Group that the overall impact on revenues was small given that we have outperformed elsewhere. The Group anticipates franchise bidding activity will resume during 2011 once the Conservative government has carried out several pieces of strategic review work within the rail sector.

Trading progress

Software Licences and Maintenance

Tracsis continues to operate a software lease licence business model with contracts usually lasting for the duration of a customer's franchise operations (typically 7 – 10 years). The Group continues to rely on close working relationships with all of the major train operating groups and employ a direct sales model which ensures our people and services are closely aligned with the needs of the industry.

At present there are 3 core software products that span the scheduling, rostering and performance management reporting functions of transport operations. The Group also provides implementation, support and maintenance services for each product as customers undertake the software adoption process.

Chairman's and Chief Executive Officer's Report *continued*

During the period the Group is pleased to report it has retained all previous software clients and has made progress in growing the customer base of all 3 key products. Our customer list now includes East Midlands Trains (Stagecoach), South West Trains (Go-Ahead) and Transpennine Express (First Group). We have also been successful in winning a major contract for our COMPASS product for use within Stockholm Metro and this is a major milestone given that Tracsis acquired this software as part of the purchase of Safety Information Systems in December 2009. Along with the new software clients, the Group also carried out extensive revenue generating pilot work in New Zealand and the Republic of Ireland which the Directors believe should pave the way for additional software sales in the fullness of time.

Consultancy and training

Tracsis continues to provide a wide range of operational consultancy services to clients in the rail industry via its wholly owned subsidiary RWA Rail Ltd. These consultancy services include one-off engagements utilising our core software products but also encompass larger, more diverse projects which include the following elements: timetable planning and formulation, performance modelling, arbitration services, feasibility studies into new rail infrastructure and a variety of other ad-hoc management consultancy engagements. A significant part of the Groups' consultancy revenue is derived from rail franchise bidding where the RWA team provides a range of strategic operational advice on all aspects of a prospective bid.

In line with expectation, demand for consultancy services was depressed during the past 12 months which reflects a tightening on government spending following the recession at large combined with the general uncertainty brought about by a change of government. This situation led to several rail re-franchising processes which has been scheduled to take place in 2010 to be delayed until 2011 or later – most notably East Coast, Greater Anglia and Essex Thameside. However, looking ahead the Directors believe that 2011 will bring much needed clarity to the situation and continue to believe the transport industry will remain a key target market for both software and consultancy services. Any further unforeseen delays will only provide a timing issue in relation to work which Tracsis expects to undertake as part of the re-franchising processes.

Acquisition of Safety Information Systems Limited

On 4 December 2009, the Group announced the acquisition of Safety Information Systems Limited (SIS) for cash consideration of £791,000 and the issue of 97,087

ordinary shares in Tracsis Safety Information Systems is a specialist provider of performance management software and develops and markets the COMPASS product suite (Combined Operational Management Performance and Safety System). The COMPASS software is marketed to a wide variety of clients that operate within safety/performance critical environments which include passenger rail and can be used for a variety of critical reporting such as delay attribution and root cause analysis of safety incidents.

The Directors believes SIS and the COMPASS suite have extensive growth potential within the transport industries and the acquisition meets the overall growth strategy of the Group in acquiring complementary 'best-in-breed' solutions that can be developed and marketed to a homogenous client base under the Tracsis brand. During the past 12 months the Group has begun the process of integrating the business operation of SIS with those of Tracsis and has hired key personnel to run SIS going forwards.

Along with the acquisition of Safety Information Systems, the Group continues to evaluate other relevant businesses and technologies that have obvious synergies with Tracsis and remains focussed on strategic acquisitions as a means of growing the business in future.

Outlook

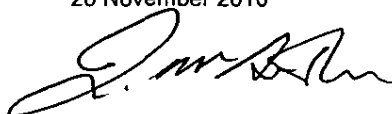
Tracsis has performed well in the past year and achieved organic growth and record sales during a period of unprecedented economic turmoil and industry instability. The acquisition of Safety Information Systems – our third to date – not only broadens the Group's product offering and customer base, but provides us access to entirely new markets outside passenger transport.

Furthermore, the Group has expanded our sales, implementation, and technical development capability which has allowed us not only to retain all of our previous customers but to secure several new key accounts with operators such as South West Trains, East Midlands Trains and Transpennine Express. Looking ahead, the Group remains well placed to continue its goal of becoming a leading provider of operational planning software and consultancy services to the transport markets. As always, our thanks go out to customers, shareholders and staff who continue to support us.

Rod Jones, Chairman

John McArthur, Chief Executive Officer

26 November 2010



Chief Financial Officer's Report

Results for the year

The Group has had a successful year with revenues increasing to £2,647,000 from £2,311,000. During the year the Group has integrated its second acquisition Peeping Limited and has begun the integration of the recently acquired Safety Information Systems Limited. These acquisitions are enabling the Group to build solid revenue streams across a shared customer base. Carefully controlled integration of these businesses is enabling to keep the Group's fixed overhead cost base low, giving a solid foundation for the Group to operate from going forward.

Adjusted EBITDA (earnings before finance income, tax, depreciation, amortisation, exceptional costs and share-based payment charges) was £701,000 (2009 £711,000). The statutory operating profit was £573,000 (2009 £666,000).

Acquisitions

The acquisition of Safety Information Systems Limited during the year contributed £252,000 to group sales revenue since the acquisition date and £193,000 to operating profit.

The cumulative cash outflow for this acquisition is £489,000.

Additionally, during the year the Group settled the final payment of deferred consideration in respect of the acquisition of RWA Rail Limited by way of a cash payment of £145,000 and the issue of 271,029 new ordinary shares.

The Group has capitalised £272,000 of intangible customer related assets, representing the value of customer relationships acquired as part of this acquisition, £230,000 relating to intangible technology assets acquired and £136,000 of goodwill.

Cash flow

The Group has generated positive cash inflow from operations of £507,000 (2009 £1,692,000). During the year the Group has acquired Safety Information Systems Limited and has settled deferred consideration relating to the acquisition of RWA Rail Limited. Cash outflows relating to these two events amounted to £641,000. After taking into account tax payments for the Group of £304,000, there has been a net cash outflow of £440,000 for the year. This has reduced the Group's cash balance from £2,986,000 at 31 July 2009 to £2,546,000 at 31 July 2010.

Treasury management

The Group continues to manage its cash resources to maximise interest income whilst at the same time minimising any risk to these funds. Surplus cash balances are deposited for periods of between one month and six months with commercial banks which meet credit criteria approved by the board. At 31 July 2010, the Group had £2,251,000 on short term deposits (2009 £2,539,000).

Earnings per share

Basic earnings per share was 2.50p (2009 2.69p). Diluted earnings per share (which takes into account the dilutive effect of share options not yet exercised and shares expected to be issued for deferred contingent consideration) was 2.29p (2009 2.45p).

Dividends

The payment of dividends will be subject to availability of distributable reserves whilst maintaining an appropriate level of dividend cover and having regard to the need to retain sufficient funds to finance the development of the Group's activities. In the short term it is the Directors' intention to re-invest funds into the Group rather than fund the payment of dividends. Accordingly, the Directors do not recommend the payment of a dividend.

Chief Financial Officer's Report continued

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:

- History of intellectual property and associated risk factors** The Group's software is based on software which was developed at the University of Leeds along with other research projects. Whilst the University has assigned all its rights in respect of the Group's software to Tracsis, there could be claims over certain copyright aspects of the software or other disputes with third parties regarding the intellectual property inherent within the Group's software. In common with other software products, the Group's software could be superseded by software developed by third parties and the possibility of disputes over intellectual property with third parties cannot be discounted. A significant part of the Group's future also depends upon its intellectual property. If intellectual property is inadequately protected or challenged, the Group's future success could be adversely affected.
- Attraction and retention of key employees** The Group depends on the Directors and other key employees, and whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed. Equally, the ability to attract new employees and in particular senior executives for the business with the appropriate expertise and skills cannot be guaranteed.
- Market acceptances and customer contracts** The Group currently has contracts in place with a number of Train Operating Companies and it cannot be guaranteed these contracts will continue or that new contracts will be won by the Group. As with many large corporations, they are unlikely to vary their standard terms and conditions. The Group, may, in such

circumstances, enter into contracts on less favourable terms than it would normally be able to negotiate.

- Pilot deployment.** Whilst the Directors anticipate that pilot programmes will be converted into full licences upon completion of the programme there can be no guarantee that all or any of these pilot programmes will successfully convert.
- Competition.** Although the Directors believe there to be very little direct competition within the market, there may be products and competitors that they are currently unaware of which could have a detrimental effect on the Group's trading performance.
- Industry ownership.** The industry in which the Group operates is currently separated into private and national ownership. The private elements of this industry could be renationalised which may have an adverse effect on the Group.

Key performance indicators (KPIs)

The Group's main KPIs are:

- Monthly review of sales pipeline, contracts under negotiation and renewals of existing contracts and licences,
- Monthly review of actual results against budget and the prior year,
- Monitoring of cash balances and working capital requirements



Darren Bamforth
Chief Financial Officer

26 November 2010

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 July 2010

Principal activity

The principal activity of the Group is the provision of resource optimisation software and consultancy services which assist with automating and optimising the process of labour scheduling for passenger rail and bus services in the transport industry. The Group has contracts in place with major operators within the rail and bus industries.

Business review and future developments

A review of the Group's operations and future developments is covered in the Chairman's and Chief Executive Officer's Report and the Chief Financial Officer's Report. This includes a summary of the Group's strategy and the markets in which it operates. The Chief Financial Officer's Report considers the key risks facing the Group and the key performance indicators which are used to monitor the business.

Financial results

Details of the Company's financial results are set out in the Consolidated Income Statement, other primary statements and in the Notes to the Consolidated Financial Statements on pages 20 to 42.

Dividends

The payment of dividends will be subject to availability of distributable reserves whilst maintaining an appropriate level of dividend cover and having regard to the need to retain sufficient funds to finance the development of the Group's activities. In the short term it is the Directors' intention to re-invest funds into the Group rather than fund the payment of dividends. Accordingly, the Directors do not recommend the payment of a dividend.

Directors

The directors who served on the Board and on Board Committees during the year are set out on page 2.

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 Mr JD Bamforth and Mr JG Nelson retire by rotation and, being eligible, offer themselves for re-election. 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 9 to 11.

Directors' shareholdings

Directors' beneficial interests in the shares of the Company, including family interests, at 31 July 2010 were as follows:

	Number of shares	% of issued share capital
Rod Jones	-	-
John McArthur	932,250	4.78%
Dr Raymond Kwan ¹	2,875,850	14.75%
Robert Watson	1,355,142	6.95%
Darren Bamforth ²	124,300	0.64%
John Nelson	-	-
Charles Winward ³	796,650	4.08%

1 – This represents the aggregate of 2,649,850 ordinary shares registered in the name of Dr Raymond Kwan and 226,000 ordinary shares registered in the name of his wife Dr Ann Kwan.

2 – This represents ordinary shares registered in the name of Atraxa Investments Limited, a company in which Darren Bamforth is interested.

3 – This represents ordinary shares registered in the name of IP2IPO Nominees Limited for which Charles Winward has a beneficial interest. Mr Winward is also a limited partner in IP Venture Fund.

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.

Between 1 August 2010 and the date of this report, no directors' share transactions took place.

Substantial shareholdings

At 17 November 2010, 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 ¹	3,785,500	19.41%
The University of Leeds	3,390,000	17.38%
Dr Raymond Kwan	2,875,850	14.75%
Partnership Investment Equity Fund Limited	1,875,000	9.61%
Bank of New York (Nominees) Limited	1,874,032	9.61%
IP Venture Fund ¹	1,645,500	8.44%
Robert Watson	1,355,142	6.95%
John McArthur	932,250	4.78%
IP2IPO Nominees Limited ¹	796,650	4.08%

1 – Techtran Group Limited and IP2IPO Nominees Limited are wholly owned subsidiaries of IP Group plc. IP Group plc is a limited partner in IP Venture Fund, which is managed by an IP Group plc company.

Directors' Report continued

Payment of suppliers

It is the Group's policy to pay suppliers in accordance with the terms and conditions agreed in advance, providing all trading terms and conditions have been met. All payments are made in the ordinary course of business and the Group expects to pay all supplier debts as they become due.

Trade payable days for the Group at 31 July 2010 were 24 days (2009 30 days)

Research and development

During the year the Group incurred £147,000 (2009 £187,000) 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 21 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.

Auditors

HW Chartered Accountants resigned as auditors on 8 July 2010. The board appointed KPMG Audit Plc to fill the vacancy. The auditors, KPMG Audit Plc will be proposed for appointment by the shareholders at the forthcoming Annual General Meeting.

Provision of information to auditors

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 auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board



Darren Bamforth
Company Secretary

26 November 2010

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 Rodney Jones and 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	1 1 04	Indefinite	6 months
Robert Watson	18 07 08	18 07 08	Indefinite	6 months
Dr Raymond Kwan	21 11 07	1 1 04	Indefinite	3 months
Darren Bamforth	21 11 07	21 11 07	Indefinite	3 months
Non-Executive Directors				
Rodney Jones	21 11 07	21 11 07	Indefinite	3 months
John Nelson	21 11 07	21 11 07	Indefinite	3 months
Charles Winward	21 11 07	21 11 07	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 discretionary 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.

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.

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 or employees. At 31 July 2010 no directors had any benefits accruing under money purchase pension schemes.

Directors' Remuneration Report continued

Audited information:

Directors' remuneration

Directors' remuneration for the year ended 31 July 2010 is set out below

	Basic salary £000	Bonus £000	Benefits in kind £000	Total 2010 £000	Total 2009 £000
Executive Directors					
John McArthur	107	30	1	138	140
Robert Watson	102	-	1	103	136
Dr Raymond Kwan	36	6	1	43	43
Darren Bamforth	12	-	-	12	12
	257	36	3	296	331
Non-Executive Directors					
Rodney Jones	15	-	-	15	15
John Nelson	12	-	-	12	12
Charles Winward	12	-	-	12	12
	39	-	-	39	39

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

	At 1 August 2009	Granted	At 31 July 2010	Exercise price pence	Date from which exercisable	Expiry date
Executive Directors						
John McArthur	140,000	-	140,000	52p	See note 2 below	28 Jan 2019
Dr Raymond Kwan ¹	75,000	-	75,000	52p	See note 2 below	28 Jan 2019
Robert Watson	130,000	-	130,000	52p	See note 2 below	28 Jan 2019
Darren Bamforth	-	-	-	-	-	-
Non-Executive Directors						
Rodney Jones	262,551	-	262,551	40p	21 Nov 2008	21 Nov 2017
John Nelson	175,034	-	175,034	40p	21 Nov 2008	21 Nov 2017
Charles Winward	87,517	-	87,517	40p	21 Nov 2008	21 Nov 2017

1 – Dr Raymond Kwan's share options are registered in the name of his wife, Dr Ann Kwan

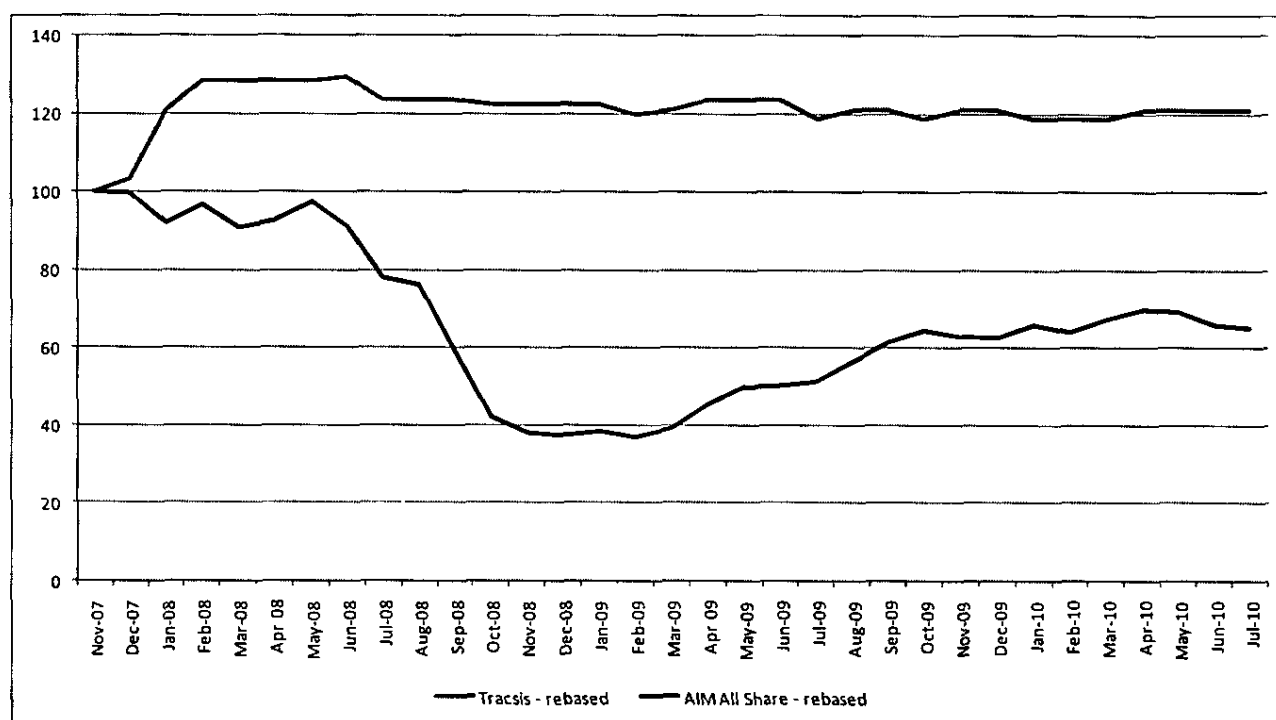
2 – Exercisable in batches in 6 monthly intervals commencing 6 months from the date of grant (28 January 2009) All options will be fully exercisable 36 months after the date of grant

The aggregate amount of gains made by directors on the exercise of share options was £nil (2009 £nil). No directors exercised options during either the current or previous period. 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.

Directors' Remuneration Report continued

Performance graph

The following graph shows the Company's share price (rebased) compared with the performance of the FTSE AIM all-share index (rebased) and the AIM Software and Computer Services index (rebased) for the period from admission to AIM to 31 July 2010



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

Rod Jones

Chair of the Remuneration Committee

26 November 2010

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 2008 Combined Code on Corporate Governance (the Combined Code), although it has adopted the Combined Code principles as set out below.

The Board

There are currently seven Board members, comprising four Executive Directors and three Non-Executive Directors. The role of the Non-Executive Directors is to bring independent judgement to Board deliberations and decisions. The Chairman of the Board is Rodney Jones who oversees Board meetings and fields all concerns regarding the executive management of the Group and the performance of the Executive Directors. A biography of each Director appears on page 2. 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 9. 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. Mr JD Bamforth and Mr JG Nelson will be retiring at the Annual General Meeting and submitting themselves for re-election.

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 12)	Remuneration Committee Meetings (total 2)	Audit Committee Meetings (total 2)
Rodney Jones	8	2	2
John McArthur	12	-	-
Robert Watson	11	-	-
Darren Bamforth	10	-	-
Dr Raymond Kwan	11	-	-
John Nelson	9	2	2
Charles Winward	11	2	2

No meetings were held of the Nominations Committee.

Board committees

Nomination Committee

The Nomination Committee comprises Rodney Jones 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 Rodney Jones 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 Rodney Jones 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 auditors relating to the accounting and internal controls.

Non audit services

In accordance with its policy on non audit services provided by the Group's auditors, 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 auditors 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 auditors and management, those relationships appear to impair the auditors' judgement or independence. The Audit Committee feels they do not.

Corporate Governance continued

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 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.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM rules of the London Stock Exchange they are required to prepare Group financial statements in accordance with IFRS 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 accounting estimates that are reasonable and prudent,
- for the Group financial statements, state whether they have been prepared in accordance with IFRS 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, and
- 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 the financial statements comply with the requirements of 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 Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent Auditors' Report to the Members of Tracsis plc

We have audited the financial statements of Tracsis plc for the year ended 31 July 2010 set out on pages 16 to 47. 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 14, 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 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 (APB'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 APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 July 2010 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU,

- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- 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

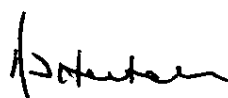
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Under the Companies Act 2006 we are required 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.



DJ Hutchinson (Senior Statutory Auditor)
for and on behalf of KPMG Audit PLC, Statutory Auditor
Chartered Accountants

1 The Embankment
Neville Street
Leeds
LS1 4DW

26 November 2010

Consolidated Income Statement

for the year ended 31 July 2010

	Notes	2010 £000	2009 £000
Revenue			
- continuing		2,395	2,311
- acquisitions		252	-
Total revenue	6	2,647	2,311
Administrative costs		(2,074)	(1,645)
Adjusted EBITDA*		701	711
Amortisation of intangibles		(78)	-
Depreciation		(6)	(4)
Acquisition costs		(24)	-
Share-based payment charges	8	(20)	(41)
Operating profit	9		
- continuing		380	666
- acquisitions		193	-
Total operating profit		573	666
Finance income	10	11	63
Profit before tax		584	729
Taxation	11	(98)	(218)
Profit for the year		486	511
Earnings per ordinary share			
Basic	12	2.50p	2.69p
Diluted	12	2.29p	2.45p

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

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2010

	2010 £000	2009 £000
Profit for the year	486	511
Total comprehensive income attributable to equity holders of the parent	486	511

Consolidated Statement of Financial Position

as at 31 July 2010

Company number 05019106

	Note	2010 £000	Restated 2009 £000
Non-current assets			
Property, plant and equipment	13	11	8
Intangible assets	14	2,351	1,892
		2,362	1,900
Current assets			
Trade and other receivables	15	1,054	729
Cash and cash equivalents		2,546	2,986
		3,600	3,715
Total assets		5,962	5,615
Non-current liabilities			
Deferred tax liabilities	17	362	271
		362	271
Current liabilities			
Trade and other payables	16	707	1,003
Current tax liabilities		201	346
		908	1,349
Total liabilities		1,270	1,620
Net assets		4,692	3,995
Equity attributable to equity holders of the company			
Called up share capital	18	78	77
Share premium reserve	19	1,839	1,839
Merger reserve	19	836	646
Share based payments reserve	19	122	102
Retained earnings	19	1,817	1,331
Total equity		4,692	3,995

The financial statements on pages 16 to 42 were approved and authorised for issue by the Board of Directors on 26 November 2010 and were signed on its behalf by

John McArthur – Chief Executive Officer



Darren Bamforth – Chief Financial Officer



Consolidated Statement of Changes in Equity

	Share Capital £000	Share Premium Reserve £000	Merger Reserve £000	Share- based Payments Reserve £000	Retained Earnings £000	Total £000
At 1 August 2008	70	1,641	-	61	820	2,592
Profit for the year	-	-	-	-	511	511
Total comprehensive income	-	-	-	-	511	511
Transactions with owners						
Share based payment charges	-	-	-	41	-	41
Cash share issue	2	198	-	-	-	200
Shares issued as consideration for business combinations	5	-	646	-	-	651
At 31 July 2009 (restated)	77	1,839	646	102	1,331	3,995
At 1 August 2009	77	1,839	646	102	1,331	3,995
Profit for the year	-	-	-	-	486	486
Total comprehensive income	-	-	-	-	486	486
Transactions with owners						
Share based payment charges	-	-	-	20	-	20
Shares issued as consideration for business combinations	1	-	194	-	-	195
Expenses of share issues	-	-	(4)	-	-	(4)
At 31 July 2010	78	1,839	836	122	1,817	4,692

Details of the nature of each component of equity are set out in Notes 18 and 19

Consolidated Cash Flow Statement

for the year ended 31 July 2010

	Notes	2010 £000	2009 £000
Operating activities			
Profit for the year		486	511
Finance income		(11)	(63)
Depreciation		6	4
Amortisation of intangible assets		78	-
Income tax charge		98	218
Share based payment charges		20	41
Operating cash inflow before changes in working capital		677	711
Movement in trade and other receivables		(155)	960
Movement in trade and other payables		(15)	21
Cash generated from operations		507	1,692
Finance income		11	63
Income tax paid		(304)	(176)
Net cash flow from operating activities		214	1,579
Investing activities			
Purchase of plant and equipment		(9)	(6)
Payment of deferred consideration		(152)	-
Acquisition of subsidiaries	5	(489)	(666)
Net cash flow used in investing activities		(650)	(672)
Financing activities			
Expenses of share issues		(4)	-
Proceeds from the Placing (net of costs)		-	181
Net cash flow (used in)/from financing activities		(4)	181
Net (decrease)/increase in cash and cash equivalents		(440)	1,088
Cash and cash equivalents at the beginning of the year		2,986	1,898
Cash and cash equivalents at the end of the year		2,546	2,986

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 2010 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 except for derivative financial instruments that are stated at their fair value.

(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. During the year, the Group revised its estimate of the useful economic lives of customer relationship intangibles due to a revised assessment of the rail franchise industry. The impact in the current year was £31,000.

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 IFRSs, IFRIC interpretations and amendments have been adopted in the financial statements for the first time in this financial period:

(i) IFRS 2 – Share-based payment: Vesting conditions and cancellation

This is an amendment to IFRS 2 which clarifies the term "vesting conditions" and provides the accounting treatment for non-vesting conditions and cancellations. This has been implemented by the Group but has had no impact on the results or assets of the Group.

(ii) IFRS 3 – Business Combinations (2008)

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.

Notes to the Consolidated Financial Statements continued

2 Basis of preparation (continued)

(e) Changes in accounting policies

(ii) IFRS 3 – Business Combinations (2008) (continued)

Acquisitions on or after 1 August 2009

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.

Acquisitions prior to 1 August 2009

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. There have been no further alterations made to the accounting policies as a result of considering all amendments to IFRS and IFRIC interpretations that became effective during the accounting period as these were considered to be immaterial to the Group's operations or were not relevant.

(iii) IFRS 8 – Operating Segments

IFRS 8 replaces IAS 14 – 'Segmental Reporting' and requires operating segments to be disclosed on the same basis as that used for internal reporting. It has been implemented by the Group from 1 August 2009 and has had no impact on the results or net assets of the Group but has resulted in revised disclosures. As of 1 August 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Group's chief operating decision maker ("CODM"). This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting. The new accounting policy in respect of operating segment disclosures is presented as follows:

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CODM to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

Under both IFRS 8 Operating Segments and IAS 14 Segment Reporting, the Group has determined that it has only one reportable segment. This position will be monitored as the Group develops.

Notes to the Consolidated Financial Statements continued

2 Basis of preparation (continued)

(e) Changes in accounting policies (continued)

(iv) IAS 1 (Revised) – Presentation of Financial Statements

This is effective for the year ended 31 July 2010. The standard requires a change in the format and presentation of the Group's primary statements but has had no impact on reported results or equity.

(v) IFRS 7 – Finance Instruments - Disclosures (amendment)

This is effective for the year ended 31 July 2010. The amendment requires enhanced disclosures about fair value measurement and liquidity risk.

(vi) Amendments to IAS 23 – Borrowing Costs

This removes the option of immediately expensing borrowing costs that are directly attributable to a qualifying asset and requires such costs to be capitalised. It has been adopted by the Group from 1 August 2009 and has had no impact on the results or net assets of the Group.

(vii) IFRIC 17 – Distributions of Non-Cash Assets to Owners

This was issued in November 2008 and is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group as it has not made any non-cash distributions.

(viii) IFRIC 18 – Transfers of Assets from Customers

This was issued in January 2009 and is effective for transfer of assets received on or after 1 July 2009. This is not relevant for the Group as it has not received any assets from customers.

(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.

(g) Change of accounting presentation

During the year the Company reclassified certain reserve balances from share premium to merger reserve in order to correctly account for the issue of shares which took place for the acquisition of subsidiaries. Comparatives have been restated accordingly.

As the reclassification has no impact on profit, net assets, or on significant categories of assets, a third balance sheet has not been presented.

Notes to the Consolidated Financial Statements continued

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 has changed its accounting policy with respect to business combinations as set out in note 2(e)(ii) 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 24

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 licences, post contract customer support and consultancy services.

The Group 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 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 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 income statement 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.

(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:

Computer equipment	-	33 1/3% on cost
Office fixtures and fittings	-	20% on cost

(d) Intangible assets

Goodwill

Goodwill arising on acquisitions comprises the excess of the fair value of the consideration plus any associated costs 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.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(d) Intangible assets (continued)

Goodwill (continued)

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".

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 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 are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the administrative expenses line in the income statement.

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 at fair value 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.

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(g) Financial instruments (continued)

(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

(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

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

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 income statement on a straight line basis over the period of the lease

Notes to the Consolidated Financial Statements continued

3 Significant accounting policies (continued)

(k) Employee benefits

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

(l) Share based payments

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

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 costs

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 (including available-for-sale financial assets). 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

Following the introduction of IFRS 8 Operating Segments, effective for accounting periods beginning on or after 1 August 2009, the Group has determined that, based on its internal reporting framework and management structure, that it has only one reportable segment. 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.

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. The assessment of intangible assets acquired 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 and the discount factor to be applied.

Actual results may vary significantly from expectations in future years. Reviews of the Group's intangible fixed assets have been carried out, using commercial judgements and a number of assumptions and estimates have been used to support the carrying value of these assets. The amortisation period chosen for each asset requires the exercise of management judgement.

Revenue recognition

Certain of the Group's contracts for software licences, 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.

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 **Safety Information Systems Limited**

On 4 December 2009, the Group acquired 100% of the issued share capital of Safety Information Systems Limited, for a combination of cash and share based consideration. The company provides software products and services to companies principally in the transport industry which the Directors consider complements the existing services and will provide economies of scale.

In the eight month period to 31 July 2010 the company contributed revenue of £252,000 and operating profit of £193,000 to the Group's results. If the acquisition had occurred on 1 August 2009, management estimates that consolidated revenue would have been £320,000 and consolidated profit for the year would have been £175,000. 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 2009.

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	-	272	272
Intangible assets Technology assets	-	230	230
Trade and other receivables	170	-	170
Trade and other payables	(25)	(42)	(67)
Income tax payable	(23)	-	(23)
Deferred tax liability	-	(129)	(129)
Net identified assets and liabilities	122	331	453
Goodwill on acquisition			136
			589
Consideration paid in cash			791
Net cash acquired			(302)
Net cash flow			489
Consideration paid fair value of shares issued			50
Deferred contingent consideration			
- cash			45
- fair value of shares to be issued			5
Total consideration			589

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 fair value adjustments are 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 deferred contingent consideration is based on the maximum amount which could be payable under an earn out arrangement contained within the acquisition agreement. This contingent consideration is dependent upon certain earnings targets being met and will be dependent upon the absolute level of earnings achieved in a designated period post acquisition. The amount payable could vary between a minimum of £nil and a maximum of £50,000.

The Group incurred acquisition related costs of £24,000 which have been included within administrative expenses.

Notes to the Consolidated Financial Statements continued

5 Acquisition of subsidiaries (continued)

(b) Acquisition in the prior year R.W A Rail Limited

On 5 August 2008, the Group acquired 100% of the issued share capital of R W A Rail Limited, for a combination of cash and share based consideration. The company provides specialist consultancy services to companies in the rail industry. In the 12 months to 31 July 2009 the company contributed profit of £395,000 before tax.

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	-	708	708
Trade and other receivables	596	6	602
Trade and other payables	(154)	-	(154)
Income tax payable	(138)	-	(138)
Deferred tax liability	(2)	(198)	(200)
Net identified assets and liabilities	302	516	818
Goodwill on acquisition			671
			1,489
Consideration paid			
- cash			801
Costs incurred			180
Net cash acquired			(362)
Net cash flow			619
Consideration paid fair value of shares issued			580
Deferred contingent consideration			
- cash			145
- fair value of shares to be issued			145
Total consideration			1,489

The deferred contingent consideration was paid during August 2009 based on the results of R W A Rail Limited for the year to 31 July 2009.

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

The fair value adjustments arise in accordance with the requirements of IFRSs to recognise intangible assets acquired. In determining the fair values of intangible assets the Group has used discounted cash flow forecasts.

The goodwill arising on the acquisition arises from the value attributed to the skills and technical talent of the workforce of R W A Rail Limited acquired.

There have been no changes to the fair values or goodwill figures noted above during the current year.

Notes to the Consolidated Financial Statements continued

5 Acquisition of subsidiaries (continued)

(c) Acquisition in the prior year Peeping Limited

On 24 July 2009, the Group acquired 100% of the issued share capital of Peeping Limited, for a combination of cash and share based consideration. The company provides specialist consultancy services to companies in the rail industry. In the seven day period from acquisition to 31 July 2009 the company did not contribute to the Group's profit before tax.

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	-	369	369
Trade and other receivables	5	-	5
Trade and other payables	(13)	-	(13)
Income tax payable	(40)	-	(40)
Deferred tax liability	-	(103)	(103)
Net identified assets and liabilities	(48)	266	218
Goodwill on acquisition			144
			362
Consideration paid			
- cash			260
Costs incurred			42
Net cash acquired			(255)
Net cash flow			47
Consideration paid: fair value of shares issued			90
Deferred contingent consideration			
- cash			157
- fair value of shares to be issued			68
Total consideration			362

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 fair value adjustments arise in accordance with the requirements of IFRSs to recognise intangible assets acquired. In determining the fair values of intangible assets the Group has used discounted cash flow forecasts. During the current financial year, the fair value of trade receivables acquired has been re-assessed and this resulted in payment of additional purchase consideration of £7,000 which has been adjusted through goodwill.

The deferred contingent consideration has been paid during November 2010 based on the results of Peeping Limited for the year to 31 July 2010. The acquisition agreement provided for a maximum deferred contingent consideration of £225,000 which was provided for in full on acquisition. The actual amount of deferred contingent consideration paid was £117,000. Consequently, the goodwill arising on this acquisition has been reduced by £108,000 during the current year.

Notes to the Consolidated Financial Statements continued

6 Segmental analysis

The Group's revenue and profit was derived from its principal activity which is the sale of resource optimisation software and closely associated consultancy services that assists with automating and optimising the process of labour scheduling within the transport industry

Consideration of IFRS 8 Operating Segments

Following the introduction of the above accounting standard, effective for accounting periods beginning on or after 1 August 2009, 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.

	2010	2009
	£000	£000
Revenue		
Software licences	876	576
Post contract customer support	197	142
Consultancy services, training and other revenue	1,574	1,593
Total revenue	2,647	2,311

The principal activity of the Group is based mainly in the United Kingdom hence no geographical analysis is presented. This position will be monitored as the Group develops.

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.

	2010	2009
	£000	£000
Revenues		
Total revenue for reportable segments	2,647	2,311
Consolidated revenue	2,647	2,311
Profit or loss		
Total profit or loss for reportable segments	701	711
Unallocated amounts		
Share based payment charge	(20)	(41)
Other exceptional items	(24)	-
Depreciation	(6)	(4)
Amortisation of intangible assets	(78)	-
Interest receivable	11	63
Consolidated profit before tax	584	729

Notes to the Consolidated Financial Statements continued

6 Segmental analysis (continued)

	2010	2009
	£000	£000
Assets		
Total assets for reportable segments	3,611	3,723
Unallocated assets – intangible assets	2,351	1,892
Consolidated total assets	5,962	5,615
Liabilities		
Total liabilities for reportable segments	908	1,349
Unallocated liabilities – deferred tax	362	271
Consolidated total liabilities	1,270	1,620

Major customers

Transactions with the Group's largest customer represent 12.5% of the Group's total revenues

7 Employees and personnel costs

	2010	2009
	£000	£000
Staff costs		
Wages and salaries	1,206	967
Social security contributions	118	103
Contributions to defined contribution plans	37	14
Equity-settled share based payment transactions	20	41
	1,381	1,125
Average number of employees (including directors) in the year	36	26

The directors' remuneration and share options are detailed within the Directors' Remuneration Report on pages 9 to 11

8 Share based payments

The Group has a share option scheme for all employees (including directors). 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.

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
26/11/2007	3	525,102	None	40	26/11/2008	26/11/2017
28/1/2009	14	905,000	Time served	52	28/7/2009*	28/1/2019
17/3/2010	1	20,000	Time served	50.5	17/9/2010*	17/3/2020
20/5/2010	3	130,000	Time served	51.5	20/1/2011*	20/5/2020

* 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

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

	2010		2009	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at 1 August	1,430,102	48.0p	525,102	40.0p
Granted	150,000	51.4p	905,000	52.0p
Exercised	-	-	-	-
Outstanding at 31 July	1,580,102	48.3p	1,430,102	48.0p
Exercisable at 31 July	887,102	44.9p	615,602	42.0p

The share options outstanding at the end of the year have a weighted average remaining contractual life of 9 years (2009 9 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 on	20/5/2010	17/3/2010	28/1/2009	26/11/2007
Share price at date of grant	51.5p	50.5p	52p	40p
Exercise price	51.5p	50.5p	52p	40p
Vesting period (years)	3	3	3	1
Expected volatility	15%	15%	15%	40%
Option life (years)	10	10	10	10
Expected life (years)	10	10	10	10
Risk-free rate	0.5%	0.5%	0.5%	4.75%
Expected dividends expressed as a dividend yield	-	-	-	-

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

Notes to the Consolidated Financial Statements *continued***8 Share based payments (continued)****Charge to the income statement**

	2010	2009
	£000	£000
Share based payment charges	20	41

9 Operating profit

	2010	2009
	£000	£000
Operating profit is stated after charging/(crediting)		
Depreciation of property, plant and equipment	6	4
Operating lease rentals Land and buildings	51	50
Research and development expenditure expensed as incurred	147	187

	2010	2009
	£000	£000
Auditors' remuneration		
Audit of these financial statements	12	12
Amounts receivable by auditors and their associates in respect of		
- Audit of financial statements of subsidiaries pursuant to legislation	3	4
- Other services relating to taxation	2	1

10 Finance income

	2010	2009
	£000	£000
Interest received on bank deposits	11	63

11 Taxation**Recognised in the income statement**

	2010	2009
	£000	£000
Current tax expense		
Current year	174	235
Adjustment in respect of prior periods	(38)	(3)
Total current year	136	232
Deferred tax	(38)	(14)
Total tax in income statement	98	218

Notes to the Consolidated Financial Statements continued

11 Taxation (continued)

Reconciliation of the effective tax rate

	2010 £000	2010 %	2009 £000	2009 %
Profit before tax for the period	584	100.0	729	100.0
Expected tax charge based on the standard rate of corporation tax in the UK of 28% (2009 28%)	163	28.0	204	28.0
Expenses not deductible for tax purposes	3	0.5	4	0.5
Research and development enhancement	-	-	-	-
Adjustment in respect of prior periods	(38)	(6.5)	(3)	(0.4)
Marginal relief / effect of small company tax rates	(7)	(1.2)	(6)	(0.8)
Other movements	(23)	(4.0)	19	2.6
Total tax expense	98	16.8	218	29.9

The Emergency Budget on 22 June 2010 announced that the rate of corporation tax will be reducing from 28% over a four year period to 24% at a rate of 1% per year with the first reduction to 27% on 1 April 2011. This was substantively enacted on 27 July 2010. The calculations relating to deferred tax therefore reflect the reduction to 27% from 1 April 2011.

12 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 July 2010 was based on the profit attributable to ordinary shareholders of £486,000 (2009 £511,000) and a weighted average number of ordinary shares in issue of 19,459,000 (2009 18,949,000), calculated as follows:

Weighted average number of ordinary shares

In thousands of shares

	2010	2009
Issued ordinary shares at 1 August	19,134	17,503
Effect of shares issued related to business combinations	325	1,076
Effect of shares issued for cash	-	370
Weighted average number of shares at 31 July	19,459	18,949

Diluted earnings per share

The calculation of diluted earnings per share at 31 July 2010 was based on profit attributable to ordinary shareholders of £486,000 (2009 £511,000) and a weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares of 21,178,000 (2009 20,780,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

In thousands of shares

	2010	2009
Weighted average number of shares (basic)	19,459	18,949
Effect of shares options in issue	1,719	1,831
Weighted average number of shares (diluted) at 31 July	21,178	20,780

Notes to the Consolidated Financial Statements continued

12 Earnings per share (continued)

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

	2010 £000	2009 £000
Adjusted EBITDA*	701	711
Basic adjusted EBITDA* per share	3 6p	3 7p
Diluted adjusted EBITDA* per share	3 3p	3 4p

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

13 Property, plant and equipment

	Computer equipment £000	Office fixtures & fittings £000	Total £000
Cost			
At 1 August 2008	15	-	15
Additions	5	1	6
At 31 July 2009	20	1	21
Additions	9	-	9
At 31 July 2010	29	1	30
Depreciation			
At 1 August 2008	9	-	9
Charge for the year	4	-	4
At 31 July 2009	13	-	13
Charge for the year	6	-	6
At 31 July 2010	19	-	19
Net book value			
At 1 August 2008	6	-	6
At 31 July 2009	7	1	8
At 31 July 2010	10	1	11

Notes to the Consolidated Financial Statements continued

14 Intangible assets

	Goodwill £000	Customer related intangibles £000	Technology related intangibles £000	Total £000
Cost				
At 1 August 2008	-	-	-	-
Acquisitions through business combinations	815	1,077	-	1,892
At 31 July 2009	815	1,077	-	1,892
Fair value adjustments in respect of the acquisition of Peeping Limited (see note 5(c))	7	-	-	7
Adjustment to deferred consideration in respect of the acquisition of Peeping Limited (see note 5 (c))	(108)	-	-	(108)
Acquisitions through business combinations	136	272	230	638
At 31 July 2010	850	1,349	230	2,429
Amortisation and impairment				
At 1 August 2008	-	-	-	-
Charge for the year	-	-	-	-
At 31 July 2009	-	-	-	-
Charge for the year	-	63	15	78
At 31 July 2010	-	63	15	78
Carrying amounts				
At 1 August 2008	-	-	-	-
At 31 July 2009	815	1,077	-	1,892
At 31 July 2010	850	1,286	215	2,351

The following carrying values of intangibles arising from the acquisitions of RWA Rail Limited in August 2008, Peeping Limited in July 2009 and Safety Information Systems Limited in December 2009 are analysed as follows

	Goodwill		Customer related intangibles		Technology related intangibles	
	2010	2009	2010	2009	2010	2009
	£000	£000	£000	£000	£000	£000
RWA Rail Limited	671	671	673	708	-	-
Peeping Limited	43	144	350	369	-	-
Safety Information Systems Limited	136	-	263	-	215	-
	850	815	1,286	1,077	215	-

Amortisation and impairment

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

	2010 £000	2009 £000
Administrative expenses	78	-

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

14 Intangible assets

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 considered to be 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.

	2010	2009
Long term growth rate	2.4%	2.4%
Discount rate	12%	12%

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.

15 Trade and other receivables

	2010	2009
	£000	£000
Trade receivables	977	642
Other receivables	18	25
Amounts recoverable on contracts	34	33
Prepayments	25	29
	1,054	729

There is no concentration of credit risk with respect to trade receivables as the Group has a number of customers. 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.

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:

	2010	2009
	£000	£000
Under 30 days overdue	370	148
Between 30 and 60 days overdue	84	154
Over 60 days overdue	8	38
	462	340

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.

Notes to the Consolidated Financial Statements continued

16 Trade and other payables

	2010 £000	2009 £000
Trade payables	70	62
Other tax and social security	168	174
Accruals and deferred income	302	252
Contingent consideration	167	515
	707	1,003

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. This will be recognised in the income statement over the remaining period of the contract.

17 Deferred tax

Non-current liability/(asset)	Intangible assets £000	Accelerated capital allowances £000	Share options £000	Total £000
At 31 July 2008	-	-	(18)	(18)
Credit to income statement	-	(1)	(11)	(12)
Acquisition of subsidiaries	301	-	-	301
At 31 July 2009	301	(1)	(29)	271
Credit to income statement	(21)	2	(5)	(24)
Change in tax rates	(15)	-	1	(14)
Acquisition of subsidiaries	129	-	-	129
At 31 July 2010	394	1	(33)	362

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

Notes to the Consolidated Financial Statements continued

18 Share capital

	2010 Number	2010 £	2009 Number	2009 £
Authorised				
Ordinary shares of 0 4p each	35,000,000	140,000	35,000,000	140,000
Allotted, called up and fully paid				
Ordinary shares of 0 4p each	19,502,255	78,009	19,134,139	76,536

The following share transactions have taken place during the year ended 31 July 2010

On 14 August 2009, 271,029 ordinary shares of 0 4p each were issued at a price of 53 5p per share as settlement of the deferred consideration for the acquisition of RWA Rail Limited. The total amount of this consideration was £145,000

On 4 December 2009, 97,087 ordinary shares of 0 4p each were issued at a price of 51 5p per share as consideration for the acquisition of Safety Information Systems Limited. The total amount of this consideration was £50,000

19 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 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

20 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows

	2010 £'000	2009 £'000
Within one year	16	16
Between one and five years	44	24

The Group leases two office facilities under operating leases. During the year £51,000 was recognised as an expense in the income statement in respect of operating leases (2009 £50,000)

Notes to the Consolidated Financial Statements continued

21 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.

Financial assets	2010			2009		
	Fixed	Floating	Total	Fixed	Floating	Total
	Rate	Rate		Rate	Rate	
£000	£000	£000	£000	£000	£000	
Cash and short term deposits	1,315	1,231	2,546	1,300	1,686	2,986

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 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 2010 the Group had fixed-rate deposits in place as follows:

- £1,315 million placed on a fixed 1 month term deposit at an interest rate of 1.00%

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 12, 18 and 19. 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

21 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.

22 Related party transactions

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

	Purchase of goods and services		Amounts owed by related parties		Amounts owed to related parties	
	2010	2009	2010	2009	2010	2009
	£000	£000	£000	£000	£000	£000
Leeds Innovation Centre Limited ¹	34	36	-	-	3	3
Techtran Group Limited ²	3	6	-	-	-	1
Atraxa Consulting Limited ³	52	30	-	-	6	2

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.

2 – Techtran Group Limited is a significant shareholder in the Company and supplies staff on secondment, and office services to the Group.

3 – Atraxa Consulting Limited provides accountancy services to the Group. One of the Group's directors, Darren Bamforth, is a director and shareholder of Atraxa Consulting Limited. Fees charged in the year ended 31 July 2010 include one-off fees of £3,900 relating to work undertaken in respect of the acquisition of Safety Information Systems Limited.

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.

23 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 £37,000 (2009: £14,000). There were outstanding contributions at 31 July 2010 of £2,000 (2009: £nil).

24 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%

Company Balance Sheet (presented under UK GAAP)

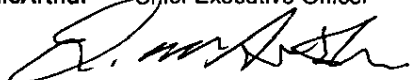
as at 31 July 2010

Company number 05019106

	Note	2010 £000	Restated 2009 £000
Fixed assets			
Tangible fixed assets	26	3	6
Investments	27	3,259	2,469
Current assets			
Deferred tax		33	29
Debtors	28	548	371
Cash at bank and in hand		2,375	2,623
		2,956	3,023
Creditors amounts falling due within one year	29	(1,968)	(1,771)
Net current assets		988	1,252
Total assets less current liabilities		4,250	3,727
Net assets		4,250	3,727
Capital and reserves			
Called up share capital	30	78	77
Share premium reserve	31	1,839	1,839
Merger reserve	31	836	646
Share based payments reserve	31	122	102
Retained earnings	31	1,375	1,063
Shareholders' funds	33	4,250	3,727

The financial statements were approved and authorised for issue by the Board of Directors on 26 November 2010 and were signed on its behalf by

John McArthur – Chief Executive Officer



Darren Bamforth – Chief Financial Officer



Notes to the Company Balance Sheet

25 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:

Computer equipment	–	33 1/3% on cost
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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

25 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 23 to 26

26 Tangible fixed assets

	Computer equipment £000	Total £000
Cost		
At 1 August 2009	19	19
At 31 July 2010	19	19
Depreciation		
At 1 August 2009	13	13
Charge for the year	3	3
At 31 July 2010	16	16
Net book value		
At 31 July 2009	6	6
At 31 July 2010	3	3

27 Investments

	Shares in subsidiary undertakings £000
Cost	
At 1 August 2009	2,469
Acquisitions	898
Fair value adjustment	(108)
At 31 July 2010	3,259

The acquisitions in the period relate to

- 100% of the issued share capital of Safety Information Systems Limited
- Additional consideration relating to the acquisition of Peeping Limited

The fair value adjustment arose as a result of a reduction in the estimate for the deferred consideration payable from the acquisition on Peeping Limited in the prior year

Notes to the Company Balance Sheet continued

27 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

28 Debtors

	2010 £000	2009 £000
Trade debtors	521	343
Other debtors	13	19
Prepayments	14	9
	548	371

29 Creditors amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	10	52
Other tax and social security	47	56
Corporation tax	121	104
Amounts owed to subsidiary undertakings	1,433	869
Accruals and deferred income	190	175
Contingent consideration	167	515
	1,968	1,771

30 Share capital

	2010 Number	2010 £	2009 Number	2009 £
Authorised				
Ordinary shares of 0.4p each	35,000,000	140,000	35,000,000	140,000
Allotted, called up and fully paid				
Ordinary shares of 0.4p each	19,502,255	78,009	19,134,139	76,536

The following share transactions have taken place during the year ended 31 July 2010

On 14 August 2009, 271,029 ordinary shares of 0.4p each were issued at a price of 53.5p per share as settlement of the deferred consideration for the acquisition of RWA Rail Limited. The total amount of this consideration was £145,000.

On 4 December 2009, 97,087 ordinary shares of 0.4p each were issued at a price of 51.5p per share as consideration for the acquisition of Safety Information Systems Limited. The total amount of this consideration was £50,000.

Notes to the Company Balance Sheet continued

31 Reserves

	Share premium account £000	Merger reserve £000	Share based payments reserve £000	Profit and loss account £000
At 1 August 2009 – as previously reported	2,485	-	102	1,063
Prior year adjustment	(646)	646	-	-
At 1 August 2009 – as restated	1,839	646	102	1,063
Shares issued as consideration for business combinations	-	194	-	-
Expenses of share issue	-	(4)	-	-
Profit for the period	-	-	-	312
Share based payment charges	-	-	20	-
At 31 July 2010	1,839	836	122	1,375

During the year the Company reclassified certain reserves from share premium to merger reserve in order to correctly account for the issue of shares in respect of the acquisitions of subsidiary undertakings. Comparatives have been restated as a prior year adjustment.

32 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

	2010 £'000	2009 £'000
Land and buildings		
On leases expiring		
Within one year	-	16
Between one and two years	27	-

33 Reconciliation of movement in shareholders' funds

	2010 £'000	2009 £'000
Profit attributable to ordinary shareholders	312	243
Other recognised gains		
- Issue of new shares	191	851
- Share based payments	20	41
	523	1,135
Opening shareholders' funds	3,727	2,592
Closing shareholders' funds	4,250	3,727

Group information

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