Journeo

Connected systems, for connected journeys

Interim Report
for the six months ended 30 June 2022

Journeo

Welcome to Journeo's **2022** interim report.

Journeo plc is a leading provider of information systems and technical services to transport operators and local authorities. The Company is focused on delivering innovative public transport and related infrastructure solutions, contributing to smarter and safer city initiatives as transport of all types becomes more intelligent and connected.

The Company works at many levels with government organisations, local/combined authorities and many of the largest multinational transport operators. Journeo is helping these customers to leverage the Internet of Things (IoT) and open data standards to improve the sustainability and longevity of the technology they use and support them as new and legacy systems converge.

In the last four years, Journeo has invested over £5m in Research and Development and has begun to release powerful new and scalable solutions to the market for public travel and freight applications which capture, process, analyse and display essential information to deliver connected journeys safely.

Cert. No. 13843
ISO 9001, ISO 14001,
ISO 18001, ISO 27001

Crown
Commercial
Service
Supplier

Financial highlights

£8.9m
Revenue
(H1 2021: £7.2m)

£3.3m
Gross profit
(H1 2021: £2.8m)

£0.7m
Underlying profit before depreciation and amortisation
(H1 2021: £0.6m)

£0.2m
Profit before tax
(H1 2021: £0.2m)

£0.5m
Invested in Research and Develop over the period
(H1 2021: £0.5m)

£1.2m
Cash and cash equivalents at 30 June 2022
(H1 2021: £1.3m)

1.84p
Diluted earnings per share
(H1 2021: £1.74p)

Read more on our **financial statements** on pages 6 - 15

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Operational highlights

- **Record order intake of £12.9m during H1 2022 and momentum continuing with £4m orders already received in H2 2022**
- **Secured the Company's largest SaaS based framework agreement valued at £9m over three years with First Bus**
- **Number of connections generating monthly recuring revenue to SaaS-based Journeo Portal increased by 25% in H1 2022 and on-track to increase by 150% to over 10,000 connections by the end of the year**
- **Increased investment in R&D, sales and marketing, aligning teams and technologies with Government backed initiatives for public transport applications**
- **Growing adoption of the Journeo CMS digital wing mirror replacement system in the UK with over 1,000 installations on new buses, retrofit trials currently underway and the first systems now being installed in Sweden**
- **Supply chain management and strategic stock purchasing, stepped up during the Covid-19 pandemic has led to an improvement in delivery schedules for a number of key components that deferred approximately £0.5m revenue from H1 into H2**
- **Work on our first Environmental, Social and Governance (ESG) initiatives is progressing with a further update planned for the 2022 full-year report, and maintained ISO 9001, 14001, 27001 and 45001 accreditations**

Read more on **Chairman and Chief Executive's** review on pages 2 to 5

Chairman and Chief Executive's review

Mark Elliot
Non-executive Chairman

Russ Singleton
Chief Executive

"We are pleased to report the results for the six months ended 30 June 2022 which are in line with expectations."

Overview

We are pleased to report the results for the six months ended June 2022 ("H1 2022") which are in line with management's expectations. The business has delivered strong growth in revenues and generated its largest order intake to date of £12.9m. This performance demonstrates the resilience of our business during a period of challenging market conditions impacted by supply chain constraints and hikes in inflation.

The Group is performing well, our technology is becoming more deeply integrated within our existing customer base and is extending into new customers and opportunities that would previously have been inaccessible to us.

During H1 2022, revenue increased by 23% to £8.9m (H1 2021: £7.2m) and operating profits increased 14% to £0.3m (H1 2021: £0.3m).

We have seen a number of supply chain issues are now easing, having deferred approximately £0.5m revenue into H2 2022. This, and the record levels of sales orders and pipeline of future opportunities support our positive outlook for H2 2022 and beyond.

Strategic progress

The UK Government continues to provide funding streams to improve the provision and sustainability of public transport. Facing the prospect of rising fuel and energy costs, coupled with the uncertainty of the impacts of climate change, the adoption of reliable, mass public transportation services which operate efficiently is a key deliverable, this country, and others, must deliver to ensure that Net Zero carbon goals are achieved.

The technology that we are developing, delivering and maintaining plays an increasingly important role in addressing some of these market challenges. Through our low-powered infrastructure solutions and ensuring that work which would have once required engineer visits can be conducted remotely using artificial intelligence and machine learning, we are building efficiencies and increased capacity within our customers' teams.

Our growing success can be attributed to the capabilities and commitment of our people and investment in Research and Development and sales and marketing. To maintain this momentum, we continued to invest in these areas throughout H1 2022 to broaden the customer-base that we are able to engage with and integrate more tightly the solutions that we provide.

An example of this can be seen in the number of vehicles connected to the SaaS-based Journeo Portal, each generating recurring monthly revenue which increased by 25% to over 5,000 in H1 2022 and is on-track to increase by 150% to over 10,000 connections by the end of the year.

Work to progress the preliminary findings in our first Environmental, Social and Governance (ESG) statement (available in the 2021 Annual Report) is ongoing, with a further update planned for the 2022 full-year report. We have also maintained our ISO 9001, 14001, 27001 and 45001 accreditations.

Financial results

Revenue for H1 2022 was up nearly £1.7m to £8.9m (H1 2021: £7.2m), an increase of 23% due to a rise in Fleet Systems revenue of 31% to £4.9m (H1 2021: £3.7m), and a Passenger Systems revenue increase of 15% to £4.0m (H1 2021: £3.5m).

Passenger Systems' gross profit of £1.9m (H1 2021: £1.6m) represented an 18% increase, with margin increasing to 47% (H1 2021: 45%).

Fleet Systems' gross profit of £1.4m (H1 2021: £1.2m) increased by £0.2m, with a decrease in overall margin to 29% (H1 2021: 33%) due to the upfront costs associated with large SaaS rollout programmes.

Overall gross profit increased by £0.5m to £3.3m (H1 2021: £2.8m), whilst gross margin decreased by 2% to 37%, resulting from the programmes referred to above. An operating profit of £0.3m was achieved, 14% higher than reported in H1 2021. Our expenditure on Research and Development (R&D) resulted in a tax credit claim of £0.1m (H1 2021: £0.2m) being received during the period.

The underlying profit before depreciation and amortisation was £0.7m (H1 2021: £0.6m).

The basic undiluted profit per share was 1.92p (H1 2021: 1.81p).

Tight controls over cash management, including the repayment of £0.6m prior year COVID-19 related VAT deferral in full and the profit achieved have maintained a cash position at the period end of £1.2m (H1 2021: £1.3m).

In July 2022, immediately post period, we increased our available debt facility from £1.25m to £2.75m.

Research and Development

Continued deployment of our solutions across major bus fleets and at flagship sites such as London Heathrow Airport is testament to the work being completed by our R&D teams and is fuelling our growth. The connection rollout programme to the Journeo Portal is progressing well and we remain on-target to achieve our 10,000-connection milestone by the end of the year.

Scaling in this fashion is not an easy task, but it is a challenge that we had planned for, and we have coped well with the rapid growth. We continually review the technologies that underpin our solutions and maintain an iterative and customer-focused development trajectory.

Developing and maintaining close bonds with our customers is essential to our continued progression. We are fortunate to work with stakeholders that are engaged with the solutions that we provide and many actively work with us to add functionality and capability, thereby continually improving and innovating our wider product offering.

During H1 2022, we began the important and substantial task of integrating our EPIX[1] content management software into the Journeo Portal, to unify development of all our enterprise software products, enhance cyber security and provide world-class scalability and authentication throughout.

The migration is progressing well and we expect completion of this exercise by the second quarter of 2023. In addition, we are working with customers on migrating towards new MQTT[2] based communication protocols and cloud infrastructure which will bring about efficiencies and will form the basis of new development opportunities for our customers to improve the distribution of information to the travelling public.

Passenger Infrastructure Systems

Our Passenger Infrastructure Systems business continues to perform in line with management expectations, increasing H1 2022 revenue year-on-year by 15% to £4m. We are pleased with the progress the business is making, showing steadily increasing sales, demonstrating the increasing adoption of our technologies.

In March 2022, we were delighted to announce a purchase order for the second phase of the City of Edinburgh project. The £2.1m purchase order for display systems and content management services included 400 of our new Optically Bonded[3] displays which deliver enhanced display quality and clarity, at a lower power consumption rate.

The displays will also be the first major deployment in the UK to support a new open standard, based upon MQTT communication protocols. Journeo is embracing the new industry standard, produced by the Real Time Information Group (RTIG), and has performed an active role in its development with RTIG to ensure that it meets the needs of our customers.

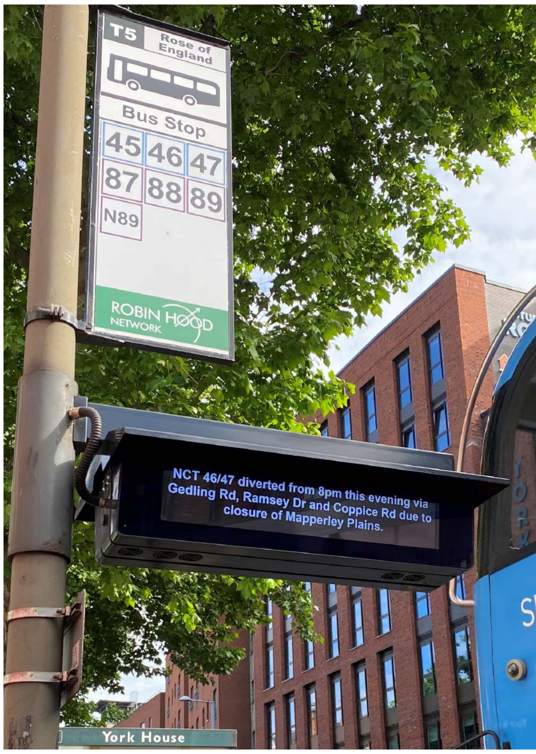
The new standard will support local authorities who wish to be unlocked from proprietary standards that have restricted their movement to new suppliers. It is being viewed with great interest by local authorities and Passenger Transport Executives (PTEs) throughout the UK and its adoption was an important factor in winning the first of two contracts with Nottingham City Council in June 2022. Cumulatively valued at £1.7m, the first contract comprises £1.4m of this and will see Journeo assume control of more than 1,600 legacy displays in the region. This is enabling Journeo to take the same approach of enhancing legacy systems with IoT[4] technology, to work alongside new and emerging systems, that has been so successful on the Fleet Transport Operator Systems side of our business.

The second part of the Nottingham City Council contract, whilst comparatively low-valued at £0.3m, is arguably just as important strategically. Journeo's powerful new messaging software tool will enable Nottingham City Council to integrate vital travel disruption information with scheduled and real time departure data for over 10,000 bus stops throughout the region.

> "An increasing proportion of the sales pipeline is based on our own technologies, designed to deliver better solutions for customers."

This intelligent new service will consume data from standardised data feeds and autonomously distribute the most relevant information to transport users via displays, mobile apps and online sources already used by the authority to provide information.

The new messaging tool will also be a catalyst for migrating our EPIX software into the Journeo Portal, ensuring that all of our customers are served from the same flexible, powerful and secure cloud-based platform.



Chairman and Chief Executive's review

CONTINUED

> "The solutions we are developing align with the evolving needs of the public transport sector whose transformation is supported by substantial Government commitment."

Fleet Transport Operator Systems

The Fleet Systems business continues to perform in line with management expectations, increasing H1 2022 revenue year on year by 31% to £4.9m as the strategy to broaden the customer base and develop from being an integrator of third-party equipment to a technology partner progresses.

The renewal of the First Bus framework agreement in April 2022, valued at £9m, initially for a period of 3 years but with a possible extension for a further 2 years to March 2027, was the largest SaaS-based framework agreement ever secured by the business. The award will see the entirety of the fleet connected to the Journeo Portal, increasing from 1,200 to over 4,500 vehicles.

The First Bus announcement, following shortly after the Arriva UK Bus contract award in November 2021; in which Arriva committed to connect all 5,000 of their vehicles to the Journeo Portal, demonstrates the growth potential of the solution. Both roll-out projects are underway and we expect to achieve 10,000 connections by the end of the year.

We are also delighted with the growing adoption of the Journeo Camera Monitoring System (CMS) or 'digital wing mirror' replacement system. This high-performance safety solution is proving to be very reliable and is gaining acceptance by the industry. Since its introduction in 2019, we have installed systems on over 1,000 new buses and now have initial retrofit trials underway. We renewed our exclusive distribution agreement with the OEM in March 2022, through to 2025. Low profile, digital wing mirror systems like the Journeo CMS are now a mandatory fitment on all new London vehicles, as part of TfL's Vision Zero programme. We are similarly engaging with the new mayoral authorities and franchised bus services to encourage them take a similar approach to the safety of their roads and the public transport vehicles that occupy them.

The Fleet Systems business continues to play a small but active role in the rail industry, with a responsive and dedicated team. The solutions that we have created for bus and coach applications are transferable to rail and in January 2022 we announced a three-year framework with GB Railfreight, valued initially at £0.7m, for the supply of high definition Forward Facing CCTV that will be connected to the Journeo Portal. We intend to continue to focus efforts in areas where the flexibility, security and scalability of our platform can deliver tangible benefits to customers.

Airport Passenger Transfer Solutions

The capabilities of our software-based Passenger Transfer Solutions for airport applications, as already deployed at Gatwick, Stansted and currently being delivered at Bristol and London Heathrow airports, has started to generate interest from airport authorities and operators outside the UK. As part of our research, we invested additional resources into marketing our capabilities and exhibited at the Passenger Terminal Expo in Paris, in June 2022. Participating in this event enabled us to demonstrate our software to a wider, international audience of consultants, systems integrators and bussing operators.

Our solution being delivered for Transdev Airport Services at London Heathrow Airport, announced in September 2021, is nearing completion and we expect the launch of the full suite of solutions shortly. The work undertaken onsite has been well-received and this has been recognised in the award of a further contract, announced post period in August 2022, for the tracking and critical system monitoring of over 300 mobile airside assets, ranging from London Heathrow's blue light vehicles to snow ploughs and plane tugs.

We are looking forward to the delivery of the project and deepening our bond with both Transdev and London Heathrow Airport through this new and interesting application of our core technology.

Market update

Mass public transportation continues to represent an attractive market for Journeo. We are continuing to benefit from the previously announced Transforming Cities Funding (TCF) through our Passenger Systems business and are increasingly benefitting from the roll-out of new, zero emission vehicles through our Fleet Systems Business.

Work with local authority customers over the allocation of their funding achieved through Bus Service Improvement Plans (BSIP) is ongoing, and whilst the £1.2bn available for these plans is less than central Government initially announced, we believe that the addition of £5.7bn in City Regional Sustainable Transport Settlements (CRSTS) will provide Journeo with significant opportunities in future years. This, in addition to the William-Schapps plan for rail and the ongoing Zero Emission Bus Regional Areas (ZEBRA) scheme that aims to bring over 4,000 zero emission vehicles to England's roads, convinces us of the substantial nature of this market opportunity.

Cumulatively, the UK Government funding points to a real commitment to make mass public transportation and active travel a truly viable choice for members of the public, reducing our society's reliance on fossil fuels and moving towards a more sustainable transport model and future.

COVID-19 and supply chain

The impacts of COVID-19 will doubtless be felt for many years to come, but the business has adjusted well with many team members adopting hybrid working practices and splitting time between customer sites, working from home and working at the office. We ensure that we monitor for any change in Government guidance and, as always, place the health and safety of our people and all those that we interact with, at the highest level of importance.

Sourcing high quality semiconductors and display components is a vital activity in the creation of our solutions. Through a combination of redesign, strategic stock purchasing and close relationships with our suppliers we have improved delivery schedules for a number of key components that deferred approximately £0.5m revenue from H1 into H2.

Outlook

We entered H2 2022 in a strong position following the £12.9m orders secured in H1 2022, many of which will be completed during H2 2022. In addition, we are having a good start to H2 2022 and have already secured a further £4m of new business, including the recently announced £0.6m Derby Bus Station award.

We have a growing sales opportunity pipeline on top of the Company-record order intake. The resilience the business is showing, underscored by increased adoption of our technology and improving performance, provides confidence in delivering further growth in H2 2022 and achieving market expectations for the 2022 financial year.

Adoption of our technology within major fleets such as Abellio, Arriva and First UK Bus has seen connections to our cloud platform accelerate rapidly. Deep integration with these customers' other business systems is firmly embedding our solutions into their operations, enabling them to feel the benefits that Journeo can deliver.

Whilst pressure on certain areas within our supply chains has eased somewhat, we remain ever vigilant to the risks that have the potential to impact our scheduling and closely monitor the situation for any changes.

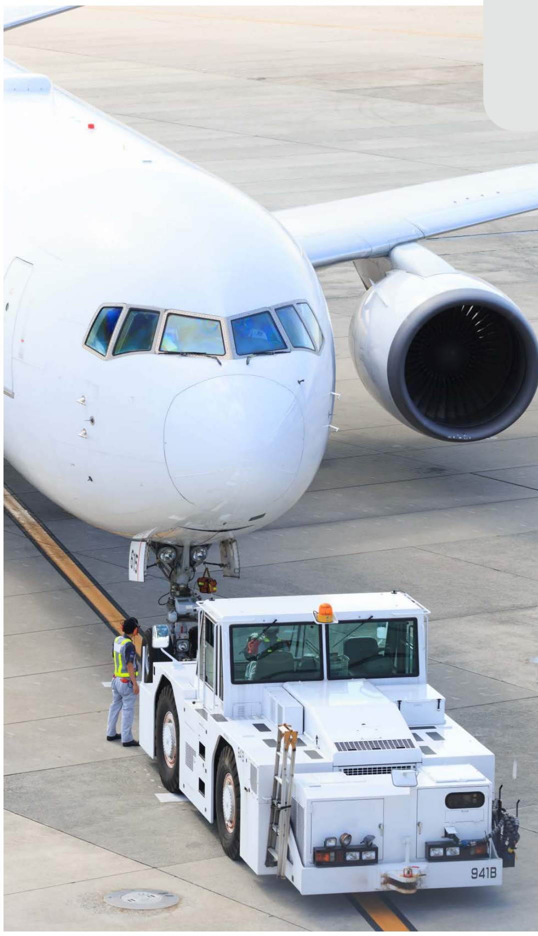
Significant UK Government funding initiatives such as the £1.2bn Bus Service Improvements Plans and £5.7bn City Regional Sustainable Transport Settlements are now flowing through to local authorities to improve public transport and associated infrastructure. Over the next few years these important market drivers will enable Journeo to further embed our solutions more deeply within transport operators, local authorities and PTEs.

We are pleased with the organic growth that the Group is achieving through the increased adoption of our solutions and seek to augment this through targeted acquisitions, where we identify opportunities and synergies to deliver our technology into related or adjacent markets.

Mark Elliot
Non-executive Chairman

Russ Singleton
Chief Executive

5 September 2022



Footnotes

1 EPIX, or Electronic Passenger Information version X, is an established platform used by local authorities and PTEs across the UK to control the content displayed on public transport information estates and gives them the power to display scheduled and real-time transport information in conjunction with supporting media and vital disruption messaging for routes and services.

2 MQTT, or Message Queuing Telemetry Transport, is a messaging protocol for the Internet of Things (IoT) and is used for connecting remote devices that experience minimal or unreliable network bandwidth, such as buses on the move that need to send regular updates.

3 Optical Bonding is a process where a layer of resin (OCR) or film (OCA) is applied between the glass or touchscreen and TFT LCD panel of a monitor, bonding them to make a solid laminate with no gaps or pockets of air.

4 IoT, or The Internet of Things, describes physical objects (or groups of such objects) with sensors, processing ability, software and other technologies that connect and exchange data with other devices and systems over the Internet or other communications networks.

Consolidated statement of comprehensive income
for the six months ended 30 June 2022

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
Revenue (notes 4,5)	8,879	7,213	15,592
Cost of sales	(5,616)	(4,409)	(9,569)
Gross profit	3,263	2,804	6,023
Other income	119	168	168
Underlying administrative expenses before depreciation and amortisation	(2,730)	(2,378)	(4,901)
Underlying profit before depreciation and amortisation	652	594	1,290
Depreciation and amortisation	(344)	(320)	(656)
Share-based payments	(24)	(24)	(49)
Administrative expenses	(2,985)	(2,554)	(5,438)
Operating profit	284	250	585
Finance expense	(117)	(84)	(176)
Profit before taxation from continuing operations	167	166	409
Taxation credit	-	(8)	(2)
Profit for the period being total comprehensive profit attributable to owners of parent	167	158	407
Profit per share (note 6)			
Basic	1.92p	1.81p	4.65p
Diluted	1.84p	1.74p	4.46p

All results derive from continuing operations.

Consolidated statement of changes in equity shareholders' funds

for the six months ended 30 June 2022

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity shareholders' funds £'000
Balance as at 1 January 2021	6,250	1,174	(6,680)	744
Profit and total comprehensive income for the period	–	–	158	158
Share-based payments	–	–	24	24
Balance at 30 June 2021	6,250	1,174	(6,498)	926
Balance at 1 January 2021	6,250	1,174	(6,680)	744
Profit and total comprehensive income for the year	–	–	407	407
Share-based payments	–	–	49	49
Balance at 31 December 2021	6,250	1,174	(6,224)	1200
Profit and total comprehensive income for the period	–	–	167	167
Share-based payments	–	–	24	24
Balance at 30 June 2022	6,250	1,174	(6,033)	1,391

Consolidated statement of financial position
at 30 June 2022

	Unaudited 30 June 2021 £'000	Unaudited 30 June 2021 £'000	31 December 2021 £'000
Assets			
Non-current assets			
Goodwill (note 7)	1,345	1,345	1,345
Other intangible assets	1,216	1,136	1,166
Property, plant and equipment	528	562	565
Trade and other receivables	41	43	43
	3,130	3,086	3,119
Current assets			
Inventories	2,544	2,232	1,609
Trade and other receivables	8,009	5,559	5,931
Cash and cash equivalents	1,207	1,294	1,096
	11,760	9,085	8,636
Total assets	14,890	12,171	11,755
Equity and liabilities			
Shareholders' equity			
Share capital	6,250	6,250	6,250
Share premium account	1,174	1,174	1,174
Retained earnings	(6,033)	(6,498)	(6,224)
Total equity	1,391	926	1,200
Non-current liabilities			
Deferred revenue	1,506	1,009	947
Loans and borrowings	596	-	604
Lease liabilities	246	294	261
Provisions	263	240	313
	2,611	1,543	2,125
Current liabilities			
Trade and other payables	3,442	3,404	2,636
Deferred revenue	5,557	3,375	3,408
Loans and borrowings	1,097	1,564	1,175
Lease liabilities	108	133	121
Tax liabilities	460	1,001	863
Provisions	224	225	227
	10,888	9,702	8,430
Total equity and liabilities	14,890	12,171	11,755

Consolidated statement of cash flows
for the six months ended 30 June 2022

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
Net cash from operating activities (note 8)	600	(49)	2
Cash flows from investing activities			
Purchases of property, plant and equipment	(71)	(51)	(165)
Purchases of intangible fixed assets	(285)	(204)	(460)
Net cash from investing activities	(356)	(255)	(625)
Financing activities			
Cash flow from financing activities	3	408	642
Principal element of lease repayments	(43)	(67)	(148)
Repayment of loans	(90)	(3)	(22)
Net cash from financing activities	(130)	338	472
Net increase / (decrease) in cash and cash equivalents	114	34	(151)
Cash and cash equivalents at beginning of period	1,096	1,254	1,254
Effect of foreign exchange rate changes	(3)	5	(7)
Cash and cash equivalents at end of period	1,207	1,293	1,096

Notes to the interim financial statements
for the six months ended 30 June 2022

1. Basis of preparation and approval of interim statement

The financial information for the six months ended 30 June 2022 and for the six months ended 30 June 2021 is unaudited.

The interim financial statement for the six months to 30 June 2022 does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021.

The financial information has been prepared on the basis of IFRSs that the Directors expect to be applicable as at 31 December 2022.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those set out in the Group's Annual Report and Financial Statements 2021, which were prepared in accordance with IFRSs.

This interim financial statement does not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 were approved by the Board on 28 March 2022 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

AIM-listed companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has not applied this standard in preparing this report.

The interim financial statement was approved by the Board of Directors on 5 September 2022.

2. International Financial Reporting Standards

The Group follows the standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee of the IASB and endorsed by the UK that are relevant to its operations.

3. Going concern

The Group's business activities together with factors likely to affect its future development, performance and position were set out in the Strategic Report and Chairman's Statement of the 2021 Annual Report and the principal risks and uncertainties were set out in the Strategic Report. The Directors have reviewed the cash flow forecasts for the period up to and including 31 December 2023.

Based on the above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of the report. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

4. Revenue

The revenue split between goods and services is:

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
Revenue			
Goods	6,349	4,831	10,615
Services	2,530	2,382	4,977
	8,879	7,213	15,592
Construction contracts included in goods	3,435	2,672	5,520

5. Segmental reporting

IFRS 8 requires operating segments to be determined on the basis of those segments whose operating results are regularly reviewed by the Board of Directors (the Chief Operating Decision Maker as defined by IFRS 8) to make strategic decisions.

As the Board of Directors reviews revenue, gross profit and operating loss on the same basis as set out in the consolidated statement of comprehensive income, no further reconciliation is considered to be necessary.

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
Revenue			
Fleet Systems	4,901	3,747	9,290
Passenger Systems	3,978	3,466	6,302
	8,879	7,213	15,592
Gross profit			
Fleet Systems	1,409	1,227	2,919
Passenger Systems	1,854	1,577	3,104
	3,263	2,804	6,023
Underlying profit/(loss)			
Fleet Systems	119	119	68
Passenger Systems	330	209	339
	449	408	1,037
Central	(141)	(134)	(403)
Underlying profit	308	274	698

Reconciling to profit before interest and tax

	Underlying profit/(loss) £'000	Share-based payments £'000	Operating profit/(loss) £'000
Fleet Systems	119	(12)	107
Passenger Systems	330	(12)	318
	449	(24)	425
Central	(141)	–	(141)
Total	308	(24)	284

Net assets

Net assets attributed to each business segment represent the net external operating assets of that segment, excluding goodwill, bank balances and borrowings, which are shown as unallocated amounts, together with central assets and liabilities.

5. Segmental reporting (continued)

Net assets (continued)

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
Assets			
Fleet Systems	5,703	4,384	5,193
Passenger Systems	6,636	5,148	4,109
	12,339	9,532	9,302
Goodwill	1,345	1,345	1,345
Cash and borrowings	1,207	1,294	1,096
Unallocated	(1)	-	12
	14,890	12,171	11,755
Liabilities			
Fleet Systems	(3,387)	(3,023)	(3,216)
Passenger Systems	(8,419)	(6,658)	(5,449)
	(11,806)	(9,681)	(8,665)
Cash and borrowings	(1,693)	(1,564)	(1,779)
Unallocated	–	–	(111)
	(13,499)	(11,245)	(10,555)
Net assets			
Fleet Systems	2,315	1,361	1,977
Passenger Systems	(1,782)	(1,510)	(1,340)
	533	(149)	637
Goodwill	1,345	1,345	1,345
Cash and borrowings	(486)	(269)	(683)
Unallocated	(1)	(1)	(99)
	1,391	926	1,200

6. Profit per Ordinary Share

Details of the weighted average number of Ordinary Shares used as the denominator in calculating the basic and diluted earnings per Ordinary Share are given below:

	Unaudited six months ended 30 June 2022 000	Unaudited six months ended 30 June 2021 000	Year ended 31 December 2021 000
Basic weighted average number of shares	8,741	8,741	8,741
Dilutive potential Ordinary Shares	386	361	370
	9,127	9,102	9,111

7. Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating unit (CGU) that is expected to benefit from that business combination. The Group has two CGUs which are its two operating segments, Fleet Systems and Passenger Systems. The carrying amount of goodwill has been allocated to the CGUs as follows:

	21st Century Passenger Systems Limited £'000	Total £'000
Deemed cost:		
At 1 January 2021	1,345	1,345
At 30 June 2021	1,345	1,345
At 1 January 2022	1,345	1,345
At 31 December 2021 and 30 June 2022	1,345	1,345

The Group tests goodwill annually for impairment as at 31 December, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined based on a value-in-use calculation which uses cash flow projections based on financial budgets and business plans approved by the Directors covering a five-year period. Cash flows beyond that period have been extrapolated in perpetuity assuming no growth, which the Directors consider to be a conservative approach.

The key assumptions for the value-in-use calculations are those regarding discount rates and sales forecasts.

The discount rates needed to equate the net present value from these cash flows to the carrying value of goodwill are compared to the required rate of return from the CGU based upon an assessment of the time value of money, prevailing interest rates and the risks specific to the CGU. If this discount rate is in excess of the required rate of return then it is assumed that no impairment has occurred to the carrying value of goodwill.

7. Goodwill (continued)

The discount rates are as follows:

	Unaudited six months ended 30 June 2022 %	Unaudited six months ended 30 June 2021 %	Year ended 31 December 2021 %
Passenger Systems	13	13	13

The discount rates used are based on the Board's judgement considering macroeconomic factors and reflecting specific risks in each segment such as the nature of the market served, the concentration of customers, cost profiles and barriers to entry.

Passenger Systems also has intangible assets, which are considered in the same value-in-use calculations as goodwill.

The Passenger Systems cash flow projections used to determine value in use are based upon assumptions of sales, margins and cost bases. Of these assumptions, the value in use is most sensitive to the level of sales. Margins are fixed in the forecast based upon past experience; the cost base is similarly based upon past experience and will vary depending upon the level of sales. In accordance with the requirements of IAS 36 our value-in-use calculations do not include cash flows from restructurings to which the Group is not yet committed.

The level of sales is the key assumption used in the cash flow forecast. Sales have been determined by management using estimates based upon past experience and future performance with reference to market position and the sales pipeline. The macroeconomic environment has improved and there has been an increase in the number and size of contracts available. There was an investment in key staff during 2018 and 2019. The 2022 forecast assumes growth of 34%. The remaining four years are based upon compound sales growth of 5%.

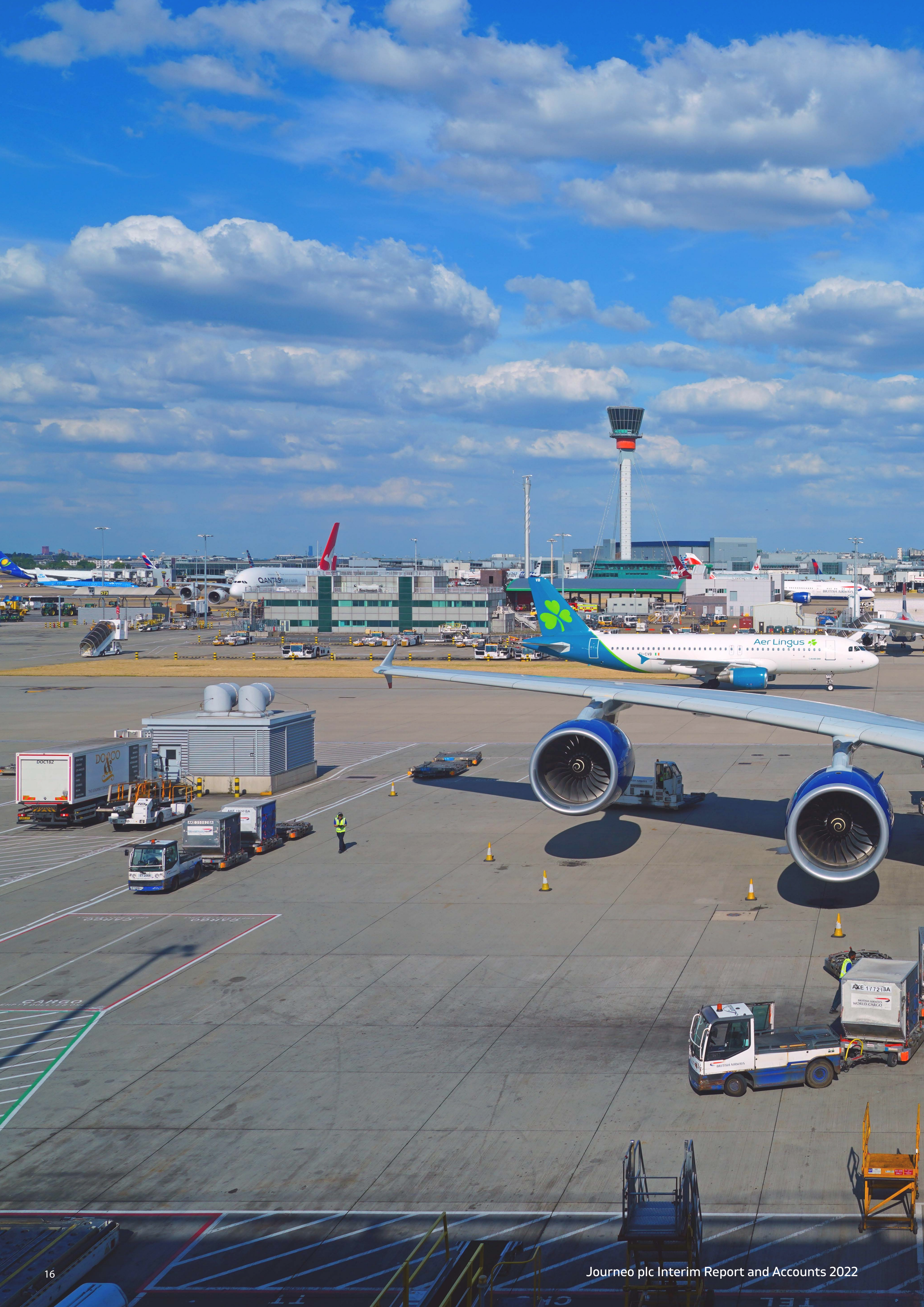
The value-in-use calculation supports the carrying value of the CGU with headroom of £5,869k. A sensitivity analysis has been performed on the impairment test. The Directors consider that an absolute change in the key sales assumption is possible and a reduction in the growth rate in 2022 to 10% would result in headroom remaining in the current carrying value of goodwill in relation to Passenger Systems of £1,149k. If sales forecasts were down 20% across the whole period and overheads remained unchanged then there would be headroom of £598k.

Based on the review the discount rate applied to equate the net present value of the forecast cash flows to the carrying value of goodwill and the intangible assets was 65%, whereas the required rate of return of the CGU is 13%.

In view of this, the Directors consider that no impairment of goodwill or intangible assets is required.

8. Cash generated from operations

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
Profit for the period	167	158	407
Adjustments for:			
– Finance expense	117	84	176
– Depreciation of property, plant and equipment	109	108	218
– Amortisation of intangible fixed assets	235	212	438
– Share-based payment expense	24	24	49
– Foreign exchange rate	-	12	(15)
– (Increase) / decrease in provisions	(52)	3	79
Operating cash flows before movement in working capital	600	601	1,352
(Increase) / decrease in inventories	(936)	(557)	66
(Increase) in receivables	(1,519)	(1,290)	(1,724)
Increase in payables	2,557	1,289	450
Cash inflow from operations	702	1,354	144
Income taxes paid	-	(4)	(2)
Interest paid	(102)	(73)	(140)
Net cash (outflow)/inflow from operating activities	600	1,277	2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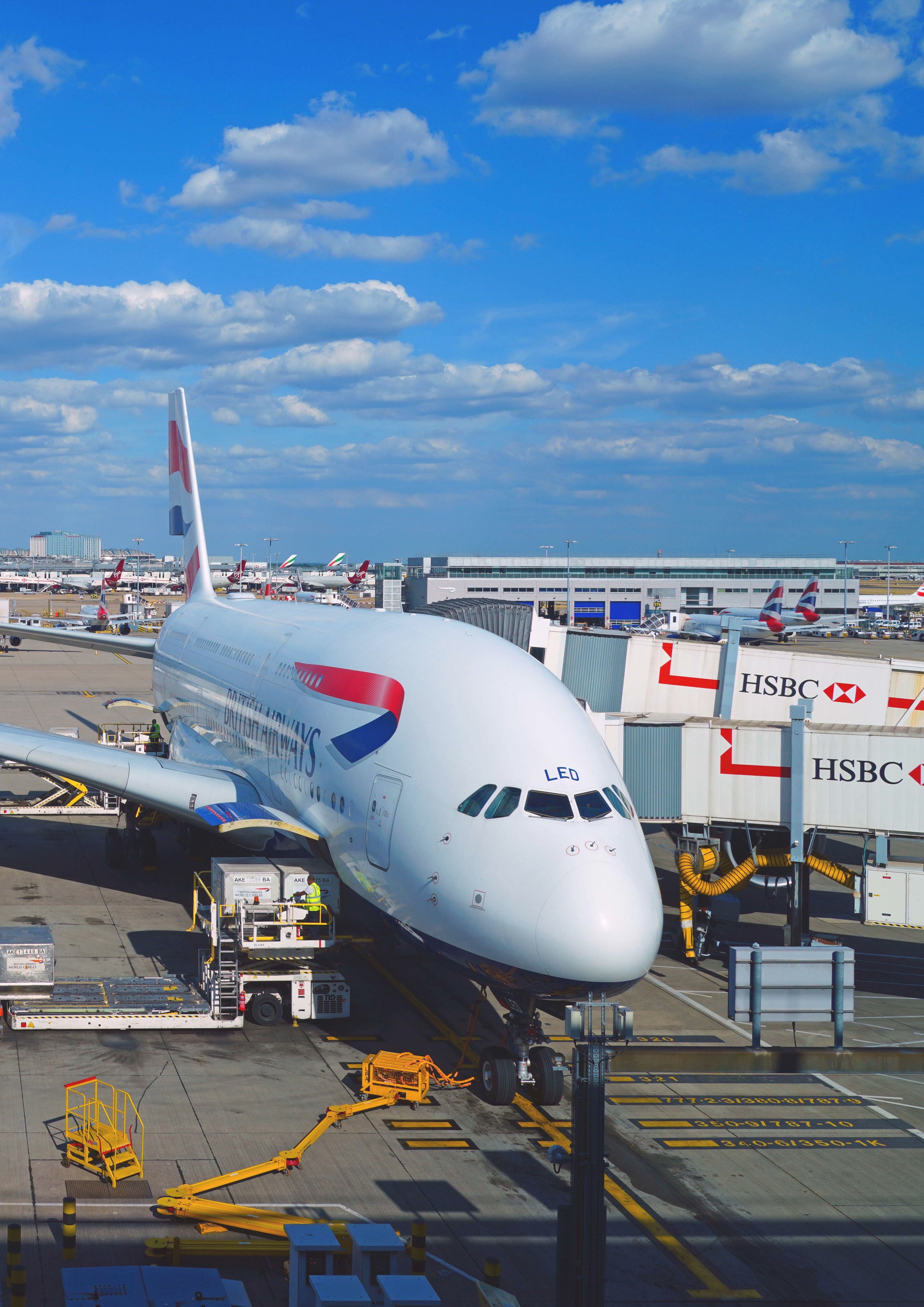
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