Journeo

Connected systems, for connected journeys

Interim Report

for the six months ended 30 June 2023

Journeo

Welcome to Journeo's **2023** interim report.

Journeo plc is a leading Intelligent Transport Systems provider, delivering solutions in towns, cities, airports and the public transport networks that connect them. The Company is focused on creating innovative public transport and related infrastructure solutions, contributing to safer and smarter 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.

CYBER ESSENTIALS CERTIFIED

ISOQAR REGISTERED UKAS MANAGEMENT SYSTEMS 0026

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

Audited RISQS

Crown Commercial Service Supplier

ITxPT INFORMATION TECHNOLOGY for PUBLIC TRANSPORT

RTIG INFORM

Financial highlights

£21.8m
Revenue
(H1 2022: £8.9m)

£6.4m
Gross profit
(H1 2022: £3.3m)

£2.5m
Profit before depreciation and amortisation
(H1 2022: £0.7m)

£1.7m
Profit before tax
(H1 2022: £0.2m)

£11.3m
Cash and cash equivalents at 30 June 2023
(H1 2022: £1.2m)

8.72p
Diluted earnings per share
(H1 2022: 1.84p)

Read more on our **financial statements** on pages 06 to 17

Operational highlights

- **Acquired IGL Limited ("Infotec") for an aggregate consideration of £8.7m. Funded primarily by way of Placing of £7m (net of expenses), also enabling the repayment of Loan Notes**
- **Record order book as at 30 June 2023 of £27m**
- **Number of connections generating monthly recurring revenue on SaaS-based Journeo Portal reached 12,000 connections in H1 2023 (FY 2022: 10,000 and H1 2022: 5,000)**
- **Integration of Journeo's EPIX system with Journeo Portal progressing well and once complete will mark a shift towards the new industry standard open protocol, enabling the connection of all transport displays**
- **Secured contracts with Transport for Wales and Cardiff City Council totaling £2.6m which will see displays technology migrate to open standards delivering valuable recurring revenue**
- **Arriva UK Bus framework agreement extended to April 2024 to provide high-definition CCTV systems and nationwide support services**

Read more on **Chairman and Chief Executive's review** on pages 02 to 05

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Chairman and Chief Executive's review

> "We continue to develop products the industry needs and with the substantial central government financial support being provided we continue to view the future of Journeo with confidence."

Overview

The Board is pleased to report the results for the six months ended 30 June 2023 ("H1 2023"), which are in line with management's expectations. The Group is continuing to deliver strong growth across all operating companies, increasing revenues in all areas of operation. This performance reflects the ongoing need to invest in public transport and its supporting infrastructure, encouraging reduced usage of personal vehicles to deliver a greener future.

The first half of this year has seen the Group enter a transformational stage in its development, following the acquisition of Infotec in January 2023.

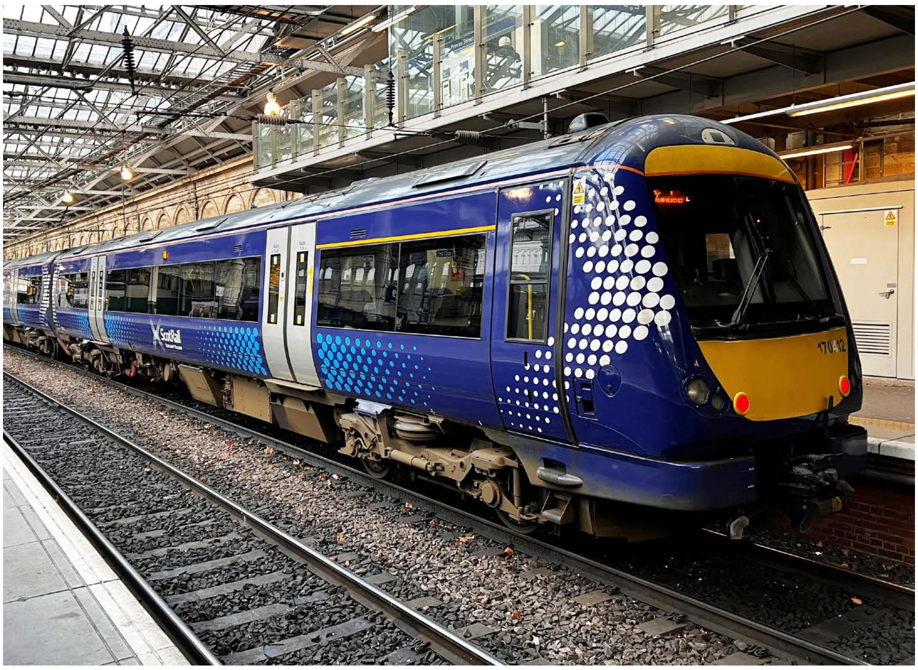
Strategic progress

The strategy for the Group is being driven by the ongoing requirements of our customers to deliver high-quality, affordable public transport. UK Government funding is providing both fleet operators and local authorities an opportunity to invest in solutions that simultaneously increase their operational efficiency and facilitate their push to achieve their net zero ambitions.

Our continued investment to develop solutions that aid customers to achieve these ambitions has been the cornerstone of our organic development. The increase in use of our low-power infrastructure solutions, coupled with the adoption of our SaaS cloud-based solutions are testament to the critical role Journeo's technology plays in helping customers meet their goals. However, whilst this organic growth is pleasing, there is more that we can achieve.

The Board has, for many years, sought to reinforce the Group's organic growth through innovation and with acquisitions that provide the opportunity to broaden the customer base, deepen capabilities and access thematically linked adjacent markets. In January 2023, Journeo completed the acquisition of IGL Limited, together with its subsidiaries ("Infotec"), the UK market leader in rail display signage and post period, Journeo completed the acquisition of MultiQ A/S Denmark ("MultiQ"), a leading full-service provider of Intelligent Transport Systems ("ITS") with customers in Denmark, Sweden and Iceland.

The Group will publish its first Carbon Reduction Plan (CRP) assessing our Scope 1 and Scope 2 emissions in 2024, signalling further progress on our Environmental, Social and Governance (ESG) journey.



Financial performance

Revenue increased by 146% to £21.8m (H1 2022: £8.9m) and by 41% on a like-for-like basis to £12.5m, excluding Infotec.

Revenue by segment	**H1 2023 £'m**	H1 2022 £'m	FY 2022 £'m
Passenger Infrastructure Systems	**4.6**	4.0	8.6
Fleet Transport Operator Systems	**7.9**	4.9	12.5
Like for like revenue	**12.5**	8.9	21.1
Infotec	**9.3**	–	–
Group revenue	**21.8**	8.9	21.1

Gross profit increased 77% to £6.4m (H1 2022: £3.3m) with gross profit margin at 29%. On a like-for-like basis gross profit was £3.9m with margin at 35%.

Gross profit by segment	**H1 2023 £'m**	H1 2022 £'m	FY 2022 £'m
Passenger Infrastructure Systems	**2.0**	1.9	4.1
Fleet Transport Operator Systems	**1.9**	1.4	3.7
Like for like gross profit	**3.9**	3.3	7.8
Infotec	**2.5**	–	–
Group gross profit	**6.4**	3.3	7.8

Underlying profit before depreciation and amortisation increased 277% to £2.5m (H1 2022: £0.7m).

Cash and cash equivalents at the end of the year increased to £11.3m (H1 2022: £1.2m) of which £3.5m was customer payments in advance.

Acquisition and fund raising

In January 2023, we completed the acquisition of Infotec for an aggregate consideration of £8.7m. To primarily finance the acquisition, the Group raised £7m (net of expenses) in a significantly oversubscribed placing and retail offer. The fundraising also enabled the Company to repay Loan Notes, originally issued in 2016, that supported the Company in its earlier growth.

Research and Development

Our customer-led Research and Development ("R&D") is an area of the business that fuels growth and enables the Group to access sales opportunities that were previously not attainable. We continue to invest in Journeo's future, supporting the efforts of our R&D teams.

The Journeo Portal, our cloud-based SaaS platform for managing intelligent transport systems continues to attract new and existing customers. Building on the 10,000-connection target we reached in 2022, the platform has gained a further 2,000 connections in the first half of the year, generating additional monthly recurring revenue per connection.

The Development Team is making good progress on one of our key objectives for 2023, the migration of our EPIX content management software into the Journeo Portal, which will consolidate the customer interface into a single web-based application. The scope of this integration was extended following the £1m award from Transport for Wales (TfW) to provide their new, nationwide Welsh Bus Data Content Management System (WBDCMS). Early conversations are ongoing with other large transport authorities to upgrade them to this new, more powerful feature-rich platform.

Our new cloud-based software will benefit Journeo in terms of additional SaaS revenue, reducing the number of systems to maintain and administer. In addition, it will also enable users to manage the operational efficiency of both on-vehicle and in-street systems; an ever-increasing need as authorities move to franchise and enhanced partnership models for managing their transport networks.

Chairman and Chief Executive's review
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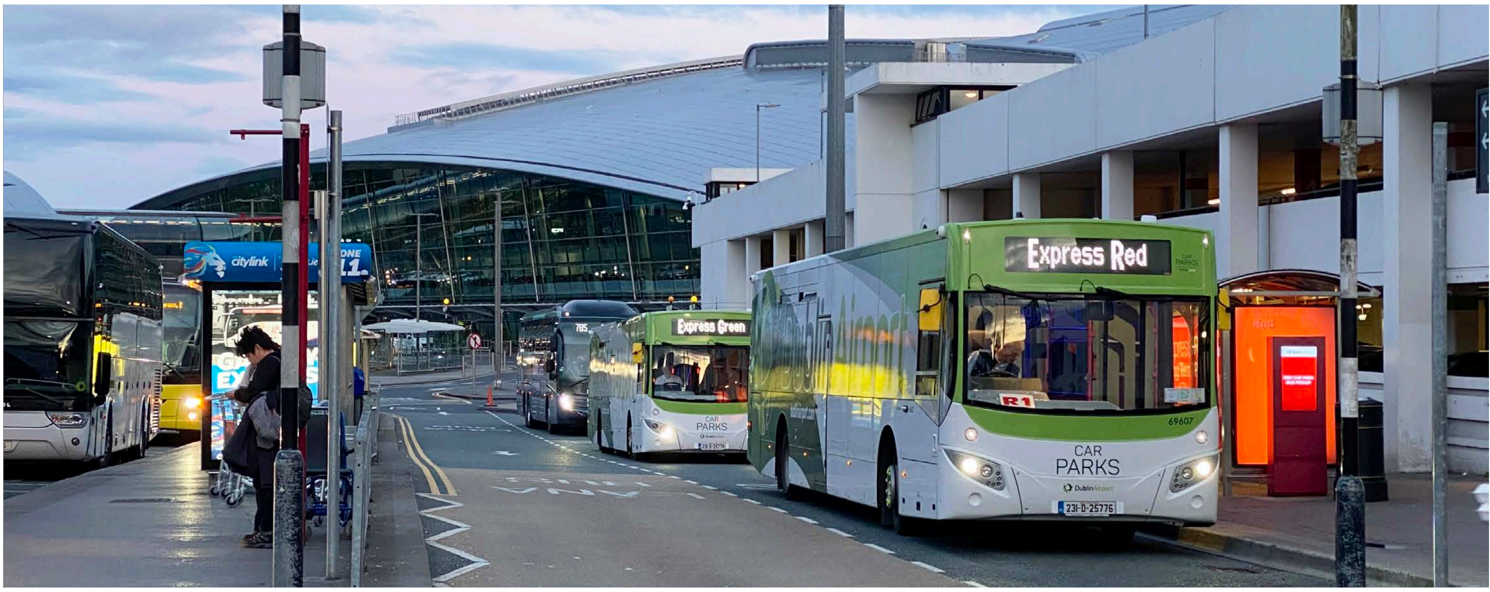


Passenger Infrastructure Systems

The Passenger Infrastructure Systems business continues to provide consistent growth, delivering a 16% increase in year-on-year growth to a revenue of £4.6m (H1 2022: £4m). This trajectory is in line with management expectations and we are pleased to see the continual progress the business is making, coupled with the ever-increasing footprint of our technologies in major urban centres and rural communities throughout the UK. Margins were slightly lower than the same period last year, at 43.4% (H1 2022: 46.6%), reflecting the competitive nature of public tenders.

In early March of this year, we announced the award of a £1m software and services contract from TfW. The solution is a paradigm shift for the industry, removing local authorities from single-supplier lock-ins and delivering a solution that is based upon collaboration and the use of open standards. The WBDCMS solution will be based upon the delivery of the integration of Journeo's EPIX content management system into the Journeo Portal and, once delivered, will enable the nationwide transport authority to connect all transport displays in the country to our solution, with each display connection delivering valuable recurring revenue to Journeo.

This success was quickly followed at the end of March, with the announcement of contracts worth £1.6m for displays technology in Wales comprising a £1m contract award with Cardiff City Council and a £0.6m contract with TfW. All new displays will connect to the new WBDCMS when it is complete and will be operated in the interim through our current system. There is a clear strategy across Wales to improve the provision of transport information and migrate people onto Public Transport.

The new displays, and indeed the WBDCMS, will all communicate using a new industry standard open protocol, based on MQTT communication protocols, in development by the not-for-profit industry body, the Real Time Information Group (RTIG). Journeo are the first to have deployed any displays using this protocol, following the installation of the first tranche of displays in the City of Edinburgh.

Fleet Transport Operator Systems

The Fleet Transport Operator Systems business delivered a strong 61% revenue growth in the first half of 2023, achieving sales of £7.9m (H1 2022: 4.9m). Margins were lower than for the same period last year, at 23.5% (H1 2022: 28.7%), mainly due to the technology-mix of sales completed in the first half of this year. Margins are expected to improve during H2 2023.

The framework agreement extension with Arriva UK Bus, announced in April of this year, extends the framework to April 2024 and is currently expected to generate approximately £1.1m in revenue.

The framework is separate to Journeo's three-year fleet-wide SaaS contract (announced in November 2021) with Arriva UK Bus and enables Journeo to provide high-definition CCTV systems and nationwide support services.

Journeo's relationship with Arriva UK Bus has been established since 2010 and this ongoing commitment from the nation's third largest operator (outside of London) demonstrates the confidence that large, multinational companies have in working with Journeo to deliver business-critical systems.

We have a strong sales pipeline within rail as we continue to deliver our powerful solutions into the sector. Developments in our rail applications, coupled with the acquisition of Infotec, have already created cross-selling opportunities across the rail industry. Proposals have been provided to customers in readiness for the commencement of Control Period 7 in April 2024.

Airport Passenger Transport Solutions

The unique capabilities of Journeo's Airport Passenger Transport Solutions continue to be adopted within the industry.

In April 2023, the Company announced that East Midlands Airport would be joining London Gatwick Airport, London Stansted Airport and London Heathrow Airport in having passenger transfer solutions managed and optimised by Journeo's software-led solutions. A smaller implementation than its predecessors, the work at East Midlands Airport, being completed on behalf of First Bus who will be running the operation, demonstrates the flexibility of the system to work in any environment where the challenge is to move passengers to or away from a single point of focus, such as a terminal building.

Work is expected to commence on this latest implementation shortly, following the completion of Dublin Airport.

In March of this year, Gatwick Airport awarded Journeo a £0.5m five-year extension to the support contract for Journeo's first airport bus transfer management application, originally installed in 2017.

Infotec

The Infotec business has performed well since completion of the acquisition on 18 January 2023 and has delivered strong revenue of £9.3m in the period. Margins of 27.2% were below historical levels as a result of a large, high-volume contract to supply specialist displays. This contract is scheduled to complete during H1 2024.

Integration of the businesses is progressing smoothly. An initial step taken was to bolster Infotec's manufacturing capabilities with a £0.4m investment in surface mount production capacity, alongside retaining focus on the continuing development of its core technologies. This has already significantly reduced production lead times.

Appointments

To enhance the strength and diversity of experience of the Board of Directors, Barney Kent was appointed to the Board in March 2023 as an Independent Non-executive Director. Barney brings a wealth of knowledge to Journeo, with over 20 years' technology and M&A leadership, including a decade with Ideagen plc as Chief Operating Officer before its $1.3bn acquisition in 2022 by a private equity firm.

Market update

Our strategy to closely bond with customers and develop the technologies and services they require to help them make mass public transportation an attractive and cost-effective alternative for members of the public, underpins our confidence and drives our growth.

Whilst passenger numbers in all areas of the UK continue to lag behind pre-Covid levels, to achieve its carbon Net Zero goals it will be essential for the UK to invest in a clean and efficient public transportation system.

Work with Local Authority customers, to identify projects for our solutions that can be funded through remaining Transforming Cities Funding, Bus Service Improvement Plan funding and City Regional Sustainable Transport Settlements is ongoing and continues to present the Company with significant opportunities.

In respect of rail travel, the commencement of Control Period 7 in April 2024, currently backed by £44bn of funding, is expected to generate new opportunities for Journeo.

We work closely with our partners in our supply chains and hold strategic levels of stock of key components to our solutions.

The public transport industry is placing increasing focus on cyber-security and our secure-by-design approach is welcomed by customers, backed by our ISO27001 and Cyber Essentials accreditations.

ESG update

The Group continues to focus on important Environmental, Social and Governance (ESG) and in 2024 will publish a Carbon Reduction Plan, which will baseline Scope 1 and Scope 2 emissions and set targets.

Outlook

The first half of this year has seen the Group enter a transformational stage in its development following the acquisition of Infotec in January and the generation of both strong organic and acquisitive growth, which is continuing into H2 2023.

As anticipated following the acquisition of Infotec there are a number of cross selling initiatives underway to broaden the customer base and to increase sales, annual recurring revenues and margins.

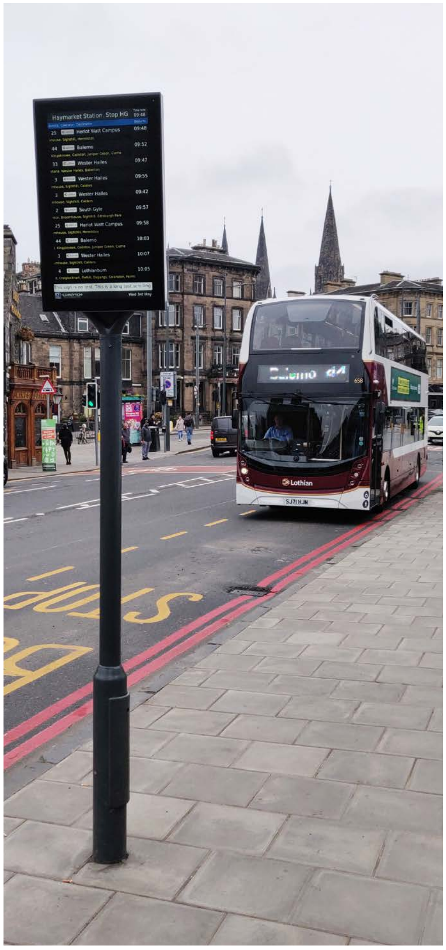
The Board continues to seek complementary acquisitions to support growth and as announced on 20 September 2023, the Company completed the acquisition of MultiQ . On behalf of the Board and all of us at Journeo, we would like to extend a warm welcome to our new colleagues in Denmark.

We entered H2 2023 with a £27m order book and a £55m sales pipeline. This together with trading and further orders won since the start of H2 2023 gives the board confidence that we will meet our financial targets and that the Company continues to trade in line with market expectations.

We continue to develop products the industry needs and with the substantial central government financial support being provided, we continue to view the future of Journeo with confidence.

Mark Elliott
Non-executive Chairman

Russ Singleton
Chief Executive



Consolidated statement of comprehensive income

for the six months ended 30 June 2023

	Unaudited six months ended 30 June 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Revenue (notes 4,5)	**21,824**	8,879	21,123
Cost of sales	**(15,425)**	(5,616)	(13,354)
Gross profit	**6,399**	3,263	7,769
Other income	**49**	119	119
Underlying administrative expenses before depreciation and amortisation	**(3,993)**	(2,730)	(6,013)
Underlying profit before depreciation and amortisation	**2,455**	652	1,875
Depreciation and amortisation	**(500)**	(344)	(717)
Share-based payments	**(13)**	(24)	(45)
Acquisition costs	**(132)**	-	-
Administrative expenses	**(4,589)**	(2,979)	(6,656)
Operating profit	**1,810**	284	1,113
Finance expense	**(146)**	(117)	(207)
Profit before taxation from continuing operations	**1,664**	167	906
Taxation charge	**(260)**	-	(3)
Profit for the period being total comprehensive profit attributable to owners of parent	**1,404**	167	903
Profit per share (note 6)			
Basic	**9.03p**	1.92p	10.33p
Diluted	**8.72p**	1.84p	9.80p

All results derive from continuing operations.

Consolidated statement of changes in equity shareholders' funds

for the six months ended 30 June 2023

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity shareholders' funds £'000
Balance as at 1 January 2022	6,250	1,174	(6,224)	1,200
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
Balance at 1 January 2022	6,250	1,174	(6,224))	1,200
Profit and total comprehensive income for the year	–	–	903	903
Share-based payments	–	–	45	45
Balance at 31 December 2022	6,250	1,174	(5,276)	2,148
Proceeds from issue of new shares	486	6,851	–	7,337
Profit and total comprehensive income for the period	–	–	1,404	1,404
Share-based payments	–	–	13	13
Balance at 30 June 2023	6,736	8,025	(3,859)	10,902

Consolidated statement of financial position
at 30 June 2023

	Unaudited 30 June 2023 £'000	Unaudited 30 June 2022 £'000	31 December 2022 £'000
Assets			
Non-current assets			
Goodwill (note 7)	**3,581**	1,345	1,345
Other intangible assets	**1,998**	1,216	1,300
Property, plant and equipment	**1,589**	528	504
Trade and other receivables	**40**	41	41
	7,208	3,130	3,190
Current assets			
Inventories	**7,463**	2,544	3,455
Trade and other receivables	**9,631**	8,009	8,130
Cash and cash equivalents	**11,300**	1,207	533
	28,394	11,760	12,118
Total assets	**35,602**	14,890	15,308
Equity and liabilities			
Shareholders' equity			
Share capital	**6,736**	6,250	6,250
Share premium account	**8,025**	1,174	1,174
Retained earnings	**(3,859)**	(6,033)	(5,276)
Total equity	**10,902**	1,391	2,148
Non-current liabilities			
Deferred revenue	**2,810**	1,506	2,304
Loans and borrowings	**205**	596	40
Lease liabilities	**698**	246	225
Deferred Tax	**25**	–	–
Provisions	**925**	263	271
	4,663	2,611	2,840
Current liabilities			
Trade and other payables	**8,323**	3,442	5,178
Deferred revenue	**8,758**	5,557	1,552
Loans and borrowings	**412**	1,097	2,616
Lease liabilities	**150**	108	121
Tax liabilities	**414**	460	618
Provisions	**1,980**	224	235
	20,037	10,888	10,320
Total equity and liabilities	**35,602**	14,890	15,308

Consolidated statement of cash flows

for the six months ended 30 June 2023

	Unaudited six months ended 30 June 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Net cash from operating activities (note 8)	**2,472**	600	(587)
Cash flows from investing activities			
Purchases of property, plant and equipment	**(382)**	(71)	(58)
Purchases of intangible fixed assets	**(281)**	(285)	(628)
Acquisition costs	**(132)**	–	–
Net cash inflow on acquisition	**4,423**	–	–
Net cash from investing activities	**3,628**	(356)	(686)
Financing activities			
Cash flow from financing activities	**206**	3	891
Principal element of lease repayments	**(131)**	(43)	(170)
Issue of Shares	**6,837**	–	–
Repayment of loans	**(2,244)**	(90)	(15)
Net cash from financing activities	**4,668**	(130)	706
Net increase / (decrease) in cash and cash equivalents	**10,768**	114	(567)
Cash and cash equivalents at beginning of period	**533**	1,096	1096
Effect of foreign exchange rate changes	**(1)**	(3)	4
Cash and cash equivalents at end of period	**11,300**	1,207	533

Notes to the interim financial statements

for the six months ended 30 June 2023

1. Basis of preparation and approval of interim statement

The financial information for the six months ended 30 June 2023 and for the six months ended 30 June 2022 is unaudited.

The interim financial statement for the six months to 30 June 2023 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 2022.

The financial information has been prepared on the basis of IFRSs that the Directors expect to be applicable as at 31 December 2023.

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 2022, 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 2022 were approved by the Board on 28 March 2023 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 26 September 2023.

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 2022 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 2024.

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 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Revenue			
Goods	**18,138**	6,349	15,621
Services	**3,686**	2,530	5,502
	21,824	8,879	21,123
Construction contracts included in goods	**4,102**	3,435	7,599

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 profit 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 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Revenue			
Fleet Transport Operator Systems	**7,893**	4,901	12,494
Infotec	**9,303**	–	–
Passenger Infrastructure Systems	**4,627**	3,978	8,629
	21,823	8,879	21,123
Gross profit			
Fleet Transport Operator Systems	**1,858**	1,409	3,711
Infotec	**2,534**	–	–
Passenger Infrastructure Systems	**2,007**	1,854	4,058
	6,399	3,263	7,769
Underlying profit			
Fleet Transport Operator Systems	**352**	119	690
Infotec	**1,580**	–	–
Passenger Infrastructure Systems	**161**	330	740
	2,093	449	1,430
Central	**(270)**	(141)	(272)
Underlying profit	**1,823**	308	1,158

Reconciling to profit before interest and tax

	Underlying profit/(loss) £'000	Share-based payments £'000	Operating profit/(loss) £'000
Fleet Transport Operator Systems	352	(7)	345
Infotec	1,580	–	1,580
Passenger Infrastructure Systems	161	(6)	155
	2,093	(13)	2,080
Central	(270)	–	(270)
Total	1,823	(13)	1,810

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 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Assets			
Fleet Transport Operator Systems	**8,456**	5,703	8,134
Infotec	**7,084**	–	–
Passenger Infrastructure Systems	**5,181**	6,636	5,156
	20,721	12,339	13,290
Goodwill	**3,581**	1,345	1,345
Cash and borrowings	**11,300**	1,207	533
Unallocated	**–**	(1)	139
	35,602	14,890	15,307
Liabilities			
Fleet Transport Operator Systems	**(4,518)**	(3,387)	(3,627)
Infotec	**(11,328)**	–	–
Passenger Infrastructure Systems	**(8,237)**	(8,419)	(6,744)
	(24,083)	(11,806)	(10,371)
Cash and borrowings	**(617)**	(1,693)	(2,656)
Unallocated	**–**	–	(134)
	(24,700)	(13,499)	(13,161)
Net assets / (liabilities)			
Fleet Transport Operator Systems	**3,938**	2,315	4,507
Infotec	**(4,244)**	–	–
Passenger Infrastructure Systems	**(3,056)**	(1,782)	(1,588)
	(3,362)	533	2,919
Goodwill	**3,581**	1,345	1,345
Cash and borrowings	**10,683**	(486)	(2,123)
Unallocated	**–**	(1)	5
	10,902	1,391	2,146

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 2023 000	Unaudited six months ended 30 June 2022 000	Year ended 31 December 2022 000
Basic weighted average number of shares	**15,551**	8,741	8,741
Dilutive potential Ordinary Shares	**560**	386	470
	16,111	9,127	9,211

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 three CGUs which are its three operating segments, Fleet Systems, Passenger Systems and Infotec. The carrying amount of goodwill has been allocated to the CGUs as follows:

	Journeo Passenger Systems Limited £'000	Infotec £'000	Total £'000
Deemed cost:			
At 1 January 2022	1,345	–	1,345
At 30 June 2022	1,345	–	1,345
At 31 December 2022 and 1 January 2023	1,345	–	1,345
At 30 June 2023	1,345	2,236	3,581

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 2023 %	Unaudited six months ended 30 June 2022 %	Year ended 31 December 2022 %
Passenger Systems	**13**	13	13
Infotec	**13**	N/A	N/A

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 continues to be an increase in the number and size of contracts available. The 2023 forecast predicts sales growth of 4%. 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 £7,301k. 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 sales forecast in 2023 of 10% would result in headroom remaining in the current carrying value of goodwill in relation to Passenger Systems of £4,385k. If sales forecasts were down 20% across the whole period and overheads remained unchanged then there would be headroom of £1,468k.

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 77%, 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 2023 £'000	Unaudited six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Profit for the period	**1,404**	167	903
Adjustments for:			
– Finance expense	**146**	117	207
– Depreciation of property, plant and equipment	**231**	109	224
– Amortisation of intangible fixed assets	**269**	235	494
– Share-based payment expense	**13**	24	45
– Acquisition expenses	**132**	–	–
– Profit on disposal of fixed assets	**1**	–	–
– Decrease/(Increase) in provisions	**399**	(52)	(34)
Operating cash flows before movement in working capital	**2,595**	600	1,839
Increase in inventories	**(961)**	(936)	(1,846)
(Increase) / Decrease in receivables	**2,988**	(1,519)	(1,564)
Increase / (Decrease) in payables	**(1,824)**	2,557	1,166
Cash inflow/(outflow) from operations	**2,798**	702	(405)
Income taxes paid	**(207)**	–	(3)
Interest paid	**(119)**	(102)	(179)
Net cash (inflow)/outflow from operating activities	**2,472**	600	(587)

9. Businesses Acquired – Infotec Group of Companies

On 18th January 2023, the Group acquired 100% of the equity of IGL Limited, together with its subsidiaries ("IGL" or "Infotec"), all UK-based businesses.

Infotec is a leading provider of innovative display solutions and is the UK's leading rail passenger information equipment provider, with over 15,000 displays in operation. Infotec services approximately 80 per cent. of the UK's rail network

The details of the business combination are as follows:

	Unaudited £'000
Fair value of consideration	
Amount Settled in Cash	**7,218**
Deferred Consideration	**1,000**
Consideration Shares	**500**
Total Consideration	**8,718**
Identifiable net assets (recognised at fair value):	
Other intangibles	**1,301**
Property, plant and equipment	**264**
Inventories	**3,047**
Trade and other receivables	**3,980**
Cash	**12,641**
Total assets	**21,233**
Equity and liabilities	
Trade and other payables	**(5,422)**
Deferred revenue	**(6,883)**
Tax liabilities	**(446)**
Provisions	**(2,000)**
Total liabilities	**(14,751)**
Net assets	**6,482**
Goodwill on acquisition	**2,236**
Consideration settled in cash	**8,218**
Cash and cash equivalents acquired	**12,641**
Net cash inflow on acquisition	**4,423**

Consideration transferred

The acquisition of Infotec was settled in cash amounting to £8,218k (including deferred consideration of £1,000k). Acquisition related costs amounting to £132k were incurred.

Identifiable net assets

The fair value of identifiable net assets acquired as part of the business combination amounted to £6,482k.

Separable intangible assets

One separable intangible asset was identified at acquisition, being the acquired customer relationships. The acquired customer list was valued by assessing a discounted cashflow based on expected customer attrition rates and using the Group discount factor of 13%. The useful life has been estimated at 5 years.

Goodwill

Goodwill is primarily related to the core growth expectations that are expected from combining Infotec and Journeo technologies and upselling this to existing customers.

Infotec contribution to the Group results

Infotec generated a profit of £1,580k for the period from 18 January 2023 to the reporting date. Revenue for the period to the reporting date was £9,303k. In the six months to 30th June 2022 Infotec sales were approximately £6,762k with profit before tax of £1,120k. In the twelve months to 30th December 2022 Infotec sales were approximately £16,520k with profit before tax of £2,646k.

10. Post balance sheet events

On 19 September 2023, Journeo plc acquired 100% of the share capital of MultiQ Denmark A/S ("MultiQ). MultiQ is a leading full-service provider of Intelligent Transport Systems ("ITS") with customers in Denmark, Sweden and Iceland.

Due to the short timeframe between completion of the acquisition and approval of these financial statements, it was not possible to reliably estimate the fair values of assets and liabilities or the goodwill associated with the acquisition.

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