RNS Number : 4105E
Journeo PLC
17 September 2024

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the UK version of the EU Market Abuse Regulation (2014/596) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time.

17 September 2024

Journeo plc
("Journeo", the "Company" or the "Group")

Interim results for the six months ended 30 June 2024

Journeo plc (AIM: JNEO) a leading provider of information systems and technical services to transport operators and local authorities, announces its interim results for the six months ended 30 June 2024 ("H1 2024").

Financial headlines

- Group revenue grew 17% to £25.6m (H1 2023: £21.8m)
    - Fleet systems revenue grew 17% to £9.3m (H1 2023: £7.9m)
    - Passenger Systems revenue grew 12% to £5.2m (H1 2023: £4.6m)
    - Infotec revenue was £8.5m (H1 2023: £9.3m) and MultiQ, acquired in H2 2023, delivered revenue of £2.7m
- Underlying profit before depreciation and amortisation increased 40% to £3.4m (H1 2023: £2.5m)
- Cash and cash equivalents at the end of the period increased to £12.9m (H1 2023: £11.3m)
- Basic undiluted profit per share was 15.30p (H1 2023: 9.03p)

Operational headlines

- Record order intake during the period of £24m (H1 2023: £18m)
- R&D investment increased to £1.0m as a core component of Group strategy
- Established the Journeo Design Centre, a centre of excellence that brings together specialists from across the Group
- Progressing unification of manufacturing and production
- Strengthening the senior leadership team
- Extended cloud-based Journeo portal for RTI infrastructure applications
- Strong sales pipeline across the Group

Russ Singleton, CEO of Journeo plc, said:

"The Group has continued to deliver strong performance, achieving growth in revenues, profits, margins and order intake in H1 2024.

We retain our strategy of bonding closely with our customers to develop and deliver new products, solutions and services, that meet their requirements of creating a more sustainable and efficient transport network. This focus, supported by the ongoing integration of Infotec, MultiQ and the newly formed Journeo Design Centre, is further strengthening our capabilities and driving the organic growth of the business as we continue to assess complementary acquisition targets.

Journeo is evolving into a more capable and resilient business as we aim to become the market-leader for Intelligent Transport Systems. With a growing customer base and a strong sales opportunity pipeline, the Board looks to the future with confidence."

A digital copy of this announcement will be available on the Group's website: www.journeo.com

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Notes to editors:

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 works extensively with local and combined authorities, Network Rail and many of the largest multinational transport operators, supporting them as systems converge towards a more efficient and sustainable future.

The business has five operating companies:

- Journeo Fleet Systems: CCTV video surveillance to improve passenger & driver safety, telematics for vehicle and driver performance monitoring, real-time communications for remote condition monitoring and automatic passenger counting.
- Journeo Passenger Systems: design, manufacture, installation, and management of hardware and software for electronic public transport information systems, in and around towns, cities, ferry terminals and airports which includes smart-ticketing and wayfinding.
- Infotec Limited: design, advanced manufacture, installation and software management of information displays hardware for rail applications in stations, on-platform and on-vehicle.
- Journeo AS, formerly MultiQ AS (based in Aarhus, Denmark): full-service provider of Intelligent Transport Systems ("ITS") with customers in Denmark, Sweden and Iceland.
- Journeo AB (based in Stockholm, Sweden): technical services provider to public transport customers in Sweden.

In the last 4 years, the Company has invested over £6 million in research and development, enabling it to design and supply powerful innovative solutions for customers' complex requirements and the demands of modern public transport. With an Internet of Things ("IoT") approach and open standards, together with field-proven and reliable engineering, Journeo is able to offer flexible, scalable products and services that can integrate with existing technology while preparing for future advancements.

Chairman and Chief Executive's review

Overview

The Board is pleased to report continued strong performance for H1 2024. The results are in line with management expectations, with the Group delivering year-on-year increases for revenue, gross profit and underlying profit.

The Group delivered strong organic growth in H1 2024 and the acquisitions of Infotec and MultiQ, completed in 2023, are further increasing the number of sales opportunities for Journeo technology in new regional and adjacent markets.

The need to encourage people away from personal use vehicles by providing more sustainable, better structured and better delivered public transport remains a priority. We welcome the new legislation announced in the King's Speech (15 July 2024) for Rail Reform, Passenger Railway Service (Public Ownership) and Better Buses. Journeo is well positioned to play an increasingly important role as governments invest in national and local transport infrastructure in the coming years.

Strategic progress

We continue to forge and maintain strong relationships with our customers as we support their current and legacy systems and help prepare them for future technologies.

The cultural alignment between Journeo, Infotec and MultiQ has been evident as we continue to integrate the companies, with new opportunities for collaboration and delivery of our deepened capabilities emerging. As part of this convergence, we have established the Journeo Design Centre (JDC). Formed with specialists from each of our operating companies, this group-wide centre of excellence is creating the next generation of products and solutions that will support the ongoing growth of the Group.

Cost efficiencies in our supply chain and optimisation through the design for manufacturing process continue to be realised and will further improve the quality and scalability of our solutions. These key strategies are an integral part of our ESG commitments of continual improvement and product responsibility.

Our customer-centric strategy to create deep customer bonds, demonstrate technology leadership and deliver engineering excellence continues. We are building on these attributes as we target both acquisitive and organic growth.

Financial results

Revenue for H1 2024 increased by 17% to £25.6m (H1 2023: £21.8m). Fleet Systems revenue of £9.3m (H1 2023: £7.9m) and Passenger Systems revenue of £5.2m (H1 2023: £4.6m) grew by 17% and 12%, respectively.

The revenue from Infotec was £8.5m (H1 2023: £9.3m) and MultiQ, acquired in H2 2023 delivered revenue of £2.7m.

Fleet Systems gross profit of £2.3m (H1 2023: £1.9m) increased by £0.4m, with an increase in overall gross margin to 25% (H1 2023: 24%).

Passenger Systems gross profit of £2.4m (H1 2023: £2.0m) also increased by £0.4m, with an improvement in gross margin to 46% (H1 2023: 43%).

Infotec gross margin improved to 38% (H1 2023: 27%), delivering a gross profit of £3.2m (H1 2023: £2.5m), whilst MultiQ produced a 40% gross margin, delivering a gross profit of £1.1m.

Group underlying profit before depreciation and amortisation increased by 40% to £3.4m (H1 2023: £2.5m) and basic undiluted profit per share was 15.30p (H1 2023: 9.03p).

Cash and cash equivalents at the end of the year increased to £12.9m (H1 2023: £11.3m).

Research and Development

We continue our investment in Research and Development (R&D) which is shaped by the close bonds we share with customers. This underpins our growth and provides the Group with new opportunities, both in creating future systems and supporting existing technology estates.

H1 2024 saw the first passenger information displays connected to the Journeo Portal at Cardiff Bus Interchange, as part of the new and national Content Management System (CMS) for Wales. The solution is not only the first of its kind to operate on recently released open industry standards; it demonstrates the power and flexibility of our software. The cloud-based Journeo Portal enables transport operators, local authorities and transport executives to manage their systems from a single, highly-secure and scalable platform.

Operational review

Passenger Infrastructure Systems

We are pleased to see Passenger Infrastructure Systems delivering strong year-on-year growth. Revenue for H1 2024 increased 12% to £5.2m (H1 2023: £4.6m) and the business has achieved a strong sales order intake throughout H1 2024.

In February, the Group announced a four-year framework with a Northern Transport Partnership which is expected to generate £5m in revenue across the length of the contract. The framework covers a range of Journeo display technologies, including high-definition Thin Film Transistor (TFT), ultra-bright Light Emitting Diode (LED) and low-power e-ink solutions. We are working closely with the Partnership as they continue to invest in their transport infrastructure; maintaining their position as one of the leading public transport estates in the UK.

In March, Journeo secured further expansion within Transport for Wales (TfW) through a £1.5m purchase order from Swansea Council to manufacture, install and maintain Journeo's advanced passenger information systems. Approximately 35% of the displays will work off-grid, powered only by solar panels, aligning with the council's drive to achieve Carbon Net Zero. These displays will be connected to TfW's new Welsh Bus Data Content Management System (WBDCMS), also supplied by Journeo.

The WBDCMS was announced by Journeo in 2023, and the first displays to use the software platform, operating from cloud-based Journeo Portal software, went live during H1 2024 at Cardiff Bus Interchange. The WBDCMS will support local authorities in Wales by being the first solution to manage transport content for the entire country using the latest open industry communication standards. Each additional display connected to the system, regardless of manufacturer, is licenced onto the Journeo software platform, generating recurring revenue.

Fleet Transport Operator Systems

We are delighted with the progress that our Fleet Transport Operator Systems business has demonstrated throughout H1 2024. Revenue has increased 17% to £9.3m (H1 2023: £7.9m) and underlying profit increased 57% to £0.6m (H1 2023: £0.4m).

The drive to move the industry towards carbon-zero through hydrogen, hybrid and electric vehicles, coupled with retrofit programmes for safety critical systems is fuelling strong sales order growth.

In March of this year, we announced purchase orders totalling £3.0m to complete retrofit programmes for Journeo's digital wing mirror system. The technology supports Transport for London (TfL) in its commitment to reduce accidents and injuries on London's road networks. The orders include installation of the solution onto London's iconic Routemaster vehicles.

Success is continuing, with significant new orders announced as we entered H2 2024.

In mid-July, we announced major new contracts for Rail systems totalling £3m. The first, for the provision of on-board CCTV and Automatic Passenger Counting (APC) systems for East Midlands Railway and CrossCountry was valued at £2.4m. The second, with Arriva TrainCare, valued at £0.6m, is to provide similar solutions alongside design and support services.

These awards demonstrate the flexibility of our solutions and the power of our software to operate in a multi-modal landscape. Importantly, these mission-critical software applications generate monthly recurring revenue for user licencing and asset connection.

In late July, we also announced purchase orders totalling £2.1m for Metroline Manchester to supply safety-critical CCTV and Journeo Portal services. Part of ComfortDelGro, Metroline has been awarded four franchises in Transport for Greater Manchester (TfGM) by the Greater Manchester Combined Authority (GMCA). This is a significant geographical win for Journeo, supplying solutions to GMCA for the first time.

Infotec

Infotec performed strongly during the period, delivering revenues of £8.5m (H1 2023 £9.3m) and underlying profit increasing by 11% to £1.8m (H1 2023: £1.6m).

The last tranche of deliveries for our US-based contract to deliver display technology for the first 535 New York City subway cars will be completed in Q3 2024. As ridership has so far only recovered to 58% of pre-pandemic levels, the next phase of 640 subway cars will have printed advertising but will be pre-wired to enable digital displays to be retrofitted in the future.

We have a strong sales opportunity pipeline, and the rail industry has recently entered Control Period 7 (CP7), the five-year period from April 2024 to March 2029 during which Network Rail will invest £45 billion in railway infrastructure.

MultiQ

H1 2024 marks the first full half-year results for our latest acquisition. Achieving revenues of £2.7m and an underlying profit of £0.2m, our Denmark-based Intelligent Transport Systems (ITS) integrator has performed well and is delivering value for the Group.

We announced in April that MultiQ had secured a contract to supply display hardware, installation and technical support services for up to six years to Grassfish AB throughout the Skåne County in the south of Sweden. This contract is anticipated to generate £0.3m revenue per year and provides access to the many fleet operators working in the region, for the supply of Journeo products, services and software. In September 2024, MultiQ's company name was changed to Journeo AS Denmark to support our ambitions to offer all of the Group's products, software, know-how and services to the Continental European and Nordic public transport markets.

ESG update

The Group continues to focus on important Environmental, Social and Governance (ESG) projects and is making good progress with its Carbon Reduction Plan.

Outlook

The Group has delivered its strongest set of interim results to date in H1 2024, with improving performance from Passenger Infrastructure Systems and Fleet Transport Operator Systems, strong performance from Infotec and valuable contribution from our most recent acquisition, MultiQ.

The Board is pleased with this performance and is confident that we will meet our financial targets and trade in line with market expectations for the full year.

We are focusing on areas where we can achieve efficiencies following our acquisitions, and nurturing the numerous cross-selling opportunities that are developing within the Group.

Our investment in Research and Development is delivering powerful new technologies which are the cornerstone of the Group's continued growth.

The Board continuously monitors risk and surveys the competitive landscape.

We actively evaluate acquisition opportunities that can bring further value to the Group, where there is access to a new customer base and complementary capabilities that can benefit customers. The Company is continuing discussions with a number of potential acquisition targets.

The Group retains a strong cash position at £12.9m (H1 2023: £11.3m) to enable the Board to capitalise on opportunities, as and when they arise.

Through organic growth and acquisition, Journeo is more resilient, capable and has increasing access to customers and opportunities. We enter H2 2024 with confidence, holding a strong sales pipeline and a growing customer base for our solutions. We are confident that the Group will continue to deliver value for all stakeholders as we build Journeo into a market leader in intelligent transport systems.

Mark Elliott, Non-executive Chairman

Russ Singleton, Chief Executive

Consolidated statement of comprehensive income
for the six months ended 30 June 2024

	Unaudited six months ended 30 June 2024 £'000	Unaudited six months ended 30 June 2023 £'000	Year ended 31 December 2023 £'000
Revenue (notes 4,5)	**25,620**	21,824	46,092
Cost of sales	**(16,618)**	(15,425)	(31,782)
Gross profit	**9,002**	6,399	14,310
Other income	**-**	49	49
Underlying administrative expenses	**(6,268)**	(4,493)	(10,075)
Underlying profit	**2,734**	1,955	4,284
Share-based payments	**(9)**	(13)	(22)
Acquisition costs	**-**	(132)	(289)
Total administrative expenses and other income	**(6,277)**	(4,589)	(10,337)
Operating profit	**2,725**	1,810	3,973
Net Finance income / (expense)	**57**	(146)	(240)
Profit before taxation from continuing operations	**2,782**	1,664	3,733
Taxation charge	**(262)**	(260)	(760)

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Profit for the period being total comprehensive profit attributable to owners of parent	**2,520**	1,404	2,973
Profit per share (note 6)			
Basic	**15.30p**	9.03p	18.64p
Diluted	**14.76p**	8.72p	17.96p

Consolidated statement of changes in equity shareholders' funds
for the six months ended 30 June 2024

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity shareholders' funds £'000
Balance as at 1 January 2023	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
Balance at 1 January 2023	6,250	1,174	(5,276)	2,148
Proceeds from issue of new shares	503	7,092	-	7,595
Profit and total comprehensive income for the year	-	-	2,973	2,973
Share-based payments	-	-	22	22
Balance at 31 December 2023	6,753	8,266	(2,281)	12,738
Profit and total comprehensive income for the period	-	-	2,520	2,520
Share-based payments	-	-	9	9
Balance at 30 June 2024	6,753	8,266	248	15,267

Consolidated statement of financial position
at 30 June 2024

	Unaudited 30 June 2024 £'000	Unaudited 30 June 2023 £'000	31 December 2023 £'000
Assets			
Non-current assets			
Goodwill (note 7)	**4,058**	3,581	4,058
Other intangible assets	**2,722**	1,998	2,685
Property, plant and equipment	**1,534**	1,589	1,585
Deferred Tax asset	**269**	-	189
Trade and other receivables	**40**	40	40
	8,623	7,208	8,557
Current assets			
Inventories	**6,520**	7,463	6,868
Trade and other receivables	**8,369**	9,631	12,212
Cash and cash equivalents	**12,904**	11,300	8,116
	27,793	28,394	27,196
Total assets	**36,416**	35,602	35,753
Equity and liabilities			
Shareholders' equity			
Share capital	**6,753**	6,736	6,753
Share premium account	**8,266**	8,025	8,266
Retained earnings	**248**	(3,859)	(2,281)
Total equity	**15,267**	10,902	12,738
Non-current liabilities			
Deferred revenue	**3,874**	2,810	2,841
Other payables	**82**	-	207
Loans and borrowings	**140**	205	163
Lease liabilities	**737**	698	756
Deferred Tax	**25**	25	25
Provisions	**2,410**	925	2,234
	7,268	4,663	6,226
Current liabilities			
Trade and other payables	**5,500**	8,323	9,921
Deferred revenue	**5,850**	8,758	5,831
Loans and borrowings	**16**	412	64
Lease liabilities	**219**	150	195
Tax liabilities	**1,424**	414	-
Provisions	**872**	1,980	778
	13,881	20,037	16,789
Total equity and liabilities	**36,416**	35,602	35,753

Consolidated statement of cash flows
for the six months ended 30 June 2024

	Unaudited six months ended 30 June 2024 £'000	Unaudited six months ended 30 June 2023 £'000	Year ended 31 December 2023 £'000
Net cash from operating activities (note 8)	**5,550**	2,472	1,664
Cash flows from investing activities			
Purchases of property, plant and equipment	**(78)**	(382)	(434)
Purchases / generation of intangible assets	**(520)**	(281)	(789)
Acquisition costs	**-**	(132)	(289)
Net cash inflow on acquisition	**-**	4,423	3,030
Net cash from investing activities	**(598)**	3,628	1,518
Financing activities			
Cash flow from financing activities	**-**	206	215
Principal element of lease repayments	**(138)**	(131)	(266)
Issue of shares	**-**	6,837	7,095
Repayment of loans	**(24)**	(2,244)	(2,643)
Net cash from financing activities	**(162)**	4,668	4,401
Net increase in cash and cash equivalents	**4,790**	10,768	7,583
Cash and cash equivalents at beginning of period	**8,116**	533	533
Effect of foreign exchange rate changes	**(2)**	(1)	-
Cash and cash equivalents at end of period	**12,904**	11,300	8,116

Notes to the interim financial statements
for the six months ended 30 June 2024

1. Basis of preparation and approval of interim statement

The financial information for the six months ended 30 June 2024 and for the six months ended 30 June 2023 is unaudited.

The interim financial statement for the six months to 30 June 2024 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 2023.

The financial information has been prepared on the basis of UK adopted international accounting standards (IFRSs) that the Directors expect to be applicable as at 31 December 2024.

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 2023, 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 2023 were approved by the Board on 26 March 2024 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-quoted 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 17 September 2024.

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 2023 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 2025.

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	Unaudited six months	Year ended

	Six months ended 30 June 2024 £'000	Six months ended 30 June 2023 £'000	Year ended 31 December 2023 £'000
Revenue			
Goods	**20,550**	18,138	38,402
Services	**5,070**	3,686	7,690
	25,620	21,824	46,092
Construction contracts included in goods	**4,131**	4,102	6,994

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.

	Unaudited six months ended 30 June 2024 £'000	Unaudited six months ended 30 June 2023 £'000	Year ended 31 December 2023 £'000
Revenue			
Fleet Systems	**9,250**	7,893	16,332
Infotec	**8,486**	9,303	19,669
MultiQ	**2,732**	-	1,139
Passenger Systems	**5,199**	4,627	9,045
Intersegment Sales	**(47)**	-	(93)
	25,620	21,823	46,092
Gross profit			
Fleet Systems	**2,297**	1,858	3,949
Infotec	**3,205**	2,534	5,862
MultiQ	**1,090**	-	542
Passenger Systems	**2,410**	2,007	3,957
	9,002	6,399	14,310
Underlying profit			
Fleet Systems	**552**	352	583
Infotec	**1,750**	1,580	3,697
MultiQ	**236**	-	153
Passenger Systems	**374**	161	115
	2,912	2,093	4,548
Central	**(178)**	(270)	(264)
Underlying profit	**2,734**	1,823	4,284

Reconciling to profit before interest and tax

	Underlying profit/(loss) £'000	Share-based payments £'000	Operating profit/(loss) £'000
Fleet Systems	552	(5)	547
Infotec	1,750	-	1,750
MultiQ	236	-	236
Passenger Systems	374	(4)	370
	2,912	(9)	2,903
Central	(178)	-	(178)
Total	2,734	(9)	2,725

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.

	Unaudited six months ended 30 June 2024 £'000	Unaudited six months ended 30 June 2023 £'000	Year ended 31 December 2023 £'000
Assets			
Fleet Systems	**7,894**	8,456	8,754
Infotec	**4,364**	7,084	6,477
MultiQ	**1,960**	-	2,645
Passenger Systems	**5,155**	5,181	5,679
	19,373	20,721	23,555

Goodwill	**4,058**	3,581	4,058
Cash and borrowings	**12,904**	11,300	8,116
Unallocated	**81**	-	24
	36,416	35,602	35,753
Liabilities			
Fleet Systems	**(2,971)**	(4,518)	(3,736)
Infotec	**(5,503)**	(11,328)	(8,999)
MultiQ	**(744)**	-	(534)
Passenger Systems	**(11,605)**	(8,237)	(7,774)
	(20,823)	(24,083)	(21,043)
Cash and borrowings	**(156)**	(617)	(641)
Unallocated	**(170)**	-	(1,331)
	(21,149)	(24,700)	(23,015)
Net assets / (liabilities)			
Fleet Systems	**4,923**	3,938	5,018
Infotec	**(1,139)**	(4,244)	(2,522)
MultiQ	**1,216**	-	2,111
Passenger Systems	**(6,450)**	(3,056)	(2,095)
	(1,450)	(3,362)	2,512
Goodwill	**4,058**	3,581	4,058
Cash and borrowings	**12,748**	10,683	7,475
Unallocated	**(89)**	-	(1,307)
	15,267	10,902	12,738

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 2024 000	Unaudited six months ended 30 June 2023 000	Year ended 31 December 2023 000
Basic weighted average number of shares	**16,475**	15,551	15,945
Dilutive potential Ordinary Shares	**594**	560	605
	17,069	16,111	16,550

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 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	MultiQ £'000	Infotec £'000	Total £'000
Deemed cost:				
At 1 January 2023	1,345	-	-	1,345
At 30 June 2023	1,345	-	2,236	3,581
At 31 December 2023 and 1 January 2024	1,345	477	2,236	4,058
At 30 June 2024	1,345	477	2,236	4,058

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.

The discount rates are as follows:

	Unaudited six months ended 30 June 2024 %	Unaudited six months ended 30 June 2023 %	Year ended 31 December 2023 %
Passenger Systems	**13**	13	13
MultiQ	**13**	N/A	13
Infotec	**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 continues to be an increase in the number and size of contracts available.

Sensitivity analysis has been performed on the pre-tax discount rates, which shows that a pre-tax discount rate of 48.2% (Passenger Systems), 38.2% (Infotec) or 67.6% (MultiQ) would be required in order to eliminate the headroom which exists in these CGUs. The Directors consider that the discount rates used, which are already risk adjusted to capture the Directors' view of the extent to which each CGU is exposed to macroeconomic factors, represent a balanced view.

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 2024 of 5% would result in headroom remaining in the current carrying value of goodwill. If sales forecasts were down 10% across the whole period and overheads remained unchanged then headroom would still remain.

The Directors believe that, based on the sensitivity analysis and stress testing performed, any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the carrying amounts to exceed the recoverable amounts.

The value in use for the Group exceeds the carrying value of the assets.

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 2024 £'000	Unaudited six months ended 30 June 2023 £'000	Year ended 31 December 2023 £'000
Profit for the period	**2,520**	1,404	2,973
Adjustments for:			
- Finance expense	**(57)**	146	240
- Depreciation of property, plant and equipment	**240**	231	378
- Amortisation of intangible fixed assets	**484**	269	753
- Share-based payment expense	**9**	13	22
- Acquisition expenses	**-**	132	289
- (Loss) / profit on disposal of fixed assets	**(6)**	1	-
- Increase in provisions	**270**	399	2,506
- Foreign exchange rate	**-**	-	(13)
Operating cash flows before movement in working capital	**3,460**	2,595	7,148
Decrease / (increase) in inventories	**348**	(961)	295
Decrease in receivables	**5,300**	2,988	1,609
Decrease in payables	**(3,919)**	(1,824)	(6,560)
Cash inflow from operations	**5,189**	2,798	2,492
Income taxes paid	**260**	(207)	(658)
Net interest earned / (paid)	**101**	(119)	(170)
Net cash inflow from operating activities	**5,550**	2,472	1,664

END

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