21st Century Technology plc

Connected systems for connected journeys

Annual Report and Financial Statements
for the year ended 31 December 2017

CONNECTED SYSTEMS FOR CONNECTED JOURNEYS

21st Century Technology plc is the specialist provider of tailored solutions to the transport community, solving complex operational requirements both on and off the vehicle.

With over 20 years' experience in the transport industry, 21st Century specialises in providing innovative technology solutions that improve the passenger experience and provide operational benefits to fleet and network operators.

EXPERTS IN MULTIPLE TRANSPORT TECHNOLOGIES

A GREAT TEAM OF PEOPLE WHO UNDERSTAND TRANSPORT

DELIVERING EFFICIENCIES FOR OUR CUSTOMERS

HEADLINES

FINANCIAL HEADLINES

- Revenue £11.8m (2016: £11.6m)
- Gross profit £5.0m (2016: £4.7m)
- Underlying operating profit £0.01m (2016: £1.4m loss)
- Operating loss £0.3m (2016: £2.3m)
- Cash at year end £0.3m (2016: £0.5m)
- Cost base reduced by 18% to £5.1m (2016: £6.2m)
- Additional working capital secured with access to a £1.25m invoice discounting facility on materially improved grounds (2016: £0.4m invoice discounting facility)

Revenue

£11.8m

2016: £11.6m

Gross profit

£5.0m

2016: £4.7m

Underlying profit before tax

£0.01m

2016: £1.4m loss

OPERATIONAL HEADLINES

- Strategy to return Fleet and Passenger segments to profit well underway and supported by several significant contract wins:
  - Three-year agreement with major London-based fleet operator Abellio, worth c. £2.5m
  - Landmark £1m airport car park passenger information project for Omniserv and Gatwick Airport
  - £1m contract from a large UK Fleet operator for the provision of safety systems engineering
- Underlying profit in Fleet segment recovered to £449k (2016: £748k loss)
- Underlying loss in Passenger segment reduced to £267k (2016: £460k loss), all of which was incurred during H1. Order intake in segment improved throughout the period, with Q4 particularly strong
- Revenues from overseas operations grew to £1,653k (2016: £1,093k)
- Operations consolidated to a central location resulting in annualised savings of £1.4m, whilst creating a more dynamic and innovative working environment
- R&D continues to be crucial to innovation-led growth strategy with increased joined-up opportunities drawing from Fleet and Passenger expertise

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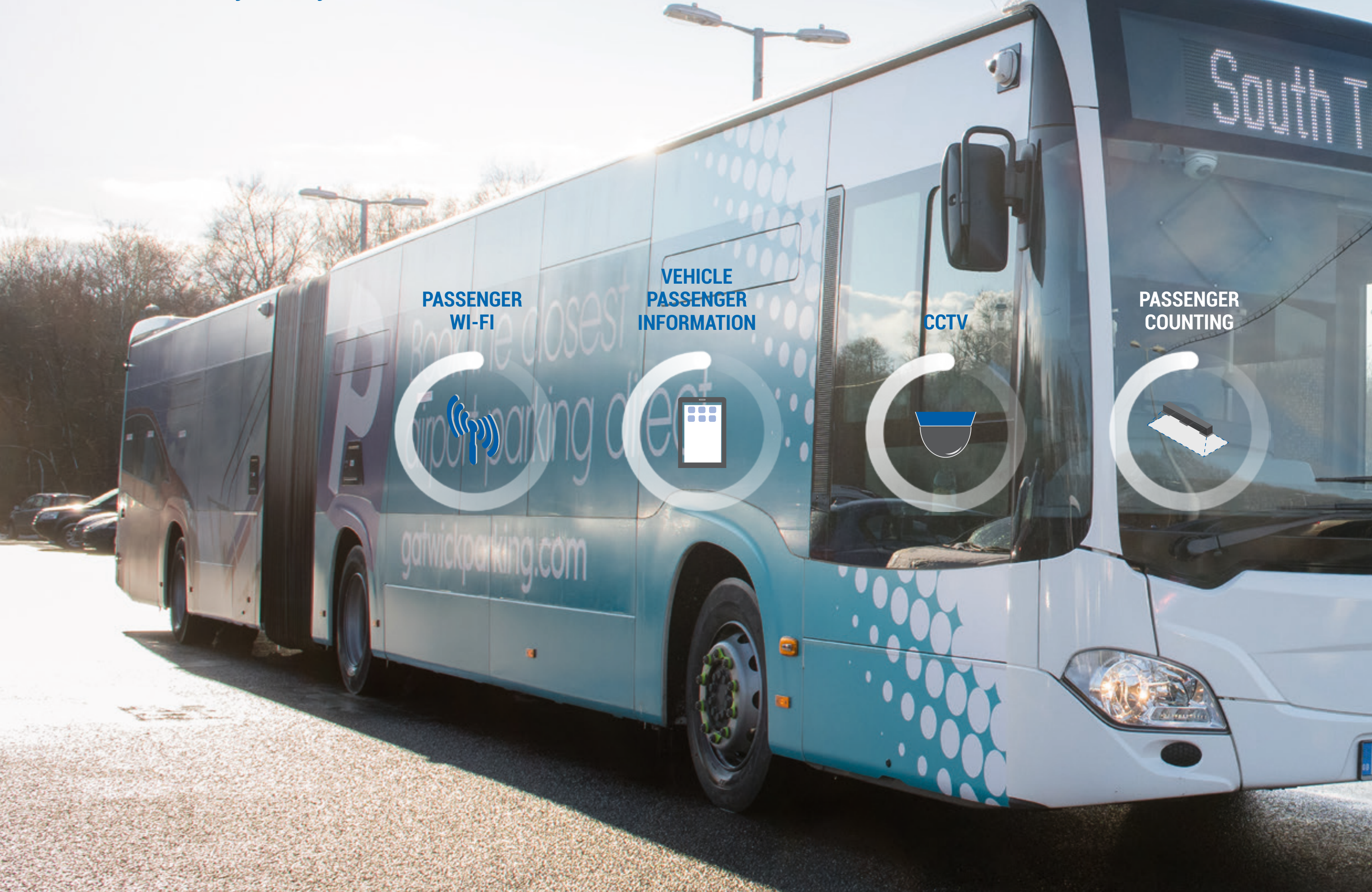
Further information on the Company is available on **www.21stplc.com** or search for 21st Century Technology on **LinkedIn** and **@21stCenturyLtd** on **Twitter**.

AT A GLANCE

21ST CENTURY: THE TRUSTED INTEGRATOR FOR PASSENGER AND FLEET SYSTEMS

With the culture, capabilities and efficiency to support the demanding requirements of its customers, 21st Century is uniquely placed to integrate products from global-scale manufacturers and niche specialists into its own tailored solutions; delivering connected systems for connected journeys.



DESIGN

Industry-leading product knowledge and experience enables 21st Century to design the very best solutions for its customers, whether they be on-vehicle systems, off-board technologies or a combination of both.

INTEGRATION, INNOVATION AND DEVELOPMENT

With in-house software development capability and technically agile development teams, 21st Century is able to provide customers with innovative new solutions that get the best from legacy equipment whilst building for the smart transport systems of tomorrow.

INSTALLATION

21st Century has a proven track record of delivering the highest quality installations across multimodal disciplines. 21st Century combines the knowledge and understanding necessary to meet the unique operational challenges faced within the transport industry.

MAINTENANCE

Using advanced remote monitoring systems, preventative maintenance schedules and with a rapid response capability to customer emergencies, 21st Century provides tailored solutions to each customer through our nationwide network of Field Service Engineers.

CHAIRMAN'S STATEMENT

SUMMARY

- Revenue £11.8m (2016: £11.6m)
- Gross profit £5.0m (2016: £4.7m)
- Underlying operating profit £0.01m (2016: loss of £1.4m)
- Operating loss £0.3m (2016: £2.3m)
- Cash at year end £0.3m (2016: £0.5m)
- Cost base reduced by 18% to £5.1m (2016: £6.2m)

I am pleased to report on the significant progress achieved by the Company over the course of 2017 toward becoming a technically agile and customer-centric business, providing connected systems and services on vehicles and into the Smart Cities of today and tomorrow.

The programme of consolidating operations, started last year, has completed and, following the launch of 21st Century's new head office at Ashby-de-la-Zouch last January, resulted in annualised savings of £1.4m. At the same time, customer services were strengthened and asset clients were retained, enabling the Company to deliver a broadly breakeven result.

Concentrating the research and development, sales, finance and customer service teams into a single location has improved communication and teamwork, created a better environment for innovation and lifted the overall customer service experience.

The combined effect of these efforts resulted in several significant contract wins.

I would like to welcome Abellio Bus London as a new Tier 1 transport operator customer to our Fleet Systems business. Investment in pre-sales and the subsequent integration of this c. £2.5m three-year contract into our operations was completed in H2 and contributed £0.2m of sales in the year. This strategic win builds on the two major contract renewals last year with First Bus UK and Arriva UK Bus.

For large fleet operators, connecting what were previously stand-alone systems to the Internet of Things (IoT), in order to gain data-driven insights, is allowing them greater visibility on the performance of their on-board technology. The inclusion of the Journeo® Remote Condition Monitoring (RCM) system, the software and hardware platform developed in-house, is an important factor in renewing and securing new contracts.

The Passenger Systems business broadened its existing relationship with Transport for the West Midlands (TfWM), the transport arm of West Midlands Combined Authority. TfWM is pioneering some important changes within the UK public transport sector by implementing a Mobility as a Service (MaaS) model along the lines introduced in Helsinki.

The Nordics and Scandinavia continue to lead the industry as early-adopters of new technologies and ITxPT (Information Technology for Public Transport) standards. Our Stockholm-based business continues to perform well, delivering high-quality managed services to Tier-1 operator customers in the region.

Towards the end of the year, we secured a £1m contract from a large UK Fleet operator for the provision of safety systems engineering, building on our existing framework. We commenced the installation programme at the start of 2018 and the project is scheduled to complete within the year.

> "Sales of new and niche applications within the passenger, fleet and integrated transport markets, coupled with recently announced contract wins secured using our own IP and software, demonstrate that this strategy is working."

The collaboration between our Fleet and Passenger teams is growing. The first joint project, the Gatwick Airport car park passenger information system, was handed over in December and is a great show-case for the Company's capabilities and we have already received interest from other airports. On a larger scale, recent government announcements for a series of Department for Transport (DfT) backed initiatives for Integrated or Intelligent Transport Systems (ITS), will require expertise in both passenger and fleet systems, and provide attractive opportunities for the future.

Furthermore we aim to capitalise on the longstanding relationships the Passenger Systems business has with many Passenger Transport Executives (PTEs) and local authorities as they look to solve the challenge of ensuring the safe movement of people, utilities and goods in increasingly congested urban environments.

Financing

Towards the end of the year we secured a new £1.25m invoice discounting facility with Close Brothers to provide additional working capital to the Group on materially improved terms to the previous £0.4m facility. Our new Chief Financial Officer, Nick Lowe, who joined the Board in May 2017, has implemented tight working capital controls to ensure an ongoing focus on cash as the business returns to profitable growth.

Trading results

	2017 £'m	2016 £'m	Mvmt £'m
Revenue	11.8	11.6	0.2
Gross profit	5.0	4.7	0.3
Gross profit percentage	42%	41%	1%
Other income	0.1	0.1	–
Underlying administrative expenses	(5.1)	(6.2)	1.1
Underlying profit/(loss)	–	(1.4)	1.4
Share-based payments	(0.2)	(0.3)	0.1
Reorganisation costs	(0.1)	(0.5)	0.4
Total administrative expenses	(5.3)	(7.0)	1.7
Operating loss	(0.3)	(2.3)	2.0
Taxation	–	–	–
Loss after taxation	(0.3)	(2.3)	2.0
	Pence	Pence	Pence
Basic loss per share	(0.38)	(2.47)	2.09

Group results for the year ended 31 December 2017 are broadly break-even with an underlying profit before tax of £11k (2016: underlying loss £1,397k).

Overall sales volumes showed a slight increase to £11.8m (2016: £11.6m) and gross profit similarly increased to £5.0m (2016: £4.7m).

Fleet sales increased 8% to £7.5m (2016: £6.9m) on improved volumes in Bus UK & Eire and International, more than replacing the downsized Rail business, which is covered in the Chief Executive's Report. Gross profit increased to £2.6m (2016: £2.3m) reflecting the change in business mix.

Passenger sales reduced to £4.3m (2016: £4.7m) as sales recovered from their low in H2 2016 of £1.8m (H2 2017: £2.2m). Gross profit was maintained at £2.4m (2016: £2.4m).

The reduction of £1.1m in underlying administrative expenses is mainly attributable to the target annualised savings being delivered from the previously announced cost-base restructuring and centralisation.

People

We remain fortunate to have many talented and loyal staff and, having achieved our 2017 objectives, we are investing in technical and sales personnel to support our growth plans.

I would like to welcome them and pass on my sincere thanks and that of the Board to everybody for their help in implementing the changes made and now being part of this growing and dynamic business.

Outlook

We entered 2018 with a significantly stronger order book than last year in both Fleet and Passenger Systems and completing the transformation of 21st Century into the provider of choice for fully connected systems on and off vehicles.

Following the awards from First Bus UK, Arriva UK Bus and the Abellio Bus contract win last year, we have further broadened our customer base through the recent announcement this month of a contract award from Translink, who operate services throughout Northern Ireland with additional select services to Dublin.

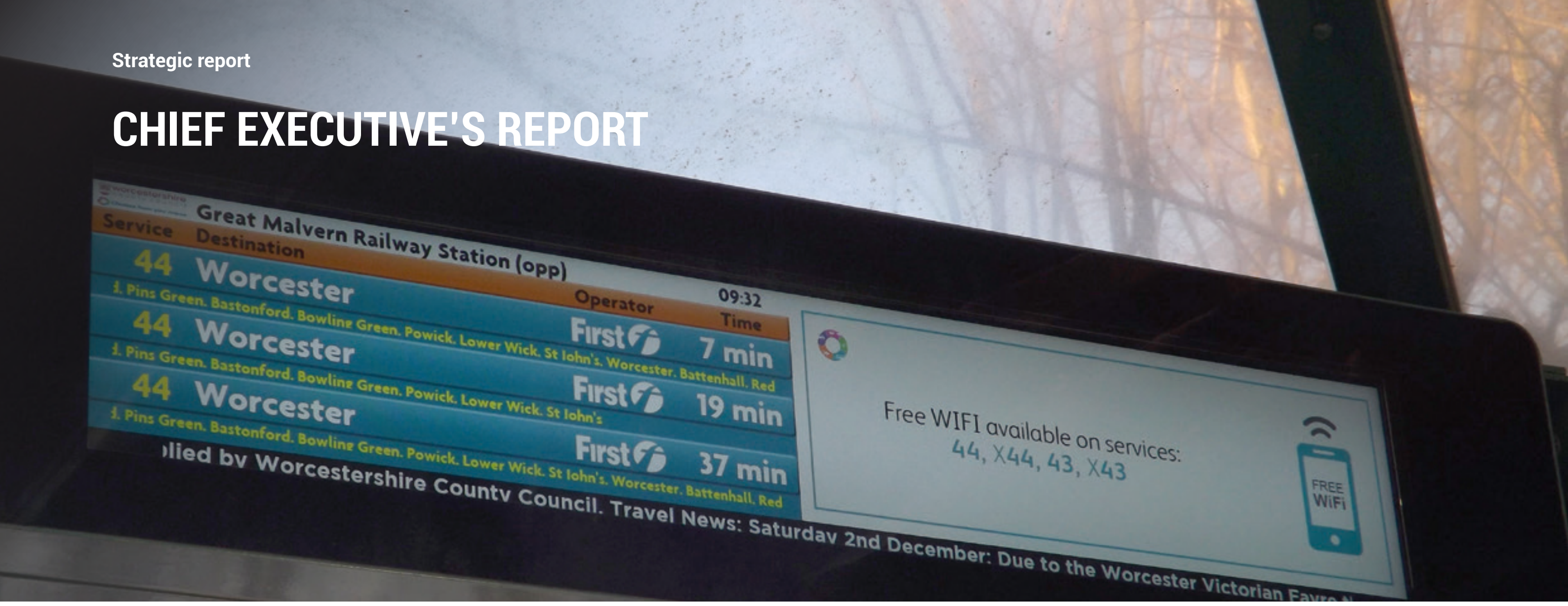
A customer-centric approach and increasing R&D capabilities are strengthening our capabilities, underpinning an innovation-led, customer-focused growth strategy.

Sales of new and niche applications within the passenger, fleet and integrated transport markets, coupled with recently announced contract wins secured using our own IP and software, demonstrate that this strategy is working, and the Board expects the Group's progress to continue.

Following the Group's Annual General Meeting, the Chief Executive, Russ Singleton, will review these areas in more detail and a copy of his presentation will be added to our website.

Mark Elliott
Non-executive Chairman
28 March 2018

CHIEF EXECUTIVE'S REPORT



SUMMARY

- Transformational year for Fleet Systems with major new customer and works won
- Encouraging sales in the second half of the year for Passenger Systems leads to investment in further technical and domain expertise
- Continued investment in Research and Development is key to our growth strategy

Principal activities

The Group's principal activities are in providing tailored solutions to the transport community, solving complex operational requirements both on and off vehicles.

Fleet Systems solutions include on-board video surveillance to improve passenger and driver safety, vehicle and driver performance telematics and advanced passenger counting technologies.

Passenger Systems information solutions include the hardware, software and management services for urban passenger information estates, smart ticketing applications and interactive wayfinding.

Business model

Our business model is to compete in the market as an open provider of technology solutions, working with global-scale product companies and local specialists to deliver highly reliable and cost-effective solutions for the transport community over the lifecycle of the systems. The service offering includes the design, tailoring, installation, on-site support and back-office systems.

We compete by striving to offer better integrated solutions at reduced costs to our customers. We carefully select niche markets where we can generate significant market share to generate the economies of scale needed. Our customers in the transport community include fleet operators, vehicle manufacturers, local authorities and Passenger Transport Executives (PTEs).

Strategic goals

Our vision is to become the market-leading provider of tailored solutions to the transport community, solving the complex operational requirements on-board vehicles and associated connected systems in towns and cities. Our guiding principle is to improve the customer service experience continuously through innovation of our solutions, having the best team of people and operating efficiently.

Each year we set strategic goals and monitor performance against them throughout the year. Our goals for 2018 build on the achievements for 2017 and we have highlighted additional objectives as important focus areas.

In 2017 we made significant progress in several areas and have seen how a positive outcome on a single strategic goal can deliver multiple positive results.

Technology that we developed in-house was pivotal in securing positive contract negotiations from First UK Bus in 2016 and Abellio in 2017. By realising the power of the data produced from the installed systems, we were able to build an intelligent new tool that gives customers real-time information about their fleet. Our Journeo® branded technology has the potential to fundamentally change the traditional service model for large fleet operators.

Investing in technical capabilities with customer application, or 'domain expertise' provides an informed insight with an agility to spot and react swiftly to emergent industry trends or customer needs.

> "Technology that we developed in-house was pivotal in securing positive contract negotiations."

Strategic goals 2017	Progress in 2017	Additional strategic goals 2018	Comments
Improve customer service	Significant progress made with centralised call handling, management and extension of call-centre operating hours.	Enhance our field engineering capabilities.	Provide training and information systems to improve reliability, first time fix rates and overall efficiency.
Increase technical capability	Centralising the R&D team under our CTO to complete the integration of Passenger Systems.	Invest in additional technical capabilities and systems linked to target market sectors.	Building out our core technologies and IP for wider resale, directly and indirectly, and into new channels.
Empower management	Cultural change from building moves and cost-base reductions have improved communication, morale and empowerment.	Encourage the development and training of existing staff members, whilst attracting the highest calibre recruits.	Empower all our people to be decisive and have the trust of our customers.
Secure positive outcomes from contract negotiations and renewals	High level of renewals in Passenger Systems and significant extra engineering upgrade work in Fleet Systems under an existing framework.	Retain all existing accounts.	Secure additional sales of products, services and software. Offer greater value through innovation.
Develop new lines of business and diversify client base	Secured Abellio as a major fleet operator for Fleet Systems. Delivered Gatwick Airport car park passenger information system as a joint project from Passenger and Fleet.	Broaden sales to our current customer base, extend into new customers and achieve breakthrough sales into adjacent markets.	Leverage domain expertise and investment in R&D, develop potentially disruptive products and services and create new market leadership positions.
Preserve cash	Strengthened debt collection procedures. Increased invoice discounting facility from £0.4m to £1.25m with a move to Close Brothers.	Maintain vigilance on tight working capital controls.	Operational efficiencies during business growth phase.

Supporting principles key
Excel at customer service · Continuous innovation · Best people · Operational efficiency

CHIEF EXECUTIVE'S REPORT continued

Key performance indicators

The Company uses a number of Key Performance Indicators (KPIs) to monitor progress against its objectives. The KPIs are:

	2017 £'000	2016 £'000	Mvmt £'000
Revenue	**11,761**	11,555	206
Gross profit	**4,996**	4,687	309
Underlying administrative expenses	**5,074**	6,203	(1,129)
Total administrative expenses	**5,297**	6,985	(1,688)
Underlying profit/(loss)	**11**	(1,397)	1,408
Operating loss	**(301)**	(2,298)	1,997
Net current liabilities	**(785)**	(392)	(393)
Net cash flows from operating activities	**(729)**	(435)	(294)
Cash and cash equivalents	**302**	511	(209)

	Pence	Pence	Pence
Loss per share – basic	**(0.38)**	(2.47)	2.09
Loss per share – diluted	**(0.38)**	(2.47)	2.09

In addition, operational performance measurements are monitored at a major account level with exceptions raised to the Board.

Operational review

Fleet Systems

This was a transformational year for the Fleet business as the strategic decisions to return the segment to profit were implemented. The transformation was achieved against a backdrop of scaling back aspects of the Rail business, the operational reorganisation and significant cost base savings whilst improving customer service, increasing technical capability and ultimately winning more business. Revenues in the year increased by £579k, even though the Rail business contracted significantly by £779k. Overall margin increased in the year by £349k despite significant margin pressures in our UK & Eire Bus operations.

The underlying profit recovered to £449k (2016: £748k loss), ahead of management expectations.

We continued to support our major fleet asset clients Arriva, First Bus UK, Translink and Keolis throughout 2017 and in August we secured a three-year agreement with major London-based fleet operator Abellio. Under the contract 21st Century take responsibility for all on-board and depot-based CCTV download and related sub-systems and, importantly, become Abellio's technical partner for installations on their new vehicles. We also continue to provide care, support and new systems for several small to medium-sized fleet operating companies, including our first ATEX approved solution for a fuel-oil tanker operator. Throughout 2018 we are targeting further growth in these new customer segments.

The award of the Abellio contract, with a value of c. £2.5m, is a good step forward. The sales process to win new large fleet operator customers is a long and complex process, requiring a substantial investment in pre-sales activities and a profound understanding of their technology and other customer-specific factors.

We have completed several complex projects throughout 2017, including large-scale refurbishment programmes for existing customers and the landmark £1m airport car park passenger information project for Omniserv and Gatwick Airport Limited. I am delighted to see both sides of the Group working together to deliver such a high-profile and unique solution that is generating cost reductions and operational benefits to the customer. Since handover in December, we have received approaches from other operators for this type of solution, including from overseas.

Another notable success in the year was securing a major engineering project to fit safety critical systems to one of the UK's largest bus fleet operators. The £1m fleet-wide programme, with an existing customer, is a new challenge for our engineering teams, highlighting the benefits that can be realised through adopting a customer-centric approach.

The 2016 report highlighted the margin shortfall in our Rail operations due to challenging market conditions and we worked throughout 2017 to realign our strategy to operate from a lower cost base. We are continuing to support Rail customers and, with our increasing technical capability, are able to address opportunities to provide solutions that will further diversify our offering to the sector as part of a multi-modal approach.

Passenger Systems

The Passenger business has long-standing relationships with many PTEs and local authorities and whilst budgets may be under pressure, the responsibilities for ensuring the safe movement of people, utilities and goods in increasingly congested urban environments remain, and require new solutions.

Revenue for the full year was £4.3m (2016: £4.7m), slightly behind management expectations due to the low level of brought-forward order book from FY 2016, which impacted the programme to return the segment to profit. Sales orders during H1 began to improve; however, the lead-time between order receipt and commissioning (typically 16–20 weeks) resulted in the full year producing an underlying loss of £267k (2016: £460k loss), all of which was incurred during H1.

During the second half, the business performed well and was profitable and included sales of our next generation E-ink and solar powered displays, along with the first field application of our prototype pollution sensing system. Order intake continued to improve throughout the period, with Q4 particularly strong at £1.5m with £1m carried forward to 2018.

I am particularly pleased to have secured the contract with Transport for the West Midlands (TfWM), the transport arm of West Midlands Combined Authority (WMCA), as it adopts a Mobility as a Service (MaaS) model. We completed an audit of over 600 displays across their large estate and, with our own design and manufacturing capabilities, were able to make innovative and cost-effective recommendations to repair and upgrade, extending the life of key elements of their equipment. The contract award was followed by a renewal of our Content Management System (CMS) software which demonstrates the business is able to manage and maintain large estates with a high-availability service, both on the street and in the cloud.

Upgrading complex applications, such as for TfWM, are target areas for sales and maintenance and in 2017 we achieved a 25% year-on-year increase for managed services in this segment, building quality earnings due to the long-term, recurring nature of the revenue.

In the UK, the DfT and a Smarter Cities agenda is driving innovation, providing opportunities across the Group that are accessible through our Passenger Systems team. Towards the end of the year, we further invested in our capabilities for these emerging areas through the recruitment of additional high-calibre Intelligent Transport System (ITS) industry experts.

Central services

Significant benefits and efficiencies were delivered across all our operations having started the year from our new head office in the Midlands at Ashby-de-la-Zouch and with logistics now centralised to one of our sites in Coventry. Our UK sales teams, field engineers and project managers and all R&D resources are now supported and co-ordinated from Ashby. To further enhance customer service we have extended the eight-hour support desk to twelve hours' coverage.

In addition, all ISO accreditations have been renewed and consolidated under a single audit body for both companies.

Business review and results

The performance of the Group was a significant improvement on 2016 with an underlying profit of £11k (2016: £1,397k loss). Total revenue grew by 1% in the year and gross profit by 7%.

The segmental results show the performance of our Fleet and Passenger Systems segments as seen in table: Segmental results.

Basic loss per share is 0.38p (2016: 2.47p loss).

Fleet Systems sales overall were up 8%, with the varying changes in the elements of the segment being Bus 17% increase, International 51% increase and Rail 62% decrease reflecting the scaling back of activities in this area. Fleet gross profit levels improved by 15% with a 17% decrease in Bus, an 84% increase in International and a 12% decrease in Rail. The significant overhead cuts in Fleet of £963k enabled a return to underlying profit of £449k (2016: £748k loss).

Our Scandinavian and wider European operations continue to perform well, with revenue increasing to £1,653k (2016: £1,093k). We have an office and team of engineers based in Stockholm, delivering high-quality managed services to our customers in the region. There is scope for further growth as a number of the operating contracts and franchises come up for renewal during 2018. We are engaged and tracking the progress of these with great interest and aligning our sales and technical services accordingly.

The trading environment in Passenger Systems remained challenging across 2017 after the marked slowdown in sales reported in H2 2016. Overall sales were down 10% on 2016, but this did represent a 19% recovery on the annualised sales levels from H2 2016. The overall sales decrease saw new systems down 23%, while service work saw a 25% increase. Passenger Systems gross profit fell 2% in the year which was marginally ahead of management expectations due to the improved margin sales mix from increased service work. However, the shortfall in new sales led to an under-absorption of manufacturing costs, reduced the saving on overheads to £233k, and contributed to the underlying loss of £269k (2016: £460k loss).

The overall underlying profit of £11k (2016: £1,397k loss) is in-line with management expectations.

The underlying operating profit reconciles to the IFRS operating loss as seen in note 4: Reconciling to loss before interest and tax.

The operating loss was £301k (2016: £2,298k).

Segmental results

	Fleet 2017 £'000	**Passenger 2017 £'000**	**Total 2017 £'000**	Fleet 2016 £'000	Passenger 2016 £'000	Total 2016 £'000
Revenue	**7,502**	**4,259**	**11,761**	6,923	4,715	11,638
Intersegment sales			**–**			(83)
			11,761			11,555
Gross profit	**2,617**	**2,379**	**4,996**	2,268	2,419	4,687
Underlying profit/(loss)	**449**	**(267)**	**182**	(748)	(460)	(1,208)
Central costs			**(171)**			(189)
Underlying profit/(loss)			**11**			(1,397)

CHIEF EXECUTIVE'S REPORT continued

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. Risks are formally reviewed by the Board and, where possible, appropriate processes are put in place to monitor and mitigate them. If more than one event occurred, it is possible that the overall effect of such events would compound the possible adverse effects on the Group. The key business risks affecting the Company are set out below:

Risk or uncertainty and potential impact	Mitigation
Dependence on major customers	
Currently the Fleet Systems segment has a high dependence on a small number of customers which are of a far greater scale than the Group. This generates three distinct risks, each of which could have a significant impact on the business: - the loss of any single major customer; - pressure on price and margin; and - changes to their vehicle replacement or retro-fit schedules.	These risks are mitigated by monitoring and managing the business' operational performance measures, including response times and CCTV availability, with operational dashboards agreed with each customer, and by regular communication at Director level. Additionally, there are long-term framework agreements in place with two of our largest customers. This risk has reduced through diversification into the Passenger Systems market and this year through the Abellio contract win. However, it remains a large risk. We are highly focused on customer retention and winning new business with other public transport companies in the UK and overseas, to further reduce reliance on the existing customer base.
Reduction in government spending on public transport	
Our Group revenues are strongly linked to the overall health of the UK public transport sector, which in turn is significantly affected by levels of government funding at local, regional and national levels.	We now have a more diversified position in the transport sector where we operate nationally rather than regionally across bus and rail networks, on and off vehicles. We are targeting an increase in international sales.
Major project delivery	
Failure to deliver a major project on time or to specification, or technical performance falling significantly short of customer expectations, would have potentially significant adverse financial and reputational consequences.	Risk assessments are conducted for all projects and the major ones are also subject to Board approval. Major projects are reviewed at various levels and frequencies throughout the project lifecycle.
Dependence on key suppliers	
Wherever possible the Group endeavours to retain a choice of suppliers for its components and finished goods. In instances where we are currently reliant on one supplier, we are constantly looking for ways to minimise technical and commercial risk.	On certain projects there is technical risk with our suppliers when they are developing systems for our customers' applications. We manage this risk with rigorous project management and the involvement of our internal R&D team.
Competition	
The Group may face increased competition as the technology on and off vehicles moves away from point solutions to broader integrated solutions. This changing technology landscape creates openings for new product and service entrants which may possess better technical and capital resources than the Group.	The Group will continue to increase its technical capability to capitalise on our current market position and work closely with technology partners to broaden our skills. We are targeting becoming a larger group via organic growth and potential acquisitions to provide better economies of scale and increased industry knowledge.
Technology	
The future success of the Group's activities depends upon it creating a leading position for innovative systems within both the Fleet Systems and Passenger Systems segments. As a smart integrator we require both a breadth of knowledge and a deeper understanding in areas of software integration. Market adoption and timing are difficult to predict, particularly in the emerging opportunities in the ticketing arena.	This involves keeping pace with changes and improvements in relevant technology and having the integration skills necessary to create added value for our customers on the move and in the back office. The Group has been investing in our development team allowing stronger relationships with partner organisations.

Future developments

The current trading and outlook is covered in the Chairman's Statement and a more detailed shareholder presentation will be made immediately following the Group's Annual General Meeting (AGM) in April 2018.

Signed on behalf of the Board

Russ Singleton
Chief Executive
28 March 2018

TECHNOLOGY REPORT

Continued investment in our proprietary technology is a critical element for our innovation-led growth strategy.

The Company has seen significant progress in the technological challenges we set ourselves for 2017. We are now operating from a more capable, technically agile and customer-centric position that allows us to focus our resources on developing scalable and replicable solutions to both our current markets and adjacent areas of potential benefit.

In my previous report I highlighted our ability to develop solutions where customer-driven sales opportunity exist. This remains our intention, enabling us to fulfil specialist roles and gain market share.

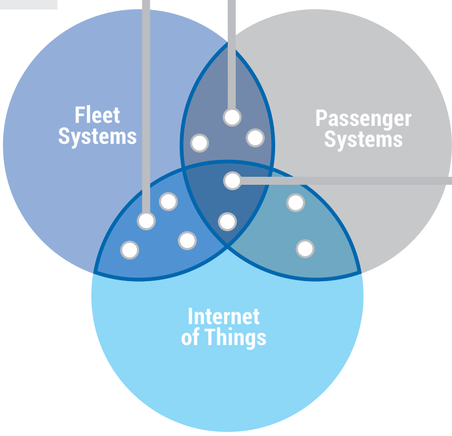
The challenges for our technical development in 2018 are clear:

1. MASS DATA TO MEANINGFUL DATA

Continue to refine our ability to turn mass data into meaningful data, using our deep understanding of our customers' challenges to deliver solutions that provide real operational benefit.

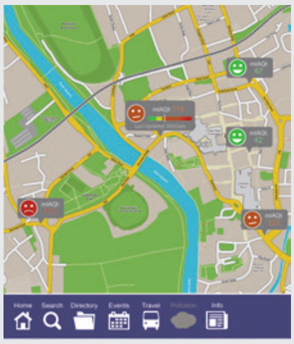
2. CORE SYSTEM EVOLUTION

Continue to evolve our core engine, which drives our Passenger business and provides solutions to the hardware control systems of our Fleet business.



3. ADJACENT MARKETS

Utilise our presence in public spaces as a platform from which to investigate adjacent markets, using the skills acquired through development goals 1 and 2.



TECHNOLOGY REPORT continued

1. MASS DATA TO MEANINGFUL DATA

I am pleased to report that our Remote Condition Monitoring platform, comprising on-vehicle hardware and intelligent, cloud-based data calculations, that was so crucial in retaining First Bus UK as a customer in 2016 and winning Abellio in 2017 began roll-out in April and is fast approaching its first year of deployment.

The data it is providing is allowing 21st Century to optimise the cost of delivering service contracts, to drive efficiencies in our own business and to demonstrate value to our customers.

With almost a year of live data now accumulated, we are able to develop the solution further by analysing trends in the data which will permit us, in turn, to anticipate system behaviour. The progress made in the last year is bringing the reality of applying "Big Data" concepts to our works closer, which is crucial as it will enable us to develop alongside our fleet operator and authority customers as they look to deliver the transport services that will be key to the movement of people in the Smart Cities of tomorrow.

2. CORE SYSTEM EVOLUTION

2017 saw the planned, and much anticipated, increase in joined-up opportunities which draw from both Fleet and Passenger expertise. Solutions which span both segments of our business have many advantages aside from the obvious increase in both project share and available opportunities. With greater ownership comes greater control over quality and function. The Gatwick project is a prime example of where we have been able to deliver a project that would have previously been inaccessible to either constituent element of the Group. As a result, we have been able to realise a new market where there is opportunity for us to derive significant market share.

Creating applications which acquire and transform our data into practical, useful solutions continues alongside core development. By focusing investment on our core technologies, and the platform that we have developed for real time information through the Passenger business, we can now build individually saleable modules around it. This will bring the passenger even more useful information, such as integrated fares and journey planning information and it will allow us to develop lightweight ticket and fare reconciliation systems to ensure accurate travel charges.

3. ADJACENT MARKETS

Our presence in public spaces gives us a platform to investigate innovative technologies such as pollution sensing, which is currently prohibitively expensive. By using our existing data and server infrastructure, our aim is to create affordable solutions which will allow our local authority customers to invest in systems that have a real impact to reduce the lives lost by harmful emissions and airborne particulates.

Ultimately the ability to harness information of this type and on this scale provides the raw ingredients for intelligent city planning for the benefit of all. Meanwhile, by bringing Fleet and Passenger expertise together we have all the ingredients to make Mobility as a Service a reality. These are just two examples in our portfolio of disruptive technologies.

Dr Houghton (centre) with members of the development team, Dr Zhang (left) and Dr Holland (right)

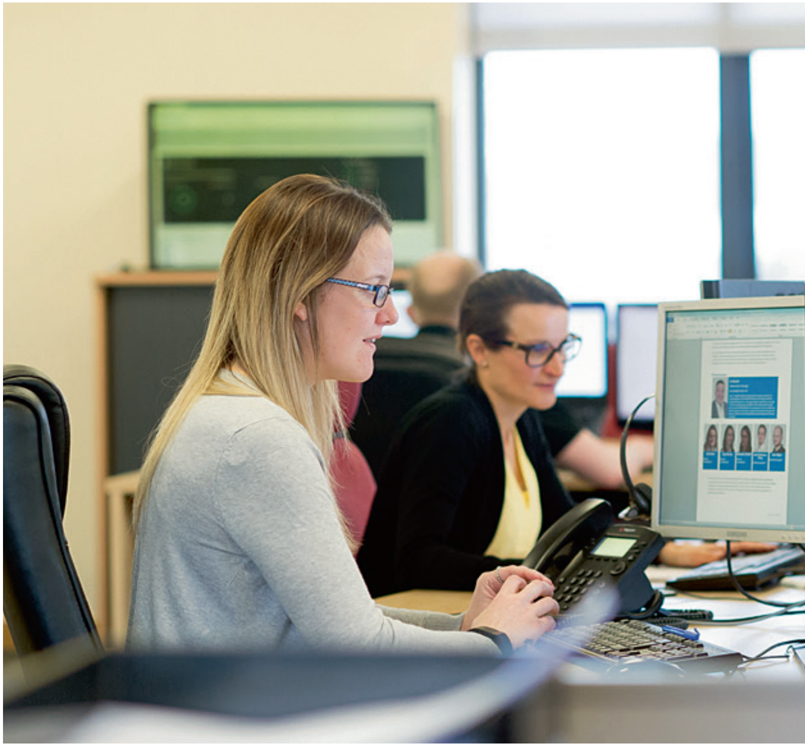
There is a great deal to accomplish in 2018, which promises to be both exciting and very busy. Continued investment in our proprietary technology is a crucial element in our innovation led growth strategy. During 2017, the Group spent a total of £0.6m on technology development (2016: £0.35m). Of this total, £0.3m was capitalised, and the remainder expensed to the income statement. £0.3m of previously capitalised development costs were amortised in the year.

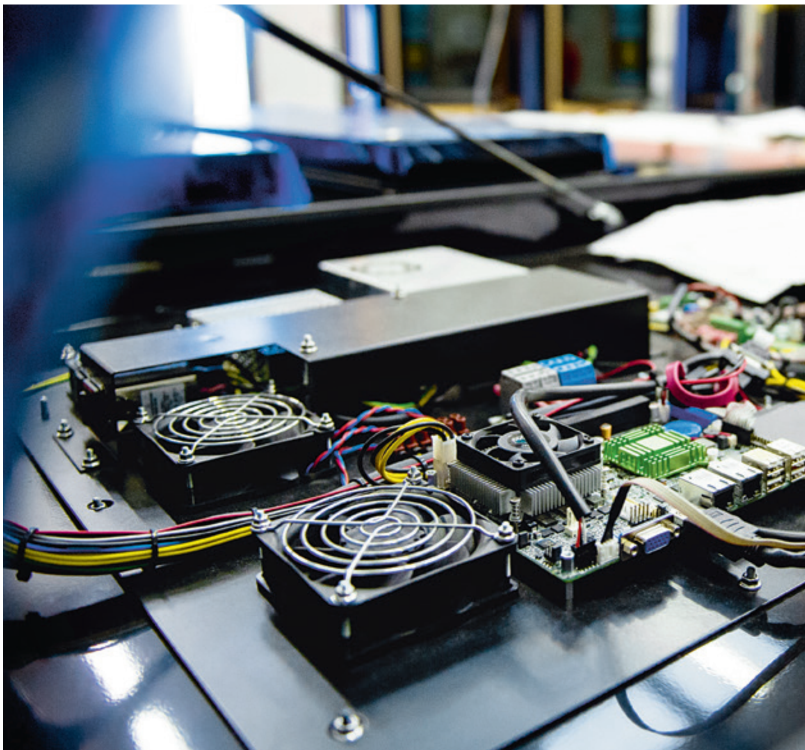
Dr Andy Houghton
Chief Technical Officer
28 March 2018

GOVERNANCE


20
Arena Retail Park


Welcome aboard
This service is operated by NZBUS
5007





BOARD OF DIRECTORS

A N R

MARK ELLIOTT
Non-executive Chairman

Mark Elliott, 59, joined the Company in December 2010 as a Non-executive Director before taking on the role of Executive Chairman in August 2013 after a period in the role of Interim Finance Director from January 2013. In August 2014 Mark was appointed Non-executive Chairman. Mark is a Chartered Accountant who was an Equity Partner with Baker Tilly (now RSM UK) specialising in audit and corporate finance. More recently he has advised and been on the board of two companies listing on AIM. He is also Chairman of the Trustees of the Union Group Retirement Benefit Scheme.

RUSS SINGLETON
Chief Executive Officer

Russ Singleton, 59, joined the Company in October 2013 as Chief Executive. Russ is a Chartered Engineer with a strong track record, including forming and growing electronics businesses for Synectics plc, formerly Quadnetics Group plc, where, after moving to AIM in 2002, he led the group as Chief Executive, achieving a five-fold increase in turnover and substantial profits. This growth came organically and through acquisitions. Subsequently, he formed Coretrol Limited to focus on opportunities in the security markets.

NICK LOWE
Chief Financial Officer and Company Secretary

Nick Lowe, 39, joined the Company in May 2017 as Chief Financial Officer. Nick is an FCA with experience at finance director level in growing, technology-led, SME businesses. He has strong group reporting, process and control skills developed whilst at the prestige motor dealer, Sytner Group. Nick qualified as a Chartered Accountant with Tenon in Nottingham, before joining KPMG.

A N R

JAMES CUMMING
Non-executive Director and Senior Independent Director

James Cumming, 67, joined the Board as a Non-executive Director in August 2013. Following a long career in corporate advisory and broking in the City, including acting as Chief Executive Officer of N+1 Brewin LLP, and latterly as a Senior Adviser to Cantor Fitzgerald, James has significant experience in working with small and mid-sized UK companies. James currently utilises his commercial experience in supporting growth companies in non-executive roles, is an associate of Ruffena Capital and has qualified as a fellow of the Chartered Institute of Securities & Investment.

A Audit Committee N Nomination Committee R Remuneration Committee

SENIOR MANAGEMENT TEAM

DR ANDY HOUGHTON
Chief Technical Officer

MARK JOHNSON
Director of Fleet Systems

PHIL LONGLEY
Director of Passenger Systems

PHIL HARRISON
Group Financial Controller

JAMES CLARK
National Service Manager

DARREN MAHER
Business Communications Manager

REPORT ON CORPORATE GOVERNANCE

The Board meets at least ten times a year, setting and monitoring Group strategy, reviewing trading performance and formulating policy on key issues.

SUMMARY

- The full Board met twelve times in 2017. All of the Directors of the Company at the time of the meetings were in attendance.
- The Audit Committee met with the new auditor once during the year.
- Several meetings of the Remuneration Committee were held during 2017.
- An ongoing process to identify, evaluate and manage the significant risks faced by the Group has been in place for the full year under review.

The Directors recognise the value of the UK Corporate Governance Code that was revised in September 2014 by the Financial Reporting Council and, whilst under AIM rules full compliance is not required, the Directors believe that the Company applies best practice corporate governance insofar as is practicable and appropriate for a public company of its size.

The workings of the Board and its Committees

The Board
The Board currently comprises one Non-executive Director, a Non-executive Chairman and two Executive Directors and is responsible for the management of the Group. The Board meets at least ten times a year, setting and monitoring Group strategy, reviewing trading performance and formulating policy on key issues. Day-to-day operational decisions are delegated to the senior management team. Key issues reserved for the Board include the consideration of potential acquisitions, share issues and fundraising, the setting of Group strategy, City public relations, and the review and evaluation of significant risks facing the business. Briefing papers are distributed by the Company Secretary to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable Directors to obtain independent professional advice in the furtherance of their duties if necessary, at the Company's expense.

Biographies of the Directors, including details of their experience and role within the Group, are set out on page 15.

Attendance at meetings
The full Board met twelve times in 2017. All of the Directors of the Company at the time of the meetings were in attendance.

The Audit Committee
The Audit Committee comprises the two Non-executive Directors: James Cumming, as Chairman, and Mark Elliott. The Audit Committee's remit is set out in its terms of reference. The Committee undertook a review of the Group's auditors during the year as a result of which a new firm were appointed. The Committee met with this auditor once during the year. The Committee assists the Board in ensuring that the Group's published financial statements give a true and fair view and, where the auditor provides non-audit services, that its objectivity and independence is safeguarded. The Audit Committee reviews arrangements by which employees may, in confidence, raise concerns about possible inappropriateness in the financial reporting of the Company or other matters. The Audit Committee has procedures in place for the investigation and follow-up of any such matters reported to it by staff.

The Remuneration Committee
The Remuneration Committee comprises the two Non-executive Directors: James Cumming, as Chairman, and Mark Elliott. Several meetings of the Committee were held during 2017. The Committee is responsible for making recommendations to the Board on the remuneration of senior management and all Directors.

The Nomination Committee
The Nomination Committee comprises the two Non-executive Directors: James Cumming and Mark Elliott as Chairman. It meets as necessary and is responsible for making recommendations to the Board on the appointments of Executive and Non-executive Directors. When required, it is the usual practice of the Nomination Committee to employ specialist external search and selection consultants to assist in the appointment process for new Executive and Non-executive Directors.

Election and re-election of Directors
All Directors of the Company are subject to election by shareholders at the first AGM following their appointment by the Nomination Committee. Thereafter, each Director is subject to re-election by rotation at intervals of no more than three years.

Terms of reference
The terms of reference for the Audit, Remuneration and Nomination Committees are available on request from the Company Secretary and are available for inspection on the Company's website – www.21stplc.com.

Internal controls

The Directors acknowledge that they are responsible for the Group's system of internal control and for reviewing its effectiveness. The internal control systems are reviewed annually by the Board. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. Internal control procedures are regularly reviewed in light of an ongoing process to identify, evaluate and manage the significant risks faced by the Group. The procedures are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The process has been in place for the full year under review and up to the date of approval of the Annual Report and Financial Statements.

The key procedures which the Directors have established with a view to providing effective internal controls are as follows:

Management structure

The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board.

Each Executive Director has been given responsibility for specific aspects of the Group's affairs. The Executive Directors, together with the senior management team, constitute the Management Committee, which meets weekly to discuss day-to-day operational matters.

Control environment

The Group's control environment is the responsibility of the Group's Directors and managers at all levels. A review of the key risks facing the business and the effectiveness of the Group's internal controls was last performed in January 2017. During the year, the Board reviewed and updated its internal control arrangements to ensure they remained appropriate.

Main control procedures

The Directors have established control procedures in response to key risks. Standardised financial control procedures operate throughout the Group to ensure the integrity of the Group's financial statements. The Board has established procedures for authorisation of capital and revenue expenditure.

Monitoring system used by the Board

The Board reviews the Group's performance against budgets on a monthly basis. The Group's cash flow is monitored monthly by the Board.

Internal audit

The Group does not have an independent internal audit function, as the Board does not consider the current scale of operations warrants such a function. However, the Board will keep this under review, with a view to creating an internal audit function when it is warranted.

Going concern

The Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the Strategic Report along with the principal risks and uncertainties.

The Group's net underlying profit for the year was £11k (2016: underlying loss £1,397k). As at 31 December 2017 the Group had net current liabilities of £785k (2016: net current liabilities £392k) and net cash reserves of £302k (2016: £511k).

In 2016 the Directors identified a need to raise finance to cover liquidity issues pending the anticipated return of the Group to profitability and raised £300k from the issue of loan notes in December 2016 and arranged a £400k invoice discounting facility.

In December 2017 a new £1.25m invoice discounting facility was put in place to replace the £400k facility. Current trading is in line with management forecasts and restructuring efforts are complete.

The Directors have prepared Group cash flow projections for the period to 30 June 2019 based on latest forecasts that show that the Group will be able to operate within the Group current funding resources. It is important that we achieve sales forecasts and the profile of cash receipts.

As with all businesses there are particular times of the year where our working capital requirements are at their peak. The Group is well placed to manage these business risks effectively and the Board reviews the Group's performance against budgets and forecasts on a regular basis to ensure action is taken when needed.

These projections indicate that the Group will operate within available facilities throughout the projection period and therefore based on these projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of these financial statements. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

REPORT ON DIRECTORS' REMUNERATION

This Report on Directors' Remuneration sets out the Company's policy on the remuneration of Executive and Non-executive Directors together with details of Directors' remuneration packages and service contracts.

As an AIM company, the Company is required to comply with AIM Notice 36 and not with Schedule 8 to the Accounting Regulations under the Companies Act 2006. Nevertheless, the Board prefers to follow best practice and has therefore prepared the following report which meets the majority of these regulations.

This Report on Directors' Remuneration sets out the Company's policy on the remuneration of Executive and Non-executive Directors together with details of Directors' remuneration packages and service contracts.

Remuneration Committee

For the financial year ended 31 December 2017, the remuneration policy for Executive and Non-executive Directors and the determination of individual Executive Director's remuneration packages have been delegated to the Board's Remuneration Committee.

In setting the remuneration policy, the Remuneration Committee considers a number of factors including:

(a) the basic salaries and benefits available to Executive Directors of comparable companies;

(b) the need to attract and retain Directors of an appropriate calibre;

(c) the need to ensure Executive Directors' commitment to the continued success of the Company by means of incentive schemes; and

(d) the need for the remuneration awarded to reflect performance.

Remuneration of the Non-executive Directors

The Non-executive Directors receive fees for their services which are agreed by the Board following recommendation by the Chief Executive with a view to rates paid in comparable organisations and appointments.

Mark Elliott sacrificed an element of his fees in exchange for contributions into a money purchase pension scheme. Other than this, the Non-executive Directors did not receive any pension or other benefits from the Company, nor did they participate in any bonus or incentive schemes.

Remuneration policy for Executive Directors

The Company's remuneration policy for Executive Directors is to:

(a) have regard to the Directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality;

(b) link individual remuneration packages to the Group's long-term performance through the award of share options and discretionary bonus schemes; and

(c) provide employment-related benefits including life assurance, insurance relating to the Directors' duties and medical insurance.

The Remuneration Committee meets at least once a year in order to consider and set the annual salaries for Executive Directors, having regard to personal performance and information regarding the remuneration practices of companies of similar size and of industry competitors.

The Directors' annual basic pay increases normally mirror those awarded to staff.

Directors' service contracts

Details of individual Directors' service contracts are as follows:

	Contract date	Unexpired term	Notice period
Executive			
R C Singleton	10 October 2013	None	Twelve months
N Lowe	15 May 2017	None	Six months

The Non-executive Directors do not have service contracts but their terms are set out in letters of appointment.

	Date of letter of appointment	Notice period
Non-executive		
M W Elliott	18 August 2014	One month
J Cumming	22 August 2013	None

The Directors are required to retire by rotation and the appointment of new Directors has to be approved at the next AGM subsequent to their appointment by the Board. The Director retiring by rotation is Mark Elliott.

Other than the notice periods afforded to some of the Directors, there are no special provisions for compensation in the event of loss of office. The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly.

Non-executive directorships

With the permission of the Board, the Executive Directors may accept appointments as non-executive directors elsewhere. Any fees related to such employment may be retained by the Director concerned.

Directors' detailed emoluments and remuneration

Details of individual Directors' emoluments and remuneration for the year are as follows:

	Salary and fees £	Benefits £	Pension £	Compensation for loss of office £	**Total 2017 £**	Total 2016 £	Total 2015 £
Executive							
R C Singleton	258,750	2,021	—	—	**260,771**	108,452	179,366
N Lowe[1]	58,183	303	3,923	—	**62,409**	—	—
G Robinson[2]	40,000	687	—	66,750	**107,437**	87,500	130,000
Non-executive							
M W Elliott	75,833	—	22,613	—	**98,446**	47,016	71,766
J Cumming	23,000	—	—	—	**23,000**	23,000	23,000
	455,766	3,011	26,536	66,750	**552,063**	265,968	404,132

1 Appointed 15 May 2017.
2 Resigned 15 May 2017.

Due to the improved performance of the Company, the 2017 remuneration includes compensation for salaries and fees deferred in 2016.

Share options

At 31 December 2017, the Company had two employee share option schemes: the 2004 Enterprise Management Incentive (EMI) Plan and the 2014 Enterprise Management Incentive (EMI) Share Option Plan. The 2004 EMI Plan was approved by shareholders on 18 May 2004 and expired for new options on its tenth anniversary. On 22 October 2014, the Board established the 2014 EMI Share Option Plan, which operates in substantially the same way as the 2004 EMI Plan.

No options were granted under the 2014 EMI Share Option Plan in the year. The outstanding options are detailed in note 22 to the financial statements.

Directors' interests in share options

Directors' interests in share options are disclosed in note 22 to the Group financial statements.

Directors' interests in the employee shareholder plan

On 15 February 2015, the 21st Century Technology Employee Shareholder Plan (the "Plan") was implemented following approval at a general meeting of the Company.

Directors' interests in the Plan are disclosed in note 22 to the Group financial statements.

Directors' interests in shares

Directors' interests in the share capital of the Company are disclosed in the Directors' Report.

DIRECTORS' REPORT

The Directors present their report and the Group financial statements for the year ended 31 December 2017.

The following matters are reported by the Directors in accordance with the Companies Act 2006 requirements in force at the date of the Annual Report.

The Directors present their report and the Group financial statements for the year ended 31 December 2017.

Principal activities
The principal activities of the Group are set out within the Strategic Report on page 6.

Review of business and future developments
The consolidated statement of comprehensive income for the year ended 31 December 2017 is set out on page 27.

A review of the Group's business activities and its future developments is included in the Strategic Report on pages 6 to 10 and the Chairman's Statement on pages 4 and 5.

The Chairman's Statement, the Report on Corporate Governance and the Report on Directors' Remuneration are incorporated into this report by reference and should be read as part of this report.

Principal risks and uncertainties
Details of the principal risks and uncertainties considered by the Board to affect the Group, and the related mitigation actions, are given in the Strategic Report on page 10.

Financial risk management
The Group's financial instruments include bank facilities and cash. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial instruments, such as trade receivables and trade payables, that arise directly from its operations.

The main risks from the Group's financial instruments are credit, liquidity, interest rate and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk
The Group is exposed to credit risk primarily in respect of its trade receivables, which are stated net of provision for estimated impaired receivables. Exposure to this risk is mitigated by careful evaluation of the granting of credit and close monitoring and management of collections from trade receivables. In addition, we have credit insurance in place on the majority of trade receivables.

Liquidity and interest rate risk
The Group's policy on funding capacity is to ensure that we have sufficient long-term funding and facilities in place to meet foreseeable peak borrowing requirements. At 31 December 2017, the Group had net cash at bank of £302k (2016: £511k). The Group's policy is to ensure that sufficient resources are available to service all debt by monitoring prudent cash flow forecasts.

During 2016 the Group raised £300k of loan notes and set up an invoice discounting facility with a £400k limit. In December 2017 a new £1.25m invoice discounting facility was put in place to replace the £400k facility.

Foreign currency risk
Several components used in Fleet Systems are sourced from overseas suppliers who invoice in US Dollars and Euros. In addition, our operations in Europe generate transactions denominated in Euros and Swedish Krona. Consequently, the Group is exposed to fluctuations in Sterling against these foreign currencies. Where appropriate, the Group uses forward exchange contracts to hedge foreign exchange exposures arising on forecast payments in foreign currencies and our selling prices in overseas markets are linked to movements in Sterling.

Future outlook
A summary of the outlook for the Group is given within the Chairman's Statement on page 5.

Going concern
The financial statements have been prepared on a going concern basis as covered in the Report on Corporate Governance on page 17.

Results and dividend
The Group reports a loss of £0.3m for the year (2016: loss of £2.3m). At the forthcoming AGM the Directors are not recommending the payment of a dividend (2016: £nil).

Directors
Details of current Directors, dates of appointment, their roles, responsibilities and significant external commitments are set out on page 15.

Directors' interests in shares

The Directors during the year and their interests in the share capital of the Company, other than in respect of options to acquire Ordinary Shares (which are detailed in the analysis of options included in note 22 to the financial statements) were as follows:

	Number of Ordinary 6.5p Shares in the Company	
	31 December 2017	31 December 2016
M W Elliott	**–**	–
R C Singleton	**3,007,346**	3,007,346
N Lowe[1]	**–**	–
G Robinson[2]	**–**	2,000,000
J Cumming	**–**	–

1 Appointed 15 May 2017.
2 Resigned 15 May 2017.

The share interests of Russ Singleton and Glenn Robinson are held in self-invested personal pension schemes.

Apart from the interests disclosed above and in note 22, no Directors held interests at any time in the year in the share capital of the Company or other Group companies.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, and career development and promotion to disabled persons wherever appropriate.

Employee involvement

The Group's policy is to consult and discuss with employees, through meetings, matters likely to affect employees' interests. The meetings seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

All employees are eligible to receive share options. Membership of the share option scheme is reviewed annually. The number of options granted varies according to seniority and performance.

Directors' indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all of the Company's Directors.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements of the Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIRECTORS' REPORT continued

Statement of Directors' responsibilities in respect of the financial statements continued

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

In the case of each person who was a Director at the time this report was approved:

(a) so far as the Director is aware there is no relevant audit information of which the Group's auditor is unaware; and

(b) he has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

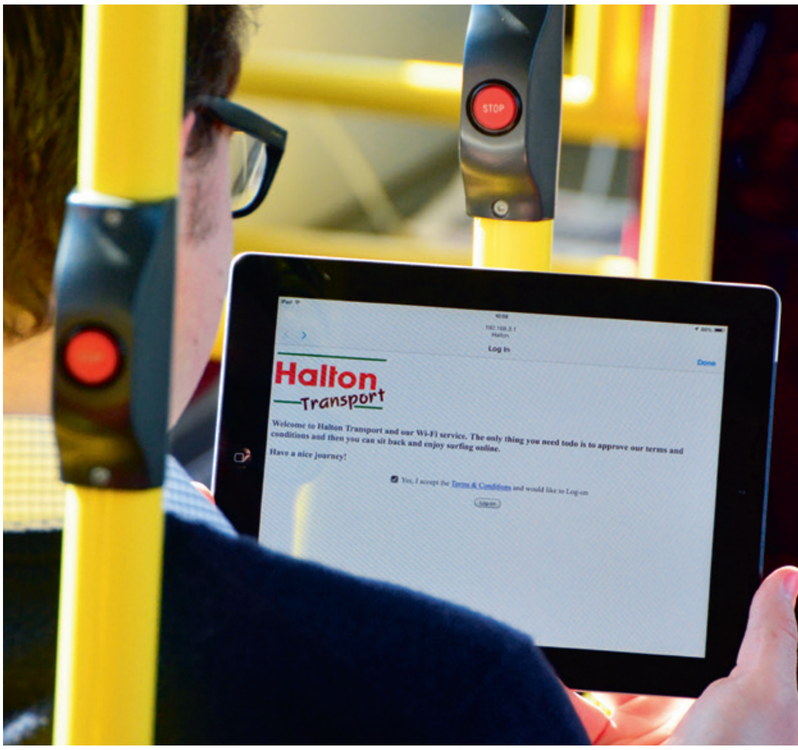
This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board

Mark Elliott
Non-executive Chairman
28 March 2018

"The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website."

FINANCIAL STATEMENTS



AUDITOR'S REPORT

to the members of 21st Century Technology plc

Our opinion is unmodified

We have audited the financial statements of 21st Century Technology plc (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2017 which comprise the Consolidated statement of comprehensive income, the Consolidated and Company Statements of changes in equity, the Consolidated and Company statements of financial position, the Consolidated and Company statements of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have nothing to report on going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgements, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified	Our response to the key audit matter
Revenue recognition: As detailed in note 2, Significant Accounting Policies, the Group's revenue is generated from a number of streams, as follows: - the sale of equipment; - installation of equipment; - construction contracts; and - service contracts. Given the material nature of revenue and the variety of methods it is generated through, the appropriateness of revenue recognition and management's application of the Group's revenue recognition accounting policy represents a key risk area of significant judgement in the financial statements.	We reviewed the accounting policies and practices for consistency of application as well as the basis of any recognition estimates. We tested equipment sales and installation revenue to gain assurance over the completeness, existence and accuracy of reported revenue. We tested construction contracts and ongoing service contracts to gain assurance over the completeness, existence and accuracy of reported revenue. We performed cut-off procedures to test transactions around the year end and verified a sample of revenue to originating documentation to provide evidence that transactions were recorded in the correct period.
Carrying value and impairment of goodwill: The Group has a significant goodwill balance in relation to the Passenger Systems Cash Generating Unit. The Group's assessment of carrying value requires significant judgement, in particular regarding cash flows, growth rates, discount rates and sensitivity assumptions.	We challenged the assumptions used in the impairment model for goodwill, which is described in note 10. We considered historical trading performance by comparing recent growth rates of both revenue and operating profit. We assessed the appropriateness of the assumptions concerning growth rates and inputs to the discount rates against latest market expectations. We performed sensitivity analysis to determine whether an impairment would be required if costs increase at a higher than forecast rate.
Provision for warranty costs: The Group provides warranties on some of the equipment sold and therefore makes provision for future costs in relation to these warranties. The amount provided is a management estimate based on historic cost experience and management experience and requires significant judgement.	We reviewed the calculation method and agreed a sample of data used in the calculation back to source records. We tested warranty claims in the year to gain assurance over the existence of costs. We agreed warranty terms back to contracts for a sample of those provided.

Our application of materiality
The materiality for the Group financial statements as a whole was set at £235,000. This has been determined with reference to the benchmark of the Group's revenue which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 2% of Group revenue as presented in the Group income statement.

The materiality for the parent company financial statements as a whole was set at £103,000. This has been determined with reference to the parent company's net assets, which we consider to be an appropriate measure for a holding company with investments in trading subsidiaries. Materiality represents 2% of net assets as presented on the face of the parent company's Balance sheet.

An overview of the scope of our audit
We adopted a risk-based audit approach. We gained a detailed understanding of the Group's business, the environment it operates in and the risks it faces.

The key elements of our audit approach were as follows:

The audit team evaluated each component of the Group by assessing its materiality to the Group as a whole. This was done by considering the percentage of total Group assets, liabilities, revenues and profit before taxes which each component represented. From this, we determined the significance of the component to the Group as a whole, and devised our planned audit response. In order to address the audit risks described in the Key audit matters section which were identified during our planning process, we performed a full-scope audit of the financial statements of the parent company, 21st Century Group plc, and all of the Group's UK trading subsidiaries, providing 100% coverage of revenues and profit before tax for these components. The operations that were subject to full-scope audit procedures made up 100% of consolidated revenues and £395,000 of total loss before tax. We applied analytical procedures to the balance sheets and income statements of the entities comprising the remaining operations of the Group, focusing on applicable risks identified as above, and their significance to the Group's balances.

We have nothing to report on the other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our audit report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

AUDITOR'S REPORT continued

to the members of 21st Century Technology plc

We have nothing to report on the other information continued

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

We have nothing to report on the matters on which we are required to report by exception

In light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 21 and 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Katharine Warrington (Senior Statutory Auditor)
for and on behalf of PKF Cooper Parry Group Limited
Chartered Accountants Statutory Auditor
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
28 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Revenue	3,4	**11,761**	11,555
Cost of sales		**(6,765)**	(6,868)
Gross profit	4	**4,996**	4,687
Underlying administrative expenses		**(5,074)**	(6,203)
Other income		**89**	119
Underlying profit/(loss)		**11**	(1,397)
Share-based payments		**(224)**	(323)
One-off legal costs		**–**	(44)
Reorganisation costs	26	**(88)**	(534)
Total administrative expenses		**(5,297)**	(6,985)
Operating loss		**(301)**	(2,298)
Finance expense	6	**(63)**	(11)
Loss before taxation from continuing operations	7	**(364)**	(2,309)
Taxation credit	8	**13**	6
Loss for the year being total comprehensive loss attributable to owners of the parent		**(351)**	(2,303)
Loss per share	9		
Basic		**(0.38p)**	(2.47p)
Diluted		**(0.38p)**	(2.47p)

The notes on pages 31 to 52 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity shareholders' funds £'000
Balance at 1 January 2016	6,061	8	(3,695)	2,374
Loss and total comprehensive income for the year	–	–	(2,303)	(2,303)
Share-based payments	–	–	323	323
Balance at 31 December 2016	6,061	8	(5,675)	394
Loss and total comprehensive income for the year	–	–	(351)	(351)
Share-based payments	–	–	224	224
Balance at 31 December 2017	**6,061**	**8**	**(5,802)**	**267**

The notes on pages 31 to 52 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Goodwill	10	**1,345**	1,345
Other intangible assets	11	**829**	847
Property, plant and equipment	12	**128**	149
Trade and other receivables	15	**44**	39
		2,346	2,380
Current assets			
Inventories	14	**1,355**	1,510
Trade and other receivables	15	**3,827**	3,549
Cash and cash equivalents	16	**302**	511
		5,484	5,570
Total assets		**7,830**	7,950
Liabilities			
Current liabilities			
Trade and other payables	17	**(5,108)**	(5,303)
Loans and borrowings	19	**(933)**	(54)
Provisions	20	**(228)**	(605)
		(6,269)	(5,962)
Net current liabilities		**(785)**	(392)
Non-current liabilities			
Trade and other payables	17	**(569)**	(569)
Loans and borrowings	19	**(300)**	(300)
Deferred tax liability	13	**(35)**	(44)
Provisions	20	**(390)**	(681)
Total liabilities		**(7,563)**	(7,556)
Net assets		**267**	394
Shareholders' equity			
Share capital	22	**6,061**	6,061
Share premium account		**8**	8
Retained earnings		**(5,802)**	(5,675)
Total equity		**267**	394

The financial statements were approved by the Board of Directors and authorised for issue on 28 March 2018 and were signed on its behalf by:

M W Elliott
Non-executive Chairman

R C Singleton
Chief Executive

Registered number: 2974642

The notes on pages 31 to 52 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Net cash flows from operating activities	24	**(729)**	(435)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(42)**	(85)
Disposals of property, plant and equipment		**–**	40
Purchases/generation of intangible assets		**(316)**	(229)
Net cash flows from investing activities		**(358)**	(274)
Cash flows from financing activities			
Cash flows from financing activities		**948**	–
Issue of loan notes		**–**	300
Repayment of loans		**(70)**	(104)
Net cash flows from financing activities		**878**	196
Net decrease in cash and cash equivalents		**(209)**	(513)
Cash and cash equivalents at beginning of year		**511**	1,010
Effect of foreign exchange rate changes		**–**	14
Cash and cash equivalents at end of year		**302**	511

The notes on pages 31 to 52 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. General information
21st Century Technology plc is a public limited company incorporated in England and listed on AIM. Its principal trading subsidiaries are 21st Century Fleet Systems Limited and 21st Century Passenger Systems Limited, and its registered and head office address is 12 Charter Point Way, Ashby-de-la-Zouch, Leicestershire LE65 1NF. Its principal place of business is in the UK and mainland Europe and its principal activities are described in the Strategic Report on page 6.

2. Significant accounting policies applied to the consolidated financial statements of the Group
Basis of preparation
These financial statements are the consolidated financial statements of 21st Century Technology plc and its subsidiaries (the "Group"). Separate financial statements for the parent company as an individual entity are included on pages 53 to 59.

The Group financial statements are prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued and effective (or adopted early) and endorsed by the European Union at the time of preparing these financial statements and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except financial instruments and share-based payments, which are prepared in accordance with IAS 39 and IFRS 2 respectively. A summary of the more important Group accounting policies is set out below.

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Sterling (£), which is the presentation currency for the consolidated financial statements. The numbers in the financial statements are rounded in £'000 for presentation purposes.

Changes to accounting standards
The Group has adopted the following new standards, or new provisions of amended standards:

- Amendments to IAS 7 'Disclosure Initiative';
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses; and
- Annual Improvements to IFRSs 2014–2016 Cycle.

There has been no material impact on either amounts reported or disclosure in the financial statements arising from first time adoption.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been applied early by the Group. Management anticipates that the following pronouncements relevant to the Group's operations will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement, once adopted by the EU:

- IFRS 9 'Financial Instruments' (effective 1 January 2018);
- IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018);
- IFRS 16 'Leases' (effective 1 January 2019);
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (not yet adopted by the EU); and
- Amendments to IAS 40: Transfers of Investment Property.

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

With regards to IFRS 15, the Directors have considered the impact of this standard and do not believe there will be any significant effect.

With regards to IFRS 16, at 31 December 2017 the Group holds non-cancellable operating lease commitments totalling £694,000. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 23. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low-value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Directors complete the review.

In contrast, for finance leases where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for the lease arrangement, the Directors do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

2. Significant accounting policies applied to the consolidated financial statements of the Group continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The purchase of subsidiaries is accounted for using the acquisition method. The results of subsidiaries sold or acquired are included in the consolidated statement of comprehensive income up to, or from, the date control passes. Intragroup sales and profits are eliminated fully on consolidation.

Goodwill

Goodwill is recognised as an intangible asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the statement of comprehensive income and may not be subsequently reversed. Goodwill previously eliminated has not been reinstated on implementation of IAS 38 as permitted by IFRS 1.

On disposal of a subsidiary or business, the attributable goodwill is included in the determination of profit or loss on disposal.

Plant and equipment

The cost of plant and equipment is the purchase price plus any costs directly attributed to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by management.

Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight line basis to their estimated residual values over the expected useful economic lives of the assets concerned. Periodic reviews are made of estimated remaining useful lives and residual values and the depreciation rates applied are:

	%
Leasehold improvements	20
Plant and equipment	20–33

Business combinations

On the acquisition of a company or business, a determination of the fair value and the useful life of intangible assets acquired is performed, which requires the application of management judgement. Future events could cause the assumptions used by the Group to change, which would have a significant impact on the results and net position of the Group.

Revenue

Revenue represents amounts invoiced to customers, net of value added tax and trade discounts. The sale of equipment includes installation of on-vehicle equipment, with the turnover being recognised once the installation has been completed. There is also revenue from longer term and construction contracts which is recognised as contract work in progress in accordance with the Group's contract accounting policy as detailed below.

When the Group sells multiple goods and/or services as a package, the components are separated and accounted for separately.

Revenue received before goods and services are delivered is recognised as deferred income and transferred to the statement of comprehensive income once the goods are delivered and when the services have been performed.

Ongoing revenue from service contracts is recognised on a straight line basis over the term of the contract.

2. Significant accounting policies applied to the consolidated financial statements of the Group continued

Contract accounting

The Company recognises revenue and costs on its customer contracts under the percentage of completion method.

In determining costs incurred up to the year end, any costs relating to future activity on a contract are excluded and are shown as contract work in progress. The aggregate of the cost incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on contracts, under receivables and prepayments. Where the progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on contracts, under trade and other payables.

Segment reporting

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

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment, and intangible assets other than goodwill.

Taxation

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year-end date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the year-end liability method on any temporary differences between the carrying amounts for financial reporting purposes and those for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference.

Earnings per Ordinary Share

Basic earnings per share (EPS) is calculated by dividing the earnings attributable to Ordinary Shareholders by the weighted average number of Ordinary Shares in issue during the year. For diluted earnings, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares.

Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, estimates are made of the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value, less costs to sell, and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate appropriate to the specific asset or cash generating unit and by comparing the internal rate of return generated by the cash flows to target return rates established by management. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying value of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognised immediately in the statement of comprehensive income.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if that impairment loss had not been recognised. Impairment losses in respect of goodwill are not reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

2. Significant accounting policies applied to the consolidated financial statements of the Group continued

Intangible assets

Software

Software which can be separately identified is capitalised to intangible assets at cost of acquisition and amortised over the estimated useful economic lives of between three and five years on a straight line basis into administrative expenses. All software will be fully amortised by 31 December 2022.

Research and development

Expenditure on research is written off in the period in which it is incurred.

Development expenditure is capitalised where it relates to a specific project where technical feasibility has been established, adequate technical, financial and other resources exist to complete the project, the expenditure attributable to the project can be measured reliably and overall project profitability is reasonably certain. In this case, it is recognised as an intangible asset and amortised over its useful economic life when the asset is made available for use. All other development expenditure is recognised as an expense in the period in which it is incurred. All capitalised development expenditure will be fully amortised by 31 December 2022.

Customer lists

The fair value of customer lists acquired in a business combination is estimated using discounted incremental cash flow and amortised over a five-year estimated useful economic life. Amortisation is included in the statement of comprehensive income as a part of administrative expenses. The customer lists will be fully amortised by 30 April 2020.

Inventories

Inventory is stated at the lower of cost and net realisable value. The cost is based on the average weighting method. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Where necessary, provision is made for obsolete, slow-moving and defective inventory.

Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturity of less than or equal to three months and are measured on initial recognition at their fair value and subsequently at amortised cost.

Loans and receivables and other financial liabilities

Trade receivables and trade payables are measured on initial recognition which is the trade date, at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable trade receivables are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

Loans are initially recognised at the fair value of the proceeds and are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least one year after the balance sheet date.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Leasing

Rentals payable under operating leases are charged in the statement of comprehensive income on a straight line basis over the lease term.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expensed to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Pensions

The Group operates a defined contribution scheme. The pension cost charge to the statement of comprehensive income is the contributions payable to the pension scheme for the period.

2. Significant accounting policies applied to the consolidated financial statements of the Group continued

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the net expenditure required to settle the obligation at the year-end date and are discounted to present value where the effect is material.

Foreign currencies

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the year-end date. All differences are taken to the statement of comprehensive income.

The assets and liabilities of foreign operations are translated to Sterling at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Sterling at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in the statement of comprehensive income.

Share capital and share premium

Ordinary Shares are classified as equity. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Share-based payments

The Group issues equity-settled share-based payments to certain Directors and employees. Share-based payments are measured at their fair value at the date of grant using a Black Scholes model. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based upon the Group's estimate of participants eligible to receive shares at the point of vesting.

Going concern

The Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the Strategic Report along with the principal risks and uncertainties.

The Group's net underlying profit for the year was £11k (2016: underlying loss £1,397k). As at 31 December 2017 the Group had net current liabilities of £785k (2016: £392k) and net cash reserves of £302k (2016: £511k).

In 2016 the Directors identified a need to raise finance to cover liquidity issues pending the anticipated return of the Group to profitability and raised £300k from the issue of loan notes in December 2016 and arranged a £400k invoice discounting facility.

In December 2017 a new £1.25m invoice discounting facility was put in place to replace the £400k facility. Current trading is in line with management forecasts and restructuring efforts are complete.

The Directors have prepared Group cash flow projections for the period to 30 June 2019 based on latest forecasts that show that the Group will be able to operate within the Group current funding resources. It is important that we achieve sales forecasts and the profile of cash receipts.

As with all businesses there are particular times of the year where our working capital requirements are at their peak. The Group is well placed to manage these business risks effectively and the Board reviews the Group's performance against budgets and forecasts on a regular basis to ensure action is taken when needed.

These projections indicate that the Group will operate within available facilities throughout the projection period and therefore based on these projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of these financial statements. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were:

(i) Note 3 – Revenue recognition

Where products and maintenance are bundled in a contract some judgement may be required to identify the separate components which are recognised in accordance with general revenue recognition criteria.

(ii) Note 8 – Deferred tax

Determining the amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

2. Significant accounting policies applied to the consolidated financial statements of the Group continued

Critical accounting estimates and judgements continued

(iii) Note 10 – Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate future cash flows expected to arise from the cash generating unit at a suitable discount rate in order to calculate the present value. A discount rate of 14–16% is applied to the cash flow forecasts from the most recent financial budgets and long-term plans which are extrapolated in perpetuity assuming no growth beyond five years. The key assumptions made in relation to the impairment review of goodwill are set out in note 10.

(iv) Note 11 – Capitalisation of development, amortisation and impairment of intangibles

It is Group policy to capitalise and amortise development expenditure for the production of new or substantially improved products and processes if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. Such expenditure is amortised over the period which the Directors expect to obtain economic benefits. This policy includes judgements regarding the initial recognition of the asset based upon market research and expected future net revenues. It also includes estimations regarding the period of amortisation.

Determining whether intangibles are impaired requires an estimation of the recoverable value of the individual asset. Where assets generate cash flows that are independent of other assets then the value-in-use calculation requires the Group to estimate future cash flows expected to arise from the asset at a suitable discount rate in order to calculate the present value.

(v) Note 14 – Provision for obsolete and slow-moving inventory

Determining the level of provision necessary for obsolete and slow-moving inventory requires management to make judgements in estimating the net realisable value of the Group's inventory based upon stock turnover statistics and management's knowledge of market changes. Provisions are made on an item-by-item basis.

(vi) Note 18 – Contract accounting

Determining the outcome of a contract requires management to make judgements on whether the outcome can be estimated reliably and this includes estimates of future costs. The percentage completion of a contract also requires management to make judgements and estimates which are based on costs incurred and project progress.

When the outcome of a contract cannot be estimated reliably; contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs are recognised when incurred.

When the outcome of a contract can be estimated reliably: contract revenue and contract costs are recognised over the period of the contract as revenue and expenses, respectively. This is normally measured either by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work are included to the extent that they have been agreed with the customer. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately in profit and loss.

(vii) Note 20 – Warranty and other provisions

Determining the level of provision necessary for product warranties requires management to make judgements in estimating the likely future costs based upon historical cost experience, expected future trends and management's experience. Provisions are estimated on a per vehicle basis.

The 2016 restructuring provision was based on management's expectation of salary and other costs to implement the planned restructure of the organisation.

(viii) Note 22 – Share-based payments

In determining the fair value of equity settled share-based payments and the related charge to the statement of comprehensive income, the Group makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest and the fair value of each award granted. The share options have a life of ten years and the exercise period is determined to be five years. The fair value is determined using the Black Scholes valuation model. At each year end the Company revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision of the original estimates, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

3. Revenue

The revenue split between goods and services is:

	2017 £'000	2016 £'000
Goods	**7,745**	8,435
Services	**4,016**	3,120
	11,761	11,555
Contract works included in goods	**2,701**	3,384

4. 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.

Revenue and gross profit

	Revenue 2017 £'000	Gross profit 2017 £'000	Revenue 2016 £'000	Gross profit 2016 £'000
Fleet Systems	**7,502**	**2,617**	6,923	2,268
Passenger Systems	**4,259**	**2,379**	4,715	2,419
Intersegment sales	**—**	**—**	(83)	—
Total	**11,761**	**4,996**	11,555	4,687

Major customers

In the year, two customers within the Fleet Systems segment each accounted for over 10% of Group revenue at 22% and 10%. In the prior year, there were two Fleet Systems customers that each accounted for over 10% of revenue at 18% and 13%. There were no major customers within the Passenger Systems segment.

Underlying profit/(loss)

	2017 £'000	2016 £'000
Fleet Systems	**449**	(748)
Passenger Systems	**(267)**	(460)
	182	(1,208)
Central	**(171)**	(189)
Underlying profit/(loss)	**11**	(1,397)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

4. Segmental reporting continued

Reconciling to loss before interest and tax

2017	Underlying operating profit/(loss) £'000	One-off legal and reorganisation costs £'000	Share-based payments £'000	Operating profit/(loss) £'000	Profit/(loss) before interest and tax £'000
Fleet Systems	449	(85)	(224)	140	140
Passenger Systems	(267)	(3)	–	(270)	(270)
	182	(88)	(224)	(130)	(130)
Central	(171)	–	–	(171)	(171)
	11	(88)	(224)	(301)	(301)

2016	Underlying operating profit £'000	One-off legal and reorganisation costs £'000	Share-based payments £'000	Operating loss £'000	Loss before interest and tax £'000
Fleet Systems	(748)	(410)	(323)	(1,481)	(1,481)
Passenger Systems	(460)	(168)	–	(628)	(628)
	(1,208)	(578)	(323)	(2,109)	(2,109)
Central	(189)	–	–	(189)	(189)
	(1,397)	(578)	(323)	(2,298)	(2,298)

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.

Net assets

	Assets 2017 £'000	Liabilities 2017 £'000	Net assets 2017 £'000	Assets 2016 £'000	Liabilities 2016 £'000	Net assets 2016 £'000
Fleet Systems	3,638	(3,183)	455	3,814	(4,042)	(228)
Passenger Systems	2,500	(3,176)	(676)	2,246	(3,148)	(902)
	6,138	(6,359)	(221)	6,060	(7,190)	(1,130)
Goodwill	1,345	–	1,345	1,345	–	1,345
Cash and borrowings	302	(1,233)	(931)	511	(354)	157
Unallocated	45	29	74	34	(12)	22
Total	7,830	(7,563)	267	7,950	(7,556)	394

Geographical segments

	Revenue 2017 £'000	Gross profit 2017 £'000	Revenue 2016 £'000	Gross profit 2016 £'000
UK	10,108	3,989	10,462	4,057
International				
– Scandinavia	1,053		626	
– Other EU	448		361	
– Non-EU	152		106	
Total international	1,653	1,007	1,093	630
Total	11,761	4,996	11,555	4,687

4. Segmental reporting continued

Assets and liabilities by location

	2017 £'000	2016 £'000
Assets		
UK	7,796	7,914
International	34	36
Total assets	7,830	7,950
Liabilities		
UK	(7,529)	(7,514)
International	(34)	(42)
Total liabilities	(7,563)	(7,556)

All non-current assets are located within the United Kingdom.

5. Employee information

The average monthly number of persons (including Executive Directors) employed by the Group during the year was:

	2017 Number	2016 Number
By activity:		
Administration	24	24
Technical	12	21
Operations	58	61
	94	106

Staff costs (for the above persons)

	2017 £'000	2016 £'000
Wages and salaries	3,715	3,826
Social security costs	440	471
Pension costs	99	93
Share-based payments	224	323
	4,478	4,713

Key management compensation (included above)

	2017 £'000	2016 £'000
Wages and salaries	854	437
Social security costs	94	50
Pension costs	27	73
Share-based payments	224	323
	1,199	883

The key management personnel are the Board of Directors, the Directors of each of the Group's business segments and the senior management team responsible for the call centre, personnel, finance and IT. Directors' emoluments and pensions included on page 19 are:

	Emoluments		Pension contributions	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Total Directors	525	209	27	57
Highest paid Director	260	90	–	18

There are two (2016: two) Directors receiving payments into pension schemes. Directors' detailed emoluments are disclosed in the Report on Directors' Remuneration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

6. Finance income/(expense)

	2017 £'000	2016 £'000
Interest receivable on bank balances	–	1
Interest payable on loans	(63)	(12)

7. Loss before taxation from continuing operations

This is stated after charging/(crediting):

	2017 £'000	2016 £'000
Operating lease rentals:		
– Rent of land and buildings	205	221
– Hire of plant and equipment	221	246
Depreciation:		
– Property, plant and equipment owned	63	107
Amortisation of intangible fixed assets (included within administrative expenses)	334	295
Research and Development expenditure	301	260
Inventories – consumed and recognised as an expense in cost of sales	4,361	4,527
(Write-back)/write-down of inventories	(12)	16
Trade receivables impairment losses recovered	–	(10)
Exchange differences	1	(26)
Share-based payments charge	224	323

Loss before taxation is also stated after charging:

	2017 £'000	2016 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	3	4
Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	45	55
Additional fees payable to the Company's previous auditor for the prior year audit pursuant to legislation	25	12
Total audit fees	73	71

8. Taxation

(a) Analysis of (credit)/charge in year:

	2017 £'000	2016 £'000
Current tax		
UK corporation tax on the loss for the year (19.25%)	–	–
Swedish corporation tax on the profit for the year (22%)	(4)	7
Deferred tax (credit)/charge		
– Temporary differences on acquisition	(9)	(13)
Total tax credit for the year	(13)	(6)

8. Taxation continued

(b) Factors affecting the total tax (credit)/charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK at 19.25% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Loss on ordinary activities before tax	**(364)**	(2,309)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	**(70)**	(462)
Effects of:		
Expenses not deductible for tax purposes	**105**	53
Change in unrecognised deferred tax assets	**(39)**	408
Prior year (over)/under provision	**(9)**	–
Brought forward tax losses used (previously not recognised)	**–**	(5)
Total tax credit for the year	**(13)**	(6)

(c) Deferred tax asset/(liability)

The unrecognised and recognised deferred tax assets/(liability) comprise the following:

	Unrecognised		Recognised	
Group	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Tax losses	**615**	573	**–**	–
Decelerated capital allowances	**56**	62	**–**	–
Arising on acquisition	**–**	–	**(35)**	(44)
	671	635	**(35)**	(44)

The Group has £3,621,000 of unutilised tax losses (2016: £3,372,000) which may be carried forward indefinitely.

9. Loss per Ordinary Share

Basic earnings per share (EPS) is calculated by dividing the earnings attributable to Ordinary Shareholders by the weighted average number of Ordinary Shares in issue during the year.

For diluted earnings, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares.

	2017		2016	
Group	Losses £'000	Per share amount Pence	Losses £'000	Per share amount Pence
Basic EPS				
Losses attributable to Ordinary Shareholders	**(351)**	**(0.38)**	(2,303)	(2.47)
Diluted EPS				
Losses attributable to Ordinary Shareholders	**(351)**	**(0.38)**	(2,303)	(2.47)

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

	2017 '000	2016 '000
Basic weighted average number of shares	**93,240**	93,240
Dilutive potential Ordinary Shares	**–**	–
Diluted weighted average number of shares	**93,240**	93,240

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

10. 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:

	Passenger Systems £'000	Total £'000
Deemed cost:		
At 1 January 2016	1,345	1,345
At 31 December 2016	1,345	1,345
At 31 December 2017	**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.

The discount rates are as follows:

	2017 %	2016 %
Passenger Systems	**14**	14

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, see Note 11, 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 but also takes into account savings from restructuring 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. Due to the difficult macroeconomic environment there has been a reduction in the availability of contracts, which has in turn resulted in pressure on margins. In 2017 a major restructuring took place, followed by a reinvestment in key staff at the end of the year. The 2018 forecast predicts growth of 40%. 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 £344k. 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 of 5% points in the growth rate in 2018 to 35% would result in an impairment charge being recognised for the current carrying value of goodwill in relation to Passenger Systems of £541k. If sales forecasts were down 10% across the whole period and overheads were partially scaled back by 5% then the impairment charge would be £979k.

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 16.7%, whereas the required rate of return of the CGU is 14%.

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

11. Other intangible assets

2017 movements	Customer list £'000	Development costs £'000	Software £'000	Total £'000
Cost				
At 1 January 2017	192	1,725	703	**2,620**
Additions	—	293	23	**316**
Disposals	—	(211)	—	**(211)**
At 31 December 2017	192	1,807	726	**2,725**
Amortisation				
At 1 January 2017	63	1,126	584	**1,773**
Charge for the year	38	251	45	**334**
Disposals	—	(211)	—	**(211)**
At 31 December 2017	101	1,166	629	**1,896**
Net book value				
At 31 December 2017	91	641	97	**829**

2016 movements	Customer list £'000	Development costs £'000	Software £'000	Total £'000
Cost				
At 1 January 2016	192	1,543	656	2,391
Additions	—	182	47	229
At 31 December 2016	192	1,725	703	2,620
Amortisation				
At 1 January 2016	25	902	551	1,478
Charge for the year	38	224	33	295
At 31 December 2016	63	1,126	584	1,773
Net book value				
At 31 December 2016	129	599	119	847

The Group tests intangible assets when there is indication of impairment. The recoverable amounts are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding cash flow forecasts, growth rates and discount rates. The cash flow forecasts are derived from the most recent financial budgets for the next five years approved by management, extrapolated in perpetuity assuming no growth. The impairment test is covered in the Goodwill note 10.

At 31 December 2017, the intangible assets include items with a carrying value of £23k pledged as security for loans included in note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

12. Plant and equipment

2017 movements	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2017	12	585	**597**
Additions	—	42	**42**
Disposals	—	(132)	**(132)**
At 31 December 2017	12	495	**507**
Depreciation			
At 1 January 2017	—	448	**448**
Charge for the year	2	61	**63**
Disposals	—	(132)	**(132)**
At 31 December 2017	2	377	**379**
Net book amounts			
At 31 December 2017	10	118	**128**

2016 movements	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2016	108	549	657
Additions	12	73	85
Disposals	(108)	(37)	(145)
At 31 December 2016	12	585	597
Depreciation			
At 1 January 2016	61	380	441
Charge for the year	16	91	107
Disposals	(77)	(23)	(100)
At 31 December 2016	—	448	448
Net book amounts			
At 31 December 2016	12	137	149

13. Deferred tax liability

The movement on the deferred tax liability is as follows:

Deferred tax liability arising on acquisition	Liability £'000
Balance brought forward at 1 January 2017	(44)
Credit to profit and loss account	9
Balance carried forward at 31 December 2017	**35**

14. Inventories

	2017 £'000	2016 £'000
Raw materials	**258**	302
Work in progress	**16**	62
Finished goods and goods for resale	**1,081**	1,146
	1,355	1,510

15. Trade and other receivables

	2017 £'000	2016 £'000
Current		
Trade receivables	**2,812**	2,496
Less: provision for impairment of receivables	**(16)**	(16)
Trade receivables – net	**2,796**	2,480
Amounts due from contract customers	**638**	746
Other receivables and prepayments	**393**	323
	3,827	3,549
Non-current		
Other receivables and prepayments	**44**	39

The average credit period taken on sales of goods is 67 days (2016: 62 days). Trade receivables are provided for to the extent that management has reason to believe that the recoverability of the debt is questionable. Before granting credit terms to any new customer, the Group uses an external credit checking company to assess the customer's credit quality and to assist in the definition of credit limits for that customer. In addition, we have credit insurance in place on the majority of trade receivables.

The following customers represented more than 5% of the total balance of net trade receivables at the year-end:

	Amount receivable	
	2017 £'000	2016 £'000
Customer 1	**506**	401
Customer 2	**422**	624
Customer 3	**245**	164
Customer 4	**224**	160
Customer 5	**222**	363
Customer 6	**198**	185
Customer 7	**160**	–

Included in the Group's trade receivable balance are debtors with a carrying amount of £837,000 (2016: £768,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 67 days (2016: 55 days).

Ageing of past due but not impaired trade receivables:

	2017 £'000	2016 £'000
Up to three months past due	**736**	709
Three to six months past due	**58**	37
Over six months past due	**43**	22
	837	768

Movement in the provision for impairment of trade receivables:

	2017 £'000	2016 £'000
Balance at 1 January	**16**	26
Impairment losses recovered	**–**	(10)
Balance at 31 December	**16**	16

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

15. Trade and other receivables continued

Ageing of impaired trade receivables:

	2017 £'000	2016 £'000
Over 90 days	**16**	16
	16	16

The trade and other receivables are used as security for the loan notes as set out in Note 19.

16. Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and cash equivalents	**302**	511

Cash and cash equivalents comprise cash, including bank deposits held by the Group.

17. Trade and other payables

	2017 £'000	2016 £'000
Current		
Trade payables	**1,736**	1,561
Other taxation and social security	**394**	358
Other payables	**22**	27
Accruals	**1,030**	1,225
Deferred income relating to contracts	**748**	778
Deferred income	**1,178**	1,354
	5,108	5,303
Non-current		
Deferred income	**569**	569

Trade creditors and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 38 days (2016: 43 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

18. Contract accounting

	2017 £'000	2016 £'000
Contracts in progress at dates of statement of financial position:		
Amounts due from contract customers included in trade and other receivables	**639**	746
Amounts due to contract customers included in trade and other payables	**(748)**	(778)
	(109)	(32)
Contract costs incurred plus recognised profit less recognised losses to date	**4,076**	6,278
Less: progress billings	**(4,185)**	(6,310)
	(109)	(32)

At 31 December 2017, retentions held by customers for contract work amounted to £12,000 (2016: £12,000). Advances received from customers for contract work amounted to £748,000 (2016: £778,000).

At 31 December 2017, amounts of £nil (2016: £nil) included in trade and other receivables and arising from contracts are due for settlement after more than twelve months.

19. Loans and borrowings

	2017			2016		
	Current £'000	Non-current £'000	Total £'000	Current £'000	Non-current £'000	Total £'000
Bank loans	933	—	933	54	—	54
Other loans	—	300	300	—	300	300
	933	300	1,233	54	300	354

The main terms of the loans are:

	Loan name	Interest rate	Term	Final payment	Loan value
Close Brothers	Invoice finance	2.35% over base	Repayable on demand		916
CIT	SAP	11.65%	3 years	March 2019	17
Other loans	Loan notes	10.00%	3 years	December 2019	300
					1,233

The loan notes are secured on the trade and other debtors of the Group's principal trading entities, 21st Century Fleet Systems Limited and 21st Century Passenger Systems Limited.

The invoice finance facility is secured by a debenture over all assets of the Group's principal trading entities, 21st Century Fleet Systems Limited and 21st Century Passenger Systems Limited.

At 31 December 2017, intangible assets with a carrying value of £23k are pledged as security for loans.

20. Provisions

	Warranty £'000	Other £'000	Total £'000
Balance at 1 January 2017	1,111	175	1,286
Charged	223	—	223
Released	(716)	(175)	(891)
Movement in the year	(493)	(175)	(668)
Balance at 31 December 2017	618	—	618
Included in current liabilities	228	—	228
Included in non-current liabilities	390	—	390
	618	—	618

The warranty provision represents management's best estimate of the Group's liability for warranties granted on products sold based on past experience and industry averages for defective products. The warranty provision is expected to be fully released by 31 December 2022.

The other provision represented management's best estimate of the Group's restructuring costs agreed in December 2016. The provision was fully released by 31 December 2017.

21. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity balances. The capital structure of the Group at the year end consisted of cash and cash equivalents, loans and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group maintains or adjusts its capital structure through the payment of dividends to shareholders, the issue of new loans, loan repayments, the issue of new shares and the buy-back of existing shares.

The Group's overall capital risk management strategy remains unchanged from the prior year.

Note 22 to the financial statements provides details regarding the Company's share capital and movements in the year. There were no breaches of any requirements with regard to any relevant conditions imposed by the Company's Articles of Association during the periods under review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

21. Financial instruments continued

Gearing

Net debt was £931,000 at 31 December 2017 (2016: net cash of £157,000). Net debt is defined as cash and cash equivalents less short-term and long-term borrowings.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Categories of financial instruments

	Carrying value	
	2017 £'000	2016 £'000
Financial assets		
Loans and receivables (including cash and cash equivalents):		
Trade receivables	**2,796**	2,480
Other receivables	**393**	962
Cash and cash equivalents	**302**	511
	3,491	3,953
Financial liabilities		
Other financial liabilities held at amortised cost:		
Trade payables	**1,736**	1,561
Other payables	**22**	27
Accruals	**1,030**	1,225
Loans and borrowings	**1,233**	354
	4,021	3,167

The Directors consider that the carrying amount of the financial assets approximates to their fair value and represents the maximum exposure to credit risk.

The Directors consider that the carrying amount of the financial liabilities approximates to their fair value.

Financial risk management objectives

The Group's approach to managing financial risk is described in the Directors' Report.

Market risk

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. The Group enters into foreign exchange forward contracts to hedge the exchange rate risk arising on the purchase of inventory and sales denominated in foreign currency.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Swedish Krona	**280**	376	**28**	5
Euro	**234**	250	**51**	–
US Dollar	**–**	28	**17**	8

At the year end the Group was exposed to fluctuations in Swedish Krona, Euros and US Dollars against Sterling. The following table details the Group's sensitivity to a 10% increase or decrease in Sterling against the relevant foreign currencies. 10% represents management's assessment of a reasonably possible change in foreign currency exchange rates.

21. Financial instruments continued

Foreign currency risk management continued

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit where Sterling strengthens against the relevant currency. For a 10% weakening in Sterling against the foreign currency, there would be an equal and opposite impact on the profit.

	2017 £'000	2016 £'000
Swedish Krona loss	(25)	(37)
Euro loss	(18)	(25)
US Dollar loss	2	(2)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only extending credit to creditworthy counterparties, and obtaining collateral where appropriate, as a means of mitigating risk of financial loss from defaults. The Group obtains credit checks from independent rating agencies and other publicly available financial information to rate its customers. The Group's exposure and credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty credit limits that are reviewed and approved by the credit control team.

The credit risk within contracts is managed in the same way. The credit risk management of other receivables, where material, if not covered above, is handled on a case-by-case basis.

The Group has significant credit risk exposure to several single counterparties. Note 15 to the financial statements gives details of counterparties with balances in excess of 5% of total trade receivables at the year end.

Liquidity risk management

Responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and maintaining adequate banking facilities. At 31 December 2017, the Group had no overdraft facility (2016: £nil). As at 31 December 2017, the net bank balance, cash less overdraft, was £302,000 (2016: £511,000). At 31 December 2017, the Group has £300k (2016: £300k) of loan notes and an invoice discounting facility with Close Brothers for £1,250k (2016: facility with Market Invoice for £400k).

Maturity of financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The maturity of financial liabilities table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	2017 £'000	2016 £'000
In one year or less	2,554	2,000
In one to two years	300	300

22. Share capital

Called up share capital

	2017 £'000	2016 £'000
Authorised, allotted, called up and fully paid:		
93,239,755 Ordinary Shares of 6.5p each (2016: 93,239,755 Ordinary Shares of 6.5p each)	6,061	6,061

The share premium account represents the amount received on the issue of Ordinary Shares by the Company, in excess of their nominal value, and is non-distributable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

22. Share capital continued

Share options

The Company operates two EMI share option schemes for employees and Directors of the Group. Individual options have an exercise price of the market value at date of grant or the nominal value if higher. The minimum vesting period is three years from date of grant. All options are settled in equity, automatically lapse ten years after the date of grant and generally lapse if an option holder ceases to be a Group employee. There are no performance conditions associated with the current options.

As at 31 December options under these schemes, including those held by Directors, were outstanding over:

	2017		2016	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year	**7,992,308**	**6.5p**	8,142,308	6.6p
Lapsed during the year	**–**	**–**	(150,000)	12.5p
Outstanding at end of year	**7,992,308**	**6.5p**	7,992,308	6.5p
Exercisable at end of year	**7,692,308**	**6.5p**	7,692,308	6.5p

The aggregate charge recognised in the Group financial statements in the year was £4,000 (2016: £103,000), all of which was recognised in a subsidiary entity's results.

Directors' interests in share options

Details of options held by Directors over the Company's Ordinary Shares of 6.5p are set out below:

	As at 31 December 2016	Issued in the year	As at 31 December 2017	Exercise price	Date from which exercisable	Expiry date
The 2004 EMI Scheme issue 3						
R C Singleton	3,846,154	–	**3,846,154**	6.5p	10/10/2016	10/10/2023
G Robinson	3,846,154	–	**3,846,154**	6.5p	10/10/2016	15/02/2018

G Robinson resigned as a Director on 15 May 2017.

3,846,154 of Directors share options lapsed on 1 March 2018.

The market price of the Company's shares at the end of the financial year was 2.88p (2016: 2.63p) and the range of market prices during the year was 2.13p to 3.63p (2016: 1.50p to 5.00p). The weighted average remaining life of all share options outstanding at 31 December 2017 is 5 years and 9 months (31 December 2016: six years and ten months).

For those options granted after 7 November 2002, the Black Scholes model has been used to calculate the charge to the statement of comprehensive income. The inputs into the model are as follows:

Option type	Grant date	Exercise price (pence)	Share price on grant date (pence)	Expected term (years)	Vesting period (years)	Option life (years)	Expected volatility	Risk free rate
EMI	10/10/2013	6.5	5.62	5	3	10	144%	2.74%
EMI	12/10/2015	6.5	4.38	5	3	10	146%	1.82%

No dividend yield has been assumed for any of the above options and none of the share options' performance conditions are linked to the market price of the Company's shares.

Expected volatility was determined by calculating the historical volatility of the Company's share price over the time commensurate with the award term immediately prior to the date of grant (i.e. five years). Given the lack of past option award exercise data for the Company's share-based awards, management has assumed an expected term equal to five years for option awards with ten-year terms (a typical average input for a ten-year option scheme).

22. Share capital continued

Employee Shareholder Plan

On 15 February 2015, the 21st Century Technology Employee Shareholder Plan (the "Plan") was implemented following approval at a general meeting of the Company. Details of the B Ordinary Shares of 0.1p in the capital of 21st Century Fleet Systems Limited (formerly 21st Century Technology Solutions Limited) ("Shares" and "Solutions", respectively) are set out below:

The Shares carry the right for the holder, to require the holder(s) of A Ordinary Shares, jointly and severally, in Solutions to acquire the Shares (the "Put Option"). The option may be exercised:

(a) at the discretion of the Executive where a compulsory share transfer event occurs (such as a cessation of employment); and

(b) if (i) not less than three years nor more than ten years have elapsed since the Shares were acquired; and (ii) the share price of Ordinary Shares in the capital of the Company (or such other company as may then be the parent company of Solutions) is not less than 7.0p per share.

The price per Share payable under the Put Option shall be equal to the amount by which the market capitalisation of the Company (as determined by the middle-market price of the Company's shares averaged over the last ten dealing days preceding the valuation date) exceeds £6,060,585, divided by the total number of issued shares in the capital of Solutions.

The price may be settled, at the discretion of the Company, in cash or by the issue or transfer of such number of Ordinary Shares in the Company to the relevant value, calculated by reference to the middle-market price of the Company's shares averaged over the last ten dealing days preceding the valuation date. Should the Company exercise its discretion described above and issue the Executives with Ordinary Shares in the Company in exchange for the Shares in Solutions, the Executives' holdings in the Company would represent, following the same allotment, 12% of the fully diluted share capital of the Company.

Directors' interests in the Employee Shareholder Plan

	As at 31 December 2016	Issued in the year	**As at 31 December 2017**	Exercise price	Date from which exercisable	Expiry date
21st Century Technology Employee Shareholder Plan						
R C Singleton	100	—	**100**	7.0p	13/02/2018	13/02/2025
G Robinson	55	—	**55**	7.0p	13/02/2018	13/02/2025

G Robinson resigned as a Director on 15 May 2017.

Although the employee shares awarded under the Plan are not strictly share options, they have the same characteristics as premium-priced share options. Accordingly, the Plan is accounted for in accordance with IFRS 2 'Share-based Payment' using a Black Scholes option pricing model to give a proxy for the fair value of the services provided by the Executives, the key inputs to which are:

Option type	Grant date	Exercise price (pence)	Share price on grant date (pence)	Expected term (years)	Vesting period (years)	Option life (years)	Expected volatility	Risk free rate
Employee Shareholder Plan	13/02/2015	6.5	4.88	5	3	10	139%	1.68%

No dividend yield has been assumed for any of the above options and none of the share options' performance conditions are linked to the market price of the Company's shares.

The aggregate charge recognised in the Group financial statements in the year was £220,000 (2016: £220,000), all of which was recognised in a subsidiary entity's results.

23. Financial commitments

At 31 December 2017, the Group had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Plant and equipment	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Due within one year	**86**	104	**43**	48
Due between two and five years	**313**	320	**29**	68
Due over five years	**295**	373	**—**	—
	694	797	**72**	116

The majority of the plant and equipment operating leases are in respect of car and van leases, which are negotiated for a term of three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

24. Reconciliation of operating loss to net cash outflow from operating activities

	2017 £'000	2016 £'000
Loss for the year	**(351)**	(2,303)
Adjustments for:		
– Finance income	**63**	11
– Profit on disposal of fixed assets	**–**	4
– Deferred tax credit	**(9)**	(13)
– Depreciation of property, plant and equipment	**63**	107
– Amortisation of intangible fixed assets	**334**	295
– Share-based payment expense	**224**	323
– Foreign exchange rate	**(14)**	(32)
– (Decrease)/increase in provisions	**(668)**	42
Operating cash flows before movement in working capital	**(358)**	(1,566)
Decrease/(increase) in inventories	**155**	(428)
(Increase)/decrease in receivables	**(271)**	1,026
(Decrease)/increase in payables	**(196)**	551
Cash outflow from operations	**(670)**	(417)
Income taxes received/(paid)	**4**	(7)
Interest paid	**(63)**	(11)
Net cash outflow from operating activities	**(729)**	(435)

25. Related party transactions

Payments to key management personnel are included in note 5.

£60,000 of the Loan Notes included in note 19 in aggregate were provided by three of the Group's Directors: Russ Singleton, Mark Elliott and James Cumming (the "Lending Directors"). The Lending Directors are related parties of the Company pursuant to the AIM Rules for Companies.

There are no other related party transactions.

Subsidiaries

Transactions between the Company and its subsidiaries are eliminated on consolidation and therefore not disclosed.

26. Reorganisation costs

	2017 £'000	2016 £'000
Passenger Systems	**3**	124
Fleet Systems	**–**	410
Central	**85**	–
	88	534

Prior year reorganisation costs related to restructuring programmes arising during the year, the disposal of the Group's leased premises in Croydon, and the December 2016 agreed restructuring programme.

Current year reorganisation costs relate to the additional costs in respect of the December 2016 restructuring programme and costs related to the loss of office of one of the Group's Directors.

All reorganisation costs relate to administrative expenses.

COMPANY STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	3	**16**	19
Investment in subsidiaries	4	**6,958**	6,958
		6,974	6,977
Current assets			
Other debtors		**29**	15
Cash and cash equivalents		**–**	77
		29	92
Total assets		**7,003**	7,069
Liabilities			
Current liabilities			
Amounts owed to Group undertakings	5	**(1,458)**	(1,480)
Other creditors and accruals		**(32)**	(12)
		(1,490)	(1,492)
Net current liabilities		**(1,461)**	(1,400)
Non-current liabilities			
Loans and borrowings	6	**(300)**	(300)
Total liabilities		**(1,790)**	(1,792)
Net assets		**5,213**	5,277
Shareholders' equity			
Share capital	8	**6,061**	6,061
Share premium account		**8**	8
Merger reserve		**1,001**	1,001
Retained earnings		**(1,857)**	(1,793)
Shareholders' funds		**5,213**	5,277

The financial statements were approved by the Board of Directors and authorised for issue on 28 March 2018 and were signed on its behalf by:

M W Elliott
Non-executive Chairman

R C Singleton
Chief Executive

Registered number: 2974642

The notes on pages 55 to 59 form part of these parent company financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total equity shareholders' funds £'000
Balance at 1 January 2016	6,061	8	1,001	(6,480)	590
Profit and total comprehensive income for the year	—	—	—	4,364	4,364
Share-based payments	—	—	—	323	323
Balance at 31 December 2016	6,061	8	1,001	(1,793)	5,277
Loss and total comprehensive income for the year	—	—	—	(288)	(288)
Share-based payments	—	—	—	224	224
Balance at 31 December 2017	**6,061**	**8**	**1,001**	**(1,857)**	**5,213**

The notes on pages 55 to 59 form part of these parent company financial statements.

1. Significant accounting policies applied to the individual entity financial statements of the Company

Statement of compliance

The separate financial statements of the Company are presented in accordance with Financial Reporting Standard 101 'The Reduced Disclosure Framework'. They have been prepared under the historic cost convention, except financial instruments and share options, which have been prepared in accordance with IAS 39 and IFRS 2 respectively. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the year.

The results and financial position of the Company are expressed in Sterling (£). The numbers in the financial statements are rounded in £'000 for presentation purposes.

This Company is included in the consolidated financial statements of 21st Century Technology plc for the year ended 31 December 2017. These accounts are available from the registered address of the Company.

Disclosure exemptions applied

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101, paragraph 8:

(i) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;

(ii) The applicable requirements of IAS 36 'Impairment of Assets' relating to the disclosures of estimates used to measure recoverable amounts;

(iii) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79a, iv), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73e) and the reconciliation of the carrying amount of intangible assets (IAS 38.118e);

(iv) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;

(v) The requirements of IAS 7 'Statement of Cash flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d), 111 relating to the presentation of a cash flow statement;

(vi) The requirements of paragraph 45(b) and 45-52 of IFRS 2 'Share-based Payments' because the share-based payment arrangement concerns instruments of a group entity.

Basis of preparation

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were:

(i) Note 4 -Investments in subsidiaries

Determining whether investments are impaired requires an estimation of the value in use of the cash generating units to which the investments relate. The value-in-use calculation requires the Company to estimate future cash flows expected to arise from the cash generating unit at a suitable discount rate in order to calculate the present value. A discount rate of 14–16% is applied to the cash flow forecasts from the most recent financial budgets and long-term plans which are extrapolated in perpetuity assuming no growth beyond five years.

Going concern

The Company is dependent on the performance of the Group. The Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the Strategic Report along with the principal risks and uncertainties.

The Group's net underlying profit for the year was £11k (2016: underlying loss £1,397k). As at 31 December 2017 the Group had net current liabilities of £785k (2016: net current liabilities £392k) and net cash reserves of £302k (2016: £511k).

In 2016 the Directors identified a need to raise finance to cover liquidity issues pending the anticipated return of the Group to profitability and raised £300,000 from the issue of loan notes in December 2016 and arranged a £400,000 invoice discounting facility.

In December 2017 a new £1.25m invoice discounting facility was put in place to replace the £400,000 facility. Current trading is in line with management forecasts and restructuring efforts are complete.

The Directors have prepared Group cash flow projections for the period to 30 June 2019 based on latest forecasts that show that the Group will be able to operate within the Group current funding resources. It is important that we achieve sales forecasts and the profile of cash receipts.

As with all businesses there are particular times of the year where our working capital requirements are at their peak. The Group is well placed to manage these business risks effectively and the Board reviews the Group's performance against budgets and forecasts on a regular basis to ensure action is taken when needed.

These projections indicate that the Group will operate within available facilities throughout the projection period and therefore based on these projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of these financial statements. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

1. Significant accounting policies applied to the individual entity financial statements of the Company continued

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturity of less than or equal to three months and are measured on initial recognition at their fair value and subsequently at amortised cost.

Loans and receivables and other financial liabilities

Trade receivables and trade payables are measured on initial recognition which is the trade date, at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable trade receivables are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

Loans are initially recognised at the fair value of the proceeds and are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least one year after the balance sheet date.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Share capital and share premium

Ordinary Shares are classified as equity. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Merger reserve

The merger reserve arose on a historical acquisition prior to 1 January 2015 and has been maintained under an FRS 101 transition exemption.

Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, estimates are made of the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Recoverable amount is the higher of fair value, less costs to sell, and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate appropriate to the specific asset or CGU and by comparing the internal rate of return generated by the cash flows to target return rates established by management. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying value of the asset or CGU is reduced to its recoverable amount. Impairment losses are recognised immediately in the statement of comprehensive income.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if that impairment loss had not been recognised. Impairment losses in respect of goodwill are not reversed.

2. Loss for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. 21st Century Technology plc reported a loss for the financial year ended 31 December 2017 of £288,000 (2016: profit of £4,364,000).

The Company has an unrecognised deferred tax asset of:

	2017 £'000	2016 £'000
Tax losses	**188**	133

The auditor's remuneration for the audit and other services is disclosed in note 7 to the Group financial statements.

The Directors' remuneration is disclosed in note 5 to the Group financial statements.

3. Property, plant and equipment

2017 movements	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2017	12	7	**19**
Additions	—	2	**2**
At 31 December 2017	12	9	**21**
Depreciation			
At 1 January 2017	—	—	**—**
Charge for the year	3	2	**5**
At 31 December 2017	3	2	**5**
Net book amounts			
At 31 December 2017	9	7	**16**
At 31 December 2016	12	7	**19**

4. Investments in subsidiaries

	Interests in Group undertakings	
	2017 £'000	2016 £'000
Cost		
At 1 January	**27,367**	27,367
At 31 December	**27,367**	27,367
Amounts provided		
At 1 January	**(20,409)**	(24,962)
Reversal of impairment	**—**	4,553
At 31 December	**(20,409)**	(20,409)
Net book amounts	**6,958**	6,958

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

The assessment is based on the net assets of the Group combined with the net present value of the cash flow projections for Fleet Systems and Passenger Systems 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 calculations are those regarding discount rates and sales forecasts.

The discount rates are as follows:

	2017 %	2016 %
Fleet Systems	**16**	16
Passenger Systems	**14**	14

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.

The Passenger Systems cash flow projections are described in detail in Note 10 to the Group Accounts. The value-in-use calculation supports the carrying value of the CGU with headroom of £344k. The sensitivity analysis based on a reduction of 5% points in the growth rate in 2018 to 35% produced an impairment charge of £541k.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2017

4. Investments in subsidiaries continued

The Fleet Systems cash flow projections are based upon assumptions of sales, margins and cost bases. Of these assumptions the calculation is most sensitive to the level of sales. Margins are fixed in the forecast and 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 calculations do not include cash flows from restructurings to which the Group is not yet committed.

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 sales levels in 2018 are supported by long-term framework agreements with key customers, actual performance in 2017 and a strong order book going forward, 2018 represents a 27% increase and the next three years are based upon compound sales growth of 5%. However, given the difficulties experienced in the past in achieving sales forecasts in Fleet Systems the Directors have risk adjusted the forecast to reduce the projected sales growth rate in 2018 to 20% and in the subsequent three years to 2.5%. This calculation produces a net present value for the CGU of £6,443k.

A sensitivity analysis has been performed on the Fleet Systems calculation. The Directors consider that an absolute change in the key sales assumption is possible and a reduction of 5% points in the growth rate in 2018 to 15% would result in a £1,168k reduction in the value-in-use of the CGU.

Combining the net assets of the Group with the net present value of the cash flow projections of Fleet Systems and Passenger Systems produces an estimated investment value-in-use of £6,953k for 21st Century Fleet Systems Ltd. This supports the current carrying value of the investment. Combining the sensitivity analyses for Fleet Systems and Passenger Systems as described above would result in a £1,709k reduction in the investment value.

Subsidiary undertakings

Details of the Company's subsidiary undertakings at 31 December 2017 are as follows:

Name of undertaking	Nature of business	Country of incorporation
Direct subsidiaries		
21st Century Fleet Systems Ltd	Sale and installation of CCTV and other monitoring devices	UK
21st C. Scandinavia AB	CCTV installation and project management	Sweden
21st Century Crime Prevention Services Ltd	Dormant	UK
21st Century Technology Group Ltd	Dormant	UK
Bridge Alert Ltd	Dormant	UK
Ecomanager Ltd	Dormant	UK
Integrated Technologies (International) Ltd	Dormant	UK
Journeo Limited	Dormant	UK
Laserline (UK) Limited	Dormant	UK
Linefit Engineering Limited	Dormant	UK
Second Base Systems Ltd	Dormant	UK
Secure Microsystems Ltd	Dormant	UK
ServiceManager Ltd	Dormant	UK
Sextons Group Ltd	Dormant	UK
Toad Innovations Ltd	Dormant	UK
Toad Ltd	Dormant	UK
21st Century Integrated Systems Limited	Holding company of Region Services Group	UK

Name of undertaking	Nature of business	Country of incorporation
Indirect subsidiaries		
21st Century Passenger Systems Limited	Sale, manufacture and installation of passenger systems	UK
RSL Cityspace Limited	Sale and service of information kiosks	UK
RSL Street Net Limited	Dormant	UK
Cityspace Limited	Dormant	UK

All subsidiaries are wholly owned except the 70%-owned Integrated Technologies (International) Ltd. All UK subsidiaries' registered office address is the same as the Company; 12 Charter Point Way, Ashby-de-la-Zouch LE65 1NF except Linefit Engineering Limited, registered office 272 Bath Street, Glasgow, G2 4JR.

21st C. Scandinavia AB registered office is at Varuvägen 9, 125 30 Älvsjö, Sverige.

5. Amounts owed to Group undertakings

The amounts owed to Group undertakings are repayable upon demand.

6. Loans and borrowings

	2017			2016		
	Current £'000	Non-current £'000	Total £'000	Current £'000	Non-current £'000	Total £'000
Other loan notes	–	300	300	–	300	300
	–	300	300	–	300	300

The fair value of the loans and borrowings is not substantially different from the carrying value.

During the year, £nil (2016: £300,000) of loans and borrowings were issued.

The main terms of the bank and other loans are:

	Loan name	Interest rate %	Term	Final payment	Loan value £'000
Other loans	Loan notes	10.00	3 years	December 2019	300

The loan notes are secured on the trade and other debtors of the Group's principal trading entities, 21st Century Fleet Systems Limited and 21st Century Passenger Systems Limited.

£60,000 of the loan notes in aggregate were provided by three of the Group's Directors: Russ Singleton, Mark Elliott and James Cumming (the "Lending Directors"). The Lending Directors are related parties of the Company pursuant to the AIM Rules for Companies.

7. Employee information

The Company had no direct employees in the years ended 31 December 2017 and 31 December 2016.

8. Share capital

Called up share capital

	2017 £'000	2016 £'000
Authorised, allotted, called up and fully paid:		
93,239,755 Ordinary Shares of 6.5p each (2016: 93,239,755 Ordinary Shares of 6.5p each)	6,061	6,061

The share premium account represents the amount received on the issue of ordinary shares by the Company, in excess of their nominal value and is non-distributable.

The merger reserve represents the excess over nominal value of the fair value consideration for the acquisition of subsidiaries satisfied by the issue of shares in accordance with S612 of the Companies Act 2006.

CORPORATE INFORMATION

Directors

Non-executive Chairman
M W Elliott

Non-executive Director
J Cumming

Executive Directors
R C Singleton
N Lowe

Company Secretary
N Lowe

Auditor

PKF Cooper Parry Group Limited
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Bankers

NatWest Bank
Carlyle House
Carlyle Road
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Solicitors

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5 Appold Street
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EC2A 2HA

Registered office

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LE65 1NF

Registered number: 2974642

Nominated adviser, financial adviser and broker

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