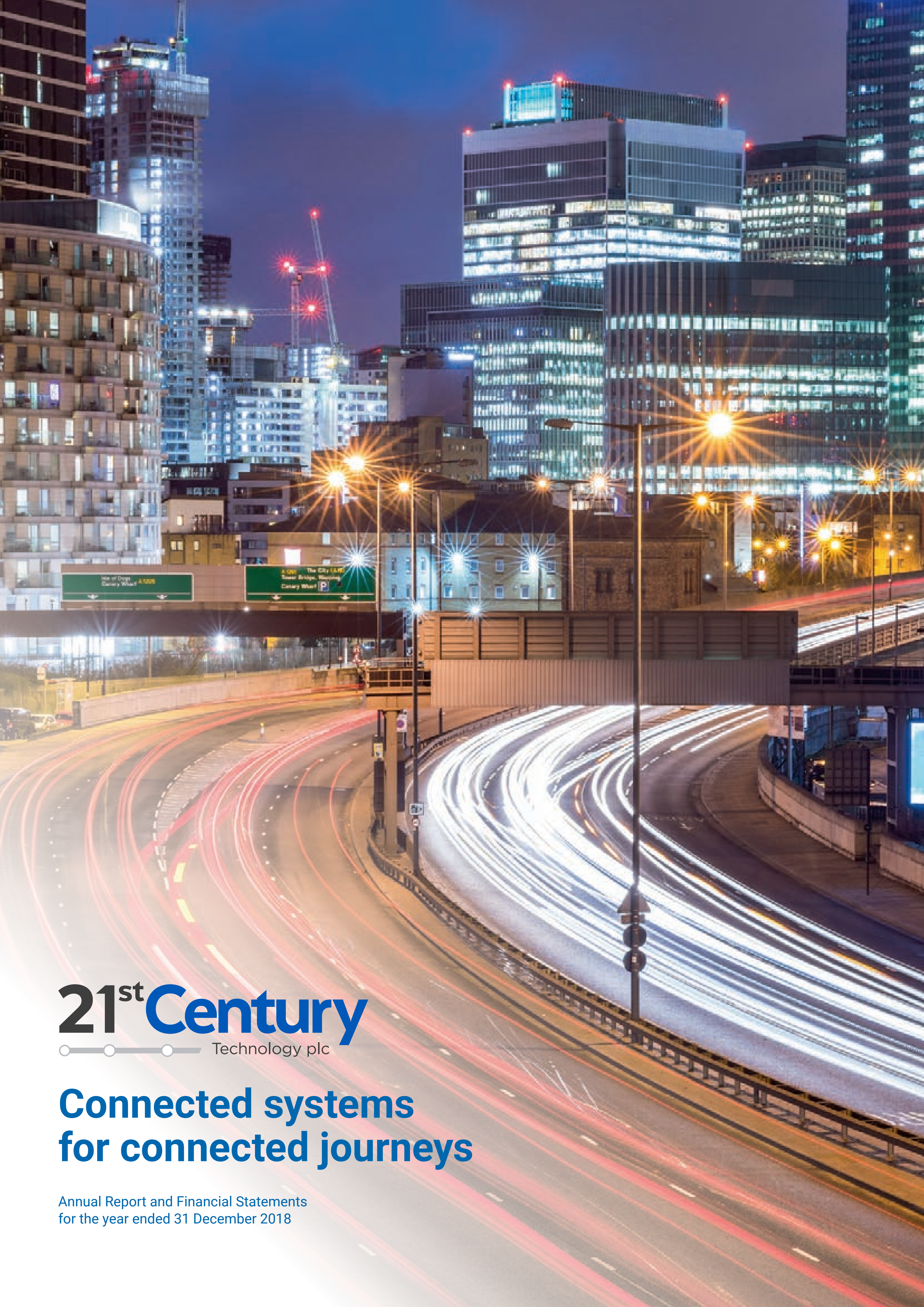

21st Century Technology plc

Connected systems for connected journeys

Annual Report and Financial Statements
for the year ended 31 December 2018

Connected systems for connected journeys

21st Century Technology provides tailored solutions to the transport community, solving complex operational requirements both on-board vehicles, through 21st Century Fleet Systems, and into towns and cities through 21st Century Passenger Systems.

With over 20 years' experience in the transport industry, 21st Century combines its R&D and domain expertise to create technologically converged solutions, leveraging the Internet of Things (IoT) to deliver more deeply integrated solutions to complex, regulated, safety-critical applications.

Experts in multiple transport technologies

A great team of people who understand transport

Delivering efficiencies for our customers

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

Headlines

Revenue	Gross profit	Operating profit
£12.6m	**£4.8m**	**£260k**
2017: £11.8m	2017: £5.0m	2017: £301k loss

FINANCIAL HEADLINES

- Revenue £12.6m (2017: £11.8m) of which £3.9m (2017: £3.5m) was recurring revenue
- Gross profit £4.8m (2017: £5.0m) reflecting business mix
- Underlying loss before tax £138k (2017: underlying profit £11k)
- Profit before tax £0.1m (2017: loss £0.4m) as a result of beneficial effects from share-based payments credit
- Diluted earnings per share 0.15p (2017: loss per share 0.38p)
- Net cash flows from operating activities £380k (2017: cash outflow £729k)
- Cash and cash equivalents at year end £0.5m (2017: £0.3m)
- Extended the maturity of the £300k 2016 Loan Notes to 31 March 2021 and raised a further £250k of Loan Notes which mature on 31 March 2022 in order to provide additional working capital

OPERATIONAL HEADLINES

- Fleet sales increased 10% to £8.2m (2017: £7.5m); gross profit decreased to £2.4m (2017: £2.6m) reflecting the business mix
- Passenger sales increased to £4.4m (2017: £4.3m) and gross profit increased to £2.5m (2017: £2.4m) with an increase in recurring, higher margin maintenance sales
- Revenues from overseas operations grew to £2.3m (2017: £2.0m)
- Increased orders for our new technologies marketed under the Journeo™ brand and sold as Software as a Service (SaaS) contributed to the £0.4m increase in recurring revenue
- R&D continues to be crucial to our innovation-led growth strategy with increased joined-up opportunities drawing from Fleet and Passenger expertise

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At a glance

21ST CENTURY: INTELLIGENT SYSTEMS POWERING SMART CITIES

With a culture of technically-agile and customer-centric development, 21st Century is the trusted technical partner of fleet operators, local authorities and passenger transport executives, leveraging the Internet of Things (IoT) to provide the intelligent systems that will power the smart cities of the future.

CCTV

Remote Condition Monitoring

Vehicle passenger information

Passenger counting

OUR SERVICES

DESIGN

Industry-leading product knowledge and experience enable 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.

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 its nationwide network of field service engineers.

Accreditations and memberships

Cert No. 13843
ISO 9001: 2015
ISO 14001: 2015
BS OHSAS: 2015

ITXPT INFORMATION TECHNOLOGY for PUBLIC TRANSPORT

RTIG INFORM

Smart ticketing

Real-time passenger information

Wayfinding

Interactive totems

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.

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.

Chairman's statement

SUMMARY

- Revenue £12.6m (2017: £11.8m)
- Gross profit £4.85m (2017: £5m)
- Underlying operating loss £138k (2017: profit £0.01m)
- Operating profit £0.3m (2017: loss £0.3m)
- Cash at year end £0.5m (2017: £0.3m)

I am pleased to report on another year of progress in 2018 during which the Group increased revenues for the fourth successive year to £12.6m (2017: £11.8m) deriving from our increased investment in the future, through further development into our own IP technologies, products, services and software.

Trading results

Group results for the year ended 31 December 2018 show a small underlying loss before tax of £138k (2017: underlying profit £11k). Overall sales volumes increased to £12.6m (2017: £11.8m) and gross profit decreased to £4.8m (2017: £5.0m).

Fleet sales increased 10% to £8.2m (2017: £7.5m) on improved sales performance in Bus UK and Eire and International, particularly in non-EU markets. Gross profit decreased to £2.4m (2017: £2.6m) reflecting the business mix. Passenger sales increased to £4.4m (2017: £4.3m) and gross profit increased to £2.5m (2017: £2.4m) with an increase in recurring, high-margin, software and support sales.

Underlying administrative expenses increased to £5.4m (2017: £5.1m) following the investment in technical and sales personnel.

The effect of a share-based payments credit, R&D tax credits and grant income resulted in a profit before tax of £0.1m (2017: loss £0.4m). The basic profit per share is 0.15p (2017: loss 0.38p).

To support the business' investment in R&D and to provide working capital to ensure that anticipated opportunities are capitalised upon, agreement was made to extend the maturity of the £300k 2016 Loan Notes to 31 March 2021 and the Company raised a further £250k of Loan Notes which mature on 31 March 2022.

Customer update

Our programme to retain and broaden the customer base and the range of services we provide is working. From a base of three important and large operator customers, First Bus, Arriva Bus and Keolis, we were delighted to welcome Abellio and more recently Translink in Northern Ireland. This programme is ongoing as we continue to forge new customer relationships.

It is very encouraging to see a growing number of new and existing customers seeking out our technologies, marketed under the Journeo™ brand. New products, software and services are a key component in our growth and diversification strategy. We have identified niche-market opportunities with the potential to effect a profound change on our business, opening global market access for our products and Software as a Service (SaaS) based solutions to value-added resellers, distributors and end-user operators.

Whilst it takes time and investment to bring new products to market it is with the objective of growing a profitable, long-term and sustainable recurring revenue business. In 2018 recurring revenues were £3.9m (31% of total revenue) demonstrating the value of our software, technologies and services throughout the UK and beyond.

Following our breakthrough work in 2017, we were pleased to secure additional sales of £1m into the New Zealand bus market, shielding the Group from impacts associated with reduced new vehicle registrations in the UK. Importantly it has exposed our R&D teams to exciting and scalable opportunities utilising global standards such as General Transit Feed Specification (GTFS) for new technology-based sales outside of the UK, currently dominated by the more complex and variably interpreted SIRI (Service Interface for Real-time Information) standards.

During 2018 we completed what turned out to be a challenging £1m fleet-wide safety systems upgrade involving the installation of Handbrake Warning (HBW) technology on over 5,000 buses located in over 60 depots throughout the UK. The logistics associated with co-ordinating vehicle availability, engineering allocation with just-in-time equipment delivery to each site, in a safety-critical quality-assured process produced some unexpected and valuable insights. As a result, we are now well positioned to carry out similar business-critical, fleet-wide engineering upgrade programmes and will be making further IT systems investments during 2019 to strengthen capabilities in this area.

A change in the mix of business, particularly within our Fleet segment, resulted in slightly reduced margins at Group level of £4.85m (2017: £5m). Large fleet customers in the UK held back investment in the numbers of new double-deck and single-deck vehicles ordered during 2018, resulting in lower numbers than indicated and compared with the average numbers over each of the last few years. To extend the life of some older vehicles within their existing fleets, we carried out important, but lower value, mid-life refurbishment of existing on-board technologies. We are anticipating that this situation may persist for a while longer for a variety of reasons, not least the uncertainty surrounding Brexit.

Market opportunities

A number of bus manufacturers have been increasing investment in their overseas marketing and, as a result, have been keen to include and demonstrate their vehicles with the latest range of advanced on-board technology that 21st Century has to offer. We have welcomed the opportunity to provide this support, as it not only improves bonding with our partners, it provides international marketing exposure where we can showcase our solutions. Over the last twelve months we have made new contacts in EU countries along with Mexico, Chile, Hong Kong and New Zealand. We are now working on opportunities as a result of these visits that we hope will begin to come to fruition later this year.

Investment decisions regarding new vehicle types and numbers are influenced by many factors: Demand Responsive Transport (DRT) such as Uber, congestion, low interest rates and online shopping. As populations continue to coalesce around ever larger urban centres, agile, machine learning-based solutions will become essential for movement around smarter cities of the future. It has taken a while for us to establish our technical credentials in the marketplace, but we are now forging links within a broader ecosystem and look forward to playing an increasing role in this paradigm shift.

Transport authorities and fleet operators are adapting to these changing circumstances in a variety of ways. Some are moving towards smaller, electric or Zero Emission Vehicles (ZEV); others are upgrading existing infrastructure and vehicles, whilst also modifying routes to improve the passenger experience, reduce congestion, attract people to public transport and, at the same time, fulfil their commitment to reduce emissions.

Research and Development

We continue to provide engineering services, technical support, new equipment and evaluation systems to bus manufacturers, operators and transport authorities. Our research has identified tangible growth opportunities in segments of our target markets, partly as a result of the long operating life of vehicles and associated legacy upgrade requirements, but also due to congestion, modal shift and other changing passenger dynamics. We are fortunate to have a small number of thought leaders and early-adopter customers who support the development of new concepts and prototypes.

Increasing the development pulse and pace of innovation for our novel or next-generation solutions that improve safety, efficiency and accessibility for many types of transport-related services is a priority. Our sales, marketing and development plans are co-ordinated and align with the requirements of the Bus Services Act 2017 and the Transforming Cities Fund. We aim to capture an increasing share of both of these market initiatives in the UK and in other overseas territories where similar approaches are being considered.

Governance

As Chairman, it is my responsibility to ensure the highest practicable standards of corporate governance are in place. Of the two widely recognised formal codes, we adhere to the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies, which the Board considers the most appropriate for the size and structure of the Group. More information can be found in the Corporate Governance section of this report and on our website.

Please see www.21stplc.com/en/investors for our full compliance statement.

People

As we further develop into a more customer-centric, technically agile business, so do the expectations and responsibilities that we place on our team members. It pleases me to report that our staff are adapting exceptionally well within this changing environment, improving their skillsets and what they can offer our customers.

We have developed internal resource into key roles and recruited industry-proven specialists where relevant. Focus has been placed on enhancing the skills of our engineering force and throughout the year we have increased the number of our specialist electricians and made great strides towards ensuring all fleet engineers are FITAS accredited, not just those engineers working in London as mandated by TfL.

We are fortunate to have enthusiastic and skilled staff who share our vision for the Company. I would like to thank all of them for their continued dedication and hard work.

Outlook

The focus that the business has placed on developing its technical capabilities in recent years is coming to fruition and gives me greater confidence in our ability to grow the business over the course of the coming years.

By applying our core capabilities to build new solutions that can deliver benefits to our customers and their operations, the value proposition of working with 21st Century grows and our position in the target markets is shifting towards that of innovator and leader.

This is being echoed by a growing pipeline of opportunities for increasingly complex and valuable systems that are now within our reach as a result of our own products, services and software, with significant scale potential to resell the core technologies in the UK, the EU and further overseas.

Whether meeting new statutory regulations or delivering cost and operational efficiencies, the technological solutions provided by 21st Century and the range of customers we offer them to have never been greater.

Mark Elliott

Non-executive Chairman

26 March 2019

Chief Executive's report

SUMMARY

- Further adoption of our Journeo™ Remote Condition Monitoring (RCM) system results in increased level of recurring income
- Breakthrough order for digital signage into the NHS
- Identified a number of growth opportunities for solutions within the emerging smart city transformation

Principal activities

The Group's principal activities are in providing tailored solutions to the transport community, solving complex operational requirements both on-board vehicles through 21st Century Fleet Systems and into towns and cities through 21st Century Passenger Systems.

Fleet Systems solutions include on-board CCTV, Wi-Fi and passenger information systems to improve accessibility and safety, vehicle and driver performance telematics, remote condition monitoring and advanced passenger counting technologies, which improve efficiency, alongside our cloud-based agnostic video management software that connects the vehicle to other enterprise stakeholders.

Passenger Systems solutions include a wide range of robust external digital signage such as on-street interactive wayfinding totems, bus shelter displays and transport interchange departure boards and our powerful content management software, which enables users to inform passengers with graphical real-time departure information, roadworks and disruption messaging with supporting advertorial media on a 24/7 basis.

We combine our R&D and domain expertise to create technologically converged solutions, leveraging the Internet of Things (IoT) to deliver more deeply integrated solutions to complex, regulated, safety-critical applications in our current and targeted market spaces.

Business model

Our business model is to compete in the market as an open provider of technology solutions, unlocking customers from proprietary or closed systems. We work with global-scale product companies and our supply chain to deliver highly reliable, scalable and cost-effective solutions for the transport community over the lifecycle of the systems. The service offering includes the design, assembly, software development, installation, on-site support and back-office systems.

We compete by striving to offer better, more fully integrated solutions at reduced costs to our customers. We carefully seek out, or in some cases create, new niche-market applications where we see significant growth and market leadership potential. Our customers include multi-national fleet operators, vehicle manufacturers, local authorities and Passenger Transport Executives (PTEs).

Strategic goals

Our aim is to become market leaders through our innovative products, technologies and software and the "go-to" provider of solutions to the wider transport community, by solving the complex operational and information requirements on-board vehicles and the associated connected systems in towns and cities.

Our guiding principle is to improve the customer service experience continuously. We do this by working closely with our customers, partners and suppliers and applying our R&D resources to create new solutions, having the best team of people and having the right systems in place to operate efficiently.

Each year we set strategic goals and monitor performance against them throughout the year. I am pleased to be able to demonstrate the progress we have made this year and further objectives looking forward as part of the continual development of 21st Century.

Key performance indicators

The Company uses a number of key performance indicators (KPIs) to monitor progress against its objectives. The KPIs are:

	2018 £'000	2017 £'000	Mvmt £'000
Revenue	**12,601**	11,761	840
Gross profit	**4,849**	4,996	(147)
Underlying administrative expenses	**5,357**	5,074	283
Total administrative expenses	**4,589**	5,297	(708)
Underlying (loss)/profit	**(138)**	11	(149)
Operating profit/(loss)	**260**	(301)	561
Net current liabilities	**(1,084)**	(785)	(299)
Net cash flows from operating activities	**380**	(729)	1,109
Cash and cash equivalents	**485**	302	183
	Pence	Pence	Pence
Earnings/(loss) per share – basic	**0.15**	(0.38)	0.53
Earnings/(loss) per share – diluted	**0.15**	(0.38)	0.53

Original strategic goals	2018 additions	Progress	Additions for 2019
Improve customer service	Enhance our field engineering capabilities	Increased number of specialist electricians and FITAS accredited Field Service Engineers	Enhance the tools provided to our customer service team
Increase technical capabilities	Invest in additional technical capabilities and systems linked to target market sectors	Growing pipeline of sales based upon our own technologies	Achieve breakthrough sales in new verticals
Empower management	Encourage the training and development of existing staff members, whilst attracting the highest calibre recruits	Promotion and recruitment to form new senior management team. Establishment of a Group-wide management platform	Extend the platform to empower all staff
Secure positive outcomes from contract negotiations and renewals	Retain all existing accounts	All accounts retained where commercial terms were acceptable	Form tighter bonds with our customers to secure recurring revenues for our new solutions
Develop new lines of business and diversify client base	Broaden sales to our current customer base, extend into new customers and achieve breakthrough sales into adjacent markets	Trials underway to resell core technology in several new customer verticals	Third-party resale of our own technology IP through Journeo™
Preserve cash	Maintain vigilance on tight working capital controls	Loan facility increased to £0.55m in December 2018 to support future growth	Generate cash to continue investment whilst maintaining tight working capital controls

SUPPORTING PRINCIPLES KEY

Excel at customer service

Continuous innovation

Best people

Operational efficiency

Chief Executive’s report *continued*

Operational review

Fleet Systems

Over the last twelve months we have been investing in sales and technical support to broaden the range of services we provide to both retain existing and attract new customers, whether they are small coaching operations, medium-scale fuel distribution or large multi-national bus and rail transport operators such as Abellio, Arriva, First, Keolis and Translink.

Our ambitious plans for growth and market share saw sales increase 10% to £8.2m (2017: £7.5m) against a backdrop of an industry-wide reduction in the number of new vehicle registrations, and in the case of one of our longest standing customers, significantly so. Sales into Sweden, Holland, France and New Zealand increased to £2.3m (2017: £2.0m), offsetting revenues from reduced new vehicle registrations in the UK. However, currency exchange, support costs and marketing expenses led to slightly reduced margins on international sales, eroding underlying profit for the segment to £148k (2017: £449k).

The growing market share of the Fleet business within Northern Ireland is particularly pleasing and in March 2018 we were able to announce that we had secured a contract with Translink for major upgrade works to the DVR estate of the publicly owned transport operator. This has since resulted in subsequent orders that, whilst smaller in nature, are a testament to the dedication and hard work of our Belfast-based engineering team.

“Our research and development resources are applied to clearly identified customer or market requirements, where no off-the-shelf solution exists.”

We are supporting leading bus manufacturers in their overseas marketing efforts as technical partners, which is presenting new opportunities as we build on existing relationships to drive new sales. Expansion into new territories is not a quick win, but it is already providing valuable market insight, diversifying sales into alternative economic environments and a significantly larger marketplace in which to channel our new solutions.

Our research and development resources are applied to clearly identified customer or market requirements, where no off-the-shelf solution exists. This approach is delivering new solutions that are required by the regulatory changes present in the UK Bus Services Act along with insights gained through close collaboration with our partners. One example of this approach from the last year is the further adoption of our Journeo™ Remote Condition Monitoring (RCM)

system by a major UK fleet operator customer, as part of a plan to improve CCTV system reliability and availability. Recurring revenues are now £0.4m p.a. on a monthly subscription basis and we are in discussions with a number of other fleet operators who are considering the benefits of the Journeo™ suite of services.

In July of 2018, TfL announced "Vision Zero", which will see a range of technology mandated to eliminate deaths and serious injuries on London's transport network by 2041. We have been working with Vision Systems (France) for over two years on a camera-based solution to replace the large external wing mirrors and secure approval (homologation) for its deployment on UK roads. In October we announced an exclusive distribution agreement for SmartVision, a high definition camera wing mirror replacement system. This safety-led development is one of the core items within the Vision Zero strategy and is already generating interest ahead of the requirement to install on new London vehicles by 2021. It is currently the only system of its type to be approved for UK road use.

Passenger Systems
Revenue for the full year was broadly flat at £4.4m (2017: £4.3m), which was behind management expectation, but the business made a lot of progress including its first breakthrough order for digital signage into the health market for the NHS. Improved margins as a result of recurring revenues from software and maintenance resulted in an operating loss of £57k (2017: £267k).

We have identified a number of growth opportunities for solutions within the emerging smart city transformation. Our Passenger Systems business has long-standing relationships with many influential local government and Passenger Transport Executive customers and provides a vital entry point for our applied technologies and expertise. In September, ten city regions were shortlisted to receive their share of £840m as part of the £1.7bn Transforming Cities Fund (TCF) previously announced by the Chancellor. This funding was increased to £2.4bn in the 2018 autumn statement.

Central services
Within the year, all businesses within the Group and all sites retained their ISO 9001, ISO 14001 and BH OSAS 18001 accreditations. Early in the year, ahead of new legislation, a full GDPR audit was completed to ensure compliance.

As the software and data components within our cloud-based solutions are playing an increasingly important role in the customers' enterprise and our Company's future, we are constantly monitoring our cyber security practices and have initiated a programme to attain ISO 27001:2 accreditation for our Information Security Management System (ISMS).

Chief Executive's report *continued*

Business review and results

The performance of the Group showed an increase in sales on 2017 with an underlying loss of £138k (2017: profit £11k). Total revenue grew by 7% while gross profit decreased by 3%.

The segmental results show the performance of our Fleet and Passenger Systems segments as shown in the table below.

Segmental results

	2018			2017		
	Fleet £'000	Passenger £'000	Total £'000	Fleet £'000	Passenger £'000	Total £'000
Revenue	8,217	4,384	12,601	7,502	4,259	11,761
Gross profit	2,395	2,454	4,849	2,617	2,379	4,996
Underlying profit/(loss)	148	(57)	91	449	(267)	182
Central costs			(229)			(171)
Underlying (loss)/profit			(138)			11

Basic profit per share is 0.15p (2017: loss 0.38p).

Fleet Systems sales overall were up 10%, with the varying changes in the elements of the segment being Bus 9% increase, International 11% increase and Rail 11% decrease. Fleet gross profit levels decreased by 3% with a 3% decrease in Bus, a 3% decrease in International and a 3% decrease in Rail. Inflationary increases in overheads resulted in an underlying profit of £148k (2017: £449k).

The trading environment in Passenger Systems remained similar across 2018 as it was in 2017. Sales were up 3% on 2017, with a 2% decrease on new systems, while software and support saw a 12% increase. Gross profit increased 3% in the year. An improvement in absorption of manufacturing costs, combined with the R&D tax credit received, contributed to an improved operating loss of £57k (2017: £267k).

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

Overall, the Group made an operating profit of £260k (2017: loss £301k).

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 last 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.

Risk or uncertainty and potential impact	Mitigation
Brexit	
The Group has an international supply chain and a growing overseas customer base. The access to, and delivery of, equipment, people and materials could be negatively impacted and thus affect our ability to meet customer SLAs.	We initiated a programme of advance purchase and delivery of stock to our warehousing facilities in Coventry, Stockholm and Auckland to mitigate any short-term impact. The duty paid on non-EU purchases is in line with WTO terms and therefore the risk of a no-deal Brexit, forcing the UK to adopt these terms, is minimal.
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 are covered in the Chairman's Statement and a more detailed shareholder presentation will be made immediately following the Group's Annual General Meeting (AGM).

Signed on behalf of the Board

Russ Singleton
Chief Executive
26 March 2019

Technology report

"We are beginning to enter an exciting position where as our development capability grows, so do the opportunities with which we are presented."

INTRODUCTION

We entered 2018 with some clear strategies for our technical development:

1. **Turn mass data owned by fleet operator and local authority customers into meaningful data** – increase the technical depth of our solution components and use our ability to take large datasets held by our customers to present information in meaningful ways that facilitate real-world decision making.
2. **Drive the evolution of our core system** – create seamless solutions from the previously disparate Passenger and Fleet Systems, aligning our capabilities with the emerging trends in public transport and local authorities.
3. **Utilise the capabilities we have developed to enter adjacent markets** – build an agile framework for the rapid deployment of new services and ideas.

Throughout 2018 there has been continued progress on these criteria as we work to build systems for the future. It remains our intention to only apply our research and development where customer-driven sales opportunities exist and we see scale potential within existing or adjacent markets. We are beginning to enter an exciting position where as our development capability grows, so do the opportunities with which we are presented.

REAL-TIME INFORMATION

We are now seeing joined-up opportunities, embracing both Passenger and Fleet Systems, as the norm. Increased ownership of the data paths which drive these solutions brings with it scale-economies as we consolidate processing and management into fewer platforms; excitingly, this ownership leads to new and bigger possibilities.

For our customers, core initiatives, such as encouraging more people onto public transport, are a critical part of future transport strategy.

Making it easier to understand and use public transport is an area we have invested considerable resource. The connections between bus journeys, the bus and the schedule invariably involve many disparate systems. Solutions that can converge these systems, with the addition of our own IP, is an area for which we see potential scalable growth. For example, we have created a new genre of on-vehicle display that incorporates machine learning, to enable it to interpret data from these disparate sources as a vehicle progresses through its journey. Where datasets are available and can be reconciled with reality, they are used as in any traditional system. In the significant percentage of cases where data does not match reality, the system is able to make its own decisions, carrying on with no user intervention.

URBAN AIR QUALITY

Traffic congestion and pollution within cities is now a fundamental consideration within areas of local councils responsible for road networks and public transport. Historically this responsibility may have ended with ensuring that services run on time and accurate information is presented on street. Today the demands are much greater and practical planning for, and management of, these issues requires datasets that are consolidated into meaningful, real-time visualisations.

We are now actively engaged in dynamic traffic control systems which form the precursors to pollution limitation and control on major transport routes.

AGNOSTIC VIDEO MANAGEMENT

At the Fleet end of our development, the success of our remote condition monitoring services has led to a broadening of its reporting capabilities to include third-party systems. Through this it will reduce passenger disruption and the costly down-time of vehicles when off road.

By using the same physical Journeo™ platform we can connect legacy DVRs to the IoT and transfer video directly to our Azure cloud management platform. Through this enterprise-level solution, we can drastically reduce the time it takes evidential footage to reach interested third parties, such as insurers and, in some cases, the police.

2019 promises to be busier than ever and, to help manage this, we have increased our low-level embedded development resources; specifically these are to help our roll-out of new on-vehicle system components.

The technical capability of the business has taken great steps forward as we continue to engage with customers and develop systems to coalesce with their emergent needs. From the position of a more technically capable and agile business, we look forward to resolving the issues that our customers face, as we become more deeply integrated into the systems that will manage the smart cities of tomorrow.

Dr Andy Houghton
Chief Technical Officer
26 March 2019

Governance

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BOARD OF DIRECTORS

MARK ELLIOTT

Non-executive Chairman

Mark Elliott, 60, 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.

A N R

SENIOR MANAGEMENT TEAM

DR ANDY HOUGHTON

Chief Technical Officer

MARK JOHNSON

Director of Fleet Systems

RUSS SINGLETON

Chief Executive Officer

Russ Singleton, 60, 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, 40, 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.

JAMES CUMMING

Non-executive Director and Senior Independent Director

James Cumming, 68, 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 N R

DARREN MAHER

Group Development and Communications Manager

KIM BRADLEY

Group Projects Manager

PHIL HARRISON

Group Financial Controller

STEVE KESTERTON

Group Operations 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 2018. All of the Directors of the Company at the time of the meetings were in attendance.
- The Audit Committee met with the auditor once during the year.
- Several meetings of the Remuneration Committee were held during 2018.
- 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 pages 14 and 15.

Attendance at meetings

The full Board met twelve times in 2018. 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 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 2018. 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: Mark Elliott, as Chairman, and James Cumming. 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 the 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 2018. 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 loss for the year was £138k (2017: underlying profit £11k). As at 31 December 2018 the Group had net current liabilities of £1,084k (2017: £785k) and net cash reserves of £485k (2017: £302k).

In December 2017 a new £1.25m invoice discounting facility was put in place.

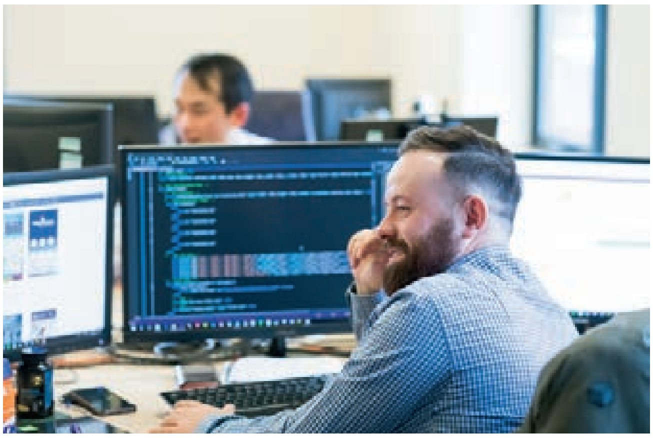
In December 2018 the 2016 Loan Notes maturity date was extended and an additional £250k of 2018 Loan Notes were issued to enable the Group to continue its investment in R&D and provide working capital to ensure that the Group can capitalise on anticipated opportunities.

Current trading is in line with management forecasts.

The Directors have prepared Group cash flow projections for the period to 30 June 2020 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 2018, the remuneration policy for Executive and Non-executive Directors and the determination of individual Executive Directors' 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.

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 James Cumming.

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.

GOVERNANCE

Directors' detailed emoluments and remuneration

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

	Salary and fees £	Benefits £	Pension £	**Total 2018 £**	Total 2017 £	Total 2016 £
Executive						
R C Singleton	150,000	17,378	11,380	**178,758**	260,771	108,452
N Lowe[1]	104,184	878	7,845	**112,907**	62,409	—
G Robinson[2]	—	—	—	**—**	107,437	87,500
Non-executive						
M W Elliott	43,750	—	29,873	**73,623**	98,446	47,016
J Cumming	23,000	—	—	**23,000**	23,000	23,000
	320,934	18,256	49,098	**388,288**	552,063	265,968

1 Appointed 15 May 2017.

2 Resigned 15 May 2017.

The 2017 remuneration included compensation for salaries and fees deferred in 2016.

Share options

At 31 December 2018, 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 2018.

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 2018.

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 2018 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 11 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 pages 10 and 11.

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 2018, the Group had net cash at bank of £485k (2017: £302k). The Group's policy is to ensure that sufficient resources are available to service all debt by monitoring prudent cash flow forecasts.

During 2018 the 2016 Loan Notes maturity date was extended and an additional £250k of 2018 Loan Notes were issued.

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 pages 16 and 17.

Results and dividend

The Group reports a profit of £0.1m for the year (2017: loss £0.3m). At the forthcoming AGM the Directors are not recommending the payment of a dividend (2017: £nil).

Directors
Details of current Directors, dates of appointment, their roles, responsibilities and significant external commitments are set out on pages 14 and 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 2018	31 December 2017
M W Elliott	**–**	–
R C Singleton	**3,007,346**	3,007,346
N Lowe	**–**	–
J Cumming	**–**	–

The share interests of Russ Singleton 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, 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.

Directors' report *continued*

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

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.

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
26 March 2019

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

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Auditor's report

to the members of 21st Century Technology plc

Opinion

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 2018 which comprise the Consolidated Income Statement and Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2018 and of the Group's profit 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.

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, 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.

Conclusions relating to 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

We identified the key audit matters described below as those which were most significant in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matter in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Risk description	Our response to the risk
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.

Key audit matters continued

Risk description	Our response to the risk
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.

Materiality

The materiality for the Group financial statements as a whole was set at £252,000. 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 £91,000. 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 Technology 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 £131,000 of total profit 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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, 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.

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.

Auditor's report *continued*

to the members of 21st Century Technology plc

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.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the parent 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 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 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.

Use of our report

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.

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
26 March 2019

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Revenue	3,4	**12,601**	11,761
Cost of sales		**(7,752)**	(6,765)
Gross profit	4	**4,849**	4,996
Underlying administrative expenses		**(5,357)**	(5,074)
Other income		**370**	89
Underlying (loss)/profit		**(138)**	11
Share-based payments		**398**	(224)
Reorganisation costs	26	**–**	(88)
Total administrative expenses		**(4,589)**	(5,297)
Operating profit/(loss)		**260**	(301)
Finance expense	6	**(121)**	(63)
Profit/(loss) before taxation from continuing operations	7	**139**	(364)
Taxation credit	8	**3**	13
Profit/(loss) for the year being total comprehensive profit/loss attributable to owners of the parent		**142**	(351)
Profit/(loss) per share	9		
Basic		**0.15p**	(0.38p)
Diluted		**0.15p**	(0.38p)

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

FINANCIAL STATEMENTS

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity shareholders' funds £'000
Balance at 1 January 2017	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
Profit and total comprehensive income for the year	–	–	142	142
Share-based payments	–	–	(398)	(398)
Balance at 31 December 2018	**6,061**	**8**	**(6,058)**	**11**

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

Consolidated statement of financial position

at 31 December 2018

	Notes	**2018 £'000**	2017 £'000
Assets			
Non-current assets			
Goodwill	10	**1,345**	1,345
Other intangible assets	11	**969**	829
Property, plant and equipment	12	**138**	128
Trade and other receivables	15	**43**	44
		2,495	2,346
Current assets			
Inventories	14	**1,650**	1,355
Trade and other receivables	15	**3,224**	3,827
Cash and cash equivalents	16	**485**	302
		5,359	5,484
Total assets		**7,854**	7,830
Equity and liabilities			
Shareholders' equity			
Share capital	22	**6,061**	6,061
Share premium account		**8**	8
Retained earnings		**(6,058)**	(5,802)
Total equity		**11**	267
Non-current liabilities			
Deferred revenue	17	**499**	569
Loans and borrowings	19	**576**	300
Deferred tax liability	13	**35**	35
Provisions	20	**290**	390
		1,400	1,294
Current liabilities			
Trade and other payables	17	**2,914**	3,182
Deferred revenue	17	**2,329**	1,926
Loans and borrowings	19	**1,000**	933
Provisions	20	**200**	228
		6,443	6,269
Total equity and liabilities		**7,854**	7,830

The financial statements were approved by the Board of Directors and authorised for issue on 26 March 2019 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 2018

	Notes	2018 £'000	2017 £'000
Net cash flows from operating activities	24	**380**	(729)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(91)**	(42)
Purchases/generation of intangible assets		**(452)**	(316)
Net cash flows from investing activities		**(543)**	(358)
Cash flows from financing activities			
Cash flows from financing activities		**126**	948
Issue of Loan Notes		**250**	–
Repayment of loans		**(32)**	(70)
Net cash flows from financing activities		**344**	878
Net increase/(decrease) in cash and cash equivalents		**181**	(209)
Cash and cash equivalents at beginning of year		**302**	511
Effect of foreign exchange rate changes		**2**	–
Cash and cash equivalents at end of year		**485**	302

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 2018

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 IFRS 9 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:

- IFRS 9 'Financial Instruments';
- IFRS 15 'Revenue from Contracts with Customers';
- Amendments to IAS 7: Disclosure Initiative;
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions;
- IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Considerations';
- Amendments to IAS 40: Transfers of Investment Property; and
- Annual Improvements to IFRSs 2014–2016 Cycle.

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

IFRS 9 'Financial Instruments'
IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. There are no classification or measurement changes to financial assets or liabilities as a result of the change in standard.

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 and its related amendments supersede IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations. It applies to all revenue arising from contracts with its customers and became effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Group adopted IFRS 15 using the full retrospective method of adoption and, having considered all aspects of IFRS 15, notes there are no changes to the measurement of contracts as previously disclosed.

The Group's revenue from contracts with customers comprises three main streams being the sale of goods, the build and installation of goods and the provision of maintenance contracts. The Group undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under IFRS 15. For all of the Group's revenue streams, the nature and timing of satisfaction of the performance obligations, and, hence, the amount and timing of revenue recognised under IFRS 15, is the same as that under IAS 18.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2018

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

Upcoming standards

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 16 'Leases' (effective 1 January 2019);
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective 1 January 2019);
- Amendments to IAS 19: Employee Benefits Plan Amendment, Curtailment or Settlement (effective 1 January 2019);
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019); and
- Annual Improvements to IFRSs 2015–2017 Cycle (effective 1 January 2019).

Other than in respect of IFRS 16, 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 16, at 31 December 2018 the Group holds non-cancellable operating lease commitments totalling £647,000. 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 an impact on the amounts recognised in the Group's consolidated financial statements and the Directors are currently assessing its potential impact. A preliminary assessment indicates that £644,000 of these arrangements relate to leases other than short-term leases and leases of low-value assets, and, hence, the Group will recognise a right-of-use asset of £154,000 and a corresponding lease liability of £154,000 in respect of all these leases. The expected impact on the FY19 consolidated statement of comprehensive income is to decrease other expenses in the range of £90,000, to increase depreciation in the range of £97,000 and to increase interest expense in the range of £10,000.

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.

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.

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

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 or when the goods are dispatched. 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. For most sales, the enforceable contract is each purchase order, which is an individual, short-term contract. As the enforceable contract for most arrangements is the purchase order, the transaction price is determined at the date of each sale and, therefore, there is no future variability within the scope of IFRS 15 and no further remaining performance obligations under those contracts.

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.

The Group does provide a warranty period of up to five years which is considered to be an assurance-type warranty and therefore no separate performance obligation has been identified.

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.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2018

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

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.

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 2023.

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 2023.

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.

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

Financial instruments continued

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.

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 loss for the year was £138k (2017: underlying profit £11k). As at 31 December 2018 the Group had net current liabilities of £1,084k (2017: £785k) and net cash reserves of £485k (2017: £302k).

In December 2017 a new £1.25m invoice discounting facility was put in place.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2018

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

Going concern continued

In December 2018 the 2016 Loan Notes maturity date was extended and an additional £250k of 2018 Loan Notes were issued to enable the Group to continue its investment in R&D and provide working capital to ensure that the Group can capitalise on anticipated opportunities.

Current trading is in line with management forecasts.

The Directors have prepared Group cash flow projections for the period to 30 June 2020 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.

(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% 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.

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

Critical accounting estimates and judgements continued

(vi) Note 18 – Contract accounting continued

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.

(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:

	2018 £'000	2017 £'000
Goods	8,202	7,745
Services	4,399	4,016
	12,601	11,761
Contract works included in goods	2,699	2,701

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 2018 £'000	Gross profit 2018 £'000	Revenue 2017 £'000	Gross profit 2017 £'000
Fleet Systems	8,217	2,395	7,502	2,617
Passenger Systems	4,384	2,454	4,259	2,379
Total	12,601	4,849	11,761	4,996

Major customers

In the year, two customers within the Fleet Systems segment each accounted for over 10% of Group revenue at 19% and 11%. In the prior year, there were two Fleet Systems customers that each accounted for over 10% of revenue at 22% and 10%. There were no major customers within the Passenger Systems segment.

Underlying (loss)/profit

	2018 £'000	2017 £'000
Fleet Systems	148	449
Passenger Systems	(57)	(267)
	91	182
Central	(229)	(171)
Underlying (loss)/profit	(138)	11

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2018

4. Segmental reporting continued

Reconciling to loss before interest and tax

2018	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	**148**	**–**	**398**	**546**	**546**
Passenger Systems	**(57)**	**–**	**–**	**(57)**	**(57)**
	91	**–**	**398**	**489**	**489**
Central	**(229)**	**–**	**–**	**(229)**	**(229)**
	(138)	**–**	**398**	**260**	**260**

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)

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 2018 £'000	Liabilities 2018 £'000	Net assets 2018 £'000	Assets 2017 £'000	Liabilities 2017 £'000	Net assets 2017 £'000
Fleet Systems	**2,848**	**(2,183)**	**665**	3,638	(3,183)	455
Passenger Systems	**3,135**	**(4,039)**	**(904)**	2,500	(3,176)	(676)
	5,983	**(6,222)**	**(239)**	6,138	(6,359)	(221)
Goodwill	**1,345**	**–**	**1,345**	1,345	–	1,345
Cash and borrowings	**485**	**(1,576)**	**(1,091)**	302	(1,233)	(931)
Unallocated	**41**	**(45)**	**(4)**	45	29	74
Total	**7,854**	**(7,843)**	**11**	7,830	(7,563)	267

Geographical segments

	Revenue 2018 £'000	Gross profit 2018 £'000	Revenue 2017 £'000	Gross profit 2017 £'000
UK	**10,337**	**3,755**	9,725	3,866
International				
– Scandinavia	**924**		1,053	
– Other EU	**345**		448	
– Non-EU	**995**		535	
Total International	**2,264**	**1,094**	2,036	1,130
Total	**12,601**	**4,849**	11,761	4,996

The 2017 geographical segments have been restated to include an additional non-EU country previously categorised as UK.

4. Segmental reporting continued

Assets and liabilities by location

	2018 £'000	2017 £'000
Assets		
UK	**7,823**	7,796
International	**31**	34
Total assets	**7,854**	7,830
Liabilities		
UK	**(7,814)**	(7,529)
International	**(29)**	(34)
Total liabilities	**(7,843)**	(7,563)

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:

	2018 Number	2017 Number
By activity:		
Administration	**23**	24
Technical	**14**	12
Operations	**64**	58
	101	94

Staff costs (for the above persons)

	2018 £'000	2017 £'000
Wages and salaries	**3,891**	3,715
Social security costs	**453**	440
Pension costs	**88**	99
Share-based payments	**20**	224
	4,452	4,478

Key management compensation (included above)

	2018 £'000	2017 £'000
Wages and salaries	**722**	854
Social security costs	**81**	94
Pension costs	**65**	27
Share-based payments	**20**	224
	888	1,199

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, finance, business development and IT. Directors' emoluments and pensions included on page 19 are:

	Emoluments		Pension contributions	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Total Directors	**339**	525	**49**	27
Highest paid Director	**167**	260	**11**	–

There are three (2017: 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 2018

6. Finance expense

	2018 £'000	2017 £'000
Interest payable on loans	**121**	63

7. Profit/(loss) before taxation from continuing operations

This is stated after charging/(crediting):

	2018 £'000	2017 £'000
Operating lease rentals:		
– Rent of land and buildings	**197**	205
– Hire of plant and equipment	**219**	221
Depreciation:		
– Property, plant and equipment owned	**79**	63
Amortisation of intangible fixed assets (included within administrative expenses)	**313**	334
Research and development expenditure	**315**	301
Inventories – consumed and recognised as an expense in cost of sales	**4,463**	4,361
Write down/(write back) of inventories	**117**	(12)
Exchange differences	**30**	1
Share-based payments (credit)/charge	**(398)**	224

Profit/(loss) before taxation is also stated after charging:

	2018 £'000	2017 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**3**	3
Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	**43**	45
Additional fees payable to the Company's previous auditor for the prior year audit pursuant to legislation	**–**	25
Total audit fees	**46**	73

8. Taxation

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

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on the loss for the year (19%)	**–**	–
Swedish corporation tax on the profit for the year (22%)	**(3)**	(4)
Deferred tax (credit)/charge		
Temporary differences on acquisition	**–**	(9)
Total tax credit for the year	**(3)**	(13)

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% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Profit/(loss) on ordinary activities before tax	140	(364)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	27	(70)
Effects of:		
Expenses not deductible for tax purposes	(53)	105
Change in unrecognised deferred tax assets	96	(39)
Income not taxable	(70)	–
Prior year over provision	(3)	(9)
Total tax credit for the year	(3)	(13)

(c) Deferred tax asset/(liability)

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

	Unrecognised		Recognised	
Group	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Tax losses	508	615	–	–
Decelerated capital allowances	24	56	–	–
Short-term timing differences	43	–	–	–
Arising on acquisition	–	–	(35)	(35)
	575	671	(35)	(35)

The Group has £2,987,000 of unutilised tax losses (2017: £3,621,000) which may be carried forward indefinitely.

9. Profit/(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.

	2018		2017	
Group	Profit/(loss) £'000	Per share amount Pence	Profit/(loss) £'000	Per share amount Pence
Basic EPS				
Profit/(loss) attributable to Ordinary Shareholders	142	0.15	(351)	(0.38)
Diluted EPS				
Profit/(loss) attributable to Ordinary Shareholders	142	0.15	(351)	(0.38)

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

	2018 '000	2017 '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 2018

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 2017	1,345	1,345
At 31 December 2017	1,345	1,345
At 31 December 2018	**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:

	2018 %	2017 %
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 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 and during 2018. The 2019 forecast predicts growth of 42%. 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 £1,567k. 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 ten percentage points in the growth rate in 2019 to 30% would result in an impairment charge being recognised for the current carrying value of goodwill in relation to Passenger Systems of £250k. If sales forecasts were down 10% across the whole period and overheads were partially scaled back by 5% then there would be headroom of £151k.

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 27.8%, 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

2018 movements	Customer list £'000	Development costs £'000	Software £'000	Total £'000
Cost				
At 1 January 2018	192	1,807	726	2,725
Additions	—	452	—	452
Disposals	—	(1,100)	(540)	(1,640)
At 31 December 2018	**192**	**1,159**	**186**	**1,537**
Amortisation				
At 1 January 2018	101	1,166	629	1,896
Charge for the year	38	236	38	312
Disposals	—	(1,100)	(540)	(1,640)
At 31 December 2018	**139**	**302**	**127**	**568**
Net book value				
At 31 December 2018	**53**	**857**	**59**	**969**

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

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 2018, the intangible assets include items with a carrying value of £20k pledged as security for loans included in note 19.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2018

12. Plant and equipment

2018 movements	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2018	12	495	507
Additions	–	91	91
Disposals	–	(261)	(261)
At 31 December 2018	**12**	**325**	**337**
Depreciation			
At 1 January 2018	2	377	379
Charge for the year	2	79	81
Disposals	–	(261)	(261)
At 31 December 2018	**4**	**195**	**199**
Net book amounts			
At 31 December 2018	**8**	**130**	**138**

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

At 31 December 2018, the plant and equipment include items with a carrying value of £37k pledged as security for loans included in note 19.

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 2018	35
Credit to profit and loss account	–
Balance carried forward at 31 December 2018	**35**

14. Inventories

	2018 £'000	2017 £'000
Raw materials	**307**	258
Work in progress	**105**	16
Finished goods and goods for resale	**1,238**	1,081
	1,650	1,355

15. Trade and other receivables

	2018 £'000	2017 £'000
Current		
Trade receivables	**1,674**	2,812
Less: provision for impairment of receivables	**(16)**	(16)
Trade receivables – net	**1,658**	2,796
Amounts due from contract customers	**701**	638
Other receivables and prepayments	**865**	393
	3,224	3,827
Non-current		
Other receivables and prepayments	**43**	44

The average credit period taken on sales of goods is 42 days (2017: 67 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, the Company uses credit protection facilities to protect certain key customer receivables.

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

	Amount receivable	
	2018 £'000	2017 £'000
Customer 1	**330**	506
Customer 2	**317**	422
Customer 3	**242**	160
Customer 4	**193**	224
Customer 5	**104**	198

Included in the Group's trade receivable balance are debtors with a carrying amount of £606,000 (2017: £837,000) 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 66 days (2017: 67 days).

Ageing of past due but not impaired trade receivables:

	2018 £'000	2017 £'000
Up to three months past due	**557**	736
Three to six months past due	**15**	58
Over six months past due	**34**	43
	606	837

Movement in the provision for impairment of trade receivables:

	2018 £'000	2017 £'000
Balance at 1 January	**16**	16
Impairment losses recovered	**–**	–
Balance at 31 December	**16**	16

Notes to the consolidated financial statements *continued*
for the year ended 31 December 2018

15. Trade and other receivables continued
Ageing of impaired trade receivables:

	2018 £'000	2017 £'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

	2018 £'000	2017 £'000
Cash and cash equivalents	**485**	302

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

17. Trade and other payables

	2018 £'000	2017 £'000
Current		
Trade payables	**1,365**	1,736
Other taxation and social security	**600**	394
Other payables	**47**	22
Accruals	**902**	1,030
Deferred income relating to contracts	**949**	748
Deferred income	**1,380**	1,178
	5,243	5,108
Non-current		
Deferred income	**499**	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 63 days (2017: 52 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

18. Contract accounting

	2018 £'000	2017 £'000
Contracts in progress at dates of statement of financial position:		
Amounts due from contract customers included in trade and other receivables	**701**	639
Amounts due to contract customers included in trade and other payables	**(949)**	(748)
	(248)	(109)
Contract costs incurred plus recognised profit less recognised losses to date	**2,521**	4,076
Less: progress billings	**(2,769)**	(4,185)
	(248)	(109)

At 31 December 2018, retentions held by customers for contract work amounted to £4,000 (2017: £12,000). Advances received from customers for contract work amounted to £949,000 (2017: £748,000).

At 31 December 2018, amounts of £nil (2017: £nil) included in trade and other receivables and arising from contracts are due for settlement after more than twelve months.

19. Loans and borrowings

	2018			2017		
	Current £'000	**Non-current £'000**	**Total £'000**	Current £'000	Non-current £'000	Total £'000
Bank loans	**1,000**	**26**	**1,026**	933	–	933
2016 Loan Notes	**–**	**300**	**300**	–	300	300
2018 Loan Notes	**–**	**250**	**250**	–	–	–
	1,000	**576**	**1,576**	933	300	1,233

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

During the year £180,000 (2017: £70,000) of loans and borrowings were repaid.

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		988
CIT	SAP	11.65%	3 years	March 2019	4
BMW Finance	BMW	8.28%	4 years	January 2022	34
2016 Loan Notes	Loan notes	10.00%	5.3 years	March 2021	300
2018 Loan Notes	Loan notes	10.00%	3.3 years	March 2022	250
					1,576

The 2016 and 2018 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 2018, intangible assets with a carrying value of £20k (2017: £23k) are pledged as security for loans. At 31 December 2018, plant and equipment with a carrying value of £37k (2017: £nil) are pledged as security for loans.

£60,000 of the 2016 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.

£25,000 of the 2018 Loan Notes in aggregate were provided by one of the Group's Directors: Russ Singleton (the "Lending Director"). The Lending Director is a related party of the Company pursuant to the AIM Rules for Companies.

The independent Directors of 21st Century (being Nick Lowe in relation to the extension of the Existing Loan Notes and Nick Lowe, James Cumming and Mark Elliott in relation to Russ Singleton's participation in the New Loan Notes) consider, having consulted with the Company's nominated adviser, finnCap Limited, that both the extension to the maturity date of the Existing Loan Notes and the full terms of the New Loan Notes are fair and reasonable insofar as the Company's shareholders are concerned.

20. Provisions

	Warranty £'000	Total £'000
Balance at 1 January 2018	618	618
Charged	226	226
Released	(354)	(354)
Movement in the year	(128)	(128)
Balance at 31 December 2018	**490**	**490**
Included in current liabilities	200	200
Included in non-current liabilities	290	290
	490	490

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 2023.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2018

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.

Gearing

Net debt was £1,091,000 at 31 December 2018 (2017: £931,000). 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	
	2018 £'000	2017 £'000
Financial assets		
Loans and receivables (including cash and cash equivalents):		
Trade receivables	**1,658**	2,796
Other receivables	**865**	393
Cash and cash equivalents	**485**	302
	3,008	3,491
Financial liabilities		
Other financial liabilities held at amortised cost:		
Trade payables	**1,365**	1,736
Other payables	**47**	22
Accruals	**902**	1,030
Loans and borrowings	**1,576**	1,233
	3,890	4,021

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.

21. Financial instruments continued

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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Swedish Krona	**36**	280	**40**	28
Euro	**90**	234	**23**	51
US Dollar	**–**	–	**12**	17
New Zealand Dollar	**–**	–	**4**	–

At the year end the Group was exposed to fluctuations in Swedish Krona, Euros, New Zealand Dollars 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 possible change in foreign currency exchange rates.

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.

	2018 £'000	2017 £'000
Swedish Krona loss	**–**	(25)
Euro loss	**(7)**	(18)
US Dollar profit	**1**	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 2018, the Group had no overdraft facility (2017: £nil). As at 31 December 2018, the net bank balance, cash less overdraft, was £485,000 (2017: £302,000).

At 31 December 2018, the Group has £550k (2017: £300k) of Loan Notes and an invoice discounting facility with Close Brothers for £1,250k (2017: £1,250k).

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.

	2018 £'000	2017 £'000
In one year or less	**3,013**	2,554
In one to two years	**576**	300

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2018

22. Share capital

Called up share capital

	2018 £'000	2017 £'000
Authorised, allotted, called up and fully paid:		
93,239,755 Ordinary Shares of 6.5p each (2017: 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.

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:

	2018		2017	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**7,992,308**	**6.5p**	7,992,308	6.5p
Lapsed during the year	**(3,846,154)**	**6.5p**	–	–
Outstanding at end of year	**4,146,154**	**6.5p**	7,992,308	6.5p
Exercisable at end of year	**4,156,154**	**6.5p**	7,692,308	6.5p

The aggregate credit recognised in the Group financial statements in the year was £384,000 (2017: charge £4,000), 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 2017	Issued in the year	**As at 31 December 2018**	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

The market price of the Company's shares at the end of the financial year was 2.95p (2017: 2.88p) and the range of market prices during the year was 2.35p to 3.70p (2017: 2.13p to 3.63p). The weighted average remaining life of all share options outstanding at 31 December 2018 is four years and nine months (31 December 2017: five years and nine 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, 7% of the fully diluted share capital of the Company.

Directors' interests in the Employee Shareholder Plan

	As at 31 December 2017	Issued in the year	**As at 31 December 2018**	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

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 credit recognised in the Group financial statements in the year was £208,000 (2017: charge £220,000), all of which was recognised in a subsidiary entity's results.

23. Financial commitments

At 31 December 2018, the Group had total commitments under non-cancellable operating leases as follows:

	2018 £'000	2017 £'000
Due within one year	**110**	129
Due between two and five years	**319**	342
Due over five years	**217**	295
	646	766

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2018

24. Reconciliation of operating profit/(loss) to net cash outflow from operating activities

	2018 £'000	2017 £'000
Profit/(loss) for the year	**142**	(351)
Adjustments for:		
– Finance expense	**121**	63
– Deferred tax credit	**–**	(9)
– Depreciation of property, plant and equipment	**79**	63
– Amortisation of intangible fixed assets	**313**	334
– Share-based payment (income)/expense	**(398)**	224
– Foreign exchange rate	**17**	(14)
– Decrease in provisions	**(128)**	(668)
Operating cash flows before movement in working capital	**146**	(358)
(Increase)/decrease in inventories	**(295)**	155
Decrease/(increase) in receivables	**515**	(271)
Increase/(decrease) in payables	**133**	(196)
Cash inflow/(outflow) from operations	**498**	(670)
Income taxes received	**3**	4
Interest paid	**(121)**	(63)
Net cash inflow/(outflow) from operating activities	**380**	(729)

25. Related party transactions

Payments to key management personnel are included in note 5.

£60,000 of the 2016 Loan Notes and £25,000 of the 2018 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

	2018 £'000	2017 £'000
Passenger Systems	**–**	3
Central	**–**	85
	–	88

Prior 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 2018

FINANCIAL STATEMENTS

	Notes	2018 £'000	2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	3	**12**	16
Investment in subsidiaries	4	**6,958**	6,958
		6,970	6,974
Current assets			
Other debtors		**31**	29
Cash and cash equivalents		**–**	–
		31	29
Total assets		**7,001**	7,003
Equity and liabilities			
Shareholders' equity			
Share capital	8	**6,061**	6,061
Share premium account		**8**	8
Merger reserve		**1,001**	1,001
Retained earnings		**(2,514)**	(1,857)
Shareholders' funds		**4,556**	5,213
Non-current liabilities			
Loans and borrowings	6	**550**	300
		550	300
Current liabilities			
Amounts owed to Group undertakings	5	**1,850**	1,458
Other creditors and accruals		**45**	32
		1,895	1,490
Total equity and liabilities		**7,001**	7,003

The financial statements were approved by the Board of Directors and authorised for issue on 26 March 2019 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 2018

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total equity shareholders' funds £'000
Balance at 1 January 2017	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
Loss and total comprehensive income for the year	–	–	–	(259)	(259)
Share-based payments	–	–	–	(398)	(398)
Balance at 31 December 2018	**6,061**	**8**	**1,001**	**(2,514)**	**4,556**

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

Notes to the Company financial statements
for the year ended 31 December 2018

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 IFRS 9 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 2018. 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 requirements 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 requirements 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; and

(vi) the requirements of paragraphs 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% 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 loss for the year was £138k (2017: underlying profit £11k). As at 31 December 2018 the Group had net current liabilities of £1,084k (2017: £785k) and net cash reserves of £485k (2017: £302k).

In December 2017 a new £1.25m invoice discounting facility was put in place.

In December 2018 the 2016 Loan Notes maturity date was extended and an additional £250k of 2018 Loan Notes were issued to enable the Group to continue its investment in R&D and provide working capital to ensure that the Group can capitalise on anticipated opportunities.

Current trading is in line with management forecasts.

The Directors have prepared Group cash flow projections for the period to 30 June 2020 based on latest forecasts that show that the Group will be able to operate within its current funding resources. It is important that we achieve sales forecasts and the profile of cash receipts.

Notes to the Company financial statements *continued*

for the year ended 31 December 2018

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

Going concern continued

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.

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 2018 of £259,000 (2017: loss £288,000).

The Company has an unrecognised deferred tax asset of:

	2018 £'000	2017 £'000
Tax losses	**281**	188

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

2018 movements	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2018	12	9	21
Additions	–	–	–
At 31 December 2018	**12**	**9**	**21**
Depreciation			
At 1 January 2018	3	2	5
Charge for the year	2	2	4
At 31 December 2018	**5**	**4**	**9**
Net book amounts			
At 31 December 2018	**7**	**5**	**12**
At 31 December 2017	9	7	16

4. Investments in subsidiaries

	Interests in Group undertakings	
	2018 £'000	2017 £'000
Cost		
At 1 January	**27,367**	27,367
At 31 December	**27,367**	27,367
Amounts provided		
At 1 January	**(20,409)**	(20,409)
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:

	2018 %	2017 %
Fleet Systems	**14**	16
Passenger Systems	**14**	14

Notes to the Company financial statements *continued*

for the year ended 31 December 2018

4. Investments in subsidiaries continued

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 £1,567k. The sensitivity analysis based on a reduction of ten percentage points in the growth rate in 2019 to 30% produced an impairment charge of £250k.

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 2019 are supported by long-term framework agreements with key customers, actual performance in 2018 and a strong order book going forward, 2019 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 2019 to 23% and in the subsequent three years to 5%. This calculation produces a net present value for the CGU of £5,170k.

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 five percentage points in the growth rate in 2019 to 18% would result in a £1,833k 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 Limited. 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 £2,083k reduction in the investment value.

Subsidiary undertakings

Details of the Company's subsidiary undertakings at 31 December 2018 are as follows:

Name of undertaking	Nature of business	Country of incorporation
Direct subsidiaries		
21st Century Fleet Systems Limited	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 Limited	Dormant	UK
21st Century Technology Group Limited	Dormant	UK
Bridge Alert Limited	Dormant	UK
Ecomanager Limited	Dormant	UK
Integrated Technologies (International) Limited	Dormant	UK
Journeo Limited	Dormant	UK
Laserline (UK) Limited	Dormant	UK
Linefit Engineering Limited	Dormant	UK
Second Base Systems Limited	Dormant	UK
Secure Microsystems Limited	Dormant	UK
ServiceManager Limited	Dormant	UK
Sextons Group Limited	Dormant	UK
Toad Innovations Limited	Dormant	UK
Toad Limited	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

4. Investments in subsidiaries continued

Subsidiary undertakings continued

All subsidiaries are wholly owned except the 70%-owned Integrated Technologies (International) Limited. All UK subsidiaries' registered office addresses are 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

	2018			2017		
	Current £'000	**Non-current £'000**	**Total £'000**	Current £'000	Non-current £'000	Total £'000
Loan Notes 2016	**–**	**300**	**300**	–	300	300
Loan Notes 2018	**–**	**250**	**250**	–	–	–
	–	**550**	**550**	–	300	300

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

During the year, £250,000 (2017: £nil) 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
Loan Notes 2016	Loan notes	10.00	5.3 years	March 2021	300
Loan Notes 2018	Loan notes	10.00	3.3 years	March 2022	250

The 2016 and 2018 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 2016 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.

£25,000 of the 2018 Loan Notes in aggregate were provided by one of the Group's Directors: Russ Singleton (the "Lending Director"). The Lending Director is a related party of the Company pursuant to the AIM Rules for Companies.

The independent Directors of 21st Century (being Nick Lowe in relation to the extension of the Existing Loan Notes and Nick Lowe, James Cumming and Mark Elliott in relation to Russ Singleton's participation in the New Loan Notes) consider, having consulted with the Company's nominated adviser, finnCap Limited, that both the extension to the maturity date of the Existing Loan Notes and the full terms of the New Loan Notes are fair and reasonable insofar as the Company's shareholders are concerned.

7. Employee information

The Company had no direct employees in the years ended 31 December 2018 and 31 December 2017.

8. Share capital

Called up share capital

	2018 £'000	2017 £'000
Authorised, allotted, called up and fully paid:		
93,239,755 Ordinary Shares of 6.5p each (2017: 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 Section 612 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
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Carlyle Road
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