21st Century Technology plc

Annual Report

31 December 2012

Registered Number: 2974642

Registered No: 2974642

Contents

Directors

Non-executive Chairman
J G L Holmstrom

Non-executive director
D A H Voss

Executive directors
M W Elliott
W W Jennings

Company Secretary
W W Jennings

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Chairman's statement

Trading results

I am pleased to report that the group results for the year show an increase in profit after tax from continuing operations of 15% to £1.3m (2011: £1.2m). The basic earnings per share from continuing operations has increased to 1.45p (2011: 1.27p).

	2012	2011
Continuing operations	**£m**	£m
Revenue	**14.0**	14.0
Gross profit	**7.5**	7.8
Gross profit percentage	***54%***	*56%*
Net operating expenses	**(5.7)**	(6.3)
Profit before taxation	**1.8**	1.5
Taxation	**(0.5)**	(0.3)
Profit after taxation	**1.3**	1.2
	Pence	Pence
Basic earnings per share	**1.45**	1.27

21st Century Technology plc is a leading supplier of CCTV and other monitoring systems to the public transport market. The group currently has three platform technologies: the supply, installation and maintenance of mobile (on vehicle) and fixed (on premises) CCTV, EcoManager driver monitoring and passenger counting systems.

In the UK we are the preferred supplier of mobile CCTV to three of the largest bus operators – Arriva UK Bus, the Go-Ahead Group and First Group UK Bus. In June 2012 we were delighted to announce that Arriva UK Bus extended their preferred supplier contract with us for a further two years, underpinning our position as the leading supplier of on vehicle CCTV.

We were also pleased to announce in May 2012 the award of a £1m contract by CrossCountry Trains to supply forward facing cameras to monitor trackside, signalling and level crossing incidents (e.g. accidents, trespass, theft and vandalism).

Our investment in overseas sales staff to support our expansion outside of the UK has paid off with the award of a £3.3m contract in March 2012 to supply on board CCTV and passenger counting within a multi-modal (bus, train and tram) transport system operated by Arriva in Scandinavia.

Sales of our fuel saving product, EcoManager, continue to be value enhancing for the group, with deployment in eight countries. Expansion overseas has seen additional sales in Germany, Poland and the Netherlands which now represents a significant part of group revenues. New customers during the year include Keolis in France, Deutsche Bahn in Germany and Rotala in the UK.

Return of capital and proposed dividends

Following receipt of the proceeds from the disposal of the group's freehold property in January 2012 a distribution of approximately £3.3m in cash, representing 3.5 pence per share, was made to shareholders in July 2012 by way of a return of capital.

In view of the group's healthy cash generation and assuming profitability is maintained, it is the intention of the board to propose a dividend at the forthcoming AGM of £652,678 representing 0.7 pence per share. This will be the company's first dividend and it is the company's intention going forward to distribute at least one third of the preceding year's pre-tax profit to shareholders where anticipated cash generation and investment requirements allow us to do so.

Chairman's statement (continued)

Board changes

Wilson Jennings took over as Chief Executive following the resignation of Nick Grimond on 28 September 2012. Wilson had been the group's Finance Director for over 12 years and Mark Elliott (formerly non-executive director) became Interim CFO in January 2013.

The board remains committed to ensuring the team are supported through value enhancing appointments. We are currently looking to make a senior appointment within the group to broaden our international reach.

Strategy for the current year

The company continues to seek new sales in overseas markets and we currently anticipate growth in this area will arise in the second half of the year. We are also looking to underpin our business in the UK by retaining our leading position in the on bus CCTV market and winning new train CCTV customers on the back of our success in this market in 2012.

In addition, we are keen to develop strategic partnerships to secure intellectual property rights in the technology which we install for our customers and will be looking at potential acquisitions in the medium term.

Current trading and outlook

We are currently trading in line with management expectations and we have significant pipeline business to underpin management forecasts for the full year. Following cash collections since the year end, our balance at the bank is currently at £2.75m which has given us the confidence to propose the company's maiden dividend at the forthcoming AGM.

Jan G Holmstrom
Chairman

28 March 2013

Directors' biographical details

Jan Holmstrom, Non-executive Chairman

Jan Holmstrom, 60, joined the company in July 2010 as Non-executive Chairman. Jan is an internationally experienced director, having spent 25 years of his career in operational management and reinsurance in Stockholm, London and Hong Kong. He is currently the Managing Director of Browallia AB and a director of Browallia Holdings Limited, The Union Discount Company of London and Johnson and Starley Limited which are all controlled by Peter Gyllenhammar through Bronsstädet Group which has a 23.8% interest in 21st Century Technology plc. Jan is also Non-executive Chairman of Densitron Technologies plc and a non-executive director of International Fibres Group Limited, Leeds Group plc, Pittards plc and Somerset AB (Sweden).

Wilson Jennings, Chief Executive and Company Secretary

Wilson Jennings, 52, is a Chartered Accountant who joined 21st Century Technology plc from Isis Research plc, a multi-national market research company where he was a director for five years. Prior to this Wilson gained extensive corporate finance experience with PricewaterhouseCoopers. Wilson was appointed to the board in March 2000 and became its Chief Executive in October 2012.

Mark Elliott, Finance Director

Mark Elliott, 54, joined the company in December 2010 as a non-executive director before taking on the role of Interim Finance Director in January 2013. Mark is a Chartered Accountant and has spent the last 10 years as Managing Director of a private equity group, ICE Partners Limited, having previously worked as an equity partner specialising in corporate finance with Baker Tilly.

David Voss, Non-executive Director and Senior Independent Director

David Voss, 63, who joined the board in 2002, was formerly Managing Director of PHH Services and PHH Leasing in the UK and a director of Hertz Europe. He was also founder and Managing Director of VELO Ltd, a subsidiary of Dresdner Kleinwort Benson and a director of Kleinwort Benson Limited. He is currently Chairman of Pinpoint Visualisation Limited and a director of Frogmill Management Company.

Report on corporate governance

The directors recognise the value of the UK Corporate Governance Code that was issued in 2008 by the Financial Reporting Council and whilst under AIM rules full compliance is not required, the directors believe that the company applies the recommendations 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 two non-executive directors 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 fund raising, the setting of group strategy, City public relations and the review and evaluation of significant risks facing the business. Briefing papers are distributed by the Company Secretary to all directors in advance of board meetings. All directors have access to the advice and services of the Company Secretary who is responsible for ensuring that board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the board as a whole. In addition, procedures are in place to enable directors to obtain independent professional advice in the furtherance of their duties if necessary, at the company's expense.

Biographies of the directors including details of their experience and role within the group are set out on page 4.

Attendance at meetings

The full board met twelve times in 2012. All of the directors were in attendance at these meetings.

The audit committee

During the year the audit committee comprised the non-executive directors with Mark Elliott as its chairman. Subsequent to the year end and following the appointment of Mark Elliott as Interim Finance Director, David Voss was appointed chairman of the audit committee. The audit committee's remit is set out in its terms of reference. The committee met with the auditor twice during the year. The committee assists the board in ensuring that the group's published financial statements give a true and fair view and, where the auditor provides non-audit services, that their 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

During the year the remuneration committee comprised the non-executive directors with David Voss as its chairman. Four meetings of the committee were held during 2012. The committee is responsible for making recommendations to the board on the remuneration of senior executives and all directors.

The nomination committee

The nomination committee is comprised of the non-executive directors with Jan Holmstrom as its chairman. It meets as necessary and is responsible for making recommendations to the board on the appointments of executive and non-executive directors. When required, it is the usual practice of the nomination committee to employ specialist external search and selection consultants to assist in the appointment process for new executive and non-executive directors.

Report on corporate governance (continued)

Election and re-election of directors

All directors of the company are subject to election by shareholders at the first Annual General Meeting 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. In accordance with the guidance of the Turnbull Committee on internal control, the procedures are regularly reviewed in the light of an ongoing process to identify, evaluate and manage the significant risks faced by the group. The procedures are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The process has been in place for the full year under review and up to the date of approval of the annual report and accounts.

The key procedures which the directors have established with a view to providing effective internal control 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 key senior executives, 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 November 2012. 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.

Report on corporate governance (continued)

Going concern

The group has significant recurring revenue arising from its preferred supplier status with three major bus operators in the UK and a healthy pipeline of potential new business in overseas markets. The group has accumulated cash reserves and its cash flow projections indicate that the group will be able to operate within existing facilities for the foreseeable future and for at least 12 months from the date of this report. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

Report on directors' remuneration

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 and will be put to the shareholders for approval at the Annual General Meeting.

This remuneration report sets out the company's policy on the remuneration of executive and non-executive directors together with detail of directors' remuneration packages and service contracts.

Remuneration committee

For the financial year ended 31 December 2012, 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.

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 other than by way of the share options awarded in prior years to David Voss and detailed at note 23 of the group financial statements.

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;

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

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

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

Report on directors' remuneration (continued)

It is the intention to gradually increase the proportion of directors' remuneration which is linked to performance criteria.

A key focus for the board has been to try to improve the profitability and share price of the company and to put the company in a position to maintain a dividend policy based upon distributing at least one third of profit before tax. To this end the performance criteria attaching to the Chief Executive's bonus are linked to profitability.

Directors' service contracts

Details of individual director's service contracts are as follows:

	Contract date	*Unexpired term*	*Notice period*
Executive			
W W Jennings	1 January 2001	None	12 months
M W Elliott	9 January 2013	None	1 month

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		
J G L Holmstrom	22 February 2011	3 months
D A H Voss	30 May 2012	None

The directors are required to retire by rotation and the appointment of new directors has to be approved at the next Annual General Meeting subsequent to their appointment by the board. The director retiring by rotation at the forthcoming Annual General Meeting is Wilson Jennings.

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. Any fees related to such employment may be retained by the director concerned.

Report on directors' remuneration (continued)

Directors' detailed emoluments

Details of individual director's emoluments for the year are as follows:

	Salary and fees	Bonuses	Benefits	Termination payment	**Total 2012**	Total 2011
Executive	£	£	£	£	**£**	£
N Grimond *Note 1*	130,077	-	1,966	60,000	**192,043**	254,800
WW Jennings	147,885	25,000	1,127	-	**174,012**	197,728
Non-executive						
MW Elliott	21,750	-	-	-	**21,750**	20,000
JGL Holmstrom	35,000	-	-	-	**35,000**	35,000
DAH Voss	24,250	-	-	-	**24,250**	26,000
	358,962	25,000	3,093	60,000	**447,055**	533,528

Notes

1. *Resigned 28 September 2012*

Share options

At 31 December 2012 the company had three employee share option schemes: the 1997 Unapproved Executive Share Option Scheme, the 1997 Approved Employee Share Option Plan and the 2004 Enterprise Management Incentive (EMI) Plan and no (2011: three) individual non-executive director schemes.

The 1997 Unapproved Scheme was approved by shareholders of the company on 6 January 1997 and amended by resolution of shareholders on 18 May 2004. The scheme is administered by the remuneration committee and options may only be granted to employees and directors of the group at the discretion of the committee. At 31 December 2012 there were no share options remaining in issue under this scheme.

The 1997 Approved Scheme was established by the company on 20 October 1997, and approved by the Inland Revenue under Schedule 9 of the Income and Corporation Taxes Act 1988. At 31 December 2012 there were no share options remaining in issue under this scheme.

The 2004 EMI Scheme was approved by shareholders on 18 May 2004. The EMI Scheme operates in substantially the same way as the 1997 Unapproved Scheme but participants are able to take advantage of tax concessions applicable to EMI options. The outstanding options under this scheme are detailed in note 23 to the financial statements.

The non-executive director schemes were established on 22 March 2002, 9 May 2005 and 12 April 2006. All of these options were exercised during the year.

Directors' interests in share options

Directors' interests in the share options are disclosed in note 23 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 2012.

Results and dividend

The group achieved a profit of £1.3m for the year (2011: £1.2m). At the forthcoming AGM the directors are to recommend the payment of a dividend of £652,678 which is equivalent to 0.7 pence per share (2011: £nil).

Principal activities and business review

The group's principal activities are the supply and installation of CCTV, black-box and other monitoring systems for use on public transport vehicles.

Business environment strategy and key performance indicators

The group has enjoyed continued success during 2012 in both its UK and overseas markets.

Future success will come through a continuing expansion of our existing customer base and developing new products and services. A key performance indicator therefore is the number of new customers won during the period.

The group was awarded a multi-modal (bus, train and tram) mobile CCTV and passenger counting contract in Sweden with a total value of £3.3m and a £1m contract to supply forward facing cameras for CrossCountry Trains in the UK. In addition the group was awarded new business by Keolis in France, Deutsche Bahn in Germany and Rotala in the UK.

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 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:

Dependence on major customers

The business has a high dependence on a relatively small number of customers and the loss of any single major customer would have a significant impact on the business. This risk is mitigated by monitoring and managing the business's key performance indicators, such as response times and CCTV downtime, which are agreed with these customers. A key focus is to win new business with public transport companies in the UK and overseas and thereby reduce reliance on the existing customer base.

Dependence on key suppliers

Wherever possible the group endeavours to retain a choice of suppliers for its components and finished goods and in instances where we are currently reliant on one supplier we are constantly looking for potential alternative suppliers.

Competition

The group operates in highly competitive markets and there is significant pressure to reduce costs while maintaining the quality of service. The sales team have ready access to market pricing information so that they can respond appropriately to price movements. Quality of service is monitored through internal audits on the work performed by our installation engineers and through reviews of the key performance indicators agreed with our customers.

Directors' report (continued)

Principal risks and uncertainties (continued)

Technology

The continued success of the group's activities depends upon it keeping pace with changes and improvements in technology. The group has dedicated resources to enhancing its existing products and is investing in the development of new products.

Financial risk management

The group's financial instruments include bank facilities and cash. The main purpose of these financial instruments is to raise finance for 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.

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. During 2012, the group had a Sterling overdraft facility of £1,000,000 (2011: £1,000,000). The facility was at floating rates of interest linked to LIBOR. At 31 December 2012 the group had net cash at bank of £1,714,000 (2011: £2,822,000). The group's policy is to ensure that sufficient resources are available to service all debt by monitoring prudent cash flow forecasts.

Foreign currency risk

Several components used in our public transport monitoring systems are sourced from overseas suppliers who invoice in US Dollars. In addition, as the group extends its operations into Europe, an increasing proportion of transactions will be denominated in Euro 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 2.

Directors' report (continued)

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 at note 23 to the financial statements) were as follows:

		Number of ordinary 6.5p shares in the company	
		31 December 2012	31 December 2011
M W Elliott		**-**	-
N Grimond	*(Resigned 28 September 2012)*	**N/A**	2,021,739
J G L Holmstrom		**-**	-
W W Jennings		**1,034,921**	784,921
D A H Voss		**1,109,913**	859,913

The share interests of D A H Voss are held in Self Invested Personal Pension schemes and nominee accounts.

Apart from the interests disclosed above no directors held interests at any time in the year in the share capital or loan stock of the company or other group companies.

Major interests in shares

As at 28 February 2013, according to the company's register or notifications received, the following shareholders each held 3% or more of the company's issued share capital:

	Ordinary 6.5p shares in the company	
	Number	% Holding
Peter Gyllenhammar	22,165,844	23.77%
Slater Investments Limited	14,350,000	15.39%

Land and buildings

In December 2011 the company exchanged contracts for the sale of its freehold premises for cash consideration of £2,350,000. Completion took place in January 2012 and the net amount realised after costs was £2,292,000. The company initially leased back part of the site from the purchaser on a short term lease at an annualised rental of £100,000. In October 2012 the company moved to new leased premises at ZK Park in Croydon at the same rental amount.

The carrying value of the land and buildings at 31 December 2011 along with various other items included in tangible fixed assets which were disposed of along with the property were written down to the net amount realised on the property sale in 2011.

Capital reduction

Following approval by shareholders at the Annual General Meeting held on 30 May 2012 and the subsequent confirmation of the High Court on 27 June 2012, a return of capital of £3,263,387 in cash, representing 3.5p per Ordinary Share was paid to shareholders in early July 2012. This reduction in the share capital of the company became effective on 27 June 2012 and the nominal value of the Ordinary Shares was reduced from 10p to 6.5p per share at that date.

Directors' report (continued)

Research and development activities

The group maintains sufficient research and development resource in-house to ensure its market leading public transport monitoring systems remain cutting edge.

We constantly review the market place for any new technologies which might make a profitable contribution to the business and look to research and develop innovative solutions to produce new and improved products and services.

Disabled employees

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

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

Employee involvement

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

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

Creditor payment policy

The group's policy in relation to its suppliers is to:

(a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;

(b) ensure that those suppliers are aware of the terms of payment by inclusion of the relevant terms in contracts; and

(c) pay in accordance with contractual and other legal obligations.

The group's average creditor payment period at 31 December 2012 was 25 days (2011: 23 days).

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.

Directors' report (continued)

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

W W Jennings
Secretary
28 March 2013

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing 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 prepared the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, in accordance with the provisions of the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice (UK GAAP). 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 group and of the profit or loss of the company/group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- in respect of the group financial statements state whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- in respect of the group 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 performance;
- in respect of the parent company financial statements state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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.

Auditor's report on the group financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 21ST CENTURY TECHNOLOGY PLC

We have audited the financial statements of 21st Century Technology plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes. 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the 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 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 company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2012 and of the its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the group financial statements.

Auditor's report on the group financial statements (continued)

Matters on which we are required to report by exception

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

- 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.

Other matter

We have reported separately on the parent company financial statements of 21st Century Technology plc for the year ended 31 December 2012.

William Neale Bussey (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Tower Bridge House
St Katharine's Way
London
E1W 1DD

28 March 2013

Consolidated statement of comprehensive income

for the year ended 31 December 2012

	Notes	**2012**	2011
		£'000	£'000
Continuing operations			
Revenue	3	**14,026**	14,006
Cost of sales		**(6,497)**	(6,214)
Gross profit	3	**7,529**	7,792
Administrative expenses		**(5,709)**	(6,296)
Operating profit		**1,820**	1,496
Finance income/(costs)	5	**14**	(15)
Profit before taxation from continuing operations	6	**1,834**	1,481
Taxation	7	**(486)**	(311)
Profit for the year from continuing operations		**1,348**	1,170
Discontinued operations			
Profit for the year from discontinued operations	8	**-**	36
Profit for the year being total comprehensive income attributable to owners of the parent		**1,348**	1,206
Earnings per share	9		
From continuing operations			
Basic		**1.45p**	1.27p
Diluted		**1.45p**	1.26p
From continuing and discontinued operations			
Basic		**1.45p**	1.31p
Diluted		**1.45p**	1.30p

Consolidated statement of changes in equity

for the year ended 31 December 2012

	Share capital	Share Premium	Special reserve	Other reserve	Retained Earnings	Total equity share-holders' funds
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2011	9,223	3,387	1,206	43	(5,261)	8,598
Cancellation of share premium	-	(3,387)	-	-	3,387	-
Transfer to distributable reserves	-	-	(1,206)	(43)	1,249	-
Profit and total comprehensive income for the year	-	-	-	-	1,206	1,206
Balance at 31 December 2011	9,223	-	-	-	581	9,804
Issue of shares to satisfy share options	101	8	-	-	-	109
Cancellation of share capital	(3,263)	-	-	-	-	(3,263)
Profit and total comprehensive income for the year	-	-	-	-	1,348	1,348
Balance at 31 December 2012	**6,061**	**8**	**-**	**-**	**1,929**	**7,998**

At the Annual General Meeting held on 1 June 2011 a special resolution was passed to transfer the remaining £3,387,000 standing on the credit of the company's share premium account to distributable reserves. Following the AGM an application to the High Court was made and this completed on 23 June 2011.

The Special Reserve was created on 29 June 2006 pursuant to an undertaking for the protection of the company's creditors at that time which the company gave to the Court in connection with the reduction of its share premium account. None of the company's creditors as at 29 June 2006 remain outstanding and consequently the Special Reserve has been transferred to distributable reserves.

The Other Reserve represented share capital to be issued as contingent consideration relating to an acquisition in 1996. The directors consider that this contingent consideration will never have to be paid and so the Other Reserve has also been transferred to distributable reserves.

The new 10p Ordinary Shares were issued following the exercise of 1,011,150 employee share options during the period:

Consolidated statement of changes in equity

for the year ended 31 December 2012 (continued)

Option exercise date	Number of shares issued	Exercise price per share	Nominal value	Share premium
			£'000	£'000
16 January 2012	236,150	10.0p	24	-
29 March 2012	75,000	12.5p	7	2
20 June 2012	450,000	10.0p	45	-
20 June 2012	250,000	12.5p	25	6
	1,011,150		101	8

Following approval by shareholders at the Annual General Meeting held on 30 May 2012 and the subsequent confirmation of the High Court on 27 June 2012, a return of capital of £3,263,387 in cash, representing 3.5p per Ordinary Share was paid to shareholders in early July 2012. This reduction in the share capital of the company became effective on 27 June 2012 and the nominal value of the Ordinary Shares was reduced from 10p to 6.5p per share at that date.

Consolidated statement of financial position

at 31 December 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Goodwill	10	**4,318**	4,318
Other intangible assets	11	**121**	161
Property, plant and equipment	12	**187**	87
Deferred tax asset	13	**74**	120
		4,700	4,686
Current assets			
Inventories	14	**2,006**	1,989
Trade and other receivables	15	**2,886**	1,407
Cash and cash equivalents	16	**1,714**	2,822
		6,606	6,218
Assets classified as held for sale	17	**-**	2,292
		6,606	8,510
Total assets		**11,306**	13,196
Liabilities			
Current liabilities			
Trade and other payables	18	**(2,370)**	(2,445)
Current tax liabilities	19	**(281)**	(370)
Provisions	20	**(237)**	(352)
		(2,888)	(3,167)
Net current assets		**3,718**	5,343
Non-current liabilities			
Provisions	20	**(420)**	(225)
Total liabilities		**(3,308)**	(3,392)
Net assets		**7,998**	9,804

Consolidated statement of financial position

at 31 December 2012 (continued)

	Notes	2012 £'000	2011 £'000
Shareholders' equity			
Share capital	23	**6,061**	9,223
Share premium account		**8**	-
Retained earnings		**1,929**	581
Total equity		**7,998**	9,804

The financial statements were approved by the board of directors and authorised for issue on 28 March 2013 and were signed on its behalf by:

J G L Holmstrom
Chairman

W W Jennings
Chief Executive

Consolidated statement of cash flows

for the year ended 31 December 2012

	Notes	2012	2011
		£'000	£'000
Net cash flows from operating activities	25	**(2)**	1,811
Cash flow from investing activities			
Disposal of freehold property	8	**2,292**	-
Purchases of property, plant and equipment		**(154)**	(93)
Purchases of intangible fixed assets		**(90)**	(42)
Net cash flows from investing activities		**2,048**	(135)
Cash flow from financing activities			
Proceeds from the exercise of share options		**109**	-
Return of capital		**(3,263)**	-
Net cash flows from financing activities		**(3,154)**	-
Net (decrease)/increase in cash and cash equivalents		**(1,108)**	1,676
Cash and cash equivalents at beginning of year		**2,822**	1,146
Cash and cash equivalents at end of year		**1,714**	2,822

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Notes to the consolidated financial statements

for the year ended 31 December 2012

1. General information

21st Century Technology plc is a public limited company incorporated in England and listed on AIM. Its principal trading subsidiary is 21st Century Technology Solutions Limited and its registered and head office address is Units 3 & 4 ZK Park, 23 Commerce Way, Croydon, Surrey, CR0 4ZS. Its principal place of business is in the UK and mainland Europe and its principal activities are described in the Directors' Report on page 11.

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

Basis of preparation

The group financial statements are prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued and effective or issued and 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. A summary of the more important group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles 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) 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 16% is applied to the cash flow forecasts from the most recent financial budgets which are extrapolated in perpetuity assuming no growth.

(ii) 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.

(iii) Onerous lease provisions

Determining the level of provision necessary for onerous leases requires management to make judgements in estimating the potential void period for leased properties which are not occupied based upon input from property specialists with knowledge of the local property market.

Basis of consolidation

The group financial statements include the results of the company and entities controlled by the company (its subsidiary undertakings) made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. 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. Intra-group sales and profits are eliminated fully on consolidation.

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

2. Significant accounting policies applied to the consolidated financial statements of the group (continued)

Segmental reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker as required by IFRS 8 "Operating Segments". The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

Segment expenses are expenses that are directly attributable to a segment together with the relevant portion of other expenses that can reasonably be allocated to the segment. Tax is not allocated by segment.

Segment assets and liabilities include items that are directly attributable to a segment plus an allocation on a reasonable basis of shared items.

Goodwill

Goodwill arising on acquisitions prior to 22 December 1998 was written off immediately against reserves. Goodwill arising on acquisitions between 23 December 1998 and 31 December 2005 was capitalised, classified as an asset on the consolidated statement of financial position and amortised on a straight line basis over its useful economic life of 10 years. From 1 January 2006 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.

Revenue

Revenue represents amounts invoiced to customers, net of value added tax and trade discounts. Revenue from sales of equipment is recognised on delivery to the customer. Where the sale of equipment includes installation of on vehicle equipment, the turnover is recognised once the installation has been completed. On-going revenue from service contracts is recognised on a straight line basis over the term of the contract.

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.

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

2. Significant accounting policies applied to the consolidated financial statements of the group (continued)

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.

Property, plant and equipment

The cost of property, plant and equipment is their purchase price or, in the case of property included at its valuation prior to the adoption of IFRS, the revalued amount is taken as deemed cost.

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
Motor vehicles	25
Plant and equipment	20-33

Impairment

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

Recoverable amount is the higher of fair value, less costs to sell, and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate appropriate to the specific asset or cash generating unit and by comparing the internal rate of return generated by the cash flows to target return rates established by management.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying value of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognised immediately in the statement of comprehensive income.

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

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

2. Significant accounting policies applied to the consolidated financial statements of the group (continued)

Intangible assets

Software

Software which can be separately identified is capitalised as intangible assets at cost of acquisition and amortised over their estimated useful economic lives of between 3 and 5 years on a straight line basis in to administrative expenses.

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 pro-rata to the number of units sold in to administrative expenses. All other development expenditure is recognised as an expense in the period in which it is incurred.

Inventories

Inventory held for resale is stated at the lower of cost and net realisable value. 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 comprises 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.

Derivative financial instruments

The group's activities expose it to the financial risks of changes in foreign currency exchange rates. The group uses foreign exchange forward contracts to hedge these exposures if appropriate. These financial instruments are included in the statement of financial position as assets or liabilities at their fair values. The group does not use derivative financial instruments for speculative purposes but its financial instruments do not qualify for hedge accounting and consequently changes in their fair values are recognised in the statement of comprehensive income as they arise. There were no foreign exchange forward contracts at the end of the year or prior year.

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

2. Significant accounting policies applied to the consolidated financial statements of the group (continued)

Leasing

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

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 ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the year end date or if appropriate at the forward contract rate. All differences are taken to the statement of comprehensive income.

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

Foreign currency differences are recognised in the translation reserve.

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

Share options granted after 7 November 2002 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.

Discontinued operations

Activities are classified as discontinued operations where they represent a major line of business that meets the criteria in IFRS 5.

Assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and liabilities are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management are committed to the sale which is expected to be completed within one year from the date of classification and therefore qualifies for recognition as such.

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

2. Significant accounting policies applied to the consolidated financial statements of the group (continued)

Going concern

As explained more fully in the Report On Corporate Governance on page 5, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of this report. Consequently, these group financial statements are prepared on the going concern basis.

Impact of standards not yet effective

The following new standards, amendments and interpretations, issued by the International Accounting Standards Board ('IASB') or the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee or IFRIC), are effective for periods beginning after 31 December 2012 and have not been applied in preparing these consolidated financial statements

Standard	**Adopted by EU**
Changes that apply from 1 January 2013	
IAS 1(Amendments) – Revision to items presented within other comprehensive income	✓
IFRS 7 Financial Instruments: Disclosure	✓
IFRS 13 Fair Value Measurement	✓
Defined Benefit Plans – Amendments to IAS 19	✓
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	✓
Changes that apply from 1 January 2014	
IAS 27 Consolidated and Separate Financial Statements	✓
IAS 28 Investments in Associates and Joint Ventures	✓
IAS 32 Financial Instruments: Presentation	✓
IFRS 10 Consolidated Financial Statements	✓
IFRS 11 Joint Arrangements	✓
IFRS 12 Disclosure of Interests in Other Entities	✓
Changes that apply from 1 January 2015	
IFRS 9 Financial instruments	✗

The directors do not anticipate that the adoption of any of these (with the exception of IFRS 9) would make a material impact on these financial statements. IFRS 9 is still on-going and yet to be adopted by the EU, as a result the directors have not yet assessed the impact on these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

3. Segmental reporting

The group's principle activity is the supply and installation of CCTV, black-box and other monitoring systems for use on public transport vehicles both in the UK and overseas. The group reports by two geographical segments – UK and International. The analysis of revenue and gross profit by geographical segment along with an analysis of revenue by each overseas country is given below:

Geographical Segments

Continuing operations	**Revenue 2012 £'000**	**Gross profit 2012 £'000**	Revenue 2011 £'000	Gross profit 2011 £'000
UK	**9,227**	**4,812**	7,373	4,026
International				
Scandinavia	**4,270**		6,477	
Netherlands	**336**		-	
Czech Republic	**62**		60	
Spain	**53**		53	
Germany	**34**		-	
Italy	**30**		32	
Poland	**12**		-	
Other EU	**2**		11	
Total International	**4,799**	**2,717**	6,633	3,766
Grand total	**14,026**	**7,529**	14,006	7,792

Major customers

In the year the group had three customers that each accounted for over 10% of the revenue at 60%, 19% and 12%. In the prior year there were four customers that each accounted for over 10% of the revenue at 46%, 22%, 19% and 12%.

Assets and liabilities by location

Continuing operations	**2012 £'000**	2011 £'000
Assets		
UK	**11,248**	13,101
International	**58**	95
Total assets	**11,306**	13,196
Liabilities		
UK	**(3,229)**	(3,322)
International	**(79)**	(70)
Total liabilities	**(3,308)**	(3,392)

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

4. Employee information

The average monthly number of persons (including executive directors) employed by the group during the year was:

	2012	2011
	Number	Number
By activity:		
Administration	**19**	20
Technical	**13**	12
Operations	**34**	36
	66	68

Staff costs (for the above persons)	**2012**	2011
	£'000	£'000
Wages and salaries	**2,628**	3,019
Social security costs	**332**	399
Pension costs	**25**	22
	2,985	3,440

Key management compensation	**2012**	2011
	£'000	£'000
Wages and salaries	**823**	938
Social security costs	**103**	108
Termination benefits	**60**	-
Pension costs	**15**	15
	1,001	1,061

The key management personnel are the board of directors, the directors of each of the group's business segments and the senior management team responsible for the call centre, personnel, finance and IT. Directors' emoluments included above are:

	2012	2011
	£'000	£'000
Total directors' emoluments	**447**	534
Highest paid director emoluments	**192**	255

Directors' detailed emoluments are disclosed in the Report on Directors' Remuneration.

5 Finance income/(costs)

Continuing operations	**2012**	2011
	£'000	£'000
Interest receivable/(payable) on bank balances	**14**	(15)

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

6. Profit before taxation from continuing operations

This is stated after charging:

	Continuing operations		Discontinued operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Operating lease rentals:						
- Rent of land and buildings	**116**	24	**-**	-	**116**	24
- Hire of plant and machinery	**205**	200	**-**	-	**205**	200
Depreciation:						
- Property, plant and equipment owned	**54**	95	**-**	-	**54**	95
Amortisation of intangible fixed assets	**130**	64	**-**	-	**130**	64
Write down of property, plant and equipment owned	**-**	-	**-**	26	**-**	26
Write down of asset classified as held for sale	**-**	-	**-**	300	**-**	300
Inventories – consumed and recognised as expense in cost of sales	**6,497**	6,214	**-**	-	**6,497**	6,214
Write down of inventories	**96**	36	**-**	-	**96**	36
Trade receivables impairment	**(66)**	24	**-**	-	**(66)**	24

Profit before taxation from continuing operations is also stated after charging:

	2012	2011
	£'000	£'000
Auditors' remuneration :		
Fees payable to the company's auditors for the audit of the company's annual financial statements	**4**	5
Fees payable to the company's auditors for the audit of the company's subsidiaries pursuant to legislation	**32**	26
Total audit fees	**36**	31
Tax services for compliance	**10**	17

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

7. Taxation

(a) Analysis of charge in year:

	2012	2011
	£'000	£'000
Current tax		
Prior year under/(over)provision	**3**	(99)
UK corporation tax on the profit for the year (24.5%)	**435**	360
Swedish corporation tax on the profit for the year (25%)	**2**	10
Deferred tax charge		
- Temporary differences	**36**	28
- Rate change	**10**	12
Total tax charge for the year	**486**	311

(b) Factors affecting the total tax charge for the year:

The tax assessed for the year differs from the standard rate of corporation tax in the UK (24.5%). The differences are explained below:

	2012	2011
	£'000	£'000
Profit on ordinary activities before tax	**1,834**	1,481
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26%)	**449**	385
Effects of:		
Expenses not deductible for tax purposes	**44**	21
Research and development tax credits	**(20)**	(8)
Prior year under/(over)provision	**3**	(99)
Adjustment in respect of rate change	**10**	12
Total tax charge for the year	**486**	311

(c) Deferred tax:

The unrecognised and recognised deferred tax asset comprises the following:

Group	Unrecognised		Recognised	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Tax losses	**3**	3	**-**	-
Decelerated capital allowances	**-**	-	**74**	120
	3	3	**74**	120

The group has £11,000 of unutilised tax losses (2011: £11,000) which may be carried forward indefinitely.

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

7. Taxation (continued)

The movement on deferred tax is as follows:

	Asset £'000
Balance brought forward at 1 January 2012	120
Charge to profit and loss account	(46)
Balance carried forward at 31 December 2012	**74**

The recognised deferred tax asset represents the decelerated capital allowances which the directors consider it probable will reverse in the future.

8. Discontinued operations

The results of discontinued operations which have been included in the consolidated statement of comprehensive income for the year were as follows:

	2012 £'000	2011 £'000
Revenue	**-**	-
Expenses	**-**	(326)
Loss before tax	**-**	(326)
Taxation	**-**	362
Net profit after tax attributable to discontinued operations	**-**	36

2011 - Discontinued operations

Since the disposal of the group's remaining car and motorcycle accessory and security distribution businesses at the end of 2009 and the cessation of the group's insurance Vehicle Installation Services at the start of 2010, the group's large head office and warehouse premises have been significantly underutilised.

On 28 December 2011 the company exchanged contracts for the sale of these freehold premises for cash consideration of £2,350,000. The sale completed on 6 January 2012 and the net amount realised after costs was £2,292,000.

The carrying value of the land and buildings at 31 December 2011 along with various other items included in tangible fixed assets which were disposed of along with the property were written down to the net amount realised on the property sale in 2011 and consequently £300,000 was written off the carrying value of the property and £26,000 written off tangible fixed assets in the Consolidated Statement of Financial Position.

The 2010 Consolidated Statement of Financial Position included a provision of £362,000 in respect of potential deferred tax payable on the revaluation surplus included in the carrying value of the property. In light of the actual sale price achieved and the impact of indexation allowance to be deducted before assessing the taxable gain on the property, the directors now believe that the deferred tax provision is not required and so this was credited back to the Statement of Comprehensive Income for 2011.

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

8. Discontinued operations (continued)

The write down of the carrying value of the property and tangible fixed assets and the deferred tax credit referred to above have both been included in the results from discontinued operations within the Statement of Comprehensive Income resulting in a net credit of £36,000 in respect of discontinued operations in 2011.

9. 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.

	2012 Earnings £'000	**2012** Per share amount Pence	2011 Earnings £'000	2011 Per share amount Pence
From continuing and discontinued operations				
Basic EPS				
Earnings attributable to ordinary shareholders	**1,348**	**1.45**	1,206	1.31
Diluted EPS				
Earnings	**1,348**	**1.45**	1,206	1.30
From continuing operations				
Basic EPS				
Earnings attributable to ordinary shareholders	**1,348**	**1.45**	1,206	1.31
Adjustment to exclude the profit from discontinued operations	**-**	**-**	(36)	(0.04)
Earnings from continuing operations	**1,348**	**1.45**	1,170	1.27
Diluted EPS				
Earnings attributable to ordinary shareholders	**1,348**	**1.45**	1,206	1.30
Adjustment to exclude the profit from discontinued operations	**-**	**-**	(36)	(0.04)
Earnings from continuing operations (as above)	**1,348**	**1.45**	1,170	1.26

Details of the weighted average number of ordinary shares used as the denominator in calculating the earnings per ordinary share is given below:

	2012 **'000**	2011 '000
Basic weighted average number of shares	**92,870**	92,229
Dilutive potential ordinary shares	**412**	276
Diluted weighted average number of shares	**93,282**	92,505

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

10. Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	Total goodwill 21st Century (CPS) £'000
Deemed cost:	
At 1 January 2011, 31 December 2011 and **31 December 2012**	**4,318**

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash generating units 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 5 years approved by management, with a growth rate of 5% and extrapolated in perpetuity assuming no growth. The discount rates needed to equate the net present value from these cash flows to the carrying value of goodwill are then compared to the required rate of return from the cash generating unit based upon an assessment of the time value of money, prevailing interest rates and the risks specific to the cash generating unit. 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 rate applied to equate the net present value of the forecast cash flows to the carrying value of goodwill was 40% (2011: 22%); whereas, the required rate of return from the cash generating unit is deemed to be 16% (2011: 16%). In view of this, the directors consider that no impairment of goodwill is required.

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

11. Other intangible fixed assets

2012 movements	Development costs £'000	Purchased software £'000	**Total £'000**
Cost:			
At 1 January 2012	496	540	**1,036**
Additions	90	-	**90**
At 31 December 2012	586	540	**1,126**
Amortisation:			
At 1 January 2012	335	540	**875**
Charge for the year	130	-	**130**
At 31 December 2012	465	540	**1,005**
Net book value:			
At 31 December 2012	121	-	**121**
At 31 December 2011	161	-	161

2011 movements	Development costs £'000	Purchased software £'000	Total £'000
Cost:			
At 1 January 2011	616	621	1,237
Additions	42	-	42
Disposals	(162)	(81)	(243)
At 31 December 2011	496	540	1,036
Amortisation:			
At 1 January 2011	440	614	1,054
Disposals	(162)	(81)	(243)
Charge for the year	57	7	64
At 31 December 2011	335	540	875
Net book value:			
At 31 December 2011	161	-	161
At 31 December 2010	176	7	183

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

12. Property, plant and equipment

2012 movements	Leasehold Improvements	Plant and equipment	**Total**
	£'000	£'000	**£'000**
Cost:			
At 1 January 2012	-	319	**319**
Disposals	-	(146)	**(146)**
Additions	81	73	**154**
At 31 December 2012	81	246	**327**
Depreciation:			
At 1 January 2012	-	232	**232**
Disposals	-	(146)	**(146)**
Charge for the year	2	52	**54**
At 31 December 2012	2	138	**140**
Net book amounts:			
At 31 December 2012	79	108	**187**
At 31 December 2011	-	87	87

Following the disposal of the company's freehold head office premises the business relocated to leasehold premises at Units 3 & 4 ZK Park, 23 Commerce Way, Croydon. At the same time as the premises move, plant and equipment with original cost of £146,000 but net book value of nil was written off.

2011 movements	Plant and equipment	Total
	£'000	£'000
Cost:		
At 1 January 2011	2,660	2,660
Additions	93	93
Disposals	(2,434)	(2,434)
At 31 December 2011	319	319
Depreciation:		
At 1 January 2011	2,545	2,545
Disposals	(2,408)	(2,408)
Charge for the year	95	95
At 31 December 2011	232	232
Net book amounts:		
At 31 December 2011	87	87
At 31 December 2010	115	115

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

13. Deferred tax asset – non current

The movement on the deferred tax non current asset is as follows:

Deferred tax asset on decelerated capital allowances:

	£'000
Balance brought forward at 1 January 2012	120
Charge to profit and loss account	(46)
Balance carried forward at 31 December 2012	**74**

14. Inventories

	2012	2011
	£'000	£'000
Finished goods and goods for resale	**2,006**	1,989

15. Trade and other receivables

	2012	2011
	£'000	£'000
Trade receivables	**2,726**	1,252
Less: provision for impairment of receivables	**(29)**	(95)
Trade receivables – net	**2,697**	1,157
Other receivables and prepayments	**189**	250
	2,886	1,407

The average credit period taken on sales of goods is 60 days (2011: 28 days). Trade receivables are provided for to the extent that management have 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.

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

	Amount receivable	
	2012	2011
	£'000	£'000
Arriva Group	**1,967**	378
Alexander Dennis	**215**	257
First Group UK Bus	**314**	84
Wrightbus	**-**	279
The Go-Ahead Group/Govia	**-**	79

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

15. Trade and other receivables (continued)

Included in the group's trade receivable balance are debtors with a carrying amount of £1,270,000 (2011: £148,000) 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 105 days (2011: 45 days).

Ageing of past due but not impaired trade receivables

	2012 £'000	2011 £'000
30-60 days	**777**	148
60-90 days	**62**	-
Over 90 days	**431**	-
	1,270	148

Movement in the provision for impairment of trade receivables:

	2012 £'000	2011 £'000
Balance at 1 January	**95**	80
Impairment losses (recovered)/recognised	**(66)**	24
Amounts written off as uncollectable	**-**	(9)
Balance at 31 December	**29**	95

Ageing of impaired trade receivables

	2012 £'000	2011 £'000
60-90 days	**24**	17
Over 90 days	**5**	78
	29	95

The directors consider that the carrying amount of trade and other receivables approximates their fair value and the maximum exposure to credit risk.

16. Cash and cash equivalents

	2012 £'000	2011 £'000
Cash and cash equivalents	**1,714**	2,822

Cash and cash equivalents comprise cash held by the group and short-term bank deposits with original maturity of less than three months. The carrying amount of these assets approximate their fair value and the maximum exposure to credit risk.

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

17. Assets classified as held for sale

Assets held for sale, which were previously classified under property, plant and equipment in non-current assets are as follows:

2012 movements	Freehold land and buildings £'000
Balance brought forward at 1 January 2012	2,292
Disposal	(2,292)
Balance carried forward at 31 December 2012	-

2011 movements	Freehold land and buildings £'000
Balance brought forward at 1 January 2011	2,592
Amounts written off	(300)
Balance carried forward at 31 December 2011	2,292

On 28 December 2011 the company exchanged contracts for the sale of the group's former head office premises in Mitcham, Surrey for cash consideration of £2,350,000. The completion of the sale took place in January 2012 and the net amount realised after costs was £2,292,000.

At 31 December 2011 the net book value of the land and buildings was written down to the net amount realised on the property sale and consequently £300,000 was written off the carrying value of the property.

18. Trade and other payables - current

	2012 £'000	2011 £'000
Trade payables	**678**	755
Other taxation and social security	**220**	164
Other payables	**25**	25
Accruals and deferred income	**1,447**	1,501
	2,370	2,445

Trade creditors and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 25 days (2011: 23 days). No supplier charges interest on outstanding balances. The group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The directors consider that the carrying amount of trade payables approximates to their fair value.

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

19. Current tax liabilities

	2012	2011
	£'000	£'000
Corporation tax	**281**	370

20. Provisions

2012 movements	Onerous leases		Remedials and warranty			**Total**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**
Balance at 1 January		323		254		**577**
Charged	30		350		**380**	
Utilised	(113)		(187)		**(300)**	
Movement in the year		(83)		163		**80**
Balance at 31 December		240		417		**657**
Included in current liabilities		101		136		**237**
Included in non-current liabilities		139		281		**420**
		240		417		**657**

2011 movements	Onerous leases		Remedials and warranty			Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January		233		74		307
Charged	268		254		522	
Utilised	(178)		(74)		(252)	
Movement in the year		90		180		270
Balance at 31 December		323		254		577
Included in current liabilities		98		254		352
Included in non-current liabilities		225		-		225
		323		254		577

The provisions represents management's best estimate of the group's liability under onerous leases in respect of property that is no longer utilised following the disposal of certain discontinued operations and the group's liability for remedial work and warranties granted on products sold based on past experience and industry averages for defective products.

The onerous lease provision is expected to be fully utilised by 31 March 2015 and the remedials and warranty provision by 31 December 2017.

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

21. Deferred tax liabilities – non current

Deferred tax liability on income from property disposal at its current carrying value:

	2012	2011
	£'000	£'000
Balance at 1 January	**-**	362
Movement in year	**-**	(362)
Balance at 31 December	**-**	-

The deferred tax liability brought forward in 2011 represented the potential tax payable on the unrealised revaluation surplus relating to the group's freehold property. Following the sale of the property, which completed on 6 January 2012, the directors believe that there will be no tax liability on the transaction.

22. 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 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings but did not include any debt.

The group maintain or adjust their capital structure through the payment of dividends to shareholders, issue of new shares and buy-back of existing shares.

The group's overall capital risk management strategy remains unchanged from 2011.

Note 23 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

The board has eliminated group borrowing in recent years and as a consequence net debt was £nil at 31 December 2012 (2011: £nil). Net debt is defined as long and short term borrowings less cash and cash equivalents.

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	
	2012	2011
	£'000	£'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**4,600**	4,229
Financial liabilities		
Amortised cost	**2,651**	2,815

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

22. Financial instruments (continued)

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 and interest rates. The group enters into foreign exchange forward contracts to hedge the exchange rate risk arising on the purchase of inventory and sales denominated in foreign currency. No foreign exchange contracts were outstanding at the year end or the prior year end.

Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

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

	Liabilities		Assets	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Swedish Krona	**49**	97	**950**	12
Euro	**43**	-	**309**	110
US Dollar	**-**	-	**59**	247
Czech Koruna	**-**	-	**52**	-

At the year end the group was exposed to fluctuations in Swedish Krona, Euro, US Dollar, and Czech Koruna against Sterling. The following table details the group's sensitivity to a 10% increase or decrease in Sterling against the relevant foreign currencies. Ten percent represents management's assessment of a reasonable 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.

	2012	2011
	£'000	£'000
Swedish Krona (loss)/gain	**(90)**	9
Euro loss	**(27)**	(11)
US Dollar loss	**(6)**	(25)
Czech Koruna loss	**(5)**	-

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

22. Financial instruments (continued)

Periodically the group enters into forward exchange contracts to cover its exposure to fluctuations in foreign currency exchange rates. Typically the group will purchase or sell foreign currency between 3 and 6 months forward to cover anticipated transactions in the period. These contracts are not designated in a hedge accounting relationship and are classified as held-for-trading. No forward foreign currency contracts were outstanding at the year end (2011: nil).

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 group has significant credit risk exposure to several single counterparties. Note 15 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 2012, the group had an overdraft facility of £1,000,000 (2011: £1,000,000). As at 31 December 2012 the net bank balance was £1,714,000 (2011: £2,822,000) leaving undrawn facilities expiring within one year of £1,000,000 (2011: £1,000,000).

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.

	2012	2011
	£'000	£'000
In one year or less	**2,651**	2,815

23. Share capital

Called up share capital

	2012	2011
	£'000	£'000
Allotted, called up and fully paid:		
93,239,755 ordinary shares of 6.5 pence each		
(2011: 92,228,605 ordinary shares of 10 pence each)	**6,061**	9,223

Following approval by shareholders at the Annual General Meeting held on 30 May 2012 and the subsequent confirmation of the High Court on 27 June 2012, a return of capital of £3,263,387 in cash, representing 3.5p per Ordinary Share was paid to shareholders in early July 2012. This reduction in the share capital of the company became effective on 27 June 2012 and the nominal value of the Ordinary Shares was reduced from 10p to 6.5p per share at that date.

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

23. Share capital (continued)

Share options and share based payments

The company operates several employee share option schemes. As at 31 December options under these schemes, including those held by directors, were outstanding over:

	2012		2011	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**2,921,550**	**11.3p**	4,051,550	14.6p
Exercised during the year	**(1,011,150)**	**10.2p**	-	-
Lapsed during the year	**(10,400)**	**10.0p**	(1,130,000)	23.2p
Outstanding at end of year	**1,900,000**	**11.5p**	2,921,550	11.3p
Exercisable at end of year	**1,900,000**	**11.5p**	2,921,550	11.3p

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 2011	*Exercised in the year*	***As at 31 December 2012***	*Exercise price*	*Date from which exercisable*	*Expiry date*
Non-executive Director Schemes (note 1)						
D A H Voss	100,000	(100,000)	**-**	10p	22.03.02	22.03.12
D A H Voss	75,000	(75,000)	**-**	10p	09.05.05	09.05.15
D A H Voss	75,000	(75,000)	**-**	12.5p	12.04.06	12.04.16
The 2004 EMI Scheme issue 1						
N Grimond *(note 2)*	500,000	-	**500,000**	10p	09.05.05	09.05.15
W W Jennings *(note3)*	500,000	(250,000)	**250,000**	10p	09.05.05	09.05.15
The 2004 EMI Scheme issue 2						
N Grimond *(note 2)*	500,000	-	**500,000**	12.5p	12.04.06	12.04.16
W W Jennings	500,000	-	**500,000**	12.5p	12.04.06	12.04.16

The market price of the company's shares at the end of the financial year was 13.00p (2011: 14.38p) and the range of market prices during the year was 8.50p to 19.00p (2011: 7.75p to 16.88p). The weighted average remaining life of all share options outstanding at 31 December 2012 is 1 year and 7 months (31 December 2011: 3 years 8 months).

Notes

1. *All of these share options were exercised by Mr Voss during the year and the combined gain based on the share price at the exercise dates was £9,407.*

2. *These share options lapsed on 31 January 2013.*

3. *250,000 of these share options were exercised by Mr Jennings during the year and the gain based on the share price at the exercise date was £17,500.*

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

24. Financial commitments

At 31 December 2012 the group had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Due within one year	**171**	80	**129**	155
Due between two and five years inclusive	**509**	169	**115**	123
	680	249	**244**	278

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

25. Reconciliation of operating profit to net cash inflow from operating activities

	2012	2011
	£'000	£'000
Profit for the year	**1,348**	1,206
Adjustments for:		
Finance (income)/costs	**(14)**	15
Income tax expense	**440**	271
Deferred tax charge/(credit)	**46**	(322)
Depreciation of property, plant and equipment	**54**	95
Amortisation of intangible fixed assets	**130**	64
Write down of property, plant and equipment	**-**	26
Write down of asset held for sale	**-**	300
Increase in provisions	**80**	270
Operating cash flows before movement in working capital	**2,084**	1,925
Increase in inventories	**(17)**	(931)
(Increase)/decrease in receivables	**(1,479)**	433
Increase in payables	**176**	17
(Decrease)/increase in deferred income	**(251)**	565
Cash inflow from operations	**513**	2,009
Income taxes paid	**(529)**	(188)
Interest received/(paid)	**14**	(10)
Net cash (outflow)/inflow from operating activities	**(2)**	1,811

Notes to the consolidated financial statements

for the year ended 31 December 2012 (continued)

26. Related party transactions

Payments to key management personnel are included in note 4.

There are no other related party transactions.

Subsidiaries

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

Auditor's report on the parent company financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 21ST CENTURY TECHNOLOGY PLC

We have audited the financial statements of 21st Century Technology plc for the year ended 31 December 2012 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the 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 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 company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Auditor's report on the parent company financial statements (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Other matter

We have reported separately on the group financial statements of 21st Century Technology plc for the year ended 31 December 2012.

William Neale Bussey (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Tower Bridge House
St Katharine's Way
London

E1W 1DD

28 March 2013

Company balance sheet

at 31 December 2012

	Notes	2012	2011
		£'000	£'000
Fixed assets			
Investment in subsidiaries	3	**10,005**	10,000
		10,005	10,000
Current assets			
Amounts owed by group undertakings		**-**	2,439
Other debtors		**1**	1
Cash at bank		**-**	1
		1	2,441
***Creditors** – due within one year*			
Amounts owed to group undertakings		**(972)**	-
Other creditors and accruals		**(71)**	(38)
		(1,043)	(38)
Net current (liabilities)/assets		**(1,042)**	2,403
Net assets		**8,963**	12,403
Capital and reserves			
Share capital	4	**6,061**	9,223
Share premium account	5	**8**	-
Merger reserve	5	**1,001**	1,001
Retained earnings	5	**1,893**	2,179
Shareholders' funds	6	**8,963**	12,403

The accompanying notes are an integral part of these parent company financial statements.

The financial statements were approved by the board of directors on 28 March 2013 and were signed on its behalf by:

J G L Holmstrom
Chairman

W W Jennings
Chief Executive

Notes to the company financial statements

for the year ended 31 December 2012

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

Basis of preparation

The financial statements of the company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and applicable Law. The company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash Flow Statements'. The principal accounting policies which have been applied consistently throughout the year and the preceding year are summarised below:

Investments

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

Equity instruments

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

Related party transactions

The company has taken advantage of the exemptions available in Financial Reporting Standards No. 8 and as a consequence has not disclosed group transactions as related party transactions.

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 2012 of £286,000 (2011, loss: £341,000).

The auditors' remuneration for the audit and other services is disclosed in note 6 to the group financial statements.

3. Investments

	Interests in group Undertakings
	£'000
Cost:	
At 1 January 2012	27,362
Additions	5
At 31 December 2012	27,367
Amounts provided:	
At 1 January and 31 December 2012	(17,362)
Net book amounts:	
At 31 December 2012	**10,005**
At 31 December 2011	10,000

The additions during the year relate to an investment of share capital in to the company's 100% owned Swedish, subsidiary, 21st C. Scandinavia AB.

Notes to the company financial statements

for the year ended 31 December 2012 (continued)

3. Investments (continued)

Interests in group undertakings

Details of the company's principal subsidiary undertakings (which have been consolidated in the group financial statements) are as follows:

Name of undertaking	Description of shares held	Proportion of voting rights held %	Nature of business
21st Century Technology Solutions Limited[1]	One Ordinary £1 share	100	Sale and installation of CCTV and other monitoring devices
21st C. Scandinavia AB[2]	Five hundred 100 SEK shares	100	CCTV installation and project management

[1]Incorporated in the United Kingdom.

[2]Incorporated in Sweden

4. Share capital

Called up share capital

	2012	2011
	£'000	£'000
Allotted, called up and fully paid:		
93,239,755 ordinary shares of 6.5 pence each		
(2011: 92,228,605 ordinary shares of 10 pence each)	**6,061**	9,223

1,011,150 new 10p Ordinary Shares were issued following the exercise of employee share options during the period (see note 5).

Following approval by shareholders at the Annual General Meeting held on 30 May 2012 and the subsequent confirmation of the High Court on 27 June 2012, a return of capital of £3,263,387 in cash, representing 3.5p per Ordinary Share was paid to shareholders in early July 2012. This reduction in the share capital of the company became effective on 27 June 2012 and the nominal value of the Ordinary Shares was reduced from 10p to 6.5p per share at that date.

Notes to the company financial statements

for the year ended 31 December 2012 (continued)

5. Share capital share premium account and reserves

	Share capital	Share premium	Merger reserve	Profit and loss account
	£'000	£'000	£'000	£'000
At 1 January 2012	9,223	-	1,001	2,179
Issue of new 10p Ordinary Shares	101	8	-	-
Cancellation of share capital (see note 4)	(3,263)	-	-	-
Loss for the year	-	-	-	(286)
At 31 December 2012	**6,061**	**8**	**1,001**	**1,893**

The new 10p Ordinary Shares were issued following the exercise of 1,011,150 employee share options during the period:

Option exercise date	Number of shares issued	Exercise price per share	Nominal value	Share premium
			£'000	£'000
16 January 2012	236,150	10.0p	24	-
29 March 2012	75,000	12.5p	7	2
20 June 2012	450,000	10.0p	45	-
20 June 2012	250,000	12.5p	25	6
	1,011,150		101	8

6. Reconciliation of movements in equity shareholders' funds

	2012	2011
	£'000	£'000
Opening equity shareholders' funds	**12,403**	12,744
Issue of new 10p Ordinary Shares including share premium	**109**	-
Cancellation of share capital	**(3,263)**	-
Loss for the year	**(286)**	(341)
Closing equity shareholders' funds	**8,963**	12,403