21st Century Technology plc

Annual Report for the year ended 31 December 2013

Innovation in Transport Technology

21st Century plc is the specialist service provider of CCTV and monitoring systems to the fleet and network operators in the Bus & Rail industries.

Through innovation and design 21st Century has developed a market leading portfolio of solutions specifically created for the challenging environment of today's public transport industry. Our solutions are widely implemented by some of Europe's largest transport operators who value the reliability and quality of the service and solutions that are delivered by 21st Century.

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Chairman's statement

"Whilst there have been a number of challenges in the last year I am cautiously optimistic about our future, not least because of the new energy, drive and direction brought about by the new leadership team."

Summary

- In October 2013 I was delighted to announce the appointment to the Board of Russ Singleton as Chief Executive Officer and Glenn Robinson as Group Finance Director.
- Group results for the year ended 31 December 2013 show a small loss after tax of £0.2m (2012: profit after tax £1.3m). The basic loss per share is 0.20p (2012: earnings per share 1.45p).
- We remain the preferred supplier of mobile CCTV to two of the largest bus operators – Arriva UK Bus and First Group UK Bus and we have recently secured short-term extensions to both whilst they prepare for renewal in 2014.
- During the year we also gained two more UK rail sector customers for our advanced CCTV systems.
- International sales efforts have been pared back and we have focused our efforts on key account services rather than a product led geographic expansion.

Introduction

The Group has gone through a period of significant change since our Interim Results announced in August 2013.

Against a back drop of a challenging market environment, the changing needs of our customers and non-renewal of a key contract, the Board was looking to re-focus the Group in order to maximise value to shareholders. As part of this re-focus we were looking to appoint industry experts with an entrepreneurial background who would be able to bring a fresh approach to the business.

In October 2013 I was delighted to announce the appointment to the Board of Russ Singleton as Chief Executive and Glenn Robinson as Group Finance Director, following an initial approach by them. Following their appointment they purchased shares and were granted share options. At this time Wilson Jennings stepped down from the Board.

Russ Singleton has a successful track record in the electronic security industry in both quoted and non-quoted companies. He was a founder of Synectics plc, formerly Quadnetics plc and was instrumental to their significant growth based on a core of innovative CCTV solutions for niche markets supplemented by targeted acquisitions. As I stated at the time of their appointment their combined skill and experience gives us a powerful team to lead the business. Their impressive track record of building small-to-mid scale security businesses will be particularly valuable to 21st Century as we look to build on the current platform.

Since their appointment they have undertaken a thorough review of the business. They are beginning to apply their approach to the business to deliver sustainable long-term organic and acquisitive growth. Immediate actions were taken to stabilise the Group: to improve customer service; increase technical capability; empower management; and preserve cash. The changes are still ongoing and will be implemented during the course of this year.

Chairman's statement (continued)

Trading results

Group results for the year ended 31 December 2013 show a small loss after tax of £0.2m (2012: profit after tax £1.3m). The basic loss per share is 0.26p (2012: earnings per share 1.45p).

	2013 £m	2012 £m
Revenue	**10.8**	14.0
Gross profit	**4.1**	5.8
Gross profit percentage	**38%**	41%
Net operating expenses	**(4.3)**	(3.9)
(Loss)/profit before taxation	**(0.2)**	1.8
Taxation	**(0.0)**	(0.5)
(Loss)/profit after taxation	**(0.2)**	1.3
	Pence	Pence
Basic (loss)/earnings per share	**(0.26)**	1.45

The outcome for the year is broadly in line with our statement at the half year. However, it is a disappointing result after the hard work and investments made, particularly in our product based expansion into continental Europe, this was compounded by Go-Ahead's decision not to renew our contract in mid-August 2013.

We remain the preferred supplier of mobile CCTV to two of the largest bus operators – Arriva UK Bus and First Group UK Bus – and we have recently secured short-term extensions to both contracts whilst they prepare for renewal in 2014. The steps referred to above to improve customer service, increase technical ability and empower management, significantly improve the renewal prospects and we are working very hard to ensure that these customers are retained given their importance to the Group.

During the year we also gained two more UK rail sector customers for our advanced CCTV systems. The first, in September 2013, was a £0.4m contract with GB Rail Freight. The second in November 2013, was a £1.9m contract with one of the UK's train operating companies. These important wins signify a growing adoption of our systems in the rail market and are part of our multi-modal approach to servicing our fleet customers.

Board changes

There have been significant changes to the Board over the year. On 9 January 2013 I moved from Non-executive Director to Interim Finance Director and on 22 August 2013, following the resignation of Jan Holmstrom, I was appointed Executive Chairman.

Also on 22 August 2013 David Voss retired as a Non-executive Director and James Cumming joined as a Non-executive Director.

On 10 October 2013 Wilson Jennings resigned as Chief Executive. At the same time, Russ Singleton and Glenn Robinson were appointed to the Board as Chief Executive and Group Finance Director respectively.

Dividend

The Group paid its maiden dividend in June 2013 of this year of £652,678 representing 0.7p per share. However, in light of current trading the dividend policy will be put on hold until the Group returns to sustainable profitability.

Current trading and outlook

International sales efforts have been pared back and we have focused our efforts on key account services rather than a product led geographic expansion. This has resulted in our French subsidiary ceasing to trade and a reduction in associated UK based sales support staff. The UK overhead was further reduced to reflect the loss of the major customer account and market conditions. The overall effect was a 17% reduction in headcount in the first quarter of 2014.

At the same time we have restructured and strengthened the management of the business in 2014 to better serve our customers.

The expectation for the current year is for revenues to be similar to 2013 although, as already stated, revenues are sensitive to the retention of the customer accounts mentioned above.

Summary

Whilst there have been a number of challenges in the last year I am cautiously optimistic about our future, not least because of the new energy, drive and direction brought about by the new leadership team.

We are currently trading in line with Board expectations and every effort is being made to develop new lines of business and secure positive outcomes from the important contract negotiations and renewals due later on this year.

I would like to pass on the Board's sincere thanks and appreciation to all members of staff for their hard work and dedication.

Mark Elliott
Executive Chairman
8 May 2014

Directors' biographical details

Mark Elliott, Executive Chairman

Mark Elliott, 55, joined the Company in December 2010 as a Non-executive Director before taking on the role of Executive Chairman in August 2013 after a period in the role of Interim Finance Director from January 2013. Mark is a Chartered Accountant and has spent the last ten 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. He is also a Director of Enables IT Group plc and EU Supply plc.

Russ Singleton, Chief Executive

Russ Singleton, 55, joined the Company in October 2013 as Chief Executive. Russ is a Chartered Engineer with a strong track record including forming and growing electronics businesses for Synectics Plc, formerly Quadnetics Group Plc, where, after moving to AIM in 2002 he led the group as Chief Executive; achieving a five-fold increase in turnover and substantial profits. This growth came organically and through acquisitions. Subsequently he formed Coretrol Limited to focus on opportunities in the security markets.

Glenn Robinson, Group Finance Director and Company Secretary

Glenn Robinson, 48, joined the Company in October 2013 as Group Finance Director. Glenn is an experienced Finance Director of SMEs, including a period from 1997 with a security subsidiary of Quadnetics working with Russ. During his time at Quadnetics he was an important driver of development and change and made a significant contribution to the Group; becoming the Group's Technical and Business Development Director in 2005. Subsequently he joined Russ in the formation of Coretrol Limited. Glenn qualified as a Chartered Accountant with Coopers & Lybrand.

James Cumming, Non-executive Director and Senior Independent Director

James Cumming, 63, joined the Board as Non-executive Director in August 2013. Following a long career in corporate advisory and broking in the City, including acting as Chief Executive Officer of N+1Brewin LLP, James has significant experience in working with small and mid-sized UK companies. James currently utilises his commercial experience in supporting growth companies in Non-executive roles and is a fellow of the Chartered Institute of Securities & Investment.

Strategic report

"We compete by striving to offer better integrated solutions at reduced costs to our customers. We carefully select niche markets where we can generate significant market share to generate the economies of scale needed."

Following the appointment of Russ Singleton as Chief Executive in October 2013, he has been leading a detailed review of the Group's business in order to develop a new strategy on behalf of the Board.

Principal activities

The Group's principal activities remain in the road and rail based public transport vehicle sector, but the offering is changing from point solutions for the supply and installation of CCTV, black-box and other monitoring systems towards highly integrated on-board technologies, the supporting back-office requirements of connected vehicles and managed services. This can be summarised as being specialist service providers of CCTV and monitoring systems to the fleet and network operators in the Bus & Rail industries.

Business model

The business model is to compete in the market as an open provider of technology solutions, working with global scale product companies and local specialists to deliver highly reliable and cost-effective solutions for PSV fleet operators over the lifecycle of the systems. The service offering includes design, tailoring, installation, on-site support and back-office systems which allow our operators to focus on running their fleets.

We compete by striving to offer better integrated solutions at reduced costs to our customers. We carefully select niche markets where we can generate significant market share to generate the economies of scale needed.

Key performance indicators

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

	2013 £'000	Restated 2012 £'000
Revenue	**10,826**	14,026
Gross profit	**4,070**	5,760
Administrative expenses	**4,293**	3,940
Operating (loss)/profit	**(223)**	1,820
Net current assets	**3,247**	3,718
Net cash flows from operating activities	**602**	(2)
Cash and cash equivalents	**1,343**	1,714
	Pence	Pence
(Loss)/earnings per share – basic	**(0.26)**	1.45
(Loss)/earnings per share – diluted	**(0.26)**	1.45

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

Strategic report (continued)

Business review and results

Overall sales for 2013 reduced by £3.2m (23%) to £10.8m. The reduction in sales of £3.2m reflects reduced activity in the Scandinavian market and the non-renewal of the Go-Ahead contract, the impact of which is £2.8m and £0.4m respectively.

The gross profit margins now include direct labour and sub-contractor costs that were previously included in administrative expenses. The overall reduction in gross profit percentage in the year from 41% to 38% reflects the change in mix of business in the year.

The overall gross profit is down £1.7m mainly due to the reduced sales volume but also partly the reduced gross profit percentage.

The net operating expenses increased in the year by £0.4m with investment in overseas sales support staff and included the termination arrangement with the previous Chief Executive of £157,000 including social security costs.

The effect of the above items delivered a loss before taxation of £218,000 (2012: profit £1,834,000).

The Company paid its maiden dividend in June 2013 of £652,678 representing 0.7p per share. See Chairman's Statement for further details.

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

Currently the business has a high dependence on a small number of customers who are of a far greater scale than the Group. This generates three distinct risks each of which could have a significant impact on the business:

- the loss of any single major customer;
- pressure on price and margin; and
- changes to their vehicle replacement or retro-fit schedules.

These risks are mitigated by monitoring and managing the business' operational performance measures, including response times and CCTV availability, with operational dashboards agreed with each customer and by regular communication at Director level.

A key focus is to win new business with public transport companies in the UK and overseas and thereby reducing 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. In instances where we are currently reliant on one supplier we are constantly looking for ways to minimise technical and commercial risk.

On certain projects we have technical risk in our suppliers when they are developing systems for our customers' applications. We manage these risks with rigorous project management.

Strategic report (continued)

Competition
The Group may face increased competition as the technology on vehicles moves away from point solutions to broader integrated solutions. This changing technology landscape creates openings for new product and service entrants who may possess better technical and capital resources than the Group. The Group has to increase technical capability to capitalise on our current market position.

Technology
The future success of the Group's activities depends upon it creating a leading position for innovative systems within the PSV sector. This involves keeping pace with changes and improvements in relevant technology and by having the integration skills necessary to create added value for our customers on the move and in the back-office. The Group currently has a small development team, strong relationships with partner organisations and is looking to strengthen in this area, potentially by acquisition.

Future developments

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

Signed on behalf of the Board

Russ Singleton
Chief Executive
8 May 2014

Report on corporate governance

The Directors recognise the value of the UK Corporate Governance Code that was revised in September 2012 by the Financial Reporting Council and whilst under AIM rules full compliance is not required, the Directors believe that the Company applies best practice corporate governance insofar as is practicable and appropriate for a public company of its size.

The workings of the Board and its Committees

The Board

The Board currently comprises one Non-executive Director, an Executive Chairman and two Executive Directors and is responsible for the management of the Group. The Board meets at least ten times a year, setting and monitoring Group strategy, reviewing trading performance and formulating policy on key issues. Day-to-day operational decisions are delegated to the senior management team. Key issues reserved for the Board include the consideration of potential acquisitions, share issues and 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 3.

Attendance at meetings

The full Board met 13 times in 2013. All of the Directors of the Company at the time of the meetings were in attendance.

The Audit Committee

Until January 2013 the Audit Committee comprised the Non-executive Directors with Mark Elliott as its Chairman. Between January 2013, following Mark Elliott's appointment as Interim Finance Director, and August 2013, David Voss was appointed Chairman of the Audit Committee. Since August 2013, following David Voss's retirement, the Audit Committee has comprised James Cumming, Non-executive Director as Chairman and Mark Elliott. 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 its objectivity and independence is safeguarded. The Audit Committee reviews arrangements by which employees may in confidence raise concerns about possible inappropriateness in the financial reporting of the Company or other matters. The Audit Committee has procedures in place for the investigation and follow up of any such matters reported to it by staff.

Report on corporate governance (continued)

The workings of the Board and its Committees (continued)

The Remuneration Committee

Until August 2013 the Remuneration Committee comprised the Non-executive Directors with David Voss as its Chairman. Since August 2013, following David Voss's retirement, the Remuneration Committee comprises the Non-executive Director, James Cumming, as Chairman and Mark Elliott. Several meetings of the Committee were held during 2013. The Committee is responsible for making recommendations to the Board on the remuneration of senior Executives and all Directors.

The Nomination Committee

Until August 2013 the Nomination Committee comprised the Non-executive Directors with Jan Holmstrom as its Chairman. Since August 2013, following Jan Holmstrom's resignation, the Nomination Committee comprises James Cumming, Non-executive Director and Mark Elliott as Chairman. It meets as necessary and is responsible for making recommendations to the Board on the appointments of Executive and Non-executive Directors. When required, it is the usual practice of the Nomination Committee to employ specialist external search and selection consultants to assist in the appointment process for new Executive and Non-executive Directors.

Election and re-election of Directors

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

Terms of reference

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

Internal controls

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

Report on corporate governance (continued)

Internal controls (continued)

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 December 2013. During the year the Board reviewed and updated its internal control arrangements to ensure they remained appropriate.

Main control procedures

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

Monitoring system used by the Board

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

Internal audit

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

Going concern

The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Strategic Report and Chairman's Statement. In the course of the Directors' going concern review particular consideration was given to the principal risks and uncertainties set out in the Strategic Report, including the prospect of losing one or more of the Group's key customers together with associated cost mitigation actions.

On the basis of this review the Directors conclude that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of the report. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

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 AGM.

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 2013, remuneration policy for Executive and Non-executive Directors and the determination of individual Executive Director's remuneration packages have been delegated to the Board's Remuneration Committee.

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

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

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

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

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

Remuneration of the Non-executive Directors

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

The Non-executive Directors did not receive any pension or other benefits from the Company, nor did they participate in any bonus or incentive schemes.

Remuneration policy for Executive Directors

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

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

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

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

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

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

Report on Directors' remuneration (continued)

Remuneration policy for Executive Directors (continued)

Following agreement by the Board of the new business strategy it is anticipated that Russ Singleton and Glenn Robinson will make a further investment in the Company's shares and will be awarded further incentives, subject to proposals from the Remuneration Committee and agreement by the Board.

Directors' service contracts

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

	Contract date	Unexpired term	Notice period
Executive			
M W Elliott	9 January 2013	None	One month
R C Singleton	10 October 2013	None	Three months
G Robinson	10 October 2013	None	Three months

The notice periods for Russ Singleton and Glenn Robinson increase to six months on the completion of six months service and twelve months on the completion of twelve months service.

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 Cumming	22 August 2013	None

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

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

Non-executive Directorships

With the permission of the Board the Executive Directors may accept appointments as Non-executive Directors. 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 (£)	Benefits (£)	Pension (£)	Share-based payment (£)	Termination payment (£)	**Total 2013 (£)**	Total 2012 (£)
Executive							
M W Elliott[1]	63,600	—	—	—	—	**63,600**	—
R C Singleton[2]	3,954	—	39,649	14,620	—	**58,223**	—
G Robinson[3]	5,410	—	27,604	14,620	—	**47,634**	—
N Grimond[4]	—	—	—	—	—	**—**	192,043
W W Jennings[5]	124,785	892	—	—	137,794	**263,471**	174,012
Non-executive							
M W Elliott[1]	—	—	—	—	—	**—**	21,750
J Cumming[6]	8,286	—	—	—	—	**8,286**	—
J G L Holmstrom[7]	23,333	—	—	—	—	**23,333**	35,000
D A H Voss[8]	17,333	—	—	—	—	**17,333**	24,250
	246,701	892	67,253	29,240	137,794	**481,880**	447,055

Notes:

(1) Appointed Interim Finance Director 9 January 2013 and subsequently Executive Chairman 22 August 2013

(2) Appointed Chief Executive 10 October 2013

(3) Appointed Group Finance Director 10 October 2013

(4) Resigned 28 September 2012

(5) Resigned 10 October 2013

(6) Appointed 22 August 2013

(7) Resigned 22 August 2013

(8) Retired 22 August 2013

David Voss acted as a consultant for the Company on a specific project for four months following his retirement and was paid a fee of £8,667.

Report on Directors' remuneration (continued)

Directors' detailed emoluments (continued)

Share options

At 31 December 2013 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. At 31 December 2013 there were no share options remaining in issue under the 1997 schemes.

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 22 to the financial statements.

Directors' interests in share options

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

Directors' interests in shares

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

Directors' report

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

The Directors present their report and the Group financial statements for the year ended 31 December 2013.

Principal activities

The principal activities of the Group are set out within the Strategic Report on page 4.

Review of business and future developments

The Consolidated Statement of Comprehensive Income for the year ended 31 December 2013 is set out on page 21.

A review of the Group's business activities and its future developments is included in the Strategic Report on page 4 and Chairman's Statement on page 1.

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

Principal risks and uncertainties

Details of the principal risks and uncertainties considered by the Board to affect the Group, and the related mitigation actions are given in the Strategic Report on page 4.

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.

Directors' report (continued)

Financial risk management (continued)

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

Liquidity and interest rate risk
The Group's policy on funding capacity is to ensure that we have sufficient long term funding and facilities in place to meet foreseeable peak borrowing requirements. During 2013, the Group had a Sterling overdraft facility of £250,000 (2012: £1,000,000). The facility was at floating rates of interest linked to LIBOR. At 31 December 2013 the Group had net cash at bank of £1,342,000 (2012: £1,714,000). 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 1.

Going concern

The financial statements have been prepared on a going concern basis as covered in the Report on Corporate Governance on page 9.

Results and dividend

The Group achieved a loss of £0.2m for the year (2012: profit of £1.3m). At the forthcoming AGM the Directors are not recommending the payment of a dividend (2012: £652,678 which was the equivalent of 0.7p per share).

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 22 to the financial statements) were as follows:

		Number of ordinary 6.5p shares in the Company	
		31 December 2013	31 December 2012
M W Elliott		**–**	–
R C Singleton		**1,500,000**	N/A
G Robinson		**994,817**	N/A
J Cumming		**–**	N/A
J G L Holmstrom	(Resigned 22 August 2013)	**N/A**	–
W W Jennings	(Resigned 10 October 2013)	**N/A**	1,034,921
D A H Voss	(Retired 22 August 2013)	**N/A**	1,109,913

The share interests of Russ Singleton and Glenn Robinson are held in Self Invested Personal Pension schemes.

The share interests of David Voss were held in Self Invested Personal Pension schemes and nominee accounts.

Apart from the interests disclosed above, and in note 22, 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 7 May 2014, 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
Slater Investments Limited	14,350,000	15.3%
John & Linda Watkins	4,004,506	4.3%
Spreadex Limited	2,891,500	3.1%

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.

Directors' report (continued)

Disabled employees

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

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

Employee involvement

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

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

Directors' indemnity

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

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

Directors' report (continued)

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have 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 applicable law 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 and of the 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.

Disclosure of information to auditor

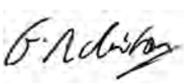
In the case of each person who was a Director at the time this report was approved:

(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



G Robinson
Secretary
8 May 2014

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 2013 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 18, 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 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 2013 and of its loss 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 Strategic Report and 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 2013.

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

8 May 2014

Consolidated statement of comprehensive income

for the year ended 31 December 2013

	Notes	**2013** **£'000**	Restated* 2012 £'000
Revenue	3	**10,826**	14,026
Cost of sales		**(6,756)**	(8,266)
Gross profit	3	**4,070**	5,760
Administrative expenses		**(4,293)**	(3,940)
Operating (loss)/profit		**(223)**	1,820
Finance income	5	**5**	14
(Loss)/profit before taxation from continuing operations	6	**(218)**	1,834
Taxation	7	**(26)**	(486)
(Loss)/profit for the year being total comprehensive income attributable to owners of the parent		**(244)**	1,348
(Loss)/earnings per share	9		
Basic		**(0.26p)**	1.45p
Diluted		**(0.26p)**	1.45p

* See note 2 for more details.

The notes on pages 25 to 47 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2013

	Share capital £'000	Share premium £'000	Retained earnings £'000	**Total equity shareholders' funds £'000**
Balance at 1 January 2012	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
Dividends paid (note 8)	—	—	(653)	(653)
(Loss) and total comprehensive income for the year	—	—	(244)	(244)
Share-based payments	—	—	29	29
Balance at 31 December 2013	**6,061**	**8**	**1,061**	**7,130**

The new 10p Ordinary Shares were issued following the exercise of 1,011,150 employee share options during 2012:

Option exercise date	Number of shares issued	Exercise price per share	Nominal value £'000	Share premium £'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 AGM 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.

The notes on pages 25 to 47 form part of these financial statements.

Consolidated statement of financial position

at 31 December 2013

	Notes	**2013 £'000**	2012 £'000
Assets			
Non-current assets			
Goodwill	10	**4,318**	4,318
Other intangible assets	11	**—**	121
Property, plant and equipment	12	**202**	187
Deferred tax asset	13	**44**	74
		4,564	4,700
Current assets			
Inventories	14	**1,723**	2,006
Trade and other receivables	15	**2,061**	2,886
Current tax asset	19	**116**	—
Cash and cash equivalents	16	**1,343**	1,714
		5,243	6,606
Total assets		**9,807**	11,306
Liabilities			
Current liabilities			
Trade and other payables	18	**(1,610)**	(2,370)
Current tax liabilities	19	**(8)**	(281)
Provisions	20	**(433)**	(237)
		(2,051)	(2,888)
Net current assets		**3,192**	3,718
Non-current liabilities			
Provisions	20	**(626)**	(420)
Total liabilities		**(2,677)**	(3,308)
Net assets		**7,130**	7,998
Shareholders' equity			
Share capital	22	**6,061**	6,061
Share premium account		**8**	8
Retained earnings		**1,061**	1,929
Total equity		**7,130**	7,998

The financial statements were approved by the Board of Directors and authorised for issue on 8 May 2014 and were signed on its behalf by:

M W Elliott
Chairman

R C Singleton
Chief Executive

Registered number: 2974642

The notes on pages 25 to 47 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2013

	Notes	**2013 £'000**	2012 £'000
Net cash flows from operating activities	24	**602**	(2)
Cash flow from investing activities			
Disposal of freehold property	17	**—**	2,292
Purchases of property, plant and equipment		**(111)**	(154)
Purchases of intangible fixed assets		**(209)**	(90)
Net cash flows from investing activities		**(320)**	2,048
Cash flow from financing activities			
Proceeds from the exercise of share options		**—**	109
Dividend paid	8	**(653)**	—
Return of capital		**—**	(3,263)
Net cash flows from financing activities		**(653)**	(3,154)
Net decrease in cash and cash equivalents		**(371)**	(1,108)
Cash and cash equivalents at beginning of year		**1,714**	2,822
Cash and cash equivalents at end of year		**1,343**	1,714

The notes on pages 25 to 47 form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2013

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 Strategic Report on page 4.

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 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 and long term plans 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) Share-based payments

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

(iv) Warranty provisions

Determining the level of provision necessary for product warranties requires management to make judgements in estimating the likely future costs based upon historic cost experience and management's experience.

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

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

Basis of preparation (continued)

(v) Impairment of intangibles

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

A discount rate of 16% is applied to the cash flow forecasts derived from the most recent financial budgets and long term plans which are extrapolated in perpetuity assuming no growth.

Impact of standards adopted in the year

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), became effective this year and have been applied in preparing these consolidated financial statements. None of these adopted items had a material impact on the Group's financial statements for the year.

Standard

New or revised standards adopted in the year
IFRS 13 'Fair Value Measurement'
IAS 19 'Employee Benefits'

Amendments adopted in the year

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS12)
Presentation of Items in Other Comprehensive Income (Amendments to IAS1)
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
Government Loans (Amendments to IFRS1)
Annual Improvements to IFRSs 2009–2011 Cycle

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 2013 and have not been applied in preparing these consolidated financial statements.

Standard	Adopted by EU
Changes that apply from 1 January 2014	
IAS 27 'Consolidated and Separate Financial Statements'	Yes
IAS 28 'Investments in Associates and Joint Ventures'	Yes
IAS 32 'Financial Instruments: Presentation'	Yes
IFRS 10 'Consolidated Financial Statements'	Yes
IFRS 11 'Joint Arrangements'	Yes
IFRS 12 'Disclosure of Interests in Other Entities'	Yes
Changes that apply from 1 January 2015	
Annual improvements to IFRSs 2010–2012 Cycle	Yes
Annual improvements to IFRSs 2011–2013 Cycle	Yes
Changes that apply from 1 January 2016	
IFRS 14 'Regulatory Deferral Accounts'	No
Changes that apply at a later date	
IFRS 9 'Financial Instruments'	No

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

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

Impact of standards not yet effective (continued)

The Directors do not anticipate that the adoption of any of these standards, amendments and interpretations (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.

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.

Restatement

The Group has restated the 2012 results to include direct labour costs and sub-contractors within cost of sales rather than within administrative expenses.

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 ten 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. Normally the sale of equipment includes installation of on-vehicle equipment, with the turnover being 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.

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

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

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
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.

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 three and five years on a straight line basis into 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.

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

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

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

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 and 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.

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.

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

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.

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

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.

Going concern

As explained more fully in the Report on Corporate Governance on page 7, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of this report. Consequently, these Group financial statements are prepared on the going concern basis.

Dividends

Dividends proposed by the Directors and unpaid at the end of the year are not recognised in the financial statements until they have been approved by shareholders at a General Meeting of the Company. Interim dividends are recognised when they are paid.

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

3. Segmental reporting

The analysis by geographic segment below is presented in accordance with IFRS 8 on the basis of those segments whose operating results are regularly reviewed by the Board of Directors (the Chief Operating Decision Maker as defined by IFRS 8) to make strategic decisions.

The Directors consider the Group to have only one segment in terms of products and services being the supply and installation of CCTV, black-box and other monitoring systems for use on public transport vehicles both in the UK and overseas.

As the Board of Directors, receives revenue, gross profit and operating (loss)/profit on the same basis as set out in the consolidated statement of comprehensive income, no further reconciliation is considered to be necessary.

Geographical Segments

	Revenue 2013 £'000	**Gross profit 2013 £'000**	Revenue 2012 £'000	Gross profit 2012 Restated £'000
UK	**8,785**	**2,870**	9,227	3,336
International				
– Scandinavia	**1,530**		4,270	
– Other EU	**511**		529	
Total International	**2,041**	**1,200**	4,799	2,424
Total	**10,826**	**4,070**	14,026	5,760

Major customers

In the year the Group had two customers that each accounted for over 10% of the revenue at 54% and 24%. In the prior year there were three customers that each accounted for over 10% of the revenue at 60%, 19% and 12%.

Assets and liabilities by location

	2013 £'000	2012 £'000
Assets		
UK	**9,748**	11,248
International	**53**	58
Total assets	**9,807**	11,306
Liabilities		
UK	**(2,620)**	(3,229)
International	**(57)**	(79)
Total liabilities	**(2,677)**	(3,308)

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

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

4. Employee information

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

	2013 Number	2012 Number
By activity:		
Administration	**19**	19
Technical	**13**	13
Operations	**41**	34
	73	66

Staff costs (for the above persons)

	2013 £'000	2012 £'000
Wages and salaries	**2,765**	2,628
Social security costs	**316**	332
Pension costs	**97**	25
Share-based payments	**29**	—
	3,207	2,985

Key management compensation

	2013 £'000	2012 £'000
Wages and salaries	**738**	823
Social security costs	**107**	103
Termination benefits	**101**	60
Pension costs	**87**	15
Share-based payments	**29**	—
	1,062	1,001

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:

	2013 £'000	2012 £'000
Total Directors' emoluments	**482**	447
Highest paid Director emoluments	**263**	192

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

5 Finance income

	2013 £'000	2012 £'000
Interest receivable on bank balances	**5**	14

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

6. Loss/(profit) before taxation from continuing operations

This is stated after charging:

	2013 £'000	2012 £'000
Operating lease rentals:		
– Rent of land and buildings	**231**	116
– Hire of plant and machinery	**235**	205
Depreciation:		
– Property, plant and equipment owned	**96**	54
Amortisation of intangible fixed assets	**101**	130
Impairment of intangible fixed assets	**229**	—
Inventories – consumed and recognised as expense in cost of sales	**4,754**	6,497
Write down of inventories	**216**	96
Trade receivables impairment	**(9)**	(66)
Exchange differences	**140**	—
Share-based remuneration charge	**29**	—

(Loss)/profit before taxation is also stated after charging:

	2013 £'000	2012 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**4**	4
Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	**28**	32
Total audit fees	**32**	36
Fees payable for tax compliance services	**7**	10

7. Taxation

(a) Analysis of charge in year:

	2013 £'000	2012 £'000
Current tax		
Prior year (over)/under provision	**(20)**	3
UK corporation tax on the (loss)/profit for the year (23.25%)	**(5)**	435
Swedish corporation tax on the profit for the year (25%)	**21**	2
Deferred tax charge		
– Temporary differences	**23**	36
– Rate change	**7**	10
Total tax charge for the year	**26**	486

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

7. Taxation (continued)

(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 at 23.25% (2012: 24.5%). The differences are explained below:

	2013 £'000	2012 £'000
(Loss)/profit on ordinary activities before tax	**(218)**	1,834
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	**(51)**	449
Effects of:		
Expenses not deductible for tax purposes	**55**	44
Research and development tax credits	**—**	(20)
Prior year (over)/under provision	**(20)**	3
Change in unrecognised deferred tax assets	**34**	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1**	—
Rate change on deferred tax asset	**7**	10
Total tax charge for the year	**26**	486

(c) Deferred tax:

The unrecognised and recognised deferred tax asset comprises the following:

	Unrecognised		Recognised	
Group	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
Tax losses	**37**	3	**—**	—
Decelerated capital allowances	**—**	—	**44**	74
	37	3	**44**	74

The Group has £184,000 of unutilised tax losses (2012: £11,000) which may be carried forward indefinitely.

The movement on deferred tax is as follows:

	Asset £'000
Balance brought forward at 1 January 2013	74
Charge to profit and loss account	(30)
Balance carried forward at 31 December 2013	**44**

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

8. Dividends

The following dividends were paid by the Company during the year:

	2013		2012	
	Pence per share	**£'000**	Pence per share	£'000
Final dividend paid in respect of prior year	**0.7**	**653**	—	—

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

9. (Loss)/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.

	2013		2012	
	Losses £'000	**Per share amount Pence**	Earnings £'000	Per share amount Pence
Basic EPS				
(Losses)/earnings attributable to ordinary shareholders	**(244)**	**(0.26)**	1,348	1.45
Diluted EPS				
(Losses)/earnings	**(244)**	**(0.26)**	1,348	1.45

The dilutive effect of share options has not been disclosed within the consolidated statement of comprehensive income for EPS as the effect is anti-dilutive (i.e. decrease loss per share).

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

	2013 '000	2012 '000
Basic weighted average number of shares	**93,240**	92,870
Dilutive potential Ordinary Shares	**648**	412
Diluted weighted average number of shares	**93,888**	93,282

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 Technology Solutions Ltd £'000
Deemed cost:	
At 1 January 2012, 31 December 2012 and **31 December 2013**	**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 five years approved by management 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 19% (2012: 40%); whereas, the required rate of return from the cash generating unit is deemed to be 16% (2012: 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 2013 (continued)

11. Other intangible fixed assets

2013 movements	Development costs £'000	Purchased software £'000	**Total £'000**
Cost:			
At 1 January 2013	586	540	**1,126**
Additions	209	—	**209**
At 31 December 2013	795	540	**1,335**
Amortisation:			
At 1 January 2013	465	540	**1,005**
Charge for the year	101	—	**101**
Impairment	229	—	**229**
At 31 December 2013	795	540	**1,335**
Net book value:			
At 31 December 2013	—	—	**—**
At 31 December 2012	121	—	121

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

The Group tests intangible assets when there is indication of impairment. The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding cash flow forecasts, growth rates and discount rates. The cash flow forecasts are derived from the most recent financial budgets for the next five years approved by management, extrapolated in perpetuity assuming no growth. The projected cash flows from the intangible development costs assets are not positive and as such an impairment charge has been made to fully provide for these assets.

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

12. Property, plant and equipment

2013 movements	Leasehold Improvements £'000	Plant and equipment £'000	**Total £'000**
Cost:			
At 1 January 2013	81	246	**327**
Additions	13	98	**111**
At 31 December 2013	94	344	**438**
Depreciation:			
At 1 January 2013	2	138	**140**
Charge for the year	18	78	**96**
At 31 December 2013	20	216	**236**
Net book amounts:			
At 31 December 2013	74	128	**202**
At 31 December 2012	79	108	187

2012 movements	Leasehold Improvements £'000	Plant and equipment £'000	Total £'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.

Notes to the consolidated financial statements

for the year ended 31 December 2013 (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 2013	74
Charge to profit and loss account	(30)
Balance carried forward at 31 December 2013	**44**

14. Inventories

	2013 £'000	2012 £'000
Finished goods and goods for resale	**1,723**	2,006

15. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	**1,812**	2,726
Less: provision for impairment of receivables	**(20)**	(29)
Trade receivables – net	**1,792**	2,697
Other receivables and prepayments	**269**	189
	2,061	2,886

The average credit period taken on sales of goods is 50 days (2012: 60 days). Trade receivables are provided for to the extent that management has reason to believe that the recoverability of the debt is questionable. Before granting credit terms to any new customer, the Group uses an external credit checking company to assess the customer's credit quality and to assist in the definition of credit limits for that customer. In addition we have credit insurance in place on the majority of trade receivables.

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

	Amount receivable	
	2013 £'000	2012 £'000
Customer 1	**181**	1,967
Customer 2	**114**	215
Customer 3	**161**	314
Customer 4	**644**	—

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

15. Trade and other receivables (continued)

Included in the Group's trade receivable balance are debtors with a carrying amount of £790,000 (2012: £1,270,000) 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 41 days (2012: 105 days).

Ageing of past due but not impaired trade receivables:

	2013 £'000	2012 £'000
30–60 days	**705**	777
60–90 days	**85**	62
Over 90 days	**—**	431
	790	1,270

Movement in the provision for impairment of trade receivables:

	2013 £'000	2012 £'000
Balance at 1 January	**29**	95
Impairment losses recovered	**(9)**	(66)
Amounts written off as uncollectable	**—**	—
Balance at 31 December	**20**	29

Ageing of impaired trade receivables:

	2013 £'000	2012 £'000
60–90 days	**11**	24
Over 90 days	**9**	5
	20	29

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

	2013 £'000	2012 £'000
Cash and cash equivalents	**1,343**	1,714

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 approximates their fair value and the maximum exposure to credit risk.

Notes to the consolidated financial statements

for the year ended 31 December 2013 (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:

2013 movements	Freehold land and buildings £'000
Balance brought forward at 1 January 2013	–
Disposal	–
Balance carried forward at 31 December 2013	–

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	—

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.

18. Trade and other payables – current

	2013 £'000	2012 £'000
Trade payables	**497**	678
Other taxation and social security	**101**	220
Other payables	**24**	25
Accruals and deferred income	**988**	1,447
	1,610	2,370

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 (2012: 25 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.

19. Current tax asset and liabilities

	2013 £'000	2012 £'000
Corporation tax asset	**116**	—
Corporation tax due	**8**	281

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

20. Provisions

	Onerous leases		Remedials and warranty		**Total**	
2013 movements	£'000	£'000	£'000	£'000	**£'000**	**£'000**
Balance at 1 January		240		417		**657**
(Released)/charged	(70)		702		**632**	
Utilised	(94)		(136)		**(230)**	
Movement in the year		(164)		566		**402**
Balance at 31 December		76		983		**1,059**
Included in current liabilities		41		392		**433**
Included in non-current liabilities		35		591		**626**
		76		983		**1,059**

	Onerous leases		Remedials and warranty		**Total**	
2012 movements	£'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**

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 2018.

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

21. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity balances. The capital structure of the Group at the year end consisted of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings but did not include any debt.

The Group maintains or adjusts its 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 2012.

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

Gearing

The Board has eliminated Group borrowing in recent years and as a consequence net debt was £nil at 31 December 2013 (2012: £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	
	2013 £'000	2012 £'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,468**	4,600
Financial liabilities		
Amortised cost	**630**	1,204

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

21. 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. 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	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Swedish Krona	**17**	49	**85**	950
Euro	**42**	43	**297**	309
US Dollar	**—**	—	**119**	59
Czech Koruna	**—**	—	**—**	52

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

	2013 £'000	2012 £'000
Swedish Krona loss	**(7)**	(90)
Euro loss	**(26)**	(27)
US Dollar loss	**(12)**	(6)
Czech Koruna loss	**—**	(5)

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 three and six 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 (2012: nil).

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

21. Financial instruments (continued)

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 2013, the Group had an overdraft facility of £250,000 (2012: £1,000,000). As at 31 December 2013 the net bank balance was £1,342,000 (2012: £1,714,000) leaving undrawn facilities expiring within one year of £250,000 (2012: £1,000,000). The overdraft facility was not renewed in April 2014.

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.

	2013 £'000	2012 £'000
In one year or less	**630**	1,204

22. Share capital

Called up share capital

	2013 £'000	2012 £'000
Allotted, called up and fully paid:		
93,239,755 Ordinary Shares of 6.5p each		
(2012: 93,239,755 Ordinary Shares of 6.5p each)	**6,061**	6,061

Following approval by shareholders at the AGM 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 2013 (continued)

22. 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:

	2013		2012	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**1,900,000**	**11.5p**	2,921,550	11.3p
Issued during the year	**7,692,308**	**6.5p**	—	—
Exercised during the year	**—**	**—**	(1,011,150)	10.2p
Lapsed during the year	**(1,000,000)**	**11.3p**	(10,400)	10.0p
Outstanding at end of year	**8,592,308**	**7.1p**	1,900,000	11.5p
Exercisable at end of year	**900,000**	**11.8p**	1,900,000	11.5p

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 2012	Lapsed in the year	**As at 31 December 2013**	Exercise price	Date from which exercisable	Expiry date
The 2004 EMI Scheme issue 1						
N Grimond (note 1)	500,000	(500,000)	**—**	10.0p	09.05.05	09.05.15
WW Jennings (note 2)	250,000	—	**250,000**	10.0p	09.05.05	09.05.15
The 2004 EMI Scheme issue 2						
N Grimond (note 1)	500,000	(500,000)	**—**	12.5p	12.04.06	12.04.16
WW Jennings (note 2)	500,000	—	**500,000**	12.5p	12.04.06	12.04.16

	As at 31 December 2012	Issued in the year	**As at 31 December 2013**	Exercise price	Date from which exercisable	Expiry date
The 2004 EMI Scheme issue 3						
R Singleton	—	3,846,154	**3,846,154**	6.5p	10.10.16	10.10.23
G Robinson	—	3,846,154	**3,846,154**	6.5p	10.10.16	10.10.23

The market price of the Company's shares at the end of the financial year was 7.50p (2012: 13.00p) and the range of market prices during the year was 5.00p to 16.00p (2012: 8.50p to 19.00p). The weighted average remaining life of all share options outstanding at 31 December 2013 is eight years and ten months (31 December 2012: one year seven months).

Notes

(1) Director resigned 28 September 2012 and share options lapsed on 31 January 2013.

(2) Director resigned 10 October 2013 and share options exercisable until 17 August 2014.

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

22. Share capital (continued)

Directors' interests in share options (continued)

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

	2013		2012	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding at beginning of year	**1,900,000**	**11.5p**	2,750,000	11.0p
Granted during the year	**7,692,308**	**6.5p**	—	—
Exercised during the year	**—**	**—**	(850,000)	11.0p
Lapsed during the year	**(1,000,000)**	**11.3p**		
Outstanding at end of year	**8,592,308**	**7.1p**	1,900,000	11.5p
Exercisable at end of year	**900,000**	**11.8p**	1,900,000	11.5p

Option type	Grant date	Exercise price (pence)	Share price on grant date (pence)	Expected term (years)	Vesting period (years)	Option life (years)	Expected volatility	Risk free rate
EMI	09/05/2005	10.0	9.00	5	2	10	78%	4.51%
EMI	12/04/2006	12.5	12.75	5	3	10	76%	4.48%
EMI	10/10/2013	6.5	5.62	5	3	10	144%	2.74%

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

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

23. Financial commitments

At 31 December 2013 the Group had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Due within one year	**147**	171	**176**	129
Due between two and five years inclusive	**342**	509	**140**	115
	489	680	**316**	244

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

Notes to the consolidated financial statements

for the year ended 31 December 2013 (continued)

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

	2013 £'000	2012 £'000
(Loss)/profit for the year	**(244)**	1,348
Adjustments for:		
– Finance income	**(5)**	(14)
– Income tax (credit)/expense	**(4)**	440
– Deferred tax charge	**30**	46
– Depreciation of property, plant and equipment	**96**	54
– Amortisation of intangible fixed assets	**101**	130
– Impairment of intangible fixed assets	**229**	—
– Share-based payment expense	**29**	—
– Increase in provisions	**402**	80
Operating cash flows before movement in working capital	**634**	2,084
Decrease/(increase) in inventories	**283**	(17)
Decrease/(increase) in receivables	**825**	(1,479)
Decrease in payables	**(681)**	(75)
Cash inflow from operations	**709**	513
Income taxes paid	**(385)**	(529)
Interest received	**5**	14
Net cash inflow/(outflow) from operating activities	**602**	(2)

25. 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 2013 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 18, 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 2013;
- 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 2013.

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

8 May 2014

Company balance sheet

at 31 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Investment in subsidiaries	3	**8,247**	10,005
		8,247	10,005
Current assets			
Other debtors		**2**	1
Cash at bank		**2**	—
		4	1
Creditors – due within one year			
Amounts owed to Group undertakings		**(1,845)**	(972)
Other creditors and accruals		**(67)**	(71)
		(1,912)	(1,043)
Net current liabilities		**(1,908)**	(1,042)
Net assets		**6,339**	8,963
Capital and reserves			
Share capital	4	**6,061**	6,061
Share premium account	5	**8**	8
Merger reserve	5	**1,001**	1,001
Retained earnings	5	**(731)**	1,893
Shareholders' funds	6	**6,339**	8,963

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

The financial statements were approved by the Board of Directors on 8 May 2014 and were signed on its behalf by:

M W Elliott
Chairman

R C Singleton
Chief Executive

Notes to the Company financial statements

for the year ended 31 December 2013

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 2013 of £2,000,000 (2012: loss £286,000).

The auditor's remuneration for the audit and other services is disclosed in note 6 to the Group financial statements.

3. **Investments**

	Interests in Group undertakings	
	2013	2012
	£'000	£'000
Cost:		
At 1 January	**27,367**	27,362
Additions	**42**	5
At 31 December	**27,409**	27,367
Amounts provided:		
At 1 January	**(17,362)**	(17,362)
Impairment	**(1,800)**	—
At 31 December	**(19,162)**	(17,362)
Net book amounts	**8,247**	10,005

Notes to the Company financial statements

for the year ended 31 December 2013 (continued)

3. Investments (continued)

The impairment charge for the year relates to the investment in 21st Century Technology Solutions Ltd. The assessment is based on the net assets of the Group combined with the net present value of the forecast cash flows as disclosed in note 10 to the Group financial statements.

The additions during the year relate to incorporation of the Company's 100% owned French subsidiary, 21st C. Technology SAS.

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
21st C. Technology SAS[3]	Fifty Thousand Ordinary €1 shares	100	Sales and installation of CCTV and other monitoring devices

(1) Incorporated in the United Kingdom
(2) Incorporated in Sweden
(3) Incorporated in France

4. Share capital

Called up share capital

	2013 £'000	2012 £'000
Allotted, called up and fully paid:		
93,239,755 Ordinary Shares of 6.5p each		
(2012: 93,239,755 Ordinary Shares of 6.5p each)	**6,061**	6,061

Following approval by shareholders at the AGM 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 2013 (continued)

5. Share capital share premium account and reserves

	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000
At 1 January 2013	6,061	8	1,001	1,893
Dividends paid	—	—	—	(653)
Share-based payment	—	—	—	29
Loss for the year	—	—	—	(2,000)
At 31 December 2013	**6,061**	**8**	**1,001**	**(731)**

6. Reconciliation of movements in equity shareholders' funds

	2013 £'000	2012 £'000
Opening equity shareholders' funds	**8,963**	12,403
Dividends paid	**(653)**	—
Issue of new 10p Ordinary Shares including share premium	**—**	109
Cancellation of share capital	**—**	(3,263)
Share-based payment	**29**	—
Loss for the year	**(2,000)**	(286)
Closing equity shareholders' funds	**6,339**	8,963

Corporate information

Directors

Executive Chairman
M W Elliott

Non-executive Director
J Cumming

Executive Directors
R C Singleton
G Robinson

Company Secretary
G Robinson

Auditors

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

Bankers

NatWest Bank
Carlyle House
Carlyle Road
Cambridge
CB4 3DH

Solicitors

Ashurst
Broadwalk House
5 Appold Street
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EC2A 2HA

Registered office

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23 Commerce Way
Croydon
Surrey
CR0 4ZS

Brokers and financial advisers

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Registrars

Capita Asset Services
The Registry
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