21st Century Technology plc


# Connected systems for connected journeys

Annual Report and Financial Statements
for the year ended 31 December 2015

## Connected systems for connected journeys

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

With over 20 years' experience in the transport industry, 21st Century specialises in providing innovative technology solutions that improve the passenger experience and provide operational benefits to fleet and network operators through 21st Century Fleet Systems and 21st Century Passenger Systems and strives to connect the two in order to create the complete connected journey.

Supporting technology systems on over **10,000** public service vehicles every single day

Managing city-wide **information estates** to keep communities moving

Providing **innovative and unique solutions** with an in-house software development team

# Highlights

## Financial highlights

- Sales increased 36% from of £9.0m to £12.2m
- Gross margins increased from 36% to 45%
- Underlying profit before tax of £52,000 (2014: underlying loss £129,000)
- Goodwill impairment of £4.3m relating to acquired goodwill in 21st Century Technology Solutions Ltd from 2005, reflecting previously announced downturn in trading conditions
- Loss per share 5.17p (2014: 0.41p)
- Cash at year end £1.0m (2014: £2.7m) after £1.1m acquisition costs of RSL Group and increased working capital requirements

## Operational highlights

- Acquisition of RSL Group to expand the capability of 21st Century off the vehicle, bringing:
  - Increased customer base to include local authorities and PTEs
  - In-house software development team
- Breakthrough rail orders:
  - In-carriage CCTV; building on Forward Facing CCTV solution
  - Platform and infrastructure CCTV at a network of rail stations
- All accreditations retained
  - ISO 9001:2008; ISO 14001:2004; OHSAS18001:2007; and RISQS via audit
- Initial UK evaluations of advanced integrated on-vehicle solutions amongst bus fleet operators

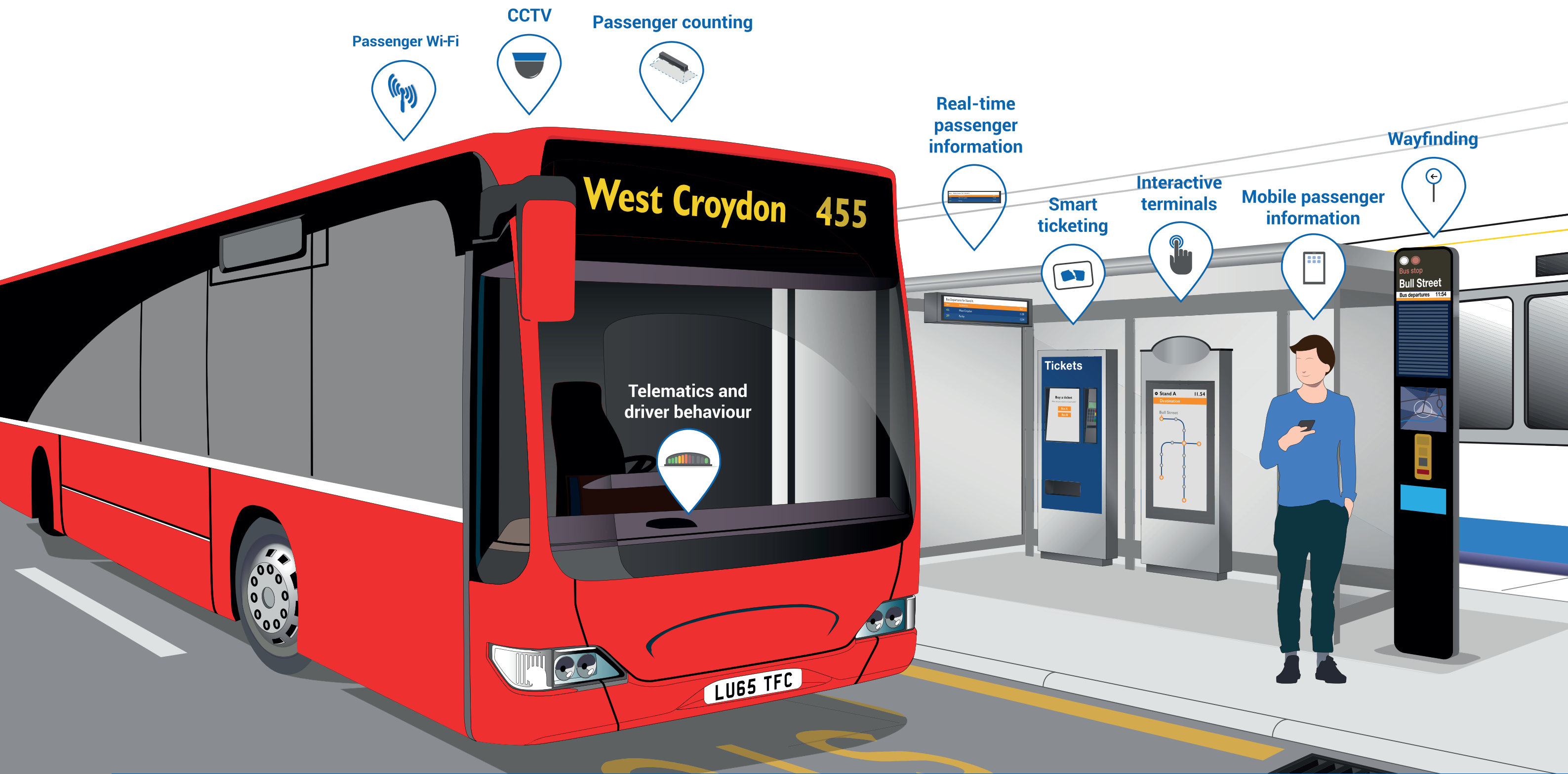
Further information on the Company is available on **www.21stplc.com** or search for 21st Century Technology on **LinkedIn** and **@21stCenturyLtd** on **Twitter**.

# At a glance

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. Uniquely placed to integrate products from global-scale manufacturers and niche specialists alike, 21st Century aims to develop truly connected systems for truly connected journeys.

## Customers and markets

The transport community has multiple influential stakeholders deciding the technology required today and the solutions required for tomorrow. 21st Century provides solutions to fleet operators, train operating companies, local authorities and public transport executives, and is an active member of a number of influential bodies guiding the decisions that will develop the smart cities of tomorrow.




## Services

### Consultative design

Industry leading knowledge and experience enables 21st Century to design and supply the very best solutions for its customers.

### Integrated solutions

With an integrated solution there is the potential for rationalised system architecture, removing unnecessary or duplicated items, resulting in a direct benefit for customers in design, installation and maintenance.

## Technologies

21st Century has worked to create a portfolio of technologies that will, once integrated, form the backbone of the smart cities of tomorrow.

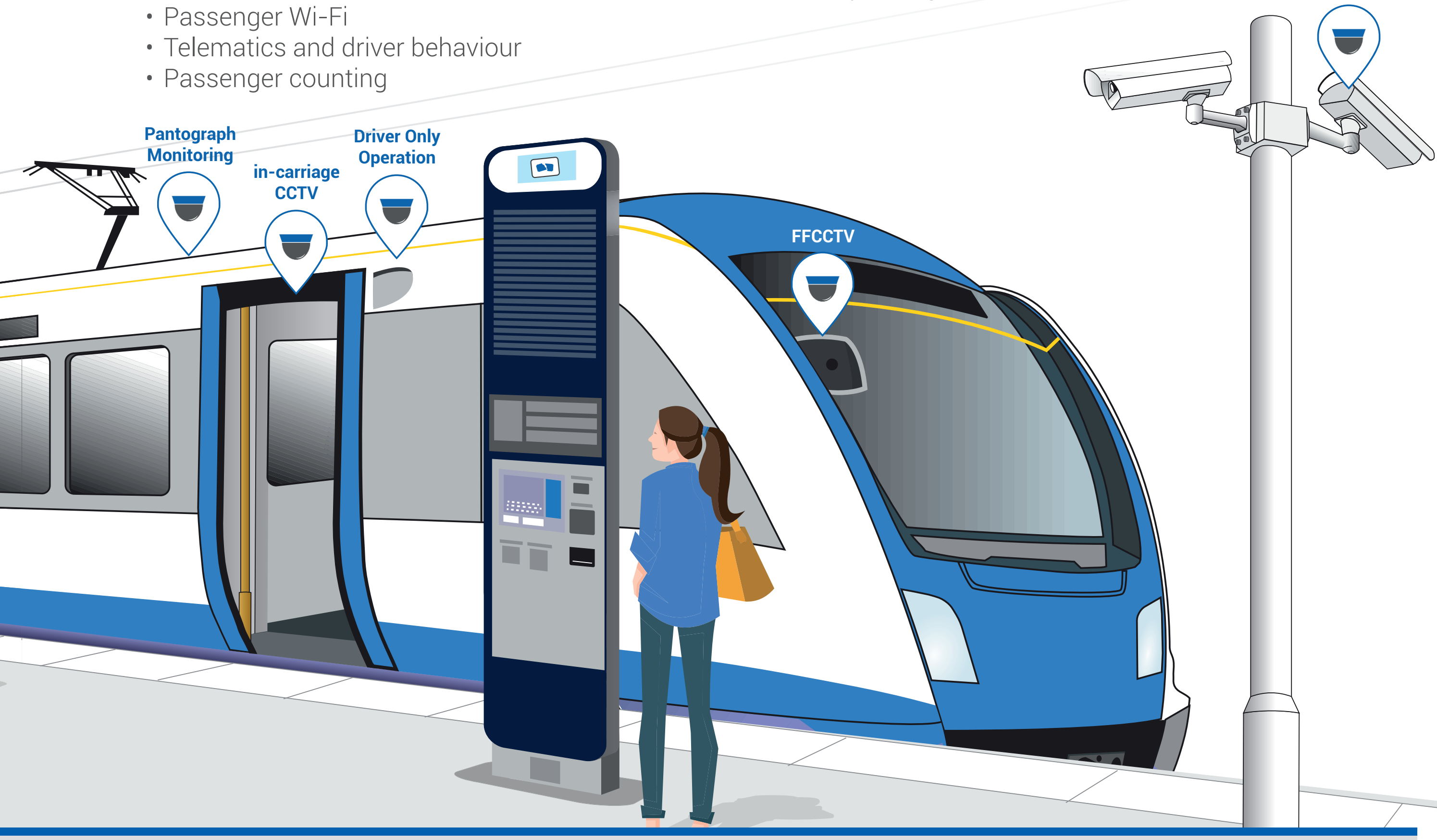
### Fleet Systems

- CCTV
- Passenger Wi-Fi
- Telematics and driver behaviour
- Passenger counting

### Passenger Systems

Information estate software and hardware for:

- Passenger displays
- Smart ticketing
- Wayfinding




### Installation, testing and commissioning

21st Century has a proven track record of the highest quality installations across multimodal disciplines. With experienced engineers and dedicated support staff, 21st Century combines the knowledge and understanding necessary to meet the unique operational challenges within the transport industry.

### Maintenance and support

Through a combination of preventative maintenance and rapid response to unforeseen events, 21st Century provides tailored solutions to each customer.

# Chairman's statement

## Summary

- Acquired RSL Group in accordance with strategy
- Post-acquisition challenges resolved
- Software skills remain a key focus for growth

"We are currently consolidating into a more focused and streamlined business with a reduced cost base."

**Mark Elliot**
Non-executive Chairman

In April 2015 the Company acquired RSL Group in accordance with its strategy to diversify and build in related markets. This accelerates the transformation of 21st Century from providing stand-alone, on-vehicle CCTV and IT sub-systems integration towards providing fully connected systems on and off vehicles in towns and cities and in the transport network's bus and rail stations. RSL Group was run as a family business for many years and came with a number of risks and issues that were identified during due-diligence; however, it also presented several unexpected post-acquisition challenges to the executive team. Concentrated effort has been required to successfully resolve these and to lay the groundwork for integration.

The anticipated benefits are starting to be realised, helping us to diversify our customer base and access new markets, although we do still have an over-reliance on a small number of customers. The acquisition has increased our software ownership and capabilities, which will be a major focus for us in the future.

Whilst we would have hoped to have progressed faster than has been achieved, timing of acquisitions is difficult to control and the investment and lead time in tendering for large or long-term framework agreements can be significant and subject to delays outside our control. We have recently completed an internal reorganisation of sales and marketing efforts across the Group, focusing our strengths in this area, and we remain selective in those projects at which we direct resource.

### Trading results

| | **2015 £'m** | 2014 £'m |
|---|---|---|
| Revenue | **12.2** | 9.0 |
| Gross profit | **5.5** | 3.3 |
| *Gross profit percentage* | ***45%*** | *36%* |
| Underlying administrative expenses | **(5.4)** | (3.4) |
| Underlying profit/(loss) | **0.1** | (0.1) |
| Share-based payments | **(0.3)** | (0.1) |
| Reorganisation costs | **(0.1)** | (0.2) |
| One-off legal costs and acquisition costs | **(0.2)** | – |
| Total administrative expenses | **(6.0)** | (3.7) |
| Operating loss before impairment | **(0.5)** | (0.4) |
| Goodwill impairment | **(4.3)** | – |
| Operating loss | **(4.8)** | (0.4) |
| Taxation | **(0.0)** | (0.0) |
| Loss after taxation | **(4.8)** | (0.4) |
| | **Pence** | Pence |
| Basic loss per share | **(5.17)** | (0.41) |




## Trading results

Group results for the year ended 31 December 2015 show a small underlying profit before tax of £52,000 (2014: underlying loss of £129,000).

The effect of share-based payments, reorganisation, one-off legal and acquisition costs and goodwill impairment resulted in a loss before tax of £4.8m (2014: loss of £417,000). The basic loss per share is 5.17p (2014: 0.41p).

The goodwill impairment represents 100% of 21st Century Technology Solutions Ltd goodwill created in 2005 and reflects the previously reported recent downturn in trading conditions.

## People

We are fortunate to have many talented and loyal staff at 21st Century and the acquisition of RSL Group gives me the pleasure of being able to warmly welcome new team members to our growing business. Our team continues to show commitment and dedication through what is a difficult period of consolidation. I would like to pass on my sincere thanks and that of the Board to them all as we build a more capable and successful business.

## Outlook

As already announced, the start to the current year has been slower than anticipated with expected orders delayed into the second half of the year. We are currently consolidating into a more focused and streamlined business with a reduced cost base.

The issues and challenges following the RSL Group acquisition have now been dealt with and we are starting to see new sales opportunities emerge, as anticipated.

We continue to be invited to participate in significant tenders and our expectation is to build on the relationships and contract wins announced last year with a number of framework agreements and successful bids and tenders currently under negotiation.

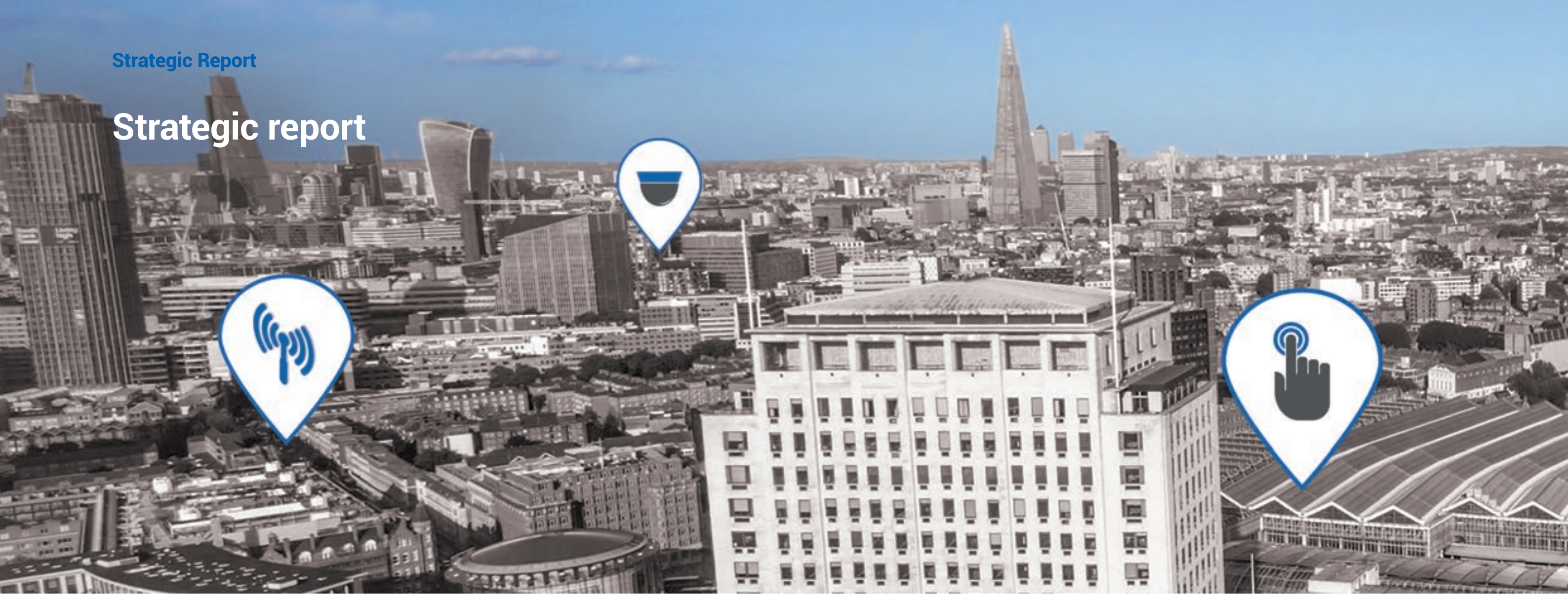
We are also investing in a small team to enter more specialised market segments where we believe that our scale and expertise will provide a distinct competitive advantage as we develop new, higher value-added solutions. While it is early days we are encouraged by the interest shown and initial orders received.

Software skills remain a focus for the profitable growth of the business and forms a key element of long-term relationships with our customers. The appointment of a Group leader for our technology is an important aspect of this and in January this year we welcomed Dr Andy Houghton to the senior team, who brings with him significant experience in developing innovative products for niche markets from small and agile development teams.

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

**Mark Elliott**
**Non-executive Chairman**
24 May 2016

# Strategic report



## Summary

- Extended our capability in rail, winning contracts both in-carriage and on-platform
- Acquisition challenges have been dealt with, and we are now in a position to integrate the two companies
- We have developed our technical capabilities with the recruitment of Dr Andy Houghton and the formation of small and agile development teams

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

**Russ Singleton**
Chief Executive

### Introduction

We entered 2015 with more solid foundations on which to begin delivering our growth strategy, both organically and by targeted acquisitions in related markets. The main goals we identified in last year's report were to:

- focus on winning new business with public transport companies in the UK and overseas; and
- deliver our first strategic acquisition to both broaden and strengthen our offering.

Organic growth in Fleet Systems saw gross profit increase by 8% to £3.6m (2014: £3.3m), despite a 5% fall in revenue to £8.6m (2014: £9.0m).This was a disappointing outcome as the rail element of this was below management expectations by £0.6m due to delayed projects, mainly because orders were received later than expected in the year. I am pleased to be able to report that 2015 saw the successful installation of our first in-carriage CCTV project, building on our Forward Facing CCTV capabilities in this much larger market. Furthermore, our rail team also secured its first major off-vehicle contract to provide design, supply and installation services to a network of railway stations. Our pipeline of new business opportunities in the rail market is growing as our capabilities become more established and we are planning to target smaller design work contracts, which have shorter sales cycles, to support our fixed costs in this area in between the major projects.

In the bus sector we have continued to support Arriva, First UK Bus, Keolis and Nobina, our major fleet asset clients, and have taken on support responsibility for Translink in Northern Ireland ahead of a retendering process due later this year.

First UK Bus operated throughout the year on a contract extension and went out to tender in September 2015. The current position is that we continue to operate under the existing contract terms, and negotiations for a new, multi-year framework agreement for the supply of new systems with additional services are continuing. We continue to target the other major fleet operators and have new technology systems on trial with a number of operators who are considering connected vehicle solutions compliant with EBSF2 and ITxPT. Our ability to develop sales into small and medium-sized operators was strengthened towards the end of the year by a change in personnel and the recruitment of a small team following the collapse of a competitor experienced in this sector.

In April 2015, we acquired the three businesses of Region Services, referred to as RSL Group, for a total consideration of £1.3m (£1.1m cash and a £0.2m loan note), comprising Region Services Ltd, Region Consultants Ltd and RSL CitySpace Ltd, one of the UK's leading providers of passenger information systems to local authorities and passenger transport executives (PTEs). Their solutions include real time information (RTI) software; interactive kiosks and displays; wayfinding totems and, more recently, smart ticket vending machines (TVMs) and validators.

Shortly after completion, we were quickly faced with a situation where three senior members of staff were unethically trying to set up a business in direct competition; this had been going on for some time. Given the serious nature of this, we commenced legal action, which we subsequently won, thereby ceasing their efforts. We were awarded £90k costs and incurred a £45k one-off cost in our accounts. As well as being costly, this was a time consuming distraction which has held back progress in the year. To mitigate any effects, we rapidly recruited new sales personnel, visited existing and historic customers and invested in a new customer relations management (CRM) platform to increase sales efficiency.

Since acquiring the business we have also resolved issues that we were aware of at the point of acquisition and have significantly improved stock control with the implementation of SAP Business One ERP software and put in place a number of robust procedures to bring RSL Group in line with Group policies. The issues that were present within the company have led to a warranty claim on the vendors of the business, which we recently settled at £290k, satisfied by the cancellation of the £200k loan note and a repayment of £90k.

We have also continued our work on stabilising the platform, mindful of the goals highlighted in last year's report as they continue to be of importance to the Group, particularly in light of the acquisition of RSL Group:

- Improve customer service
- Increase technical capability
- Empower management
- Secure positive outcomes from contract negotiations and renewals
- Develop new lines of business
- Preserve cash

Our operational highlights from 2014 were used to substantiate the significant progress made towards the first four goals above and I'm pleased to say that this year has seen continued progress. However, with the acquisition of RSL Group, the points remain valid for the future.

An acute awareness of emerging technologies and customer requirements are essential for the continued progress of 21st Century and in January this year we recruited Dr Andy Houghton, who brings extensive technical and industry experience to the Company.

Dr Houghton has already made inroads to consolidate and improve the Group's technical capabilities, acting as both a figurehead for the expertise of supplier systems and a technical lead for the development of our own solutions. The fruits of this appointment will become more evident during the course of this year, with several improvements and innovations already well under way.

With regard to preserving cash, we have a reasonable cash position, although year-end cash and cash equivalents have fallen to £1.0m (2014: £2.7m) partially due to the £0.9m net acquisition costs of RSL Group, but also due to increased working capital requirements and the loss in the year.

Despite the unforeseen challenges, the acquisition of RSL Group has broadened our offering and widened the customer base available to 21st Century, adding off-vehicle technology, including both a manufacturing and in-house software capability, to the Company. This has moved the Company away from being the point-solution integrator it was in 2014, such that 21st Century is now a specialist provider of tailored solutions to the transport community, solving complex operational requirements both on and off the vehicle.

We operate with two distinct business segments but will connect these where appropriate for the benefit of fleet operators, local authorities and PTEs and, ultimately, their customers: passengers.

The segments currently are:

- 21st Century Fleet Systems (formed from 21st Century Technology Solutions Ltd); and
- 21st Century Passenger Systems (formed from RSL Group).

## Principal activities

The Group's principal activities are being a specialist provider of tailored solutions to the transport community, solving complex operational requirements both on and off the vehicle.

Fleet solutions include video surveillance to improve passenger and driver safety, vehicle and driver performance monitoring and automatic passenger counting.

Passenger information solutions include the necessary hardware and software for electronic passenger information systems, off-vehicle smart ticketing and wayfinding.

## 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 the transport community over the lifecycle of the systems. The service offering includes design, tailoring, installation, on-site support and back-office systems.

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

# Strategic report continued

Our ability to develop sales into small and medium-sized operators was strengthened towards the end of the year by a change in personnel and the recruitment of a small team.

## Key performance indicators

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

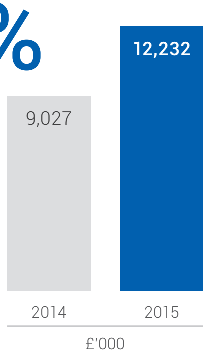
| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Revenue | **12,232** | 9,027 |
| Gross profit | **5,466** | 3,286 |
| Underlying administrative expenses | **5,414** | 3,415 |
| Total administrative expenses | **5,952** | 3,704 |
| Underlying profit/(loss) | **52** | (129) |
| Operating loss before impairment | **(486)** | (418) |
| Net current assets | **1,362** | 3,091 |
| Net cash flows from operating activities | **(498)** | 1,377 |
| Cash and cash equivalents | **1,010** | 2,661 |
| | **Pence** | Pence |
| Loss per share – basic | **(5.17)** | (0.41) |
| Loss per share – diluted | **(5.17)** | (0.41) |

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

The underlying loss is reconciled to the IFRS operating loss within the business review and results section opposite.

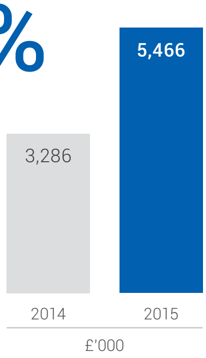
**Revenue**

**+36%**



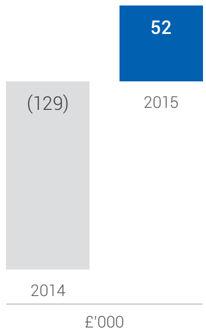

**Gross profit**

**+66%**




**Underlying profit/(loss)**

**+£181k**



## Business review and results

The performance of the Group improved to an underlying £52k profit (2014: £129k loss). These results were at the lower end of management expectations due to lower than expected order intake in Q4 across the Group, a number of rail contracts in Fleet Systems that slipped into 2016 and the unexpected difficulties in Passenger Systems.

Basic loss per share is 5.17p (2014: loss per share of 0.41p).

The results include eight months of trading of our Passenger Systems operating segment and the segmental results are:

| | Fleet Systems 2015 £'000 | Passenger Systems 2015 £'000 | Total 2015 £'000 | Total 2014 £'000 |
|---|---|---|---|---|
| Revenue | 8,601 | 3,631 | 12,232 | 9,027 |
| Gross profit | 3,555 | 1,911 | 5,466 | 3,286 |
| Underlying profit | 213 | 49 | 262 | 63 |
| Central costs | | | (210) | (192) |
| Underlying profit/(loss) | | | 52 | (129) |

Within Fleet Systems sales reduced by £426k (4%) whilst gross profit improved by £269k. The underlying operating profit increased by £150k to £213k (2014: £63k).

The maiden period for Passenger Systems produced a £49k underlying profit.

The underlying operating profit reconciles to the IFRS operating loss as follows:

| | Fleet Systems 2015 £'000 | Passenger Systems 2015 £'000 | Total 2015 £'000 | Total 2014 £'000 |
|---|---|---|---|---|
| Underlying profit | 213 | 49 | 262 | 63 |
| Central costs | – | – | (210) | (192) |
| Acquisition costs and one-off legal costs | (75) | (84) | (159) | – |
| Reorganisation costs | (56) | – | (56) | (160) |
| Share-based payments | (323) | – | (323) | (129) |
| Operating loss pre-impairment | (241) | (35) | (486) | (418) |
| Goodwill impairment | (4,318) | – | (4,318) | – |
| Operating loss | (4,559) | (35) | (4,804) | (418) |

The operating loss before impairment was £486k (2014: £418k).The goodwill review of Fleet Systems (see note 10) concluded that the whole amount required impairment.

The next part of the Strategic Report covers the principal risks and uncertainties.

# Strategic report continued

### Principal risks and uncertainties

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

| Risk or uncertainty and potential impact | Mitigation |
|---|---|
| **Dependence on major customers** | |
| Currently the Fleet Systems segment has a high dependence on a small number of customers 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:<br>- the loss of any single major customer;<br>- pressure on price and margin; and<br>- 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.<br>Whilst diversification into the Passenger Systems segment has reduced this risk significantly, it remains a large risk. A key focus remains to win new business with public transport companies in the UK and overseas, thereby reducing reliance on the existing customer base. |
| **Reduction in government spending on public transport** | |
| Our Group revenues are strongly linked to the overall health of the UK public transport sector, which in turn is significantly affected by levels of government funding at local, regional and national levels. | We now have a fairly diversified position in the transport sector where we operate nationally rather than regionally across bus and rail networks, on and off vehicles. |
| **Major project delivery** | |
| Failure to deliver a major project on time or to specification, or technical performance falling significantly short of customer expectations, would have potentially significant adverse financial and reputational consequences. | Risk assessments are conducted for all projects and the major ones are also subject to Board approval.<br>Major projects are reviewed at various levels and frequencies throughout the project lifecycle. |
| **Dependence on key suppliers** | |
| Wherever possible the Group endeavours to retain a choice of suppliers for its components and finished goods. In instances where we are currently reliant on one supplier, we are constantly looking for ways to minimise technical and commercial risk. | On certain projects there is technical risk with our suppliers when they are developing systems for our customers' applications. We manage this risk with rigorous project management. |
| **Competition** | |
| The Group may face increased competition as the technology on and off vehicles moves away from point solutions to broader integrated solutions. This changing technology landscape creates openings for new product and service entrants who may possess better technical and capital resources than the Group. | The Group will seek to increase its technical capability to capitalise on our current market position and work closely with technology partners to broaden our skills.<br>We are targeting becoming a larger group via organic growth and potential acquisitions to provide better economies of scale and increased industry knowledge. |
| **Technology** | |
| The future success of the Group's activities depends upon it creating a leading position for innovative systems within both the Fleet Systems and Passenger Systems segments. As a smart integrator we require both a breadth of knowledge and a deeper understanding in areas of software integration.<br>Market adoption and timing are difficult to predict, particularly in the emerging opportunities in the ticketing arena. | This involves keeping pace with changes and improvements in relevant technology, and having the integration skills necessary to create added value for our customers on the move and in the back office. The Group now has a development team, strong relationships with partner organisations, and has strengthened in these areas with recent recruitment. |

### 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 2016.

Signed on behalf of the Board

**Russ Singleton**
**Chief Executive**
24 May 2016

# Governance

# Board of Directors

## Mark Elliott
Non-executive Chairman

Mark Elliott, 57, joined the Company in December 2010 as a Non-executive Director before taking on the role of Executive Chairman in August 2013 after a period in the role of Interim Finance Director from January 2013. In August 2014 Mark was appointed Non-executive Chairman. Mark is a Chartered Accountant 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 Dovetail Services (UK) Ltd.

A N R

## Russ Singleton
Chief Executive

Russ Singleton, 57, 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
Chief Financial Officer and Company Secretary

Glenn Robinson, 50, joined the Company in October 2013 as Chief Financial Officer. 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, 65, joined the Board as a Non-executive Director in August 2013. Following a long career in corporate advisory and broking in the City, including acting as Chief Executive Officer of N+1 Brewin LLP, James has significant experience in working with small and mid-sized UK companies. James currently utilises his commercial experience in supporting growth companies in non-executive roles, is a Senior Adviser to Cantor Fitzgerald and is a fellow of the Chartered Institute of Securities & Investment.

A N R

**A** Audit Committee **N** Nomination Committee **R** Remuneration Committee

# Senior management team

**Dr. Andy Houghton**
Chief Technical Officer

Dr. Andy Houghton graduated from The University of Sheffield's Department of Electronic and Electrical Engineering in 1982, before gaining his PhD in high-performance processor architectures and image processing. Andy then went on to teach, joining the University's Department of Electronic and Electrical Engineering as a Lecturer, and taught Electronics and Software.

In 1998, Andy joined Quadrant Video Systems as an Electronic Design Engineer and Firmware Developer, where he progressed his career through the position of Lead Hardware Engineer, and went on to become Hardware Technical Director in 2012.

Andy joined 21st Century as Chief Technical Officer in 2016 to apply his knowledge and expertise across the Group.

**Mark Johnson**
Director of Fleet Systems

Mark Johnson has over 20 years' experience working within technology companies, the past seven of which have been focused within the transportation sector. He has held positions within service delivery, IT and product development. Mark has a history of supporting key UK and European customers to deliver on-board technology and back-office management systems. This work on complex technical projects has enabled 21st Century Technology to expand into Scandinavia and establish long-term framework agreements.

**Mike Boddy**
Director of Passenger Systems and Group Operations

Mike Boddy received an Engineering Diploma from the Rubery Owen Organisation and was a co-founder member of Midlands Video Systems in 1975, which was subsequently acquired by Quadnetics Group (Synectics Plc). Within the group, Mike was Managing Director of Quadrant Security Systems, specialising in the design, installation and maintenance of integrated security systems until 2014.

Mike joined RSL Group in 2015 as Managing Director, and has since moved into the position of Group Operations Director as the Fleet Systems and Passenger Systems businesses become further integrated.

**Phil Harrison**
Group Financial Controller

Phil Harrison received a degree in Mathematics from the University of Leeds in 1991 before going on to become a Chartered Management Accountant. Phil has over 10 years' experience as a finance director and controller within SMEs and has worked in both AIM listed and private companies, building much of his experience in manufacturing environments.

# Report on corporate governance

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 2015.

## Summary

- The full Board met 13 times in 2015. All of the Directors of the Company at the time of the meetings were in attendance.
- The Audit Committee met with the auditor two times during the year.
- Several meetings of the Remuneration Committee were held during 2015.
- An ongoing process to identify, evaluate and manage the significant risks faced by the Group has been in place for the full year under review.
- An employee shareholder plan to award further incentives was implemented in February 2016.

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

## The workings of the Board and its Committees

**The Board**

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

Biographies of the Directors, including details of their experience and role within the Group, are set out on page 12.

**Attendance at meetings**

The full Board met 13 times in 2015. All of the Directors of the Company at the time of the meetings were in attendance.

**The Audit Committee**

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

**The Remuneration Committee**

The Remuneration Committee comprises the two Non-executive Directors: James Cumming, as Chairman, and Mark Elliott. Several meetings of the Committee were held during 2015. The Committee is responsible for making recommendations to the Board on the remuneration of senior Executives and all Directors.

**The Nomination Committee**

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

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

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

## Internal controls

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

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

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

Each Executive Director has been given responsibility for specific aspects of the Group's affairs. The Executive Directors, together with 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 2015. 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 the 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 this report. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

# Report on Directors' remuneration

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.

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

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

### Remuneration Committee

For the financial year ended 31 December 2015, the remuneration policy for Executive and Non-executive Directors and the determination of individual Executive Director's remuneration packages have been delegated to the Board's Remuneration Committee.

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

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

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

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

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

### Remuneration of the Non-executive Directors

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

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

### Remuneration policy for Executive Directors

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

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

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

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

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

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

During the previous year, following agreement by the Board of the new business strategy, Russ Singleton and Glenn Robinson made further investments in the Company's shares and, at a general meeting in December 2014, an employee shareholder plan was approved to award further incentives. This scheme was implemented in February 2015 and details are in note 23 to the Group financial statements.

## Directors' service contracts

Details of individual Directors' service contracts are as follows:

| | Contract date | Unexpired term | Notice period |
|---|---|---|---|
| **Executive** | | | |
| R C Singleton | 10 October 2013 | None | Twelve months |
| G Robinson | 10 October 2013 | None | Twelve months |

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

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

The Directors are required to retire by rotation and the appointment of new Directors has to be approved at the next AGM subsequent to their appointment by the Board. There are no Directors required by our Articles of Association to retire by rotation; however, James Cumming will be retiring by rotation at the forthcoming AGM to realign the dates for rotational retirement.

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

## Non-executive directorships

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

## Directors' detailed emoluments and remuneration

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

| | Salary and fees £ | Benefits £ | Pension £ | **Total 2015 £** | Total 2014 £ |
|---|---|---|---|---|---|
| **Executive** | | | | | |
| M W Elliott[1] | – | – | – | **–** | 45,143 |
| R C Singleton | 102,131 | – | 77,235 | **179,366** | 190,233 |
| G Robinson | 130,000 | – | – | **130,000** | 138,614 |
| **Non-executive** | | | | | |
| M W Elliott[1] | 33,000 | – | 38,766 | **71,766** | 26,623 |
| J Cumming | 23,000 | – | – | **23,000** | 23,000 |
| | 288,131 | – | 116,001 | **404,132** | 423,613 |

Notes:

(1) Appointed Executive Chairman on 22 August 2013 and subsequently Non-executive Chairman on 18 August 2014.

## Share options

At 31 December 2015, the Company had two employee share option schemes: the 2004 Enterprise Management Incentive (EMI) Plan and the 2014 Enterprise Management Incentive (EMI) Share Option Plan. The 2004 EMI Plan was approved by shareholders on 18 May 2004 and expired for new options on its tenth anniversary. On 22 October 2014, the Board established the 2014 EMI Share Option Plan, which operates in substantially the same way as the 2004 EMI Plan.

Options were granted under the 2014 EMI Share Option Plan but not to Directors. The outstanding options are detailed in note 23 to the financial statements.

## Directors' interests in share options

Directors' interests in share options are disclosed in note 23 to the Group financial statements.

## Directors' interests in the employee shareholder plan

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

Directors' interests in the Plan are disclosed in note 23 to the Group financial statements.

## Directors' interests in shares

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

# Directors' report

A summary of the outlook for the Group is given within the Chairman's Statement on page 4.

## Summary

- At 31 December 2015 the Group had net cash at bank of £1,010,000 (2014: £2,661,000).
- Employee shares were issued to the Directors as set out in note 23.
- At the forthcoming AGM the Directors are not recommending the payment of a dividend (2014: £nil).

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

The Directors present their report and the Group financial statements for the year ended 31 December 2015.

### Principal activities

The principal activities of the Group are set out within the Strategic Report on page 7.

### Review of business and future developments

The consolidated statement of comprehensive income for the year ended 31 December 2015 is set out on page 23.

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

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

### Principal risks and uncertainties

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

### Financial risk management

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

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

### Credit risk

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

### Liquidity and interest rate risk

The Group's policy on funding capacity is to ensure that we have sufficient long-term funding and facilities in place to meet foreseeable peak borrowing requirements. At 31 December 2015, the Group had net cash at bank of £1,010,000 (2014: £2,661,000). 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 Fleet Systems are sourced from overseas suppliers who invoice in US Dollars and Euros. In addition, our operations in Europe generate transactions denominated in Euros and Swedish Krona. Consequently, the Group is exposed to fluctuations in Sterling against these foreign currencies. Where appropriate, the Group uses forward exchange contracts to hedge foreign exchange exposures arising on forecast payments in foreign currencies and our selling prices in overseas markets are linked to movements in Sterling.

### Future outlook

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

### Going concern

The financial statements have been prepared on a going concern basis as covered in the Report on Corporate Governance on page 15.

### Results and dividend

The Group reports a loss of £4.8m for the year (2014: loss of £0.4m). At the forthcoming AGM the Directors are not recommending the payment of a dividend (2014: £nil).

### Directors' interests in shares

The Directors during the year and their interests in the share capital of the Company, other than in respect of options to acquire Ordinary Shares (which are detailed in the analysis of options included in note 23 to the financial statements) were as follows:

| | Number of Ordinary 6.5p Shares in the Company | |
|---|---|---|
| | **31 December 2015** | 31 December 2014 |
| M W Elliott | **–** | – |
| R C Singleton | **3,007,346** | 3,007,346 |
| G Robinson | **2,000,000** | 2,000,000 |
| J Cumming | **–** | – |

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

Apart from the interests disclosed above and in note 23, no Directors held interests at any time in the year in the share capital of the Company or other Group companies.

### Disabled employees

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

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

### Employee involvement

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

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

### Directors' indemnity

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

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

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

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

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;

# **Directors' report** continued

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

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

- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

**Disclosure of information to auditor**

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

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

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

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

By order of the Board

**Glenn Robinson**
**Secretary**
24 May 2016

# Financial Statements

# Auditor's report
on the Group financial statements

### Independent auditor's report to the members of 21st Century Technology plc
We have audited the Group financial statements of 21st Century Technology plc for the year ended 31 December 2015 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 Statement of Directors' responsibilities set out on pages 19 and 20, 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 2015 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.

### 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 2015.

**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**
24 May 2016

# Consolidated statement of comprehensive income
for the year ended 31 December 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| Revenue | 3, 4 | **12,232** | 9,027 |
| Cost of sales | | **(6,766)** | (5,741) |
| **Gross profit** | 4 | **5,466** | 3,286 |
| Underlying administrative expenses | | **(5,414)** | (3,415) |
| **Underlying profit/(loss)** | | **52** | (129) |
| Share-based payments | | **(323)** | (129) |
| Acquisition costs | | **(116)** | – |
| One-off legal costs | | **(43)** | – |
| Reorganisation costs | | **(56)** | (160) |
| Total administrative expenses | | **(5,952)** | (3,704) |
| **Operating loss before impairment** | | **(486)** | (418) |
| Goodwill impairment | 10 | **(4,318)** | – |
| **Operating loss** | | **(4,804)** | (418) |
| Finance (expense)/income | 6 | **(11)** | 1 |
| **Loss before taxation from continuing operations** | 7 | **(4,815)** | (417) |
| Taxation (charge)/credit | 8 | **(10)** | 34 |
| **Loss for the year being total comprehensive income attributable to owners of the parent** | | **(4,825)** | (383) |
| **Loss per share** | 9 | | |
| Basic | | **(5.17p)** | (0.41p) |
| Diluted | | **(5.17p)** | (0.41p) |

The notes on pages 27 to 46 form part of these financial statements.

# Consolidated statement of changes in equity
for the year ended 31 December 2015

| | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Total equity shareholders' funds £'000 |
|---|---|---|---|---|
| Balance at 1 January 2014 | 6,061 | 8 | 1,061 | 7,130 |
| Loss and total comprehensive income for the year | – | – | (383) | (383) |
| Share-based payments | – | – | 129 | 129 |
| Balance at 31 December 2014 | 6,061 | 8 | 807 | 6,876 |
| Loss and total comprehensive income for the year | – | – | (4,825) | (4,825) |
| Share-based payments | – | – | 323 | 323 |
| **Balance at 31 December 2015** | **6,061** | **8** | **(3,695)** | **2,374** |

The notes on pages 27 to 46 form part of these financial statements.

# Consolidated statement of financial position
at 31 December 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 10 | **1,345** | 4,318 |
| Other intangible assets | 11 | **913** | – |
| Property, plant and equipment | 12 | **216** | 155 |
| Deferred tax asset | 13 | **–** | 73 |
| Trade and other receivables | 15 | **83** | – |
| | | **2,557** | 4,546 |
| **Current assets** | | | |
| Inventories | 14 | **1,082** | 851 |
| Trade and other receivables | 15 | **4,423** | 1,320 |
| Current tax asset | 20 | **74** | 28 |
| Cash and cash equivalents | 16 | **1,010** | 2,661 |
| | | **6,589** | 4,860 |
| **Total assets** | | **9,146** | 9,406 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **(4,752)** | (1,418) |
| Loans and borrowings | 19 | **(109)** | – |
| Provisions | 21 | **(366)** | (351) |
| | | **(5,227)** | (1,769) |
| **Net current assets** | | **1,362** | 3,091 |
| **Non-current liabilities** | | | |
| Trade and other payables | 17 | **(561)** | – |
| Loans and borrowings | 19 | **(49)** | – |
| Deferred tax liability | 13 | **(57)** | – |
| Provisions | 21 | **(878)** | (761) |
| **Total liabilities** | | **(6,772)** | (2,530) |
| **Net assets** | | **2,374** | 6,876 |
| **Shareholders' equity** | | | |
| Share capital | 23 | **6,061** | 6,061 |
| Share premium account | | **8** | 8 |
| Retained earnings | | **(3,695)** | 807 |
| **Total equity** | | **2,374** | 6,876 |

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2016 and were signed on its behalf by:

**G Robinson**
**Chief Financial Officer**

**R C Singleton**
**Chief Executive**

Registered number: 2974642

The notes on pages 27 to 46 form part of these financial statements.

# Consolidated statement of cash flows
for the year ended 31 December 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **Net cash flows from operating activities** | 25 | **(498)** | 1,377 |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiary undertaking: | | | |
| Net cash paid to vendors | | **(1,010)** | – |
| Acquisition costs | | **(116)** | – |
| Cash in subsidiary undertaking | | **317** | – |
| | | **(809)** | – |
| Purchases of property, plant and equipment | | **(116)** | (44) |
| Disposals of property, plant and equipment | | **16** | – |
| Purchases of intangible fixed assets | | **(110)** | – |
| **Net cash flows from investing activities** | | **(1,019)** | (44) |
| **Cash flows from financing activities** | | | |
| Repayment of loans | | **(83)** | – |
| **Net cash flows from financing activities** | | **(83)** | – |
| **Net (decrease)/increase in cash and cash equivalents** | | **(1,600)** | 1,333 |
| **Cash and cash equivalents at beginning of year** | | **2,661** | 1,343 |
| Effect of foreign exchange rate changes | | **(51)** | (15) |
| **Cash and cash equivalents at end of year** | | **1,010** | 2,661 |

The notes on pages 27 to 46 form part of these financial statements.

# Notes to the consolidated financial statements
for the year ended 31 December 2015



## 1. General information
21st Century Technology plc is a public limited company incorporated in England and listed on AIM. Its principal trading subsidiaries are 21st Century Technology Solutions Limited and Region Services 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 7.

## 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 14–16% is applied to the cash flow forecasts from the most recent financial budgets and long-term plans which are extrapolated in perpetuity assuming no growth beyond five years.

(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.

(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.

(vi) Fair value on acquisition
Determining the fair value of assets and liabilities on the acquisition of a company or business requires significant management judgements and estimations on a range of asset types.

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

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

**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
IFRIC 21 'Levies'

**Amendments adopted in the year**
Annual improvements to IFRSs 2010–2012 Cycle

Annual improvements to IFRSs 2011–2013 Cycle

Amendments to IAS 19 'Employee Benefits – Employee Contributions'

# Notes to the consolidated financial statements continued

for the year ended 31 December 2015

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

**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 2015 and have not been applied in preparing these consolidated financial statements.

| Standard | Adopted by EU |
|---|---|
| **Changes that apply from 1 February 2015** | |
| IAS 19 'Employee Benefits' | Yes |
| Annual improvements to IFRSs 2010–2012 Cycle | Yes |
| **Changes that apply from 1 January 2016** | |
| IFRS 14 'Regulatory Deferral Accounts' | No |
| Annual improvements to IFRSs 2012–2014 Cycle | Yes |
| Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception' | No |
| Amendments to IAS 1 'Presentation of Financial Statements – Disclosure Initiatives' | Yes |
| Amendments to IAS 16 and IAS 38 'Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation' | Yes |
| Amendments to IAS 27 'Separate Financial Statements – Equity Method' | No |
| **Changes that apply from 1 January 2017** | |
| Amendments to IAS 7 'Statement of Cash Flows' | No |
| Amendments to IAS 12 'Income Taxes' | No |
| **Changes that apply from 1 January 2018** | |
| IFRS 15 'Revenue from Contracts with Customers' | No |
| IFRS 9 'Financial Instruments' | No |
| **Changes that apply from 1 January 2019** | |
| IFRS 16 'Leases' | No |

The Directors do not anticipate that the adoption of standards, amendments and interpretations (with the possible exceptions of IFRS 9, IFRS 15 and IFRS 16) would make a material impact on these financial statements. IFRS 9 is still ongoing and yet to be adopted by the EU. The Directors have not yet assessed the full impact of IFRS 15 and IFRS 16 on these financial statements.

**Basis of consolidation**

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

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

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

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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.

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

**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.

**Business combinations**

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

**Revenue**

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

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

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

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

**Construction contracts**

The Company recognises revenue on construction contracts under the percentage of completion method based on milestones.

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

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenue and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to recognise in a given period. This is normally measured either by stage of progression as determined by the technical milestones recorded, or by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately in profit and loss.

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

**Taxation**

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

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

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

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

**Earnings per Ordinary Share**

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

# Notes to the consolidated financial statements continued

for the year ended 31 December 2015

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

**Property, plant and equipment**

The cost of property, plant and equipment is their purchase price.

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 to intangible assets at cost of acquisition and amortised over the estimated useful economic lives of between three and five years on a straight line basis into administrative expenses.

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 into administrative expenses. All other development expenditure is recognised as an expense in the period in which it is incurred.

Customer lists

The fair value of customer lists acquired in a business combination is estimated using discounted incremental cash flow and amortised over a five-year estimated useful economic life.

**Inventories**

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

**Financial instruments**

Cash and cash equivalents

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

Loans and receivables and other financial liabilities

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

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.

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

### 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. All differences are taken to the statement of comprehensive income.

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

Foreign currency differences are recognised in the translation reserve.

### Share capital and share premium

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

### Share-based payments

Share-based payments 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 15, 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.

## 3. Revenue

The revenue split between goods and services is:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Goods | 9,407 | 7,161 |
| Services | 2,825 | 1,866 |
| | 12,232 | 9,027 |
| Construction contracts included in Goods | 2,862 | — |

## 4. Segmental reporting

IFRS 8 requires operating segments to be determined on the basis of those segments whose operating results are regularly reviewed by the Board of Directors (the Chief Operating Decision Maker as defined by IFRS 8) to make strategic decisions.

Last year, the Directors considered 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. Comparatives are only given for the revenue and gross profit.

This year, with the acquisition of RSL Group (note 27), we have two strategic operating segments: Fleet Systems and Passenger Systems. In addition, there are central functions that provide services to the two strategic operating segments. During the year there were no revenue transactions between operating segments.

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

### Revenue and gross profit

| | Revenue 2015 £'000 | Gross profit 2015 £'000 | Revenue 2014 £'000 | Gross profit 2014 £'000 |
|---|---|---|---|---|
| Fleet Systems | 8,601 | 3,555 | 9,027 | 3,286 |
| Passenger Systems | 3,631 | 1,911 | — | — |
| Total | 12,232 | 5,466 | 9,027 | 3,286 |

# Notes to the consolidated financial statements continued
for the year ended 31 December 2015

## 4. Segmental reporting continued

**Major customers**

In the year, three customers within the Fleet Systems segment each accounted for over 10% of Group revenue at 19%, 18% and 11%. In the prior year, there were three Fleet Systems customers that each accounted for over 10% of revenue at 42%, 23% and 14%. There were no major customers within the Passenger Systems segment.

**Underlying profit/(loss)**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Fleet Systems | 213 | 63 |
| Passenger Systems | 49 | – |
| | 262 | 63 |
| Central | (210) | (192) |
| Underlying profit/(loss) | 52 | (129) |

**Reconciling to loss before interest and tax**

| | Underlying operating profit £'000 | Acquisition, one-off legal and reorganisation costs £'000 | Share-based payments £'000 | Operating loss £'000 | Goodwill impairment £'000 | Loss before interest and tax £'000 |
|---|---|---|---|---|---|---|
| Fleet Systems | 213 | (131) | (323) | (241) | (4,318) | (4,559) |
| Passenger Systems | 49 | (84) | – | (35) | – | (35) |
| | 262 | (215) | (323) | (276) | (4,318) | (4,594) |
| Central | (210) | – | – | (210) | – | (210) |
| | 52 | (215) | (323) | (486) | (4,318) | (4,804) |

Net assets attributed to each business segment represent the net external operating assets of that segment, excluding goodwill, bank balances and borrowings which are shown as unallocated amounts, together with central assets and liabilities.

**Net assets**

| | Assets 2015 £'000 | Liabilities 2015 £'000 | Net assets 2015 £'000 |
|---|---|---|---|
| Fleet Systems | 4,203 | (3,684) | 519 |
| Passenger Systems | 2,186 | (2,893) | (707) |
| | 6,389 | (6,577) | (188) |
| Goodwill | 1,345 | – | 1,345 |
| Cash and borrowings | 1,010 | (158) | 852 |
| Unallocated | 402 | (37) | 365 |
| Total | 9,146 | (6,772) | 2,374 |

**Geographical segments**

| | Revenue 2015 £'000 | Gross profit 2015 £'000 | Revenue 2014 £'000 | Gross profit 2014 £'000 |
|---|---|---|---|---|
| UK | 10,803 | 4,705 | 6,859 | 2,193 |
| International | | | | |
| – Scandinavia | 978 | | 1,402 | |
| – Other EU | 451 | | 766 | |
| Total international | 1,429 | 761 | 2,168 | 1,093 |
| Total | 12,232 | 5,466 | 9,027 | 3,286 |

## 4. Segmental reporting continued

**Assets and liabilities by location**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Assets** | | |
| UK | 9,105 | 9,355 |
| International | 41 | 51 |
| **Total assets** | 9,146 | 9,406 |
| **Liabilities** | | |
| UK | (6,719) | (2,489) |
| International | (53) | (41) |
| **Total liabilities** | (6,772) | (2,530) |

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

## 5. Employee information

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

| | 2015 Number | 2014 Number |
|---|---|---|
| By activity: | | |
| Administration | 19 | 19 |
| Technical | 25 | 13 |
| Operations | 59 | 31 |
| | 103 | 63 |

**Staff costs (for the above persons)**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Wages and salaries | 3,256 | 2,404 |
| Social security costs | 404 | 235 |
| Pension costs | 211 | 239 |
| Share-based payments | 323 | 129 |
| | 4,194 | 3,007 |

**Key management compensation (included above)**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Wages and salaries | 931 | 746 |
| Social security costs | 111 | 87 |
| Pension costs | 138 | 197 |
| Share-based payments | 323 | 129 |
| | 1,503 | 1,159 |

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

| | Emoluments | | Pension contributions | |
|---|---|---|---|---|
| | 2015 £'000 | 2014 £'000 | 2015 £'000 | 2014 £'000 |
| Total Directors | 288 | 229 | 116 | 195 |
| Highest paid Director | 102 | 70 | 77 | 120 |

There are two (2014: three) Directors receiving payments into pension schemes. Directors' detailed emoluments are disclosed in the Report on Directors' Remuneration.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2015

## 6. Finance (expense)/income

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Interest receivable on bank balances | – | 1 |
| Interest payable on loans and hire purchase | (11) | – |

## 7. Loss before taxation from continuing operations

This is stated after charging:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Operating lease rentals: | | |
| – Rent of land and buildings | 182 | 184 |
| – Hire of plant and equipment | 181 | 205 |
| Depreciation: | | |
| – Property, plant and equipment owned | 114 | 91 |
| Amortisation of intangible fixed assets | 143 | – |
| Inventories – consumed and recognised as expense in cost of sales | 4,570 | 3,274 |
| Write down of inventories | 86 | 110 |
| Trade receivables impairment | (19) | 2 |
| Goodwill impairment | 4,318 | – |
| Exchange differences | 87 | (1) |
| Share-based payments charge | 323 | 129 |

Loss before taxation is also stated after charging:

| | 2015 £'000 | 2014 £'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 | 60 | 29 |
| Additional fees payable to the Company's auditor for the prior year audit pursuant to legislation | – | 12 |
| Total audit fees | 64 | 45 |
| Fees payable for tax compliance services | – | 7 |
| Fees payable for other services | – | 1 |
| | 64 | 53 |

## 8. Taxation

**(a) Analysis of charge in year:**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Current tax** | | |
| Prior year overprovision | (68) | (16) |
| UK corporation tax on the loss for the year (20.25%) | – | – |
| Swedish corporation tax on the profit for the year (22%) | 13 | 11 |
| **Deferred tax charge/(credit)** | | |
| – Temporary differences tax losses | 36 | (36) |
| – Temporary differences decelerated capital allowances | 37 | 3 |
| – Temporary differences on acquisition | (8) | – |
| – Rate change | – | 4 |
| Total tax charge/(credit) for the year | 10 | (34) |

## 8. 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 20.25% (2014: 21.5%). The differences are explained below:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Loss on ordinary activities before tax | (4,815) | (417) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%) | (975) | (90) |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | 955 | 4 |
| Change in unrecognised deferred tax assets | 123 | 64 |
| Brought forward tax losses used (previously not recognised) | (37) | – |
| Prior year overprovision | (68) | (16) |
| Prior year deferred tax previously recognised | 73 | – |
| Difference in tax rates | 4 | – |
| Deferred tax on acquisition | (65) | – |
| Rate change on deferred tax asset | – | 4 |
| Total tax charge/(credit) for the year | 10 | (34) |

**(c) Deferred tax asset/(liabilities)**

The unrecognised and recognised deferred tax asset/(liabilities) comprises the following:

| | Unrecognised | | Recognised | |
|---|---|---|---|---|
| Group | 2015 £'000 | 2014 £'000 | 2015 £'000 | 2014 £'000 |
| Tax losses | 202 | 75 | – | 36 |
| Share-based payment | – | 26 | – | – |
| Decelerated capital allowances | 82 | – | – | 37 |
| Arising on acquisition | – | – | (57) | – |
| | 284 | 101 | (57) | 73 |

The Group has £1,009,000 of unutilised tax losses (2014: £376,000) which may be carried forward indefinitely.

## 9. Loss per Ordinary Share

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

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

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Losses £'000 | Per share amount Pence | Losses £'000 | Per share amount Pence |
| **Basic EPS** | | | | |
| Losses attributable to Ordinary Shareholders | (4,825) | (5.17) | (383) | (0.41) |
| **Diluted EPS** | | | | |
| Losses | (4,825) | (5.17) | (383) | (0.41) |

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).

# Notes to the consolidated financial statements continued
for the year ended 31 December 2015

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

| | 2015 '000 | 2014 '000 |
|---|---|---|
| Basic weighted average number of shares | 93,240 | 93,240 |
| Dilutive potential Ordinary Shares | – | – |
| Diluted weighted average number of shares | 93,240 | 93,240 |

## 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:

| | Fleet Systems £'000 | Passenger Systems £'000 | Total £'000 |
|---|---|---|---|
| Deemed cost: | | | |
| At 1 January 2014 and 31 December 2014 | 4,318 | – | 4,318 |
| Acquisition | – | 1,345 | 1,345 |
| Impairment | (4,318) | – | (4,318) |
| **At 31 December 2015** | **–** | **1,345** | **1,345** |

Before recognition of impairment losses, the carrying amount of goodwill has been allocated to cash generating units as follows: £4,318k to Fleet Systems and £1,345k to Passenger Systems.

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.

Fleet Systems has a required rate of return from the cash generating unit of 16%. The forecasts for Fleet Systems have taken into account our past forecasting experiences and a current worsening of trading conditions, as substantiated by delays in order intake and through conversations with key clients on the timing and amount of trade. The short-term forecast suggests a broadly neutral cash flow with sensitivities and as such the Directors consider that the Fleet Systems goodwill is fully impaired.

For Passenger Systems, the acquired RSL Group, the discount rate applied to equate the net present value of the forecast cash flows to the carrying value of goodwill was 34%, whereas the required rate of return from the cash generating unit is deemed to be 14%. In view of this, the Directors consider that no impairment of goodwill is required.

## 11. Other intangible fixed assets

| 2015 movements | Customer list £'000 | Development costs £'000 | Purchased software £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2015 | – | 795 | 540 | 1,335 |
| Additions | – | 100 | 10 | 110 |
| Acquisition in a business combination (note 27) | 192 | 648 | 106 | 946 |
| **At 31 December 2015** | 192 | 1,543 | 656 | 2,391 |
| **Amortisation** | | | | |
| At 1 January 2015 | – | 795 | 540 | 1,335 |
| Charge for the year | 25 | 107 | 11 | 143 |
| **At 31 December 2015** | 25 | 902 | 551 | 1,478 |
| **Net book value** | | | | |
| **At 31 December 2015** | 167 | 641 | 105 | 913 |
| At 31 December 2014 | – | – | – | – |

## 11. Other intangible fixed assets continued

| 2014 movements | Development costs £'000 | Purchased software £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2014 | 795 | 540 | 1,335 |
| At 31 December 2014 | 795 | 540 | 1,335 |
| **Amortisation** | | | |
| At 1 January 2014 | 795 | 540 | 1,335 |
| At 31 December 2014 | 795 | 540 | 1,335 |
| **Net book value** | | | |
| At 31 December 2014 | – | – | – |
| At 31 December 2013 | – | – | – |

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, within Fleet Systems, continue to be negative and as such they remain fully provided for. The remaining balance relates to Passenger Systems.

## 12. Property, plant and equipment

| **2015 movements** | Leasehold improvements £'000 | Plant and equipment £'000 | **Total £'000** |
|---|---|---|---|
| **Cost** | | | |
| **At 1 January 2015** | 99 | 383 | **482** |
| Additions | 9 | 107 | **116** |
| Acquisition in a business combination (note 27) | – | 71 | **71** |
| Disposals | – | (67) | **(67)** |
| **At 31 December 2015** | 108 | 494 | **602** |
| **Depreciation** | | | |
| **At 1 January 2015** | 40 | 287 | **327** |
| Charge for the year | 21 | 93 | **114** |
| Disposals | – | (55) | **(55)** |
| **At 31 December 2015** | 61 | 325 | **386** |
| **Net book amounts** | | | |
| **At 31 December 2015** | 47 | 169 | **216** |
| At 31 December 2014 | 59 | 96 | **155** |

# Notes to the consolidated financial statements continued
for the year ended 31 December 2015

## 12. Property, plant and equipment continued

| 2014 movements | Leasehold improvements £'000 | Plant and equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2014 | 94 | 344 | 438 |
| Additions | 5 | 39 | 44 |
| At 31 December 2014 | 99 | 383 | 482 |
| **Depreciation** | | | |
| At 1 January 2014 | 20 | 216 | 236 |
| Charge for the year | 20 | 71 | 91 |
| At 31 December 2014 | 40 | 287 | 327 |
| **Net book amounts** | | | |
| At 31 December 2014 | 59 | 96 | 155 |
| At 31 December 2013 | 74 | 128 | 202 |

## 13. Deferred tax asset – asset/(liability)
The movement on the deferred tax non-current asset is as follows:

| Deferred tax asset on decelerated capital allowances and tax losses | Asset £'000 | Liability £'000 |
|---|---|---|
| **Balance brought forward at 1 January 2015** | 73 | – |
| On acquisition of business combination | – | (65) |
| (Debit)/credit to profit and loss account | (73) | 8 |
| **Balance carried forward at 31 December 2015** | **–** | **(57)** |

## 14. Inventories

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Raw materials | **210** | – |
| Work in progress | **45** | – |
| Finished goods and goods for resale | **827** | 851 |
| | **1,082** | 851 |

## 15. Trade and other receivables

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| **Current** | | |
| Trade receivables | **3,600** | 982 |
| Less: provision for impairment of receivables | **(26)** | (22) |
| Trade receivables – net | **3,574** | 960 |
| Amounts due from contract customers | **368** | – |
| Other receivables and prepayments | **481** | 360 |
| | **4,423** | 1,320 |
| **Non-current** | | |
| Other receivables and prepayments | **83** | – |

The average credit period taken on sales of goods is 51 days (2014: 48 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.

## 15. Trade and other receivables continued

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

| | Amount receivable | |
|---|---|---|
| | **2015 £'000** | 2014 £'000 |
| Customer 1 | **749** | 169 |
| Customer 2 | **477** | 123 |
| Customer 3 | **425** | – |
| Customer 4 | **402** | 164 |
| Customer 5 | **284** | – |
| Customer 6 | **230** | – |
| Customer 7 | **202** | – |

Included in the Group's trade receivable balance are debtors with a carrying amount of £682,000 (2014: £382,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 67 days (2014: 61 days).

Ageing of past due but not impaired trade receivables:

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| 30–60 days | **563** | 273 |
| 60–90 days | **39** | 54 |
| Over 90 days | **80** | 55 |
| | **682** | 382 |

Movement in the provision for impairment of trade receivables:

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Balance at 1 January | **22** | 20 |
| On acquisition | **23** | – |
| Impairment losses recovered | **(23)** | (20) |
| Provision made | **4** | 22 |
| Balance at 31 December | **26** | 22 |

Ageing of impaired trade receivables:

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| 60–90 days | **26** | 22 |
| Over 90 days | **–** | – |
| | **26** | 22 |

## 16. Cash and cash equivalents

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Cash and cash equivalents | **1,010** | 2,661 |

Cash and cash equivalents comprise cash held by the Group.

# Notes to the consolidated financial statements continued
for the year ended 31 December 2015

## 17. Trade and other payables

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Current** | | |
| Trade payables | 1,319 | 179 |
| Other taxation and social security | 397 | 89 |
| Other payables | 4 | – |
| Accruals | 1,326 | 834 |
| Deferred income relating to construction contracts | 615 | – |
| Deferred income | 1,091 | 316 |
| | 4,752 | 1,418 |
| **Non-current** | | |
| Deferred income | 561 | – |

Trade creditors and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 46 days (2014: 48 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.

## 18. Construction contracts

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Contracts in progress at dates of statement of financial position: | | |
| Amounts due from contract customers included in trade and other receivables | 368 | – |
| Amounts due to contract customers included in trade and other payables | (615) | – |
| | (247) | – |
| Contract costs incurred plus recognised profit less recognised losses to date | 4,444 | – |
| Less: progress billings | (4,691) | – |
| | (247) | – |

At 31 December 2015, retentions held by customers for contract work amounted to £12,000 (2014: £nil). Advances received from customers for contract work amounted to £615,000 (2014: £nil).

At 31 December 2015, amounts of £nil (2014: £nil) included in trade and other receivables and arising from construction contracts are due for settlement after more than 12 months.

## 19. Loans and borrowings

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Current £'000 | Non-current £'000 | Total £'000 | Current £'000 | Non-current £'000 | Total £'000 |
| Bank term loans | 104 | 49 | 153 | – | – | – |
| Hire purchase agreements | 5 | – | 5 | – | – | – |
| | 109 | 49 | 158 | – | – | – |

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

During the year, £83,000 of loans and borrowings were repaid.

The main terms of the bank loans are:

| Bank | Loan name | Interest rate | Term | Final payment | Loan value |
|---|---|---|---|---|---|
| NatWest | EFG | 3.75% over base | 3 years | May 2017 | 84 |
| CIT | SAP | 11.65% | 3 years | September 2017 | 65 |
| NatWest | General | 3.5% over base | 3 years | March 2016 | 4 |
| | | | | | 153 |

## 20. Current tax asset

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Corporation tax asset | **74** | 28 |

## 21. Provisions

| | Warranty £'000 | Total £'000 |
|---|---|---|
| Balance at 1 January 2015 | 1,112 | **1,112** |
| Charged | 582 | **582** |
| Utilised | (450) | **(450)** |
| Movement in the year | 132 | **132** |
| Balance at 31 December 2015 | 1,244 | **1,244** |
| Included in current liabilities | 366 | **366** |
| Included in non-current liabilities | 878 | **878** |
| | 1,244 | **1,244** |

The provision represents management's best estimate of the Group's liability for warranties granted on products sold based on past experience and industry averages for defective products. The warranty provision is expected to be fully utilised by 31 December 2020.

## 22. Financial instruments

**Capital risk management**

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

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

The Group's overall capital risk management strategy remains unchanged from 2015.

Note 23 to the financial statements provides details regarding the Company's share capital and movements in the year. There were no breaches of any requirements with regard to any relevant conditions imposed by the Company's Articles of Association during the periods under review.

**Gearing**

The Board had eliminated Fleet Systems borrowing in recent years but with RSL Group acquisition we inherited loans and borrowings that now stand at £158,000. Net cash/(debt) was £852,000 at 31 December 2015 (2014: £2,661,000). Net cash/(debt) is defined as cash and cash equivalents less short-term borrowings.

**Significant accounting policies**

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

# Notes to the consolidated financial statements continued

for the year ended 31 December 2015

## 22. Financial instruments continued

**Categories of financial instruments**

| | Carrying value | |
|---|---|---|
| | **2015 £'000** | 2014 £'000 |
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents): | | |
| Trade receivables | **3,574** | 960 |
| Other receivables | **773** | 294 |
| Cash and cash equivalents | **1,010** | 2,661 |
| | **5,357** | 3,915 |
| **Financial liabilities** | | |
| Other financial liabilities held at amortised cost: | | |
| Trade payables | **1,319** | 179 |
| Other payables | **4** | – |
| Loans and borrowings | **158** | – |
| | **1,481** | 179 |

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

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

**Financial risk management objectives**

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

**Market risk**

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

**Foreign currency risk management**

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. 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 | |
|---|---|---|---|---|
| | **2015 £'000** | 2014 £'000 | **2015 £'000** | 2014 £'000 |
| Swedish Krona | **–** | – | **23** | 207 |
| Euro | **–** | – | **68** | 815 |
| US Dollar | **4** | – | **4** | 35 |

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.

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Swedish Krona loss | **(2)** | (21) |
| Euro loss | **(7)** | (82) |
| US Dollar loss | **–** | (4) |

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 (2014: nil).

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

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

**Liquidity risk management**

Responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and maintaining adequate banking facilities. At 31 December 2015, the Group had no overdraft facility (2014: £nil). As at 31 December 2015, the net bank balance, cash less overdraft, was £1,010,000 (2014: £2,661,000) and there were no undrawn facilities expiring within one year (2014: £nil).

**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.

| | 2015<br>£'000 | 2014<br>£'000 |
|---|---|---|
| In one year or less | 1,831 | 268 |
| In one or two years | 56 | – |

## 23. Share capital

**Called up share capital**

| | 2015<br>£'000 | 2014<br>£'000 |
|---|---|---|
| Allotted, called up and fully paid: | | |
| 93,239,755 Ordinary Shares of 6.5p each (2014: 93,239,755 Ordinary Shares of 6.5p each) | 6,061 | 6,061 |

**Share options**

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

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

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Options | Weighted average exercise price | Options | Weighted average exercise price |
| Outstanding at beginning of year | 7,842,308 | 6.6p | 8,592,308 | 7.1p |
| Issued during the year | 300,000 | 6.5p | – | – |
| Lapsed during the year | – | – | (750,000) | 11.7p |
| Outstanding at end of year | 8,142,308 | 6.6p | 7,842,308 | 6.6p |
| Exercisable at end of year | 150,000 | 12.5p | 150,000 | 12.5p |

The aggregate charge recognised in the Group financial statements in the year was £129,000 (2014: £129,000), all of which was recognised in a subsidiary entity's results.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2015

## 23. Share capital continued

**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 2014 | Issued in the year | As at 31 December 2015 | Exercise price | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|
| **The 2004 EMI Scheme issue 3** | | | | | | |
| R C Singleton | 3,846,154 | – | **3,846,154** | 6.5p | 10/10/16 | 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 4.38p (2014: 4.62p) and the range of market prices during the year was 4.25p to 6.38p (2014: 4.38p to 7.50p). The weighted average remaining life of all share options outstanding at 31 December 2015 is seven years and nine months (31 December 2014: eight years and eight months).

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

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

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

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

**Employee Shareholder Plan**

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

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

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

(b) if (i) not less than three years nor more than ten years have elapsed since the Shares were acquired; and (ii) the share price of Ordinary Shares in the capital of the Company (or such other company as may then be the parent company of Solutions) is not less than £0.07 per share.

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

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

**Directors' interests in Employee Shareholder Plan**

| | As at 31 December 2014 | Issued in the year | As at 31 December 2015 | Exercise price | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|
| **21st Century Technology Employee Shareholder Plan** | | | | | | |
| R C Singleton | – | 100 | **100** | 7.0p | 13/02/18 | 13/02/25 |
| G Robinson | – | 55 | **55** | 7.0p | 13/02/18 | 13/02/25 |

**23. Share capital** continued

**Directors' interests in employee shareholder plan** continued

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

| Option type | Grant date | Exercise price (pence) | Share price on grant date (pence) | Expected term (years) | Vesting period (years) | Option life (years) | Expected volatility | Risk free rate |
|---|---|---|---|---|---|---|---|---|
| Employee Shareholder Plan | 13/2/2015 | 6.5 | 4.88 | 5 | 3 | 10 | 139% | 1.68% |

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

The aggregate charge recognised in the Group financial statements in the year was £194,000, all of which was recognised in a subsidiary entity's results.

## 24. Financial commitments

At 31 December 2015, the Group had total commitments under non-cancellable operating leases as follows:

| | Land and buildings | | Plant and equipment | |
|---|---|---|---|---|
| | **2015 £'000** | 2014 £'000 | **2015 £'000** | 2014 £'000 |
| Due within one year | **139** | 123 | **101** | 112 |
| Due between two and five years inclusive | **192** | 227 | **59** | 55 |
| | **331** | 350 | **160** | 167 |

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

## 25. Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Loss for the year | **(4,825)** | (383) |
| Adjustments for: | | |
| – Finance income | **11** | (1) |
| – Goodwill impairment | **4,318** | – |
| – Income tax credit | **(55)** | (5) |
| – Profit on disposal of fixed assets | **(4)** | – |
| – Deferred tax charge/(credit) | **65** | (29) |
| – Depreciation of property, plant and equipment | **114** | 91 |
| – Amortisation of intangible fixed assets | **143** | – |
| – Share-based payment expense | **323** | 129 |
| – Foreign exchange rate | **116** | 15 |
| – Acquisition costs | **116** | – |
| – Increase in provisions | **132** | 53 |
| Operating cash flows before movement in working capital | **454** | (130) |
| (Increase)/decrease in inventories | **(38)** | 872 |
| (Increase)/decrease in receivables | **(1,506)** | 741 |
| Decrease/(increase) in payables | **596** | (192) |
| Cash (outflow)/inflow from operations | **(494)** | 1,291 |
| Income taxes received | **7** | 85 |
| Interest (paid)/received | **(11)** | 1 |
| Net cash (outflow)/inflow from operating activities | **(498)** | 1,377 |

# Notes to the consolidated financial statements continued
for the year ended 31 December 2015

## 26. Related party transactions
Payments to key management personnel are included in note 5.

There are no other related party transactions.

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

## 27. Acquisition
On 30 April 2015, 21st Century Technology Solutions Limited acquired the entire issued share capital of Region Consultants Limited, Region Services Limited and RSL Cityspace Limited (together the "RSL Group"). Total consideration for the acquisition of RSL Group was £1.3m and was satisfied with £1.1m in cash and a three-year loan note of £0.2m bearing interest at 6%. During due diligence on the acquisition it was apparent that RSL Group had no formal stock control systems and inadequate controls on revenue recognition and cost accruals. Subsequent to the year end a warranty claim was agreed against the management accounts balance sheet warranty in the share purchase agreement, reducing the price paid by £290k, which was satisfied by cancelling the loan note and the £90k balance in cash. These amounts are adjusted in the presentation of the accounts.

RSL Group is one of the UK's market leaders in developing and supplying public information systems for bus travel, such as interactive terminals, real-time display screens and kiosk-based ticketing machines. Founded over 20 years ago, RSL Group has built an enviable reputation for high quality design and installation of travel information display and ticketing systems in bus and rail hubs. Its customers include passenger transport executives (PTEs) and local authorities, and their technologies are installed in many towns and cities around the UK. RSL Group has its own development team and its industry-proven electronic passenger information (EPI) software is now in its fourth generation.

The acquisition of RSL Group gives us:

- a strong presence in the local authority marketplace from which we intend to develop new service offerings;
- software skills to improve our innovation capability for our Fleet Systems customers; and
- potential future synergy opportunities.

The effects of the acquisition of RSL Group on revenues and profit are fully analysed in the segmental reporting note 4 to the financial statements since the Passenger Systems segment is the RSL Group. It is not possible to accurately estimate the revenue and profit or loss of RSL Group as though the acquisition date had been as of the beginning of the annual reporting period as the accounting records and policies are not adequate to produce materially accurate accounts for the period prior to acquisition.

The assets and liabilities as at 30 April 2015 arising from the acquisition were as follows:

| | Book value £'000 | Fair value £'000 |
|---|---|---|
| Other intangible assets | 619 | 946 |
| Property, plant and equipment | 71 | 71 |
| Inventories | 193 | 193 |
| Trade and other receivables | 1,745 | 1,745 |
| Cash and cash equivalents | 317 | 317 |
| Loans and borrowings | (241) | (241) |
| Trade and other payables | (1,250) | (1,250) |
| Deferred tax liability | — | (65) |
| Deferred income | (2,051) | (2,051) |
| Net liabilities acquired | (597) | (335) |
| Goodwill | | 1,345 |
| Total consideration | | 1,010 |
| Satisfied by: | | |
| Cash | | 1,010 |

# 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 2015 which comprise the parent company statement of financial position, parent company statement of changes in equity 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) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

### Respective responsibilities of Directors and auditor
As explained more fully in the Statement of Directors' responsibilities set out on pages 19 and 20, 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 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; 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 and Strategic Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

### 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 2015.

**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**
24 May 2016

# Company statement of financial position
at 31 December 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment in subsidiaries | 3 | **2,405** | 8,247 |
| | | **2,405** | 8,247 |
| **Current assets** | | | |
| Other debtors | | **4** | – |
| Cash and cash equivalents | | **1** | 1 |
| | | **5** | 1 |
| **Total assets** | | **2,410** | 8,248 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Amounts owed to Group undertakings | | **(1,792)** | (1,937) |
| Other creditors and accruals | | **(28)** | (34) |
| | | **(1,820)** | (1,971) |
| **Net current liabilities** | | **(1,815)** | (1,970) |
| **Net assets** | | **(590)** | 6,277 |
| **Shareholders' equity** | | | |
| Share capital | 4 | **6,061** | 6,061 |
| Share premium account | | **8** | 8 |
| Merger reserve | | **1,001** | 1,001 |
| Retained earnings | | **(6,480)** | (793) |
| **Shareholders' funds** | | **(590)** | 6,277 |

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2016 and were signed on its behalf by:

**G Robinson**
**Chief Financial Officer**

**R C Singleton**
**Chief Executive**

Registered number: 2974642

The notes on pages 50 to 52 form part of these parent company financial statements.

# Company statement of changes in equity
for the year ended 31 December 2015

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Retained earnings £'000 | Total equity shareholders' funds £'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2014 | 6,061 | 8 | 1,001 | (731) | 6,339 |
| Loss and total comprehensive income for the year | — | — | — | (191) | (191) |
| Share-based payments | — | — | — | 129 | 129 |
| Balance at 31 December 2014 | 6,061 | 8 | 1,001 | (793) | 6,277 |
| Loss and total comprehensive income for the year | — | — | — | (6,010) | (6,010) |
| Share-based payments | — | — | — | 323 | 323 |
| **Balance at 31 December 2015** | **6,061** | **8** | **1,001** | **(6,480)** | **590** |

The notes on pages 50 to 52 form part of these financial statements.

# Notes to the Company financial statements
for the year ended 31 December 2015

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

**Statement of compliance**
The separate financial statements of the Company are presented in accordance with Financial Reporting Standard 101 'The Reduced Disclosure Framework'. They have been prepared under the historic cost convention. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the year.

**Changes in accounting policies**
This is the first year for which the financial statements have been prepared in accordance with FRS 101. The date of transition to FRS 101 is 1 January 2014. There were no material amendments on the adoption of FRS 101. In applying FRS 101 for the first time, the Company has applied early the amendment to FRS 101 which permits a first-time adopter not to present an opening balance sheet at the beginning of the earliest comparative period presented.

This Company is included in the consolidated financial statements of 21st Century Technology plc for the year ended 31 December 2015. These accounts are available from the registered address of the Company.

**Disclosure exemptions adopted**
In preparing the financial statements, the Company has taken advantage of all disclosure exemptions available under FRS 101. Therefore, these financial statements do not include:

- a statement of cash flows and related notes;
- a balance sheet at the beginning of the earliest comparative period;
- details of related party transactions entered into between two or more wholly owned members of the Group;
- disclosure of key management personnel compensation;
- capital management disclosure;
- presentation of a comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period;
- the effect of future accounting standards not yet adopted; or
- disclosure in respect of financial instruments and fair value measurements.

**Going concern**
The Company is dependent on the performance of the Group. The Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the Strategic Report and Chairman's Statement. In the course of the Directors' going concern review in respect of the Company, particular consideration was given to the Group's 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 Company has adequate resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of this report. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

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

**Share capital and share premium**
Ordinary Shares are classified as equity. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**Merger reserve**
The merger reserve arose on a historical acquisition prior to 1 January 2014 and has been maintained under an FRS 101 transition exemption.

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

## 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 2015 of £6,010,000 (2014: loss of £191,000).

The Company has unrecognised deferred tax of:

| | 2015<br>£'000 | 2014<br>£'000 |
|---|---|---|
| Tax losses | 96 | 29 |
| Share Based Payment | – | 26 |
| | 96 | 55 |

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

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

## 3. Investments in subsidiaries

| | Interests in Group undertakings | |
|---|---|---|
| | 2015<br>£'000 | 2014<br>£'000 |
| **Cost** | | |
| At 1 January | 27,409 | 27,409 |
| Additions | – | – |
| Disposals | (42) | – |
| At 31 December | 27,367 | 27,409 |
| **Amounts provided** | | |
| At 1 January | (19,162) | (19,162) |
| Impairment | (5,800) | – |
| At 31 December | (24,962) | (19,162) |
| Net book amounts | 2,405 | 8,247 |

The impairment charge relates to the investment in 21st Century Technology Solutions Limited, which operates the Fleet Systems segment. 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.

# Notes to the Company financial statements continued
for the year ended 31 December 2015

## 3. Investments in subsidiaries continued
**Subsidiary undertakings**
Details of the Company's subsidiary undertakings at 31 December 2015 are as follows:

| Name of undertaking | Nature of business | Country of incorporation |
|---|---|---|
| **Direct subsidiaries** | | |
| 21st Century Technology Solutions Limited | Sale and installation of CCTV and other monitoring devices | UK |
| 21st C. Scandinavia AB | CCTV installation and project management | Sweden |
| 21st Century Crime Prevention Services Ltd | Dormant | UK |
| 21st Century Technology Group Ltd | Dormant | UK |
| Bridge Alert Ltd | Dormant | UK |
| Ecomanager Ltd | Dormant | UK |
| Integrated Technologies (International) Ltd | Dormant | UK |
| Laserline (UK) Limited | Dormant | UK |
| Second Base Systems Ltd | Dormant | UK |
| Secure Microsystems Ltd | Dormant | UK |
| ServiceManager Ltd | Dormant | UK |
| Sextons Group Ltd | Dormant | UK |
| Toad Innovations Ltd | Dormant | UK |
| Toad Ltd | Dormant | UK |
| Region Consultants Ltd | Holding company of Region Services Group | UK |
| **Indirect subsidiaries** | | |
| Region Services Limited | Sale, manufacture and installation of passenger systems | UK |
| RSL Cityspace Limited | Sale and service of information kiosks | UK |
| RSL Street Net | Dormant | UK |
| Cityspace Limited | Dormant | UK |

All subsidiaries are wholly owned except the 70%-owned Integrated Technologies (International) Ltd.

## 4. Share capital
**Called up share capital**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Allotted, called up and fully paid: | | |
| 93,239,755 Ordinary Shares of 6.5p each (2014: 93,239,755 Ordinary Shares of 6.5p each) | 6,061 | 6,061 |

# Corporate information

## Directors

**Non-executive Chairman**
M W Elliott

**Non-executive Director**
J Cumming

**Executive Directors**
R C Singleton
G Robinson

**Company Secretary**
G Robinson

## Auditor

**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
London
EC2A 2HA

## Registered office

Units 3 & 4 ZK Park
23 Commerce Way
Croydon
Surrey
CR0 4ZS

## Nominated adviser, financial adviser and broker

**finnCap Limited**
60 New Broad Street
London
EC2M 1JJ

## Registrars

**Capita Asset Services**
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP
Design Portfolio is committed to planting trees for every corporate communications project, in association with Trees for Cities.

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