21st Century Technology plc

Connected systems for connected journeys

Annual Report and Financial Statements
for the year ended 31 December 2016

CONNECTED SYSTEMS FOR CONNECTED JOURNEYS

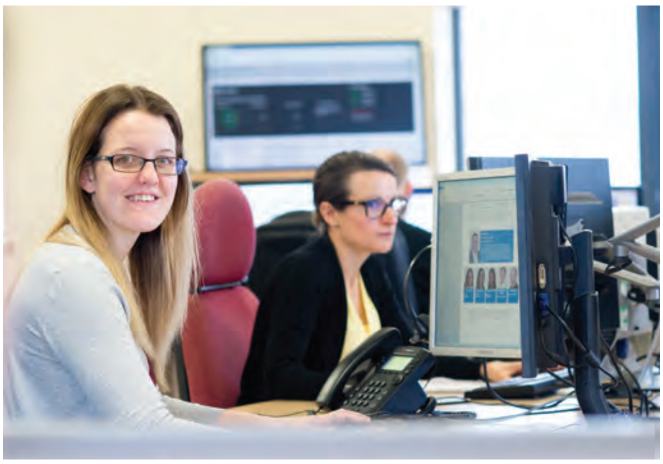
21st Century Technology plc is the specialist provider of tailored solutions to the transport community, solving complex operational requirements both on and off the vehicle.

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.

EXPERTS IN MULTIPLE TRANSPORT TECHNOLOGIES

A GREAT TEAM OF PEOPLE WHO UNDERSTAND TRANSPORT

DELIVERING EFFICIENCIES FOR OUR CUSTOMERS



HEADLINES

FINANCIAL HEADLINES

- Revenue £11.6m (2015: £12.2m)
- Underlying loss £1.4m before tax (2015: underlying profit £0.05m)
- Loss per share 2.47p (2015: 5.17p)
- Cash at year end £0.5m (2015: £1.0m)
- £0.3m debt financing raised and £0.4m invoice discounting facility opened to support working capital requirements
- Cost base restructured to generate annualised savings of £1.4m

OPERATIONAL HEADLINES

- Five-year renewal of First UK Bus framework to 2021
- Framework with Arriva UK Bus extended for two years with an optional third year
- Secured first airport contract combining Fleet and Passenger segments of the business
- Ongoing investment in R&D extends our own IP in new technologies and software
    - Customer trials of innovative low-power, solar and E-ink information systems
    - Journeo Remote Condition Monitoring
- Unified businesses under a single 21st Century brand identity
- Relocated sales, service and central support functions to new Ashby-de-la-Zouch head office
- All ISO accreditations for Fleet and Passenger segments renewed via audit

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

OVERVIEW

STRATEGIC REPORT

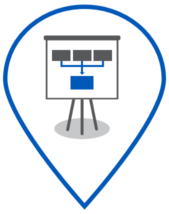
GOVERNANCE

FINANCIAL STATEMENTS

AT A GLANCE

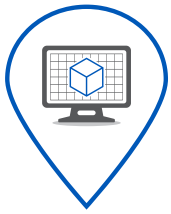
21st Century: The trusted integrator for Passenger and Fleet Systems

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



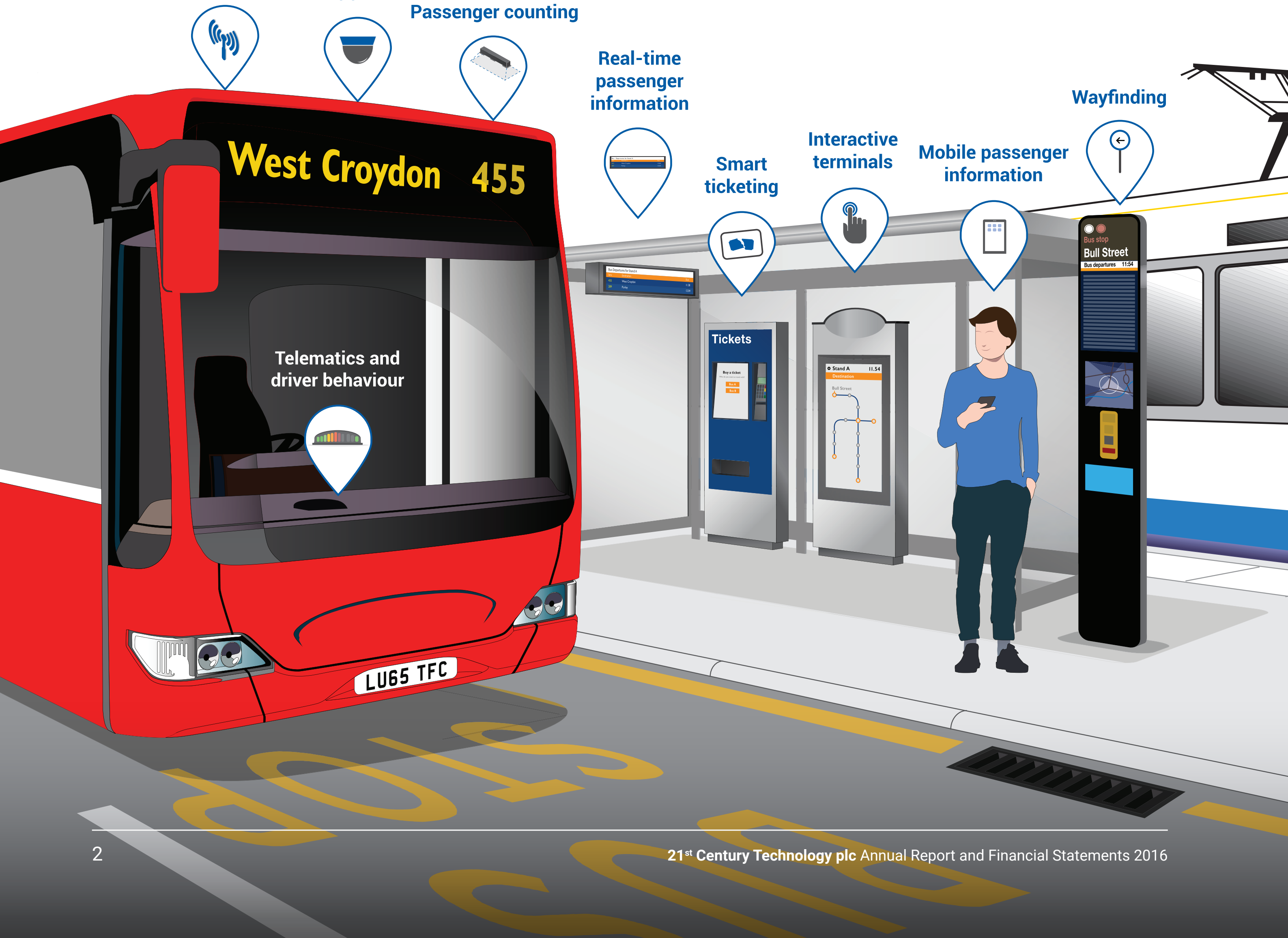
INTEGRATION, INNOVATION AND DEVELOPMENT

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



DESIGN

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

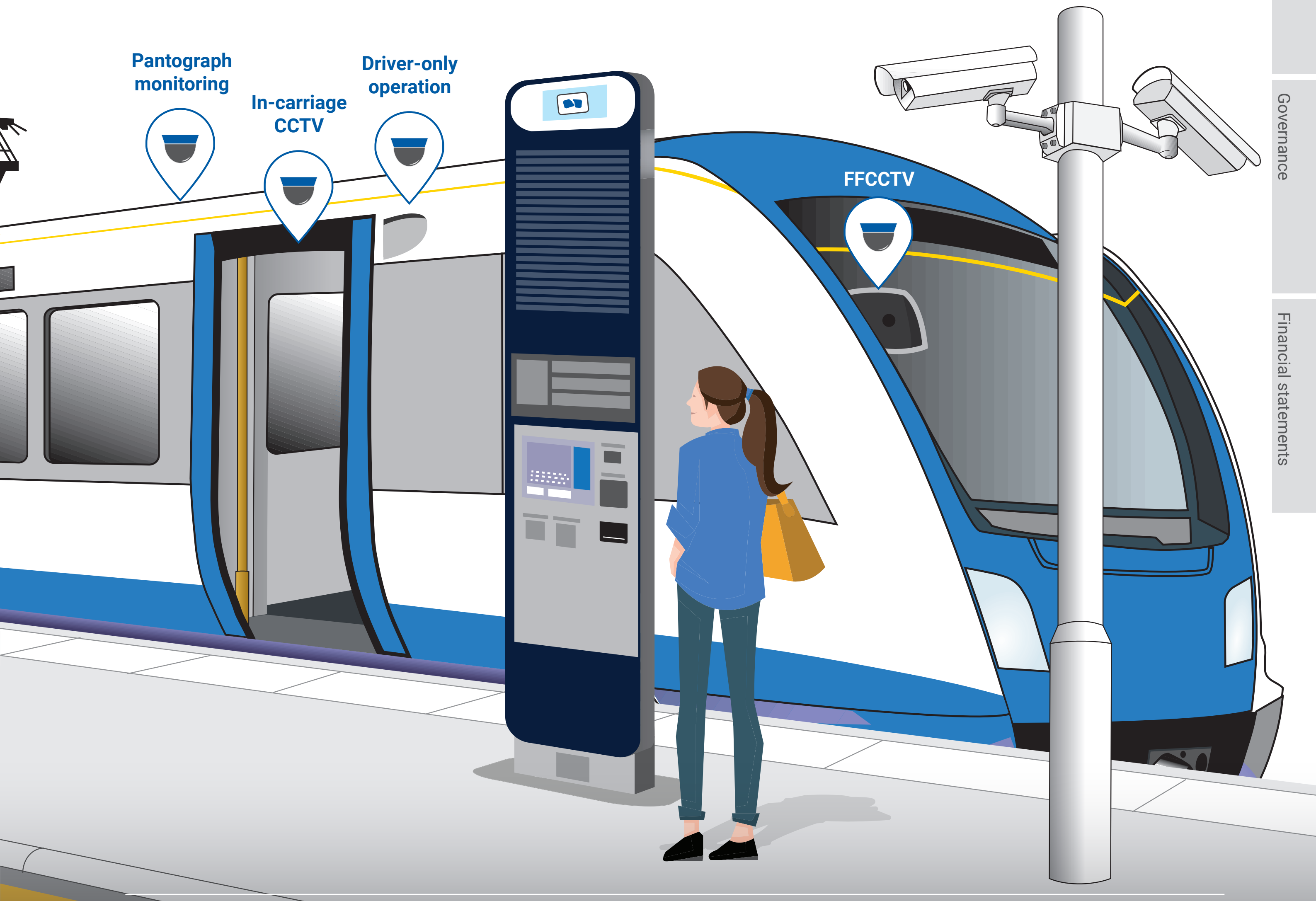


INSTALLATION

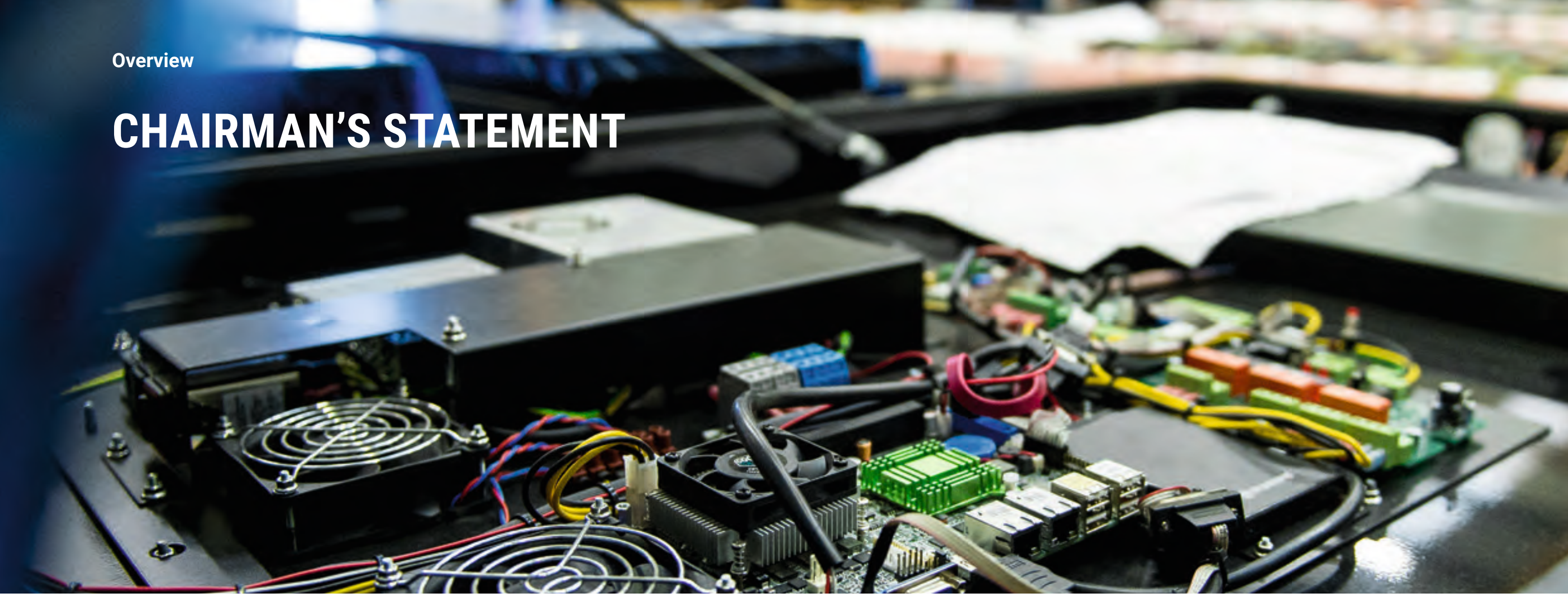
21st Century has a proven track record of delivering the highest quality installations across multimodal disciplines. 21st Century combines the knowledge and understanding necessary to meet the unique operational challenges within the transport industry.

MAINTENANCE

Using advanced remote monitoring systems, preventative maintenance schedules and with a rapid response to unforeseen events, 21st Century provides tailored solutions to each customer.



CHAIRMAN'S STATEMENT



SUMMARY

- Business re-organised and placed under a single brand delivering £1.4m annualised cost base saving
- Performance in first quarter 2017 in line with management expectations
- Greater confidence in forward order book

"The Company made significant progress in what was a challenging year. We have undertaken a major reorganisation and now have the platform needed to build sales."

Mark Elliot
Non-executive Chairman

The Company made significant progress in a number of areas during what turned out to be an otherwise challenging year.

The main highlights came through towards the latter part of the year. Our Fleet Systems segment secured long-term framework renewals with two major customers: First UK Bus for 5 years and Arriva UK Bus for 2 years with a customer option to extend for a further year. In addition there were important contract wins: a project of c. £1m to upgrade CCTV and associated equipment for a large Antipodean bus operation; and a landmark development for OFJ Connections Gatwick Airport to provide integrated real-time passenger information and connected bus systems with a value of another c. £1m, including ongoing support.

The Gatwick contract is important because it is the first example of 21st Century combining its Fleet Systems and Passenger Systems expertise to design an innovative solution that drives real benefits to our customers as they in turn enhance the travel experience for their passengers.

As reported in the Interim Results the Board anticipated that the Group's full year revenue would be lower than last year resulting in a significant loss for the full year ending 31 December 2016.

In summary we identified two areas of concern:

- The level of new business in Passenger Systems had fallen below our expectations and the broadly acceptable H1 performance was being achieved at the cost of depleting its order book.
- Whilst invoicing in H1 for the Rail section of Fleet Systems was acceptable, the order book was eroding to a level where H2 success was reliant on winning and delivering one of the major projects that was being bid on.

The actions we undertook to mitigate these areas of concern are set out in our Strategic Report.

Trading results

Group results for the year ended 31 December 2016 show an underlying loss before tax of £1,397,000 (2015: underlying profit of £52,000). This is mainly attributable to sales volumes being lower than management expectations in both segments, leading to a £0.6m reduction in Passenger Systems margins in H2 and a £0.7m reduction in rail margins across the year in Fleet Systems. This was at the higher end of expectations and is explained in detail in the trading results analysis section of the Strategic Report. Significant cost base and organisational changes have taken place to ensure the business returns to a cash generative and profitable operation.

The effect of share-based payments, one-off legal costs and reorganisation costs resulted in a loss before tax of £2.3m (2015: loss of £4.8m after also charging acquisition and one-off legal costs). The basic loss per share is 2.47p (2015: 5.17p).

The cost base reduction and restructuring is now nearing completion, generating savings of c. £1.4m on an annualised basis. The programme accelerated the consolidation of our operations and was completed whilst ensuring that the changes did not impact our ability to maintain the high level 24/7 service and support required by our customers.

To support the businesses' working capital requirements, the Company raised £300k of debt financing and opened a £400k invoice discounting facility. The debt financing was provided by Directors, senior management and shareholders and, as a further commitment to ensuring the success of the business, a number of Directors and senior management significantly reduced their remuneration.

Trading results

	2016 £'m	2015 £'m
Revenue	**11.6**	12.2
Gross profit	**4.7**	5.5
Gross profit percentage	***41%***	*45%*
Other income	**0.1**	–
Underlying administrative expenses	**(6.2)**	(5.4)
Underlying (loss)/profit	**(1.4)**	0.1
Share-based payments	**(0.3)**	(0.3)
Reorganisation costs	**(0.5)**	(0.1)
One-off legal costs and acquisition costs	**(0.0)**	(0.2)
Total administrative expenses	**(7.0)**	(6.0)
Operating loss before impairment	**(2.3)**	(0.5)
Goodwill impairment	**0.0**	(0.0)
Operating loss	**(2.3)**	(4.8)
Taxation	**0.0**	(0.0)
Loss after taxation	**(2.3)**	(4.8)
	Pence	Pence
Basic loss per share	**(2.47)**	(5.17)

People

We remain fortunate to have many talented and loyal staff in the 21st Century Group and it has been particularly commendable how everybody has dealt with the large-scale changes across 2016. They have embraced the centralisation of shared services for logistics, purchasing and finance and managed the associated building moves: downsizing to serviced offices in Croydon, expanding in Coventry to handle all Group inventory and the new head office in Ashby-de-la-Zouch.

Our technically agile development teams have taken a major leap forward under the leadership and guidance of Dr Andy Houghton, our Group CTO, who was appointed in January 2016.

We welcome Nick Lowe to the Board as CFO and look forward to working with him. I would like to take this opportunity to thank Glenn Robinson for the contribution and support he has made in the three and a half years on the Board in that role.

I would like to pass on my sincere thanks and that of the Board to everybody involved as we build a more capable and successful business.

Outlook

We are continuing to transform 21st Century from a business that provides standalone, on-vehicle CCTV and IT sub-systems integration towards one that provides fully connected systems on and off vehicles in towns and cities and in the transport network's bus and rail stations.

We are diversifying our customer base, accessing new markets and delivering innovative solutions based on our own technologies, software and applications. Our first in-house developed product, marketed under the Journeo brand name, is entering fleet service this year, combining diagnostic and communications management software into a cloud-based web service.

We now have the platform and capabilities needed to build sales into our main customer segments and extend into related or adjacent markets over the coming years. Management expect that this will lead the Group to a return to profitability. Performance in the first quarter of 2017 was in line with management expectations.

Following 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
25 May 2017

CHIEF EXECUTIVE'S REPORT

SUMMARY

- Multiple framework renewals secured with major customers
- Strengthened technical capability and R&D
- Introduced innovative solutions, aimed at reducing customers' carbon footprint and operational expenditure

We continued to make progress on our strategy implementation and the goals set out in last year's report:

- improve customer service;
- increase technical capability;
- empower management;
- secure positive outcomes from contract negotiations and renewals;
- develop new lines of business and diversify client base; and
- preserve cash.

The performance and progress on the first four points has been good, as evidenced in our operational headlines. Establishing new lines of business and preserving cash remain priorities.

We have strengthened our sales and marketing functions, consolidated many operations into a single location in Ashby-de-la-Zouch, unified the brand under the 21st Century banner and currently operate through two segments: Passenger Systems and Fleet Systems.

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

Passenger Systems 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 Passenger Transport Executives (PTE).

"We have strengthened our sales and marketing, consolidated many operations into a new head office and unified the brand under the 21st Century banner. We now have a growing pipeline of opportunities working from a lower cost base."

Russ Singleton
Chief Executive

Key performance indicators

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

	2016 £'000	2015 £'000
Revenue	**11,555**	12,232
Gross profit	**4,687**	5,466
Underlying administrative expenses	**6,203**	5,414
Total administrative expenses	**6,985**	5,952
Underlying (loss)/profit	**(1,397)**	52
Operating loss before impairment	**(2,298)**	(486)
Net current (liabilities)/assets	**(392)**	1,362
Net cash flows from operating activities	**(435)**	(498)
Cash and cash equivalents	**511**	1,010
	Pence	Pence
Loss per share – basic	**(2.47)**	(5.17)
Loss per share – diluted	**(2.47)**	(5.17)

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 on page 9.

Fleet Systems

In the bus sector we continue to support Arriva, First UK Bus, Keolis, Translink and Nobina, our major fleet asset clients. We were delighted that First UK Bus renewed its framework agreement for 5 years in August 2016 and this was followed later in the year with a 2 year extension to the Arriva framework agreement with a customer option of an additional year extension through to February 2019. These commitments are tangible endorsements of the value we deliver to our major fleet customers.

Major projects completed in the year included:

- vehicle power systems upgrade to 1,800 vehicles for a large bus fleet customer;
- fleet-wide deployment of IP and cloud-based bus CCTV and Wi-Fi solution; and
- the design and supply of 130 ruggedised digital video recorders for one of London's light rail services to satisfy an urgent operational requirement.

Our development initiative to enter the market for small and medium-sized vehicle operators had some success in specialist niche applications towards the end of the year and this is where we plan to concentrate in future. Notable contract wins included:

- a c. £1m contract to upgrade CCTV and associated equipment for an Antipodean bus operation; and
- a landmark project for OFJ Connections Gatwick Airport to provide integrated real-time passenger information and connected bus systems, with ongoing support, at c. £1m.

I am particularly pleased with the Gatwick order as it is the first example of 21st Century combining its Fleet and Passenger Systems' design capabilities. A major rationale for our acquisition of the Passenger Systems business was the potential to enter new markets. In this case we were able to offer an innovative and cost-effective solution which delivers real operational benefits to our operator customer and in turn enhances the passenger travel experience for its customers.

Our core strength in rail is mainly in CCTV technology and engineering where we have market leading solutions for both forward-facing and in-carriage systems in freight and passenger rail, with associated support and maintenance. The year started well with the London light rail project mentioned above as well as winning the first major design contract for Abbey Wood, a Crossrail station. Whilst this design has been a success, anticipated follow-on orders were slower to come through than expected, and due to our capital constraints we took the decision to refocus on multimodal customers and their fleets. The withdrawal from design works has allowed us to move to a much lower cost base for our rail activities.

At an operational level we secured renewals of ISO 9001, ISO 18001 and RISQS approvals across 2016.

CHIEF EXECUTIVE'S REPORT continued

"Active trials of solar-powered passenger information systems and working examples of E-ink displays are being viewed with encouraging initial feedback."

Passenger Systems

The acquisition strategy for the division remains sound, as it allows us to broaden our customer base into the much larger PTE and local authority customer base where we can offer hardware and software design capabilities. While we continue to work with many local authorities, in our Interim Report we highlighted that the performance in the Passenger Systems business was well below expectations. This was the result of a shortfall in order intake that resulted from a combination of delayed or reduced spending by local authorities and the rebuilding of the sales and marketing functions following the acquisition.

In order to ensure that the lower sales levels would no longer produce a loss we took immediate action to adjust the cost base and accelerated the integration of the Passenger Systems business into the wider Group. In the meantime, a new sales team was recruited, supported by an experienced interim Sales Director with a focus on building sales, exhibitions, trade PR and customer relations.

We identified maintenance of real-time information estates and associated data processing as clear areas for growth. With the introduction of our national service team we were pleased to see a 6% increase in maintenance revenues when annualised against the previous year. PTEs and local authorities continue to look to improve the travel information provided to the public and it is essential that the investment they have made in the hardware is supported by a robust service both on the street and in the cloud.

The business continues to drive innovation with a number of newly developed solutions designed to deliver long-term cost efficiencies and reduced carbon footprints. Active trials of solar-powered passenger information systems and working examples of E-ink displays are being viewed with encouraging initial feedback from our customer base.

Our developments in smart ticketing solutions have started to gain market traction following the installation of our first fully integrated system, iPoint, in Weston-super-Mare and ticket vending machines in Blackburn and Accrington bus stations, both of which have been positively received. We now have a platform to further develop and display our capabilities to the industry and have secured a further contract in 2017 for multiple systems.

We now have a growing pipeline of opportunities, greater technical capabilities, a lower cost base and a more appropriate structure on which to grow.

Central services

We began the year comprising two separate businesses: Fleet Systems, our original bus and rail CCTV business, and Passenger Systems, following the acquisition of RSL the year before. Our plan to migrate the two businesses in a programme covering 18 months was accelerated due to the performance issues across 2016.

In order to reduce the cost base it was clear that we needed to centralise the majority of operations and remove any duplicated staffing costs. A key part was negotiating an early exit from the 25,000 sq ft Croydon facility enabling us to centralise into a new and more affordable head office in the Midlands at Ashby-de-la-Zouch.

Table 1: Segmental results

	Fleet Systems 2016 £'000	**Passenger Systems 2016 £'000**	**Total 2016 £'000**	Fleet Systems 2015 £'000	Passenger Systems 2015 £'000	Total 2015 £'000
Revenue	**6,923**	**4,715**	**11,638**	8,601	3,631	12,232
Intersegment sales			**(83)**			–
			11,555			12,232
Gross profit	**2,268**	**2,419**	**4,687**	3,555	1,911	5,466
Underlying (loss)/profit	**(748)**	**(460)**	**(1,208)**	213	49	262
Central costs			**(189)**			(210)
Underlying (loss)/profit			**(1,397)**			52

This has been a major reorganisation involving the merger and relocation of operations. Our new Ashby head office serves as the centre of our activities and is the base for all our sales, service and central support functions. We maintain a serviced office in Croydon to provide a local service to our important London customers and as a base for key staff. Our Coventry centre has been expanded to serve as our national production and logistics centre and we maintain offices in Stockholm to service our Scandinavian customers.

Business review and results

The performance of the Group was affected by challenging marketing conditions leading to an underlying loss of £1,397k (2015: profit of £52k). These results were at the higher end of management expectations due to lower than expected order intake in H2, particularly in the Rail element of our Fleet Systems segment and in Passenger Systems.

Total revenue fell in the year by 6% despite the additional four months of Passenger Systems sales in its first full year where turnover increased 30% to £4,715k (2015: 8 months £3,631k).

Basic loss per share is 2.47p (2015: loss per share of 5.17p).

The results include the first full year trading of our Passenger Systems operating segment (2015: eight months) and the segmental results as seen opposite on Table 1: Segmental results.

Fleet Systems sales overall were down 20%, with the varying reductions in the elements of the segment being Bus 11%, International 23% and Rail 38%. Bus and International sales recovered in H2 after a poor H1 but Rail H2 sales were down £586k on H1 as no major on-board project sales were won in the year.

In H2 Passenger Systems sales slowed markedly and the small underlying loss in H1 of £41k finished the year at a £460k loss. The business was right-sized across H2 with significant cost-cutting, but the H2 drop in gross profit of £601k could not be offset.

Overall gross profit fell 14% in the year but again Passenger Systems increased 27% with the full year effect. Fleet gross profit was down 36% and again this was across all elements of the segment: Bus 19%, International 37% and Rail 64%. The bulk of the fall in Bus and International was due to the reduction in sales but also there was a reduction in gross profit margins. The magnitude of the margin fall in Rail was £686k, which came from the reduced sales and a margin fall from 53% in 2015 to 31% in the current year. The margin fall came about from particular lower margin projects and the move to design works with greater outsourced content and lower margins.

Underlying administrative costs increased by 15%, which is mainly the effect of the full year of Passenger Systems. The overall underlying loss of £1,397k (2015: profit of £52k) is mainly attributable to the £601k margin reduction in H2 in Passenger Systems and the £686k reduction in Rail margins in Fleet Systems.

The underlying operating profit reconciles to the IFRS operating loss as seen below on Table 2: Reconciling segmental results to IFRS operating loss.

The operating loss before impairment was £2,298k (2015: £486k).

Table 2: Reconciling segmental results to IFRS operating loss

	Fleet Systems 2016 £'000	**Passenger Systems 2016 £'000**	**Total 2016 £'000**	Fleet Systems 2015 £'000	Passenger Systems 2015 £'000	Total 2015 £'000
Segmental (loss)/profit	**(748)**	**(460)**	**(1,208)**	213	49	262
Central costs	**–**	**–**	**(189)**	–	–	(210)
Underlying (loss)/profit			**(1,397)**			42
Acquisition costs and one-off legal costs	**–**	**(44)**	**(44)**	(75)	(84)	(159)
Reorganisation costs	**(410)**	**(124)**	**(534)**	(56)	–	(56)
Share-based payments	**(323)**	**–**	**(323)**	(323)	–	(323)
Operating loss pre-impairment	**(1,481)**	**(628)**	**(2,298)**	(241)	(35)	(486)
Goodwill impairment	**–**	**–**	**–**	(4,318)	–	(4,318)
Operating loss	**(1,481)**	**(628)**	**(2,298)**	(4,559)	(35)	(4,804)

TECHNOLOGY REPORT

The particular challenge of this last year has been to bring previously disparate parts of 21st Century together into a single entity. While this has been accomplished in part through relocation, the potential synergy that exists is best realised by creating a technological bridge too.

Between them, Fleet and Passenger Systems span a broad spectrum of technologies ranging from managing and maintaining the systems that acquire vehicle information at one end through to displaying elements of that information on real-time passenger signage at the other. In the middle there exists a raft of underlying technologies necessary to turn raw information into something both usable and useful.

Through greater ownership of this technological pathway, bringing key components in house, we have been able to target more elements of available projects and, significantly, have greater control over the quality and services that can be offered to them. We no longer have to make do with how things have been done historically; we can innovate and shape solutions of the future.

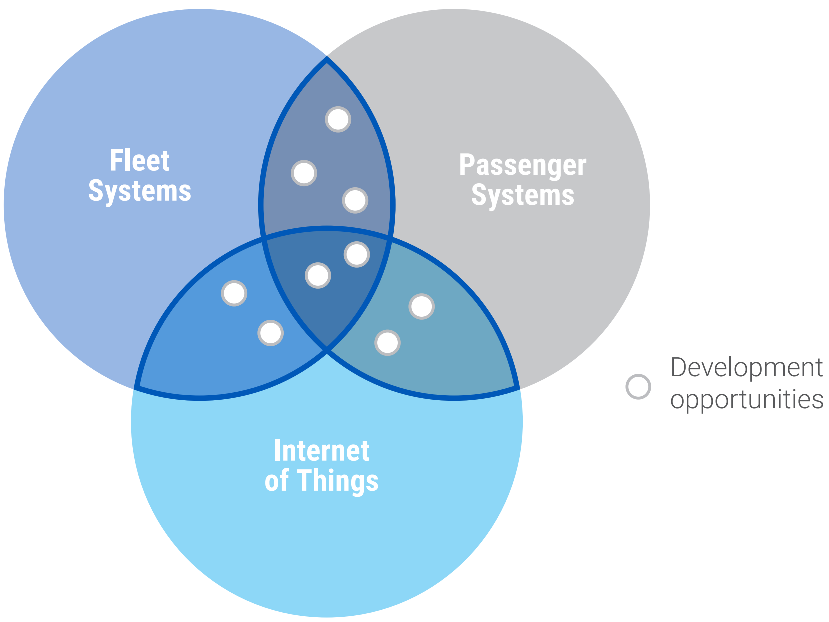
Creating and acquiring these technological stepping stones has necessitated an elevation of our in-house capabilities. Being able to produce both hardware and software solutions allows us to hit the customised sweet spot that lies between commoditised, off-the-shelf components and completely bespoke solutions. While this may be accomplished in part through outsourcing, investing in core in-house IP is seen as a key and foundational part of making a truly agile business that can respond quickly to the diverse challenges that an evolving passenger-centric transportation infrastructure engenders.

There is no intention to re-invent the wheel. Where global solutions exist to problems or local ones adequately address a niche we are happy to act as integrator. However, where this is not the case and we have customer-driven sales opportunities or the possibility of improving systems through technology evolution, we will invest our resources for the benefit of our customers.

The first examples of the change to our capabilities can be seen in three particular development projects in Q4 of 2016:

- Gatwick Airport;
- Journeo remote condition monitoring; and
- data broking – the extension of our software to serve more user types.

Our challenge for 2017 is to do more of these projects whilst ensuring our technology platform is fully scalable and modular to maximise our ability to respond to customer needs.



> “We no longer have to make do with how things have been done historically; we can innovate and shape solutions of the future.”

Dr Andy Houghton
Chief Technical Officer

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: - the loss of any single major customer; - pressure on price and margin; and - changes to their vehicle replacement or retro-fit schedules.	These risks are mitigated by monitoring and managing the business' operational performance measures, including response times and CCTV availability, with operational dashboards agreed with each customer, and by regular communication at Director level. Additionally there are long-term framework agreements in place with two of our largest customers. 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 more 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. Major projects are reviewed at various levels and frequencies throughout the project lifecycle.
Dependence on key suppliers	
Wherever possible the Group endeavours to retain a choice of suppliers for its components and finished goods. In instances where we are currently reliant on one supplier, we are constantly looking for ways to minimise technical and commercial risk.	On certain projects there is technical risk with our suppliers when they are developing systems for our customers' applications. We manage this risk with rigorous project management and the involvement of our internal R&D team.
Competition	
The Group may face increased competition as the technology on and off vehicles moves away from point solutions to broader integrated solutions. This changing technology landscape creates openings for new product and service entrants who may possess better technical and capital resources than the Group.	The Group will continue to increase its technical capability to capitalise on our current market position and work closely with technology partners to broaden our skills. We are targeting becoming a larger group via organic growth and potential acquisitions to provide better economies of scale and increased industry knowledge.
Technology	
The future success of the Group's activities depends upon it creating a leading position for innovative systems within both the Fleet Systems and Passenger Systems segments. As a smart integrator we require both a breadth of knowledge and a deeper understanding in areas of software integration. Market adoption and timing are difficult to predict, particularly in the emerging opportunities in the ticketing arena.	This involves keeping pace with changes and improvements in relevant technology, and having the integration skills necessary to create added value for our customers on the move and in the back office. The Group now has a development team and strong relationships with partner organisations.

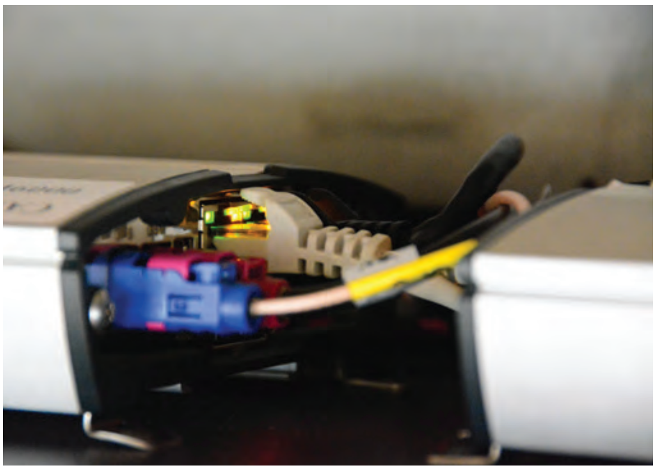
Future developments

The current trading and outlook is covered in the Chairman's Statement and a more detailed shareholder presentation will be made immediately following the Group's Annual General Meeting (AGM) in June 2017.

Signed on behalf of the Board

Russ Singleton
Chief Executive
25 May 2017

GOVERNANCE



BOARD OF DIRECTORS

Mark Elliott A N R
Non-executive Chairman

Mark Elliott, 58, joined the Company in December 2010 as a Non-executive Director before taking on the role of Executive Chairman in August 2013 after a period in the role of Interim Finance Director from January 2013. In August 2014 Mark was appointed Non-executive Chairman. Mark is a Chartered Accountant who was an Equity Partner with Baker Tilly (now RSM UK) specialising in audit and corporate finance. More recently he has advised and been on the board of two companies listing on AIM. He is also a Director of Dovetail Services (UK) Ltd and Chairman of Trustees of the Union Group Retirement Benefit Scheme.

Russ Singleton
Chief Executive

Russ Singleton, 58, joined the Company in October 2013 as Chief Executive. Russ is a Chartered Engineer with a strong track record, including forming and growing electronics businesses for Synectics plc, formerly Quadnetics Group plc, where, after moving to AIM in 2002, he led the group as Chief Executive, achieving a five-fold increase in turnover and substantial profits. This growth came organically and through acquisitions. Subsequently, he formed Coretrol Limited to focus on opportunities in the security markets.

Nick Lowe
Chief Financial Officer and Company Secretary

Nick Lowe, 38, joined the Board after the year end on 15 May 2017 as Chief Financial Officer. Nick is an FCA with experience at finance director level in growing, technology-led, SME businesses. He has strong group reporting, process and control skills developed whilst at the prestige motor dealer, Sytner Group. Nick qualified as a Chartered Accountant with Tenon in Nottingham, before joining KPMG.

James Cumming A N R
Non-executive Director and Senior Independent Director

James Cumming, 66, joined the Board as a Non-executive Director in August 2013. Following a long career in corporate advisory and broking in the City, including acting as Chief Executive Officer of N+1 Brewin LLP, and latterly as a Senior Adviser to Cantor Fitzgerald, James has significant experience in working with small and mid-sized UK companies. James currently utilises his commercial experience in supporting growth companies in non-executive roles, is an associate of Ruffena Capital and has qualified as a fellow of the Chartered Institute of Securities & Investment.

A Audit Committee N Nomination Committee R Remuneration Committee

SENIOR MANAGEMENT TEAM

Dr Andy Houghton
Chief Technical Officer

Mark Johnson
Director of Fleet Systems

Ian Quayle
National Service Manager

Phil Harrison
Group Financial Controller

REPORT ON CORPORATE GOVERNANCE

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

SUMMARY

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

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

The workings of the Board and its Committees

The Board

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

Biographies of the Directors, including details of their experience and role within the Group, are set out on page 13.

Attendance at meetings

The full Board met 13 times in 2016. 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 and Mark Elliott as Chairman. The Audit Committee's remit is set out in its terms of reference. The Committee met with the auditor once during the year. The Committee assists the Board in ensuring that the Group's published financial statements give a true and fair view and, where the auditor provides non-audit services, that its objectivity and independence is safeguarded. The Audit Committee reviews arrangements by which employees may, in confidence, raise concerns about possible inappropriateness in the financial reporting of the Company or other matters. The Audit Committee has procedures in place for the investigation and follow-up of any such matters reported to it by staff.

The Remuneration Committee

The Remuneration Committee comprises the two Non-executive Directors: James Cumming, as Chairman, and Mark Elliott. Several meetings of the Committee were held during 2016. The Committee is responsible for making recommendations to the Board on the remuneration of senior management and all Directors.

The Nomination Committee

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

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

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

Internal controls

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

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

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

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

Control environment
The Group's control environment is the responsibility of the Group's Directors and managers at all levels. A review of the key risks facing the business and the effectiveness of the Group's internal controls was last performed in December 2016. 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 budgets on a monthly basis. The Group's cash flow is monitored monthly by the Board.

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

Going concern

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

The Group's net underlying loss for the year was £1,397k (2015: underlying profit £52k). As at 31 December 2016 the Group had net current liabilities of £392k (2015: net current assets £1,362k) and net cash reserves of £511k (2015: £1,010k).

In 2016 the Directors identified a need to raise finance to cover liquidity issues pending the anticipated return of the Group to profitability and raised £300,000 from the issue of loan notes in December 2016 and arranged a £400,000 invoice discounting facility. Current trading is in line with management forecasts and restructuring efforts are substantially complete.

The Directors have prepared Group cash flow projections for the period to 30 June 2018 based on latest forecasts that show that the Group will be able to operate within the Group current funding resources. It is important that we achieve sales forecasts and the profile of cash receipts.

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

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

REPORT ON DIRECTORS' REMUNERATION

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 2016, the remuneration policy for Executive and Non-executive Directors and the determination of individual Executive Directors' remuneration packages have been delegated to the Board's Remuneration Committee.

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

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

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

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

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

Remuneration of the Non-executive Directors

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

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

Remuneration policy for Executive Directors

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

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

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

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

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

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

Due to the poor performance of the Company and as part of the restructuring, the Executive Directors, Chairman and a number of senior managers sacrificed a significant part of their salary across the year as part of the Company restructuring. The Executive Directors and Chairman made a 50% salary sacrifice for eight months from 1 April 2016.

During 2014, 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. The Director retiring by rotation is Russ Singleton. Glenn Robinson resigned as a Director and Company Secretary on 15 May 2017 but remains an employee of the Company in a Group business development capacity.

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 2016 £**	Total 2015 £
Executive					
R C Singleton	90,294	—	18,158	**108,452**	179,366
G Robinson[1]	87,500	—	—	**87,500**	130,000
Non-executive					
M W Elliott	8,250	—	38,766	**47,016**	71,766
J Cumming	23,000	—	—	**23,000**	23,000
	209,044	—	56,924	**265,968**	404,132

Notes:

1 Resigned 15 May 2017.

Share options

At 31 December 2016, the Company had two employee share option schemes: the 2004 Enterprise Management Incentive (EMI) Plan and the 2014 Enterprise Management Incentive (EMI) Share Option Plan. The 2004 EMI Plan was approved by shareholders on 18 May 2004 and expired for new options on its tenth anniversary. On 22 October 2014, the Board established the 2014 EMI Share Option Plan, which operates in substantially the same way as the 2004 EMI Plan.

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

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 2016.

Principal activities

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

Review of business and future developments

The consolidated statement of comprehensive income for the year ended 31 December 2016 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 11 and the Chairman's Statement on pages 4 and 5.

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

Principal risks and uncertainties

Details of the principal risks and uncertainties considered by the Board to affect the Group, and the related mitigation actions, are given in the Strategic Report on page 11.

Financial risk management

The Group's financial instruments include bank facilities, loan notes 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 our commercial 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 2016, the Group had net cash at bank of £511,000 (2015: £1,010,000). The Group's policy is to ensure that sufficient resources are available to service all debt by monitoring prudent cash flow forecasts. During the year the Group raised £300k of loan notes and set up an invoice discounting facility with a £400k limit.

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 £2.3m for the year (2015: loss of £4.8m). At the forthcoming AGM the Directors are not recommending the payment of a dividend (2015: £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 2016	31 December 2015
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, 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 Group and Company and of the profit or loss of the Group and Company for that period.

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

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

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

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

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 Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT continued

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

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

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

Disclosure of information to auditor

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

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

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

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

By order of the Board

Mark Elliott
Non-executive Chairman
25 May 2017

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 2016 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 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 the 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 2016 and of the Group's 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 matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters 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 2016.

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
25 May 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Revenue	3, 4	**11,555**	12,232
Cost of sales		**(6,868)**	(6,766)
Gross profit	4	**4,687**	5,466
Underlying administrative expenses		**(6,203)**	(5,414)
Other income		**119**	–
Underlying (loss)/profit		**(1,397)**	52
Share-based payments		**(323)**	(323)
Acquisition costs		**–**	(116)
One-off legal costs		**(44)**	(43)
Reorganisation costs	28	**(534)**	(56)
Total administrative expenses		**(6,985)**	(5,952)
Operating loss before impairment		**(2,298)**	(486)
Goodwill impairment	10	**–**	(4,318)
Operating loss		**(2,298)**	(4,804)
Finance expense	6	**(11)**	(11)
Loss before taxation from continuing operations	7	**(2,309)**	(4,815)
Taxation credit/(charge)	8	**6**	(10)
Loss for the year being total comprehensive loss attributable to owners of the parent		**(2,303)**	(4,825)
Loss per share	9		
Basic		**(2.47p)**	(5.17p)
Diluted		**(2.47p)**	(5.17p)

The notes on pages 27 to 48 form part of these financial statements.

Overview

Strategic report

Governance

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity shareholders' funds £'000
Balance at 1 January 2015	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
Loss and total comprehensive income for the year	—	—	(2,303)	(2,303)
Share-based payments	—	—	323	323
Balance at 31 December 2016	**6,061**	**8**	**(5,675)**	**394**

The notes on pages 27 to 48 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets			
Goodwill	10	**1,345**	1,345
Other intangible assets	11	**847**	913
Property, plant and equipment	12	**149**	216
Trade and other receivables	15	**39**	83
		2,380	2,557
Current assets			
Inventories	14	**1,510**	1,082
Trade and other receivables	15	**3,549**	4,423
Current tax asset	20	**–**	74
Cash and cash equivalents	16	**511**	1,010
		5,570	6,589
Total assets		**7,950**	9,146
Liabilities			
Current liabilities			
Trade and other payables	17	**(5,303)**	(4,752)
Loans and borrowings	19	**(54)**	(109)
Provisions	21	**(605)**	(366)
		(5,962)	(5,227)
Net current (liabilities)/assets		**(392)**	1,362
Non-current liabilities			
Trade and other payables	17	**(569)**	(561)
Loans and borrowings	19	**(300)**	(49)
Deferred tax liability	13	**(44)**	(57)
Provisions	21	**(681)**	(878)
Total liabilities		**(7,556)**	(6,772)
Net assets		**394**	2,374
Shareholders' equity			
Share capital	23	**6,061**	6,061
Share premium account		**8**	8
Retained earnings		**(5,675)**	(3,695)
Total equity		**394**	2,374

The financial statements were approved by the Board of Directors and authorised for issue on 25 May 2017 and were signed on its behalf by:

M W Elliott
Non-executive Chairman

R C Singleton
Chief Executive

Registered number: 2974642

The notes on pages 27 to 48 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Net cash flows from operating activities	25	**(435)**	(498)
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		**(85)**	(116)
Disposals of property, plant and equipment		**40**	16
Purchases of intangible assets		**(229)**	(110)
Net cash flows from investing activities		**(274)**	(1,019)
Cash flows from financing activities			
Issue of loan note		**300**	–
Repayment of loans		**(104)**	(83)
Net cash flows from financing activities		**196**	(83)
Net decrease in cash and cash equivalents		**(513)**	(1,600)
Cash and cash equivalents at beginning of year		**1,010**	2,661
Effect of foreign exchange rate changes		**14**	(51)
Cash and cash equivalents at end of year		**511**	1,010

The notes on pages 27 to 48 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. General information

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

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

Basis of preparation

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

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

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

(i) Note 10 – Impairment of goodwill

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

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

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

(iii) Note 23 – Share-based payments

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

(iv) Note 21 – Warranty and Other provisions

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

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

(v) Note 11 – 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) Note 27 – 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) Note 18 – 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) Note 8 – Deferred tax

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 December 2016

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

Standard
There were no new or revised standards adopted in the year.

Amendments adopted in the year
Annual improvements to IFRSs 2012–2014 Cycle

Amendments to IAS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception'

Amendments to IAS 1 'Presentation of Financial Statements – Disclosure Initiatives'

Amendments to IAS 16 and IAS 38 'Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation'

Amendments to IAS 27 'Separate Financial Statements – Equity Method'

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 2016 and have not been applied in preparing these consolidated financial statements.

Standard	Adopted by EU
Changes that apply from 1 January 2017	
Amendments to IAS 7 'Disclosure Initiative'	No
Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses'	No
Changes that apply from 1 January 2018	
Annual Improvements to IFRSs 2014–2016 Cycle	No
IFRS 15 'Revenue from Contracts with Customers'	Yes
IFRS 9 'Financial Instruments'	Yes
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	No
Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'	No
Changes that apply from 1 January 2019	
IFRS 16 'Leases'	No
IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'	No

The Directors do not anticipate that the adoption of standards, amendments and interpretations (with the possible exceptions of IFRS 15 and IFRS 16) would make a material impact on these financial statements. The Directors plan to assess the full impact of IFRS 15 and IFRS 16 on these financial statements in the current year.

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

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

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

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

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

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

Basis of consolidation continued

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

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

Goodwill

Goodwill 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.

Segment reporting

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

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

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

Construction contracts

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

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

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

Taxation

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

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

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

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

Earnings per Ordinary Share

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

Plant and equipment

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

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

	%
Leasehold improvements	20
Plant and equipment	20–33

Impairment

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

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

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

Intangible assets

Software

Software which can be separately identified is capitalised to intangible assets at cost of acquisition and amortised over the estimated useful economic lives of between three and five years on a straight line basis into administrative expenses. All software will be fully amortised by 31 December 2021.

Research and development

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

Development expenditure is capitalised where it relates to a specific project where technical feasibility has been established, adequate technical, financial and other resources exist to complete the project, the expenditure attributable to the project can be measured reliably and overall project profitability is reasonably certain. In this case, it is recognised as an intangible asset and amortised over its useful economic life when the asset is made available for use. All other development expenditure is recognised as an expense in the period in which it is incurred. All capitalised development expenditure will be fully amortised by 31 December 2021.

Customer lists

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

Inventories

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

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

Financial instruments

Cash and cash equivalents

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

Loans and receivables and other financial liabilities

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

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

Financial assets

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

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

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

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

Leasing

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

Short-term employee benefits

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

Pensions

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

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 are measured at their fair value at the date of grant using a Black Scholes model. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based upon the Group's estimate of participants eligible to receive shares at the point of vesting.

Going concern

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

The Group's net underlying loss for the year was £1,397k (2015: underlying profit £52k). As at 31 December 2016 the Group had net current liabilities of £392k (2015: net current assets £1,362k) and net cash reserves of £511k (2015: £1,010k).

In 2016 the Directors identified a need to raise finance to cover liquidity issues pending the anticipated return of the Group to profitability and raised £300,000 from the issue of loan notes in December 2016 and arranged a £400,000 invoice discounting facility. Current trading is in line with management forecasts and restructuring efforts are substantially complete.

The Directors have prepared Group cash flow projections for the period to 30 June 2018 based on latest forecasts that show that the Group will be able to operate within the Group current funding resources. It is important that we achieve sales forecasts and the profile of cash receipts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

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

Going concern continued

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

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

3. Revenue

The revenue split between goods and services is:

	2016 £'000	2015 £'000
Goods	8,435	9,407
Services	3,120	2,825
	11,555	12,232
Construction contracts included in goods	3,384	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, with the acquisition of RSL Group (note 27) we moved to two strategic segments: Fleet Systems and Passenger Systems. In addition, there are central functions that provide services to the two strategic 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 2016 £'000	Gross profit 2016 £'000	Revenue 2015 £'000	Gross profit 2015 £'000
Fleet Systems	6,923	2,268	8,601	3,555
Passenger Systems	4,715	2,419	3,631	1,911
Intersegment sales	(83)	–	–	–
Total	11,555	4,687	12,232	5,466

Major customers

In the year, two customers within the Fleet Systems segment each accounted for over 10% of Group revenue at 18% and 13%. In the prior year, there were three Fleet Systems customers that each accounted for over 10% of revenue at 19%, 18% and 11%. There were no major customers within the Passenger Systems segment.

Underlying (loss)/profit

	2016 £'000	2015 £'000
Fleet Systems	(748)	213
Passenger Systems	(460)	49
	(1,208)	262
Central	(189)	(210)
Underlying (loss)/profit	(1,397)	52

4. Segmental reporting continued

Reconciling to loss before interest and tax

2016	**Underlying operating loss £'000**	**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	**(748)**	**(410)**	**(323)**	**(1,481)**	**–**	**(1,481)**
Passenger Systems	**(460)**	**(168)**	**–**	**(628)**	**–**	**(628)**
	(1,208)	**(578)**	**(323)**	**(2,109)**	**–**	**(2,109)**
Central	**(189)**	**–**	**–**	**(189)**	**–**	**(189)**
	(1,397)	**(578)**	**(323)**	**(2,298)**	**–**	**(2,298)**

2015	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 2016 £'000	**Liabilities 2016 £'000**	**Net assets 2016 £'000**	Assets 2015 £'000	Liabilities 2015 £'000	Net assets 2015 £'000
Fleet Systems	**3,814**	**(4,042)**	**(228)**	4,203	(3,684)	519
Passenger Systems	**2,246**	**(3,148)**	**(902)**	2,519	(2,893)	(374)
	6,060	**(7,190)**	**(1,130)**	6,722	(6,577)	145
Goodwill	**1,345**	**–**	**1,345**	1,345	–	1,345
Cash and borrowings	**511**	**(354)**	**157**	1,010	(158)	852
Unallocated	**34**	**(12)**	**22**	69	(37)	32
Total	**7,950**	**(7,556)**	**394**	9,146	(6,772)	2,374

Geographical segments

	Revenue 2016 £'000	**Gross profit 2016 £'000**	Revenue 2015 £'000	Gross profit 2015 £'000
UK	**10,462**	**4,057**	10,803	4,705
International				
– Scandinavia	**626**		978	
– Other EU	**361**		451	
– Non-EU	**106**		–	
Total international	**1,093**	**630**	1,429	761
Total	**11,555**	**4,687**	12,232	5,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 December 2016

4. Segmental reporting continued
Assets and liabilities by location

	2016 £'000	2015 £'000
Assets		
UK	7,914	9,105
International	36	41
Total assets	7,950	9,146
Liabilities		
UK	(7,514)	(6,719)
International	(42)	(53)
Total liabilities	(7,556)	(6,772)

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:

	2016 Number	2015 Number
By activity:		
Administration	24	19
Technical	21	25
Operations	61	59
	106	103

Staff costs (for the above persons)

	2016 £'000	2015 £'000
Wages and salaries	3,826	3,256
Social security costs	471	404
Pension costs	93	211
Share-based payments	323	323
	4,713	4,194

Key management compensation (included above)

	2016 £'000	2015 £'000
Wages and salaries	437	931
Social security costs	50	111
Pension costs	73	138
Share-based payments	323	323
	883	1,503

The key management personnel are the Board of Directors, the Directors of each of the Group's business segments and the senior management team responsible for the call centre, personnel, finance and IT. Directors' emoluments and pensions included on page 17 are:

	Emoluments		Pension contributions	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Total Directors	209	288	57	116
Highest paid Director	90	102	18	77

There are two (2015: two) Directors receiving payments into pension schemes. Directors' detailed emoluments are disclosed in the Report on Directors' Remuneration.

6. Finance income/(expense)

	2016 £'000	2015 £'000
Interest receivable on bank balances	1	–
Interest payable on loans	(12)	(11)

7. Loss before taxation from continuing operations

This is stated after charging/(crediting):

	2016 £'000	2015 £'000
Operating lease rentals:		
– Rent of land and buildings	221	182
– Hire of plant and equipment	246	245
Depreciation:		
– Property, plant and equipment owned	107	114
Amortisation of intangible fixed assets	295	143
Inventories – consumed and recognised as an expense in cost of sales	4,527	4,570
Write down of inventories	16	86
Trade receivables impairment losses recovered	(10)	(19)
Goodwill impairment	–	4,318
Exchange differences	(26)	87
Share-based payments charge	323	323

Loss before taxation is also stated after charging:

	2016 £'000	2015 £'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	55	60
Additional fees payable to the Company's auditor for the prior year audit pursuant to legislation	12	–
Total audit fees	71	64

8. Taxation

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

	2016 £'000	2015 £'000
Current tax		
Prior year overprovision	–	(68)
UK corporation tax on the loss for the year (20%)	–	–
Swedish corporation tax on the profit for the year (22%)	7	13
Deferred tax (credit)/charge		
– Temporary differences tax losses	–	36
– Temporary differences decelerated capital allowances	–	37
– Temporary differences on acquisition	(13)	(8)
Total tax (credit)/charge for the year	(6)	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
for the year ended 31 December 2016

8. Taxation continued
(b) Factors affecting the total tax (credit)/charge for the year
The tax assessed for the year differs from the standard rate of corporation tax in the UK at 20% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
Loss on ordinary activities before tax	(2,309)	(4,815)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(462)	(975)
Effects of:		
Expenses not deductible for tax purposes	53	955
Change in unrecognised deferred tax assets	408	123
Brought forward tax losses used (previously not recognised)	(5)	(37)
Prior year overprovision	–	(68)
Prior year deferred tax previously recognised	–	73
Difference in tax rates	–	4
Deferred tax on acquisition	–	(65)
Total tax (credit)/charge for the year	(6)	10

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

	Unrecognised		Recognised	
Group	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Tax losses	573	202	–	–
Decelerated capital allowances	62	82	–	–
Arising on acquisition	–	–	(44)	(57)
	635	284	(44)	(57)

The Group has £3,372,000 of unutilised tax losses (2015: £1,009,000) 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.

	2016		2015	
Group	Losses £'000	Per share amount Pence	Losses £'000	Per share amount Pence
Basic EPS				
Losses attributable to Ordinary Shareholders	(2,303)	(2.47)	(4,825)	(5.17)
Diluted EPS				
Losses attributable to Ordinary Shareholders	(2,303)	(2.47)	(4,825)	(5.17)

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

	2016 '000	2015 '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 unit (CGU) that is expected to benefit from that business combination. The Group has two CGUs which are its two operating segments, Fleet Systems and Passenger Systems. The carrying amount of goodwill has been allocated to the CGUs as follows:

	Fleet Systems £'000	Passenger Systems £'000	Total £'000
Deemed cost:			
At 1 January 2015	4,318	—	4,318
Acquisition	—	1,345	1,345
Impairment	(4,318)	—	(4,318)
At 31 December 2015	—	1,345	1,345
Impairment	—	—	—
At 31 December 2016	**—**	**1,345**	**1,345**

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

The recoverable amounts of the CGUs are determined based on a value-in-use calculation which uses cash flow projections based on financial budgets and business plans approved by the Directors covering a five-year period. Cash flows beyond that period have been extrapolated in perpetuity assuming no growth, which the Directors consider to be a conservative approach.

The goodwill in relation to the Fleet Systems CGU became fully impaired in the year to 31 December 2015, based on forecasts that suggested a broadly neutral cash flow.

The key assumptions for the value-in-use calculations are those regarding discount rates and sales forecasts.

The discount rates needed to equate the net present value from these cash flows to the carrying value of goodwill are compared to the required rate of return from the CGU based upon an assessment of the time value of money, prevailing interest rates and the risks specific to the CGU. If this discount rate is in excess of the required rate of return then it is assumed that no impairment has occurred to the carrying value of goodwill.

The discount rates are as follows:

	2016 %	2015 %
Fleet Systems	**N/A**	16
Passenger Systems	**14**	14

The discount rates used are based on the Board's judgement considering macroeconomic factors and reflecting specific risks in each segment such as the nature of the market served, the concentration of customers, cost profiles and barriers to entry.

Passenger Systems also has intangible assets, see Note 11, which are considered in the same value-in-use calculations as goodwill.

The Passenger Systems cash flow projections used to determine value in use are based upon assumptions of sales, margins and cost bases. Of these assumptions the value in use is most sensitive to the level of sales. Margins are fixed in the forecast based upon past experience; the cost base is similarly based upon past experience but also takes into account savings from restructuring and will vary depending upon the level of sales. In accordance with the requirements of IAS 36 our value-in-use calculations do not include cash flows from restructurings to which the Group is not yet committed.

The level of sales is the key assumption used in the cash flow forecast. Sales have been determined by management using estimates based upon past experience and future performance with reference to market position and the sales pipeline. Due to the difficult macroeconomic environment there has been a reduction in the availability of contracts, which has in turn resulted in pressure on margins. This has been reflected in the sales forecasts. Furthermore, the 2017 forecast reflects a major restructuring to a level reflecting current order intake and the near-term sales pipeline. The 2018 forecast predicts growth of 22%. The remaining three years are based upon compound sales growth of 5%.

The value-in-use calculation supports the carrying value of the CGU with headroom of £116k. A sensitivity analysis has been performed on the impairment test. The Directors consider that an absolute change in the key sales assumption is possible and a reduction of 5% points in the growth rate in 2018 to 17% would result in an impairment charge being recognised for the current carrying value of goodwill in relation to Passenger Systems of £713k. If sales forecasts were down 10% across the whole period and overheads were partially scaled back by 5% then the impairment charge would be £1,072k.

Based on the review the discount rate applied to equate the net present value of the forecast cash flows to the carrying value of goodwill and the intangible assets was 14.9%, whereas the required rate of return of the CGU is 14%.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

11. Other intangible assets

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

2015 movements	Customer list £'000	Development costs £'000	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

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

12. Plant and equipment

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

12. Plant and equipment continued

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	–	(12)	(12)
At 31 December 2015	108	549	657
Depreciation			
At 1 January 2015	40	287	327
Charge for the year	21	93	114
At 31 December 2015	61	380	441
Net book amounts			
At 31 December 2015	47	169	216

13. Deferred tax liability

The movement on the deferred tax liability is as follows:

Deferred tax liability arising on acquisition	Liability £'000
Balance brought forward at 1 January 2016	(57)
Credit to profit and loss account	13
Balance carried forward at 31 December 2016	**(44)**

14. Inventories

	2016 £'000	2015 £'000
Raw materials	**302**	210
Work in progress	**62**	45
Finished goods and goods for resale	**1,146**	827
	1,510	1,082

15. Trade and other receivables

	2016 £'000	2015 £'000
Current		
Trade receivables	**2,496**	3,600
Less: provision for impairment of receivables	**(16)**	(26)
Trade receivables – net	**2,480**	3,574
Amounts due from contract customers	**746**	368
Other receivables and prepayments	**323**	481
	3,549	4,423
Non-current		
Other receivables and prepayments	**39**	83

The average credit period taken on sales of goods is 62 days (2015: 51 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

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 2016 £'000	Amount receivable 2015 £'000
Customer 1	**624**	402
Customer 2	**527**	425
Customer 3	**401**	749
Customer 4	**185**	–
Customer 5	**160**	202
Customer 6	**–**	477
Customer 7	**–**	284
Customer 8	**–**	230

Included in the Group's trade receivable balance are debtors with a carrying amount of £768,000 (2015: £682,000) 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 55 days (2015: 67 days).

Ageing of past due but not impaired trade receivables:

	2016 £'000	2015 £'000
Up to three months past due	**709**	597
Three to six months past due	**37**	41
Over six months past due	**22**	44
	768	682

Movement in the provision for impairment of trade receivables:

	2016 £'000	2015 £'000
Balance at 1 January	**26**	22
On acquisition	**–**	23
Impairment losses recovered	**(10)**	(23)
Provision made	**–**	4
Balance at 31 December	**16**	26

Ageing of impaired trade receivables:

	2016 £'000	2015 £'000
60–90 days	**–**	26
Over 90 days	**16**	–
	16	26

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

16. Cash and cash equivalents

	2016 £'000	2015 £'000
Cash and cash equivalents	**511**	1,010

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

17. Trade and other payables

	2016 £'000	2015 £'000
Current		
Trade payables	1,561	1,319
Other taxation and social security	358	397
Other payables	27	4
Accruals	1,225	1,326
Deferred income relating to construction contracts	778	615
Deferred income	1,354	1,091
	5,303	4,752
Non-current		
Deferred income	569	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 43 days (2015: 46 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

	2016 £'000	2015 £'000
Contracts in progress at dates of statement of financial position:		
Amounts due from contract customers included in trade and other receivables	746	368
Amounts due to contract customers included in trade and other payables	(778)	(615)
	(32)	(247)
Contract costs incurred plus recognised profit less recognised losses to date	6,278	4,444
Less: progress billings	(6,310)	(4,691)
	(32)	(247)

At 31 December 2016, retentions held by customers for contract work amounted to £12,000 (2015: £12,000). Advances received from customers for contract work amounted to £778,000 (2015: £615,000).

At 31 December 2016, amounts of £nil (2015: £nil) included in trade and other receivables and arising from construction contracts are due for settlement after more than twelve months.

19. Loans and borrowings

	2016			2015		
	Current £'000	Non-current £'000	Total £'000	Current £'000	Non-current £'000	Total £'000
Bank term loans	54	–	54	104	49	153
Other loan notes	–	300	300	–	–	–
Hire purchase agreements	–	–	–	5	–	5
	54	300	354	109	49	158

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

During the year £109,000 (2015: £83,000) of loans and borrowings were repaid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

19. Loans and borrowings continued

The main terms of the bank loans are:

Bank	Loan name	Interest rate	Term	Final payment	Loan value
NatWest	General	3.75% over base	3 years	May 2017	25
CIT	SAP	11.65%	3 years	September 2017	29
Other loans	Loan notes	10.00%	3 years	December 2019	300
					354

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

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

The Independent Director of 21st Century at the time the loan notes were issued, being the Company's then Finance Director, Glenn Robinson, considered, having consulted with the Company's nominated adviser finnCap Limited, that the terms of the loan notes and the related security documentation between the Company and the Lending Directors were fair and reasonable insofar as the Company's shareholders were concerned.

20. Current tax asset

	2016 £'000	2015 £'000
Corporation tax asset	**–**	74

21. Provisions

	Warranty £'000	Other £'000	**Total £'000**
Balance at 1 January 2016	1,244	–	**1,244**
Charged	325	175	**500**
Utilised	(458)	–	**(458)**
Movement in the year	(133)	175	**42**
Balance at 31 December 2016	1,111	175	**1,286**
Included in current liabilities	430	175	**605**
Included in non-current liabilities	681	–	**681**
	1,111	175	**1,286**

The warranty provision represents management's best estimate of the Group's liability for warranties granted on products sold based on past experience and industry averages for defective products. The warranty provision is expected to be fully utilised by 31 December 2021.

The other provision represents management's best estimate of the Group's restructuring costs agreed in December 2016. The provision is expected to be fully utilised by 31 December 2017.

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, the issue of new loans, loan repayments, the issue of new shares and the buy-back of existing shares.

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

Note 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.

22. Financial instruments continued

Gearing

Net cash/(debt) was £157,000 at 31 December 2016 (2015: £852,000). Net cash/(debt) is defined as cash and cash equivalents less short-term and long-term borrowings.

Significant accounting policies

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

Categories of financial instruments

	Carrying value	
	2016 £'000	2015 £'000
Financial assets		
Loans and receivables (including cash and cash equivalents):		
Trade receivables	**2,480**	3,574
Other receivables	**962**	773
Cash and cash equivalents	**511**	1,010
	3,953	5,357
Financial liabilities		
Other financial liabilities held at amortised cost:		
Trade payables	**1,561**	1,319
Other payables	**27**	4
Accruals	**1,225**	1,326
Loans and borrowings	**354**	158
	3,167	2,807

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.

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

	Liabilities		Assets	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Swedish Krona	**5**	–	**376**	461
Euro	**–**	1	**250**	169
US Dollar	**8**	4	**28**	4

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 reasonably possible change in foreign currency exchange rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

22. Financial instruments continued

Foreign currency risk management continued

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

	2016 £'000	2015 £'000
Swedish Krona loss	(37)	(46)
Euro loss	(25)	(17)
US Dollar loss	(2)	–

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 (2015: nil).

Credit risk management

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

The 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 2016, the Group had no overdraft facility (2015: £nil). As at 31 December 2016, the net bank balance, cash less overdraft, was £511,000 (2015: £1,010,000) and there were no undrawn facilities expiring within one year (2015: £nil). At 31 December 2016, the Group has £300k (2015: £nil) of loan notes and an unused invoice discounting facility with MarketInvoice for £400k (2015: £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.

	2016 £'000	2015 £'000
In one year or less	2,000	1,831
In one to two years	300	56

23. Share capital

Called up share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid:		
93,239,755 Ordinary Shares of 6.5p each (2015: 93,239,755 Ordinary Shares of 6.5p each)	6,061	6,061

23. Share capital continued

Share options

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

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

	2016		2015	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year	8,142,308	6.6p	7,842,308	6.6p
Issued during the year	—	—	300,000	6.5p
Lapsed during the year	(150,000)	12.5p	—	—
Outstanding at end of year	7,992,308	6.5p	8,142,308	6.6p
Exercisable at end of year	7,692,308	6.5p	150,000	12.5p

The aggregate charge recognised in the Group financial statements in the year was £103,000 (2015: £129,000), all of which was recognised in a subsidiary entity's results.

Directors' interests in share options

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

	As at 31 December 2015	Issued in the year	As at 31 December 2016	Exercise price	Date from which exercisable	Expiry date
The 2004 EMI Scheme issue 3						
R C Singleton	3,846,154	—	3,846,154	6.5p	10/10/2016	10/10/2023
G Robinson	3,846,154	—	3,846,154	6.5p	10/10/2016	10/10/2023

The market price of the Company's shares at the end of the financial year was 2.63p (2015: 4.38p) and the range of market prices during the year was 1.50p to 5.00p (2015: 4.25p to 6.38p). The weighted average remaining life of all share options outstanding at 31 December 2016 is six years and ten months (31 December 2015: seven years and nine months).

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

23. Share capital continued

Employee Shareholder Plan

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

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

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

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

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

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

Directors' interests in the Employee Shareholder Plan

	As at 31 December 2015	Issued in the year	**As at 31 December 2016**	Exercise price	Date from which exercisable	Expiry date
21st Century Technology Employee Shareholder Plan						
R C Singleton	100	–	**100**	7.0p	13/02/2018	13/02/2025
G Robinson	55	–	**55**	7.0p	13/02/2018	13/02/2025

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

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

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

The aggregate charge recognised in the Group financial statements in the year was £220,000 (2015: £194,000), all of which was recognised in a subsidiary entity's results.

24. Financial commitments

At 31 December 2016, the Group had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Plant and equipment	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Due within one year	**104**	139	**48**	101
Due between two and five years	**320**	192	**68**	59
Due over five years	**373**	–	**–**	–
	797	331	**116**	160

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 from operating activities

	2016 £'000	2015 £'000
Loss for the year	(2,303)	(4,825)
Adjustments for:		
– Finance income	11	11
– Goodwill impairment	–	4,318
– Income tax credit	–	(55)
– Profit on disposal of fixed assets	4	(4)
– Deferred tax (credit)/charge	(13)	65
– Depreciation of property, plant and equipment	107	114
– Amortisation of intangible fixed assets	295	143
– Share-based payment expense	323	323
– Foreign exchange rate	(32)	116
– Acquisition costs	–	116
– Increase in provisions	42	132
Operating cash flows before movement in working capital	(1,566)	454
Increase in inventories	(428)	(38)
Decrease/(increase) in receivables	1,026	(1,506)
Increase in payables	551	596
Cash outflow from operations	(417)	(494)
Income taxes (paid)/received	(7)	7
Interest paid	(11)	(11)
Net cash outflow from operating activities	(435)	(498)

26. Related party transactions

Payments to key management personnel are included in note 5.

Loan notes issued in December 2016 are included in note 19.

There are no other related party transactions.

Subsidiaries

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

27. Business combinations

There were no acquisitions during the year. During the year ended 31 December 2015, 21st Century Fleet Systems 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 were adjusted in the presentation of the 2015 accounts.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

27. Business combinations continued

The fair value of the assets and liabilities and the associated goodwill arising from the acquisition are as follows:

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

28. Reorganisation costs

	2016 £'000	2015 £'000
Passenger Systems	124	56
Fleet Systems	410	–
	534	56

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

All exceptional items relate to administrative expenses.

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 parent company financial statements of 21st Century Technology plc for the year ended 31 December 2016 which comprise the Company Statement of Financial Position, 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 parent company 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 parent company financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 December 2016 and of the Company’s profit for the year then ended;
- 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 matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors’ Report.

We have nothing to report in respect of the following matters 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 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 2016.

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
25 May 2017

COMPANY STATEMENT OF FINANCIAL POSITION

at 31 December 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	3	**19**	–
Investment in subsidiaries	4	**6,958**	2,405
		6,977	2,405
Current assets			
Other debtors		**15**	4
Cash and cash equivalents		**77**	1
		92	5
Total assets		**7,069**	2,410
Liabilities			
Current liabilities			
Amounts owed to Group undertakings	5	**(1,480)**	(1,792)
Other creditors and accruals		**(12)**	(28)
		(1,492)	(1,820)
Net current liabilities		**(1,400)**	(1,815)
Non-current liabilities			
Loans and borrowings	6	**(300)**	–
Total liabilities		**(1,792)**	(1,820)
Net assets		**5,277**	590
Shareholders' equity			
Share capital	7	**6,061**	6,061
Share premium account		**8**	8
Merger reserve		**1,001**	1,001
Retained earnings		**(1,793)**	(6,480)
Shareholders' funds		**5,277**	590

The financial statements were approved by the Board of Directors and authorised for issue on 25 May 2017 and were signed on its behalf by:

M W Elliott
Non-executive Chairman

R C Singleton
Chief Executive

Registered number: 2974642

The notes on pages 52 to 56 form part of these parent company financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity shareholders' funds £'000
Balance at 1 January 2015	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
Profit and total comprehensive income for the year	—	—	—	4,364	4,364
Share-based payments	—	—	—	323	323
Balance at 31 December 2016	**6,061**	**8**	**1,001**	**(1,793)**	**5,277**

The notes on pages 52 to 56 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2016

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

Statement of compliance

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

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

This Company is included in the consolidated financial statements of 21st Century Technology plc for the year ended 31 December 2016. These accounts are available from the registered address of the Company.

Disclosure exemptions applied

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

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

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

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

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

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

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

Basis of preparation

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

(i) Note 4 -Investments in subsidiaries

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

Going concern

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

The Group's net underlying loss for the year was £1,397k (2015: underlying profit £52k). As at 31 December 2016 the Group had net current liabilities of £392k (2015: net current assets £1,362k) and net cash reserves of £511k (2015: £1,010k).

In 2016 the Directors identified a need to raise finance to cover liquidity issues pending the anticipated return of the Group to profitability and raised £300,000 from the issue of loan notes in December 2016 and arranged a £400,000 invoice discounting facility. Current trading is in line with management forecasts and restructuring efforts are substantially complete.

The Directors have prepared Group cash flow projections for the period to 30 June 2018 based on latest forecasts that show that the Group will be able to operate within the Group current funding resources. It is important that we achieve sales forecasts and the profile of cash receipts.

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

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

Investments

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

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

Financial instruments

Cash and cash equivalents

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

Loans and receivables and other financial liabilities

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

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

Financial assets

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

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

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

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

Share capital and share premium

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

Merger reserve

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

Impairment

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

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

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

2. Profit 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 profit for the financial year ended 31 December 2016 of £4,364,000 (2015: Loss of £6,010,000).

The Company has an unrecognised deferred tax asset of:

	2016 £'000	2015 £'000
Tax losses	133	96

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 December 2016

3. Property, plant and equipment

2016 movements	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2016	–	–	**–**
Additions	12	7	**19**
At 31 December 2016	12	7	**19**
Depreciation			
At 1 January 2016	–	–	**–**
Charge for the year	–	–	**–**
At 31 December 2016	–	–	**–**
Net book amounts			
At 31 December 2016	12	7	**19**
At 31 December 2015	–	–	**–**

4. Investments in subsidiaries

	Interests in Group undertakings	
	2016 £'000	2015 £'000
Cost		
At 1 January	**27,367**	27,409
Disposals	**–**	(42)
At 31 December	**27,367**	27,367
Amounts provided		
At 1 January	**(24,962)**	(19,162)
Reversal of impairment/(impairment)	**4,553**	(5,800)
At 31 December	**(20,409)**	(24,962)
Net book amounts	**6,958**	2,405

The Group tests investments annually for impairment as at 31 December, or more frequently if there are indications that investments might be impaired. The 2015 impairment charge relates to the investment in 21st Century Fleet Systems Limited (formerly 21st Century Technology Solutions Limited), as explained in note 10 of the Group financial statements, which operates the Fleet Systems segment and owns Passenger Systems.

The assessment is based on the net assets of the Group combined with the net present value of the cash flow projections for Fleet Systems and Passenger Systems based on financial budgets and business plans approved by the Directors covering a five-year period. Cash flows beyond that period have been extrapolated in perpetuity assuming no growth, which the Directors consider to be a conservative approach.

The key assumptions for the calculations are those regarding discount rates and sales forecasts.

The discount rates are as follows:

	2016 %	2015 %
Fleet Systems	**16**	16
Passenger Systems	**14**	14

The discount rates used are based on the Board's judgement considering macroeconomic factors and reflecting specific risks in each segment such as the nature of the market served, the concentration of customers, cost profiles and barriers to entry.

The Passenger Systems cash flow projections are described in detail in Note 10 to the Group Accounts. The value-in-use calculation supports the carrying value of the CGU with headroom of £116k. The sensitivity analysis based on a reduction of 5% points in the growth rate in 2018 to 17% produced an impairment charge of £713k.

The Fleet Systems cash flow projections are based upon assumptions of sales, margins and cost bases. Of these assumptions the calculation is most sensitive to the level of sales. Margins are fixed in the forecast and based upon past experience; the cost base is similarly based upon past experience but also takes into account savings from restructuring and will vary depending upon the level of sales. In accordance with the requirements of IAS 36 our calculations do not include cash flows from restructurings to which the Group is not yet committed.

4. Investments in subsidiaries continued

Sales have been determined by management using estimates based upon past experience and future performance with reference to market position and the sales pipeline. The sales levels in 2017 are supported by long term framework agreements with key customers, actual performance in 2017 to date and a strong order book going forward, 2018 represents a 21% increase and the next three years are based upon compound sales growth of 5%. However, given the difficulties experienced in the past in achieving sales forecasts in Fleet Systems the Directors have risk-adjusted the forecast to reduce the projected sales growth rate in 2018 to 10.3% and in the subsequent three years to 2.5%. This calculation produces a net present value for the CGU of £6,443k.

A sensitivity analysis has been performed on the Fleet Systems calculation. The Directors consider that an absolute change in the key sales assumption is possible and a reduction of 5% points in the growth rate in 2018 to 5.3% would result in a £1,131k reduction in the value-in-use of the CGU.

Combining the net assets of the Group with the net present value of the cash flow projections of Fleet Systems and Passenger Systems produces an estimated investment value-in-use of £6,953k for 21st Century Fleet Systems Ltd. This results in a reversal of impairment of £4,553k. Combining the sensitivity analyses for Fleet Systems and Passenger Systems as described above would result in a £1,844k reduction in the investment value.

Subsidiary undertakings

Details of the Company's subsidiary undertakings at 31 December 2016 are as follows:

Name of undertaking	Nature of business	Country of incorporation
Direct subsidiaries		
21st Century Fleet Systems Limited	Sale and installation of CCTV and other monitoring devices	UK
21st C. Scandinavia AB	CCTV installation and project management	Sweden
21st Century Crime Prevention Services 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
21st Century Integrated Systems Limited	Holding company of Region Services Group	UK

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

All subsidiaries are wholly owned except the 70%-owned Integrated Technologies (International) Ltd. All UK subsidiaries registered office address is the same as the Company; 12 Charter Point Way, Ashby-de-la-Zouch LE65 1NF.

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

5. Amounts owed to Group undertakings

The amounts owed to Group undertakings are repayable upon demand.

6. Loans and borrowings

	2016			2015		
	Current £'000	Non-current £'000	Total £'000	Current £'000	Non-current £'000	Total £'000
Other loan notes	–	300	300	–	–	–
	–	300	300	–	–	–

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

During the year, £300,000 (2015: £nil) of loans and borrowings were issued.

The main terms of the bank and other loans are:

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

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

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

The Independent Director of 21st Century at the time the loan notes were issued, being the Company's then Finance Director, Glenn Robinson, considered, having consulted with the Company's nominated adviser finnCap Limited, that the terms of the loan notes and the related security documentation between the Company and the Lending Directors were fair and reasonable insofar as the Company's shareholders were concerned.

7. Share capital

Called up share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid:		
93,239,755 Ordinary Shares of 6.5p each (2015: 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
N Lowe

Company Secretary
N Lowe

Auditor

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Bankers

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Solicitors

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Nominated adviser, financial adviser and broker

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