21st Century Technology plc

Interim Report
for the six months ended 30 June 2014

Innovation in Transport Technology

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

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

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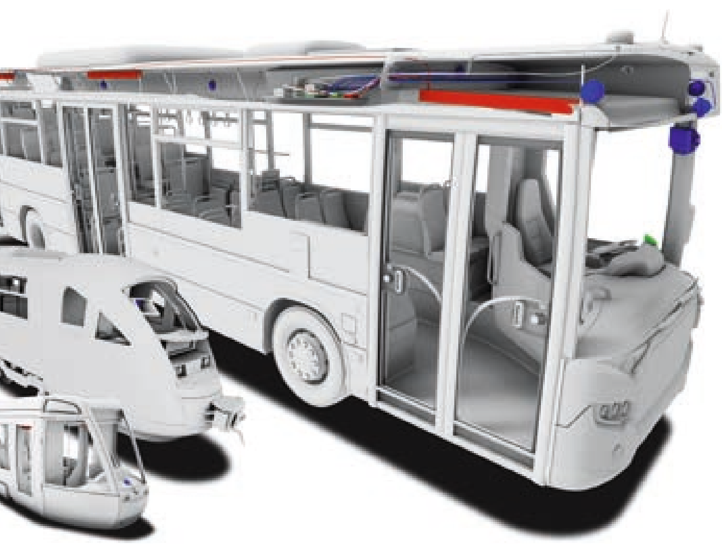

Highlights

Financial highlights

- H1 performance slightly ahead of management expectations
- Revenue £5.5m (2013: £5.8m)
- Underlying profit* £0.2m (2013: £0.5m)
- Net cash £2.6m (2013: £2.2m)
- Operating result break-even (2013: profit before tax £0.5m)
- Basic and diluted loss per share 0.02p (2013: earnings per share 0.40p)

* Underlying profit represents profit before interest, tax and non-underlying items (which comprise reorganisation costs and share-based payment charges).

Operational highlights

- Contract extensions received from two of our major UK bus operator customers through to November 2014 and March 2015 being tangible evidence of strengthening relationships
- Installation of the majority of the advanced CCTV rail contract previously announced; new prospects identified for future sales and services based around this technology
- Significant business reorganisation with 20% fewer staff, increased focus on customer service and innovative integrated solutions
- Positive response from customers, suppliers and staff

Chairman's and Chief Executive's review

"Our progress in the first half is the result of a significant business re-organisation. We have an increased focus on customer service, supported by investment in hardware and software development engineering resources to improve system availability. These initiatives have received positive responses from customers, suppliers and staff."

Summary

- Every effort continues to be made to develop new lines of business and secure positive outcomes from the important contract negotiations and renewals facing the Group.
- Key focuses during the first half of the year were improving the customer service experience and the measured system-level or 'availability' of monitored CCTV systems.
- Contract extensions from two major bus operator customers were achieved as the service levels improved and relationships strengthened.
- New opportunities are being presented in rail where feedback for our advanced CCTV project has been very positive.
- Our achievements to date lead us to be cautiously optimistic about our future.

As outlined in our presentation to shareholders following the AGM in June this year, the business is an established platform on which to build a leading specialist service provider of CCTV and monitoring systems to the fleet and network operators in the attractive bus and rail industries. Our strategy includes a mixture of organic and, potentially, acquisitive growth based on the current platform, which involves changing the business from installing and supporting standalone systems on vehicles to a more integrated approach, with a broader range of on and off vehicle technologies and the associated back-office software to deliver a fully managed service to our customers.

We compete by striving to offer better integrated solutions at reduced costs in our target markets and currently, our bus and rail operations have significant market share and economies of scale. We would expect to apply this approach to related niche markets with similar characteristics and have already built a strong pipeline of potential acquisition targets.

Trading Results

Revenue for H1 of £5.5m (H1 2013: £5.8m) was slightly ahead of management expectations due to stronger than anticipated demand for our on-bus systems both in the UK and Sweden. In rail, the installation of the majority of the advanced CCTV contract previously announced on 14 November 2013 contributed significantly to the results.

Underlying profit, being profit before interest, tax, reorganisation costs and share-based payments, of £0.2m (2013: £0.5m) is also slightly ahead of expectations due to the sales uplift and tight control on overheads.

The operating result was break-even (2013: Profit before tax £0.5m) showings a strong improvement on the H2 2013 loss of £0.7m.

Basic and diluted loss per share of 0.02p (2013: Earnings per share of 0.40p) and net cash has improved to £2.6m at 30 June (2013: £2.2m).

Operating review

Key focuses during the first half of the year were improving the customer service experience and the measured system-level or 'availability' of monitored CCTV systems. These are crucial areas in our ability to retain our largest bus customers, Arriva UK and First Group UK. We achieved short-term contract extensions from both operators as the service levels improved and relationships strengthened and we have now received a further extension from one of these customers through to March 2015. During the half year we have added further resource to our strong team with the appointment of an experienced bus professional to the role of Divisional Director and more recently added a dedicated sales resource to address the Tier 2 operator market where we see good new business potential.

In rail, we are being presented with new opportunities as a result of the success of our major project for advanced CCTV, where initial feedback has indicated that our system has been of particular value. Our rail team is currently being strengthened through the appointment of an experienced, high-calibre business development manager to extend our scope and reach into other train operating companies where we already have a number of significant opportunities identified in the pipeline. This is an important and potentially high-growth area for us, however, the nature of the projects means there is inherent uncertainty in both securing and then the timing of any contracts. This is currently our major sensitivity for the second half of they year.

The progress in the first half came following a significant business reorganisation, with an associated 20% reduction in headcount. The business now has an increased focus on customer service, supported by investment in hardware and software development engineering resources to improve system availability, which has received positive responses from customers, suppliers and staff.

Board changes

Mark Elliott, who was appointed Executive Chairman in August 2013, has moved into the role of Non-executive Chairman in accordance with the announcement of 11 October 2013.

Outlook

We maintain our expectation for revenues for the current year to be similar to those of the last. The contract extensions secured to November 2014 and March 2015 with major UK bus accounts are a positive sign that the vital customer service fundamentals are improving and, to a degree, now underpin this element within our current year forecasts. However, we do remain sensitive to the longer term retention or extension of these accounts into 2015 and beyond and are doing all we can, having raised the service levels and system availability, to maintain or improve them further.

Early indications suggest the innovative integrated systems and full service proposals have been well received both in the UK and with the Continental European bus operators and the advanced CCTV rail system is leading to some new and sizeable sales prospects for the medium to longer term.

In the meantime, our focus remains on relentlessly improving the customer service experience and improving our technical capabilities. The encouraging feedback we are receiving and achievements to date, leads us to be cautiously optimistic view about our future.

Mark W Elliott
Chairman
15 August 2014

Russ Singleton
Chief Executive
15 August 2014

Consolidated statement of comprehensive income

for the six months ended 30 June 2014

	Unaudited six months ended 30 June 2014 £'000	Restated* Unaudited six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Revenue	**5,512**	5,842	10,826
Cost of sales	**(3,504)**	(3,338)	(6,756)
Gross profit	**2,008**	2,504	4,070
Underlying administrative expenses	**(1,812)**	(2,023)	(4,126)
Underlying profit/(loss)	**196**	481	(56)
Share-based payments	**(64)**	—	(29)
Reorganisation costs	**(140)**	—	(138)
Administrative expenses	**(2,016)**	(2,023)	(4,293)
Operating (loss)/profit	**(8)**	481	(223)
Finance income	**—**	—	5
(Loss)/profit before taxation from continuing operations	**(8)**	481	(218)
Taxation	**(15)**	(112)	(26)
(Loss)/profit for the period being total comprehensive income attributable to owners of parent	**(23)**	369	(244)
(Loss)/earnings per share (note 3)			
Basic and diluted	**(0.02p)**	0.40p	(0.26p)

* See note 2 for more details.

All results derive from continuing operations.

Consolidated statement of changes in equity shareholders' funds

for the six months ended 30 June 2014

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity shareholders' funds £'000
Balance at 1 January 2013	6,061	8	1,929	7,998
Dividend paid	—	—	(653)	(653)
Profit and total comprehensive income for the period	—	—	369	369
Balance at 30 June 2013	6,061	8	1,645	7,714
Balance at 1 January 2013	6,061	8	1,929	7,998
Dividends paid	—	—	(653)	(653)
(Loss) and total comprehensive income for the year	—	—	(244)	(244)
Share-based payments	—	—	29	29
Balance at 31 December 2013	6,061	8	1,061	7,130
(Loss) and total comprehensive income for the period	—	—	(23)	(13)
Share-based payments	—	—	64	64
Balance at 30 June 2014	**6,061**	**8**	**1,102**	**7,171**

Consolidated statement of financial position
at 30 June 2014

	Unaudited 30 June 2014 £'000	Unaudited 30 June 2013 £'000	31 December 2013 £'000
Non-current assets			
Goodwill	**4,318**	4,318	4,318
Other intangible assets	**—**	183	—
Property, plant and equipment	**173**	213	202
Deferred tax asset	**41**	43	44
	4,532	4,757	4,564
Current assets			
Inventories	**1,133**	1,667	1,723
Trade and other receivables	**2,110**	2,700	2,061
Current tax asset	**—**	—	116
Cash and cash equivalents	**2,619**	2,198	1,343
	5,862	6,565	5,243
Total assets	**10,394**	11,322	9,807
Liabilities			
Current liabilities			
Trade and other payables	**(2,088)**	(2,878)	(1,610)
Tax liabilities	**(1)**	(87)	(8)
Provisions	**(422)**	(256)	(433)
	(2,511)	(3,221)	(2,051)
Net current assets	**3,351**	3,344	3,192
Non-current liabilities			
Provisions	**(712)**	(387)	(626)
Total liabilities	**(3,223)**	(3,608)	(2,677)
Net assets	**7,171**	7,714	7,130
Shareholders' equity			
Share capital	**6,061**	6,061	6,061
Share premium account	**8**	8	8
Retained earnings	**1,102**	1,645	1,061
Total equity shareholders' funds	**7,171**	7,714	7,130

Consolidated statement of cash flows
for the six months ended 30 June 2014

	Unaudited six months ended 30 June 2014 £'000	Unaudited six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Net cash from operating activities (note 4)	**1,302**	1,315	602
Investing activities			
Purchases of property, plant and equipment	**(26)**	(70)	(111)
Purchases of intangible fixed assets	**—**	(108)	(209)
Net cash from investing activities	**(26)**	(178)	(320)
Financing activities			
Dividend paid	**—**	(653)	(653)
Net cash from financing activities	**—**	(653)	(653)
Net increase/(decrease) in cash and cash equivalents	**1,276**	484	(371)
Cash and cash equivalents at beginning of period	**1,343**	1,714	1,714
Cash and cash equivalents at end of period	**2,619**	2,198	1,343

Notes to the interim financial statements

for the six months ended 30 June 2014

1. Basis of preparation and approval of interim statement

The financial information for the six months ended 30 June 2014 and for the six months ended 30 June 2013 is unaudited.

The interim financial statement for the six months to 30 June 2014 does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2013.

The financial information has been prepared on the basis of IFRSs that the Directors expect to be applicable as at 31 December 2014.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those set out in the Group's Annual Report and Financial Statements 2013, which were prepared in accordance with IFRSs.

This interim financial statement does not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2013 were approved by the Board on 8 May 2014 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or section 498(3) of the Companies Act 2006.

The interim financial statement was approved by the Board of Directors on 15 August 2014.

2. International Financial Reporting Standards

The Group follows the Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee of the IASB and endorsed by the EU that are relevant to its operations.

Restatement

The Group has restated the 2013 half-year results to include direct labour costs and sub-contractors within cost of sales rather than within administrative expenses.

3. Earnings per ordinary share

Details of the weighted average number of ordinary shares used as the denominator in calculating the basic and diluted earnings per ordinary share are given below:

	Unaudited six months ended 30 June 2014 '000	Unaudited six months ended 30 June 2013 '000	Year ended 31 December 2013 '000
Basic weighted average number of shares	**93,240**	93,240	93,240
Dilutive potential ordinary shares	**343**	71	648
	93,583	93,311	93,888

4. Cash generated from operations

	Unaudited six months ended 30 June 2014 £'000	Unaudited six months ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
(Loss)/profit for the period	**(23)**	369	(244)
Adjustments for:			
– Finance income	**—**	—	(5)
– Income tax expense/(credit)	**12**	81	(4)
– Deferred tax charge	**3**	31	30
– Depreciation/amortisation	**55**	90	197
– Impairment of intangible fixed assets	**—**	—	229
– Share-based payment expense	**64**	—	29
– Increase/(decrease) in provisions	**75**	(13)	402
Operating cash flows before movement in working capital	**186**	558	634
Decrease in working capital balances	**1,019**	1,032	348
Cash inflow from operations	**1,205**	1,590	982
Income taxes received/(paid)	**97**	(275)	(385)
Interest received		—	5
Net cash inflow from operating activities	**1,302**	1,315	602

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