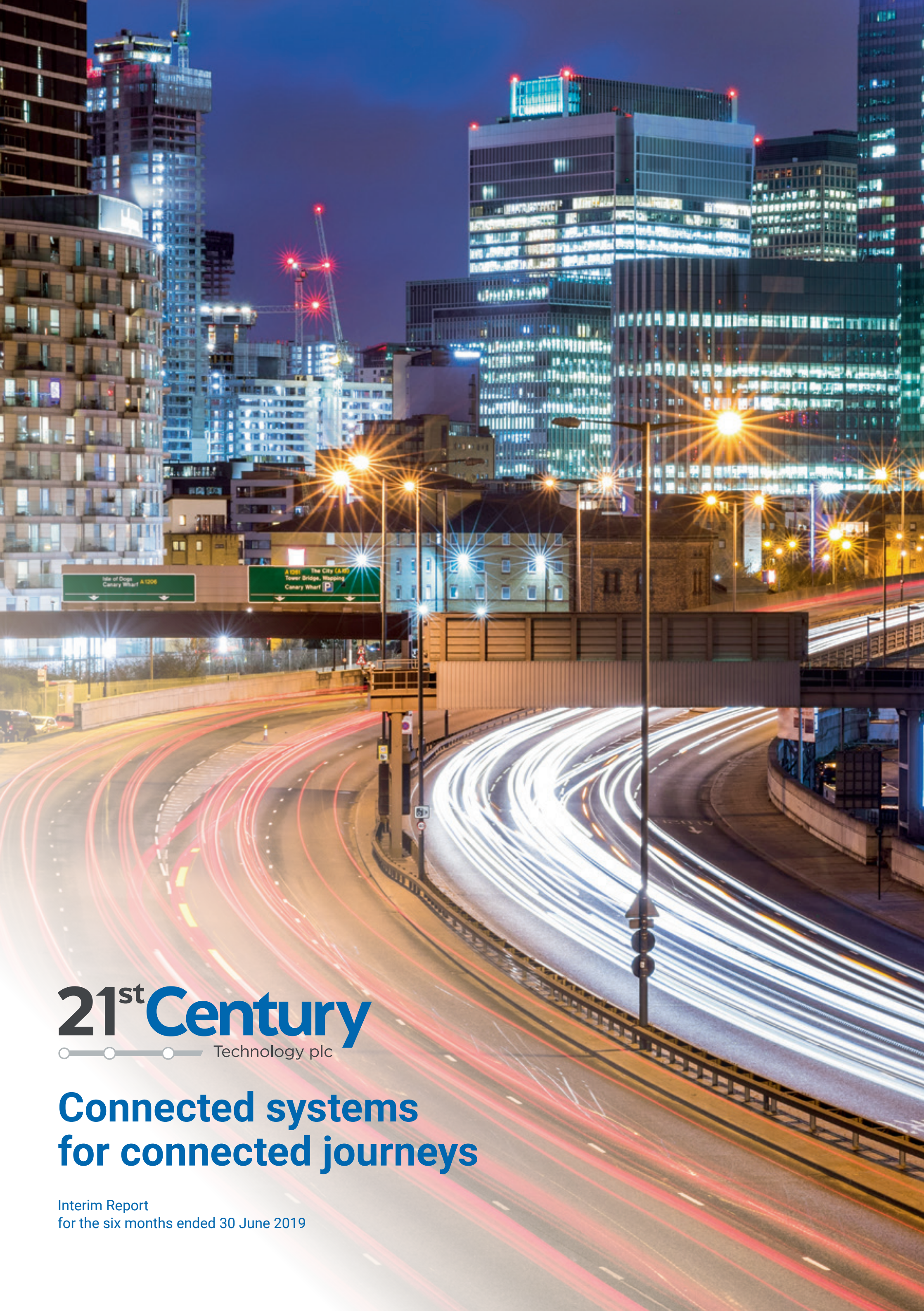

21st Century Technology plc

Connected systems for connected journeys

Interim Report
for the six months ended 30 June 2019

Connected systems for connected journeys

21st Century Technology provides tailored solutions to the transport community, solving complex operational requirements both on-board vehicles, through 21st Century Fleet Systems, and into towns and cities through 21st Century Passenger Systems.

With over 20 years' experience in the transport industry, 21st Century combines its R&D and domain expertise to create technologically converged solutions, leveraging the Internet of Things (IoT) to deliver more deeply integrated solutions to complex, regulated, safety-critical applications.

Experts in multiple transport technologies

A great team of people who understand transport

Delivering efficiencies for our customers

Headlines

Revenue	Gross profit	Underlying loss before tax
£5.7m	**£2.2m**	**£0.02m**
2018: £6.4m	2018: £2.4m	2018: profit of £0.2m

FINANCIAL HEADLINES

- Revenue £5.7m (2018: £6.4m):
  - Passenger revenue increased 11%
  - Fleet revenue decreased 22%
- Gross profit of £2.2m (2018: £2.4m), with gross margin improved to 39% overall
  - Passenger £1.3m (2018: £1.2m)
  - Fleet £0.9m (2018: £1.2m)
- Underlying loss before depreciation and amortisation £0.02m (2018: profit of £0.2m)
- Cash £0.4m increased from £0.2m last year
- Order intake in Passenger Systems is up 50% and 3% Fleet Systems
- Invested over £0.5m in R&D during the period

OPERATIONAL HEADLINES

- The value, scale and complexity of opportunities in the sales pipeline already identified for later this year and into 2020, when the Transforming Cities Funding (TCF) developments start to commence, provides valuable growth opportunities for the group
- New solutions developed for regulation-driven opportunities based on our own technologies
- Entry to new market segments, airports and hazardous goods distribution, diversifying the Group's customer base and offering
- First sale of passenger information systems into new bus station project in Toronto, Canada
- Three-year framework contract renewal signed with Arriva
- First sale newly developed colour LED street displays technology for West Midlands Combined Authority

CONTENTS

Chairman and Chief Executive's review

"New applications have been created, maintaining the ethos of leveraging the Internet of Things (IoT) to enhance legacy systems."

Summary

The results for the six months ending 30 June 2019 mask the success and progress made, at a time when investment in new vehicle manufacture and registrations in the UK Bus market continue to be suppressed.

We have focused on developing new sales and markets and have continued to invest in R&D with a number of notable successes which will come to full fruition in the second half and beyond. The business is now in a much stronger position than it was a year ago, in terms of the attractiveness of its solutions, its ability to scale, diversified revenues and customer base.

In the six months to 30 June 2019, the Passenger division achieved a 50% year-on-year increase in orders received and the number, value and scale of opportunities already identified for later this year and into 2020, when the Transforming Cities Funding (TCF) developments start to commence, provides valuable growth opportunities for the Group.

Our Fleet division achieved a 3% increase in orders received during the period and generated significant interest in our new technology from a wide number of bus operating companies. We were also delighted to announce a three-year contract renewal with Arriva Bus UK with additional services built into the framework agreement, to enable the supply of a broader range of solutions.

Research and development

Our continued investment in research and development is delivering a new suite of products and capabilities that is leading to a growing pipeline of significant potential orders for our Fleet Systems and Passenger Systems businesses, as well as the opportunity to enter new, niche, regulation-driven markets.

The Journeo™ Remote Condition Monitoring (RCM) application is being chosen by an increasing number of operators. It has formed the cornerstone of a platform we are building which will allow transit users to make operation-critical decisions in real time through a central, cloud-based portal.

New applications have been created, maintaining the ethos of leveraging the Internet of Things (IoT) to enhance legacy systems. For example, an Agnostic Video Management System (AVMS) is being trialled by a host of customers to improve their CCTV system reliability and streamline their evidence gathering to improve insurance claims management.

The scalable Journeo™ platform allows us to rapidly add new applications as customer requirements arise. This approach has led a number of customers to evaluate our technologies, some in paid for trials and includes some customers that were previously inaccessible to us.

We continue to develop our transport display Content Management System (CMS) EPI4. Additional feature sets are delivering new customers, such as the recently announced contract award with East Sussex County Council. Further enhancements are taking place to capitalise on the impending Transforming Cities Funding (TCF) and the Department for Transport's (DfT) promotion of Open Data Standards.

Chairman and Chief Executive's review *continued*

Research and development continued

In line with our strategy, we apply our research and development to create innovative and valuable solutions that have the power to generate significant savings for our customers' users and mark a shift in business model, for 21st Century, from reliance on capital equipment supply to Software as a Service (SaaS).

The business commenced a challenging programme to achieve ISO 27001, which is the international standard that provides the specification for Information Security Management Systems (ISMS) during the calendar year. At the same time, a programme to migrate OHSAS 18001 accreditation to the new ISO 45001 standard was started. I am pleased to report that both programmes are progressing well and are on track.

Financial results

While the financial results show a fall in sales, they belie the number of successes and progress made during the first half.

In the first six months trading in 2019, revenue decreased by £0.7m to £5.7m, although gross margin improved to 39%, gross profit decreased by £0.2m to £2.2m, producing an operating loss of £0.3m, compared with an operating profit of £0.4m (after the inclusion of a £0.4m share-based payment credit) in H1 2018. Our expenditure on R&D resulted in a tax credit claim of £0.2m being received after the period end.

Revenue for H1 2019 of £5.7m (H1 2018: £6.4m) decreased by £0.7m due to a decrease in Fleet Systems revenue to £3.2m (H1 2018: £4.1m) and an increase in Passenger Systems revenue to £2.5m (H1 2018: £2.3m).

Fleet Systems gross profit of £0.9m (H1 2018: £1.2m) decreased by £0.3m with a reduction in overall margin to 28% (H1 2018: 29%). Passenger Systems gross profit of £1.3m (H1 2018: £1.2m) increased by £0.1m with an increase in margin to 53% (H1 2018: 52%).

The underlying loss before depreciation was £18k (H1 2018: profit of £205k). The operating result was a loss of £0.3m (H1 2018: profit of £0.4m following a share-based payment credit of £0.4m) and the basic undiluted loss per share was 0.44p (H1 2018: profit of 0.37p).

Tight controls over cash management have improved the half-year cash position and cash increased to £0.4m as at 30 June 2019 (30 June 2018: £0.1m). We place a lot of attention on supplier and customer management and maintain a vigilant watch on our cost base.

Fleet Systems

Despite the reduction in new buses entering the market, attractive sales opportunities exist in upgrading legacy bus fleets through convergence of the on-board IT systems. We have developed a range of software solutions under the Journeo™ brand, creating a cloud-based video management platform to improve insurance claims handling, whilst at the same time providing remote condition monitoring to improve reliability and reduce overall costs of maintenance.

Our Fleet business continues to support some of the largest bus fleets in the UK, Sweden and France and many of them are multi-modal, operating a broad range of transport solutions from ambulances and coaches to buses, trams and trains.

Many fleet operators are coming under increasing pressure to continue to deliver high-quality services to the public during a period of falling passenger numbers, particularly here in the UK, and this is one of the factors behind reduced investment in the numbers of new vehicles. Whilst this may seem an unappealing situation, the long life of fleet vehicles creates a situation where operators will invest where new technology enables them to deliver improved services at the same time as reduce their costs. This is a key target area for 21st Century and in response we have been developing new Software as a Service (SaaS) solutions that leverage the IoT and cloud-based computing and storage, generating a lot of interest as a result.

The need for mass transit to safely move people around towns and cities remains. New regulations, such as TfL's Vision Zero and the Bus Services Act, are providing opportunities for our new technologies in safety-critical and accessibility-regulated areas. Our exclusive agreement to provide SmartVision™, the wing mirror replacement system, is benefiting 21st Century through more than sales to early adopters who seek to install the technology ahead of it becoming mandatory; it is also providing access to new customers.

Chairman and Chief Executive's review *continued*

Fleet Systems continued

We were delighted to announce a three-year contract renewal with Arriva Bus UK with additional services built into the framework agreement, to enable the supply of a broader range of solutions.

The first half of the year saw the Company promote our new ATEX-certified technology at the Fuel Providers Show (FPS), where, assisted by our customer Rix Petroleum, we were able to promote a new solution for this hazardous and highly regulated market.

Interest in our airport passenger and staff car park information and Service Level Agreement (SLA) adherence solutions is also gathering pace. Improvements to the User Interface (UI), recently delivered to our customer, Omniserv, at Gatwick Airport, has led to enquiries from a number of similar operations with large surface area car parks.

"We have focused on developing new sales and markets and have continued to invest in R&D with a number of notable successes which will come to full fruition in the second half and beyond."

The new UI was the centrepiece of our presence at the British and Irish Airports Expo in early June and supported our pre-sales activities and built on our domain expertise and credentials in this area.

Our Fleet Systems team continue to support our Rail customers, with contract extensions of 18 months signed with Cross Country, maintaining contact with the industry as we seek out niche opportunities in the rail sector for our technology and products.

Chairman and Chief Executive's review *continued*

"The number, scale, complexity and value of the opportunities that we are engaging with gives us confidence and we look forward to making further announcements in this regard."

Passenger Systems

Order intake is over 50% up on last year, with a growing pipeline of sales prospects, supporting ambitious growth plans.

We are strengthening our relationships with customers in the local authority space and this is further demonstrated by an order with West Midlands Combined Authority (WMCA), which was announced just outside of H1. Significant development effort during the first half of the year went in to creating a new multi-colour LED display solution; the first in-street transport application in the UK. The technology is set to become a focal point within Birmingham City Centre's extensive real-time information estate as the UK's second city hosts the Commonwealth Games in 2022.

The WMCA contract win included further technology to be deployed as the region prepares itself for the Commonwealth Games with the new SPRINT branded express transport routes. With the eyes of the world on Britain's second city for the duration of the Games, the need for an improved provision of real-time information and public transport infrastructure on key, high-profile routes are providing our Passenger business with the opportunity to deliver core technology.

Securing a £0.3m order for the delivery of display hardware and enabling software for a new bus station project in Toronto, Canada is an important win. It will be the first meaningful, scale delivery of 21st Century Passenger Systems hardware and software to be delivered outside of the UK and via a third party.

Outlook

Whilst it is disappointing that the situation in the UK fleet market suppressed our results for H1, we have a large and growing pipeline of sales opportunities, with a number of significant value negotiations in late or final stages.

We are encouraged by the interest in our new SaaS offering, especially given the feedback from customer trials. This technology both complements and reduces the reliance on the traditional capital equipment sales model and is opening up new lines of business for the Group.

Our Passenger business is gaining momentum, as evidenced by the 50% growth in sales order intake, and opportunities are emerging where significant market share may be achievable, based on the scalability of our technology and by leveraging our Cloud and IoT-based solutions.

The number, scale, complexity and value of the opportunities that we are engaging with gives us confidence and we look forward to making further announcements in this regard.

Mark Elliott
Non-executive Chairman
16 September 2019

Russ Singleton
Chief Executive
16 September 2019

Consolidated statement of comprehensive income

for the six months ended 30 June 2019

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Year ended 31 December 2018 £'000
Revenue (notes 4,5)	**5,733**	6,404	12,601
Cost of sales	**(3,499)**	(4,004)	(7,752)
Gross profit	**2,234**	2,400	4,849
Other income	**213**	325	370
Underlying administrative expenses before depreciation and amortisation	**(2,465)**	(2,520)	(4,965)
Underlying (loss)/profit before depreciation and amortisation	**(18)**	205	254
Depreciation and amortisation	**(315)**	(193)	(392)
Share-based payments	**–**	399	398
Administrative expenses	**(2,567)**	(1,989)	(4,589)
Operating (loss)/profit	**(333)**	411	260
Finance expense	**(79)**	(57)	(121)
(Loss)/profit before taxation from continuing operations	**(412)**	354	139
Taxation credit/(charge)	**3**	(5)	3
(Loss)/profit for the period being total comprehensive (expense)/profit attributable to owners of parent	**(409)**	349	142
(Loss)/profit per share (note 6)			
Basic and diluted	**(0.44p)**	0.37p	0.15p

All results derive from continuing operations.

Consolidated statement of changes in equity shareholders' funds

for the six months ended 30 June 2019

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity shareholders' funds £'000
Balance at 1 January 2018	6,061	8	(5,802)	267
Profit and total comprehensive income for the period	—	—	349	349
Share-based payments	—	—	(399)	(399)
Balance at 30 June 2018	6,061	8	(5,852)	217
Balance at 1 January 2018	6,061	8	(5,802)	267
Profit and total comprehensive income for the year	—	—	142	142
Share-based payments	—	—	(398)	(398)
Balance as at 31 December 2018	6,061	8	(6,058)	11
Adjusted balance at 1 January 2019	6,061	8	(6,058)	11
Loss and total comprehensive expense for the period	—	—	(409)	(409)
Balance at 30 June 2019	**6,061**	**8**	**(6,467)**	**(398)**

Consolidated statement of financial position

at 30 June 2019

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	31 December 2018 £'000
Assets			
Non-current assets			
Goodwill (note 7)	**1,345**	1,345	1,345
Other intangible assets	**1,033**	837	969
Right-of-use assets (note 9)	**172**	–	–
Property, plant and equipment	**121**	148	138
Trade and other receivables	**43**	49	43
	2,714	2,379	2,495
Current assets			
Inventories	**1,638**	1,558	1,650
Trade and other receivables	**3,694**	3,671	3,224
Cash and cash equivalents	**365**	187	485
	5,697	5,416	5,359
Total assets	**8,411**	7,795	7,854
Equity and liabilities			
Shareholders' equity			
Share capital	**6,061**	6,061	6,061
Share premium account	**8**	8	8
Retained earnings	**(6,467)**	(5,852)	(6,058)
Total equity	**(398)**	217	11
Non-current liabilities			
Deferred revenue	**548**	655	499
Loans and borrowings	**573**	28	576
Lease liabilities (note 9)	**41**	–	–
Deferred tax liability	**22**	35	35
Provisions	**285**	269	290
	1,469	987	1,400
Current liabilities			
Trade and other payables	**2,953**	2,970	2,314
Deferred revenue	**2,505**	1,716	2,329
Loans and borrowings	**968**	1,212	1,000
Lease liabilities (note 9)	**117**	–	–
Tax liabilities	**601**	456	600
Provisions	**196**	237	200
	7,340	6,591	6,443
Total equity and liabilities	**8,411**	7,795	7,854

Consolidated statement of cash flows

for the six months ended 30 June 2019

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Year ended 31 December 2018 £'000
Net cash from operating activities (note 8)	**297**	101	380
Cash flows from investing activities			
Purchases of property, plant and equipment	**(18)**	(61)	(91)
Addition of right-of-use asset	**(21)**	—	—
Purchases of intangible fixed assets	**(284)**	(160)	(452)
Net cash from investing activities	**(323)**	(221)	(543)
Financing activities			
Cash flow from financing activities	**(28)**	26	126
Issue of loans	**—**	—	250
IFRS 16 right-of-use lease liability addition	**28**	—	—
Principal element of lease repayments	**(87)**	—	—
Repayment of loans	**(7)**	(19)	(32)
Net cash from financing activities	**(94)**	7	344
Net decrease in cash and cash equivalents	**(120)**	(113)	181
Cash and cash equivalents at beginning of period	**485**	302	302
Effect of foreign exchange rate changes	**—**	(2)	2
Cash and cash equivalents at end of period	**365**	187	485

Notes to the interim financial statements

for the six months ended 30 June 2019

1. Basis of preparation and approval of interim statement

The financial information for the six months ended 30 June 2019 and for the six months ended 30 June 2018 is unaudited.

The interim financial statement for the six months to 30 June 2019 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 2018.

The financial information has been prepared on the basis of IFRSs that the Directors expect to be applicable as at 31 December 2019.

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 2018, 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 2018 were approved by the Board on 26 March 2019 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.

AIM-listed companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has not applied this standard in preparing this report.

The financial position and performance of the Group was affected by the adoption of the new leasing standard IFRS 16 'Leases' (see note 9) during the six months to 30 June 2019. IFRS 16 will have no economic effect on the business or cash flow.

The interim financial statement was approved by the Board of Directors on 16 September 2019.

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.

3. Going concern

The Group's business activities together with factors likely to affect its future development, performance and position were set out in the Strategic Report and Chairman's Statement of the 2018 Annual Report and the principal risks and uncertainties were set out in the Strategic Report. The Directors have reviewed the cash flow forecasts for the period up to and including 31 December 2020.

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

Notes to the interim financial statements *continued*

for the six months ended 30 June 2019

4. Revenue

The revenue split between goods and services is:

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Year ended 31 December 2018 £'000
Revenue			
Goods	**3,626**	4,356	8,202
Services	**2,107**	2,048	4,399
	5,733	6,404	12,601
Construction contracts included in goods	**1,738**	1,489	2,699

5. 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.

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.

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Year ended 31 December 2018 £'000
Revenue			
Fleet Systems	**3,205**	4,121	8,217
Passenger Systems	**2,528**	2,283	4,384
	5,733	6,404	12,601
Gross profit			
Fleet Systems	**890**	1,210	2,395
Passenger Systems	**1,344**	1,190	2,454
	2,234	2,400	4,849
Underlying (loss)/profit			
Fleet Systems	**(239)**	142	148
Passenger Systems	**13**	(36)	(57)
	(226)	106	91
Central	**(106)**	(94)	(229)
Underlying (loss)/profit	**(332)**	12	(138)

Notes to the interim financial statements *continued*

for the six months ended 30 June 2019

5. Segmental reporting continued

Reconciling to loss before interest and tax

	Underlying (loss)/profit £'000	Share-based payments £'000	Operating (loss)/profit £'000
Fleet Systems	(239)	–	(239)
Passenger Systems	13	–	13
	(226)	–	(226)
Central	(106)	–	(106)
Total	(332)	–	(332)

Net assets

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.

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Year ended 31 December 2018 £'000
Assets			
Fleet Systems	3,264	3,201	2,848
Passenger Systems	3,437	3,011	3,135
	6,701	6,212	5,983
Goodwill	1,345	1,345	1,345
Cash and borrowings	365	187	485
Unallocated	–	51	41
	8,411	7,795	7,854
Liabilities			
Fleet Systems	(2,742)	(2,314)	(2,183)
Passenger Systems	(4,525)	(4,007)	(4,039)
	(7,268)	(6,321)	(6,222)
Cash and borrowings	(1,541)	(1,240)	(1,576)
Unallocated	–	(17)	(45)
	(8,809)	(7,578)	(7,843)
Net assets			
Fleet Systems	521	887	665
Passenger Systems	(1,088)	(996)	(904)
	(567)	(109)	(239)
Goodwill	1,345	1,345	1,345
Cash and borrowings	(1,176)	(1,053)	(1,091)
Unallocated	–	34	(4)
	(398)	217	11

Notes to the interim financial statements *continued*

for the six months ended 30 June 2019

6. (Loss)/profit 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 2019 '000	Unaudited six months ended 30 June 2018 '000	Year ended 31 December 2018 '000
Basic weighted average number of shares	**93,240**	93,240	93,240
Dilutive potential Ordinary Shares	**—**	—	—
	93,240	93,240	93,240

7. 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:

	21st Century Passenger Systems Limited £'000	Total £'000
Deemed cost:		
At 1 January 2018	1,345	1,345
At 30 June 2018	1,345	1,345
At 1 January 2018	1,345	1,345
At 31 December 2018 and 30 June 2019	**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 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.

Notes to the interim financial statements *continued*

for the six months ended 30 June 2019

7. Goodwill continued

The discount rates are as follows:

	Unaudited six months ended 30 June 2019 %	Unaudited six months ended 30 June 2018 %	Year ended 31 December 2018 %
Passenger Systems	**14**	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, 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 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. In 2017 a major restructuring took place, followed by a reinvestment in key staff at the end of the year and during 2018.

The value-in-use calculation supports the carrying value of the CGU with headroom of £1,567k. 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 10% points in the growth rate in 2019 to 30% would result in an impairment charge being recognised for the current carrying value of goodwill in relation to Passenger Systems of £250k. If sales forecasts were down 10% across the whole period and overheads were partially scaled back by 5% then there would be headroom of £151k.

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 27.8%, 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 interim financial statements *continued*

for the six months ended 30 June 2019

8. Cash generated from operations

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Year ended 31 December 2018 £'000
(Loss)/profit for the period	**(409)**	349	142
Adjustments for:			
– Finance expense	**79**	57	121
– Deferred tax credit	**(13)**	—	—
– Depreciation of property, plant and equipment	**96**	41	79
– Amortisation of intangible fixed assets	**219**	152	313
– Share-based payment (income)/expense	**—**	(399)	(398)
– Foreign exchange rate	**3**	24	17
– Increase in provisions	**(9)**	(112)	(128)
Operating cash flows before movement in working capital	**(34)**	112	146
Decrease/(increase) in inventories	**12**	(203)	(295)
(Increase)/decrease in receivables	**(412)**	222	515
Increase in payables	**814**	32	133
Cash inflow from operations	**380**	163	498
Income taxes (paid)/received	**(10)**	(5)	3
Interest paid	**(73)**	(57)	(121)
Net cash inflow from operating activities	**297**	101	380

9. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 'Leases' on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The new standard has been applied using the modified retrospective approach, together with all applicable permitted practical expedients including:

- comparative amounts for 2018 and prior years are not restated, and continue to reflect application of the previous standard, IAS 17;
- all of the lease agreements 21st Century plc reported as operating leases in 2018 were converted as lease agreements and recognised on the balance sheet on the adoption of IFRS 16;
- the cumulative effect of adopting IFRS 16 is recognised in equity as an adjustment to the opening balance of retained earnings for the current period. This was not material and there was no impact on retained earnings;
- the Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition; and
- all lease and associated non-lease components are accounted for as a single arrangement.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 10% for property and 5% vehicles.

Notes to the interim financial statements *continued*
for the six months ended 30 June 2019

9. Changes in accounting policies continued

	Total £'000
Reconciliation of total operating lease commitments	
Total operating lease commitments disclosed at 31 December 2018	646
Property – change of lease length to break date (see below)	(480)
Vehicles – change of recognition to IFRS 16 present value	45
Total lease liabilities recognised under IFRS 16 at 1 January 2019	**211**

The 21st Century plc premises lease has been restated from its original end date to the contracted break date in October 2020.

The impact of adopting IFRS 16 for the six months to 30 June 2019 compared to prior years accounting standards is shown below:

	Total £'000
Increase in depreciation	67
Increase in interest expense	6
Decrease in property and vehicle lease expense	(68)
Increase in underlying profit	**5**

Produced by
designportfolio

21st Century Technology plc
12 Charter Point Way
Ashby-de-la-Zouch
LE65 1NF
United Kingdom

www.21stplc.com

+44 (0)844 871 7990