

**TG21 plc**

**Annual Report**

31 December 2008

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### Directors

#### Non-executive Chairman

P T Ward

#### Non-executive director

D A H Voss

#### Executive directors

N Grimond (Chief Executive)

W W Jennings BA, FCA (Finance Director)

#### Company Secretary

W W Jennings BA, FCA

### Auditors

Nexia Smith & Williamson

25 Moorgate

London

EC2R 6AY

### Bankers

NatWest Bank

Carlyle House

Carlyle Road

Cambridge

CB4 3DH

### Solicitors

Ashurst

Broadwalk House

5 Appold Street

London

EC2A 2HA

### Registered office

National Control Centre

Drake Road

Mitcham

Surrey

CR4 4HQ

### Brokers and financial advisers

Daniel Stewart & Co

Becket House

36 Old Jewry

London

EC2R 8DD

### Registrars

Capita Registrars

Northern House

Woodsome Park

Fenay Bridge

Huddersfield

HD8 0LA

## Chairman's statement

### Trading results

I am pleased to report that group operating profit from continuing activities at £0.6m (before exceptional impairment loss, reorganisation costs and provision against the loan due from the associate) is ahead of market expectations. As a result of tight working capital management and proceeds from disposals made in the prior year, as at 31 December 2008 we had cash funds in excess of our bank borrowings so that for the first time in over 10 years we are able to report zero net debt at the year end (2007: £0.6m).

The acquisition of our investment in 21<sup>st</sup> Century CPS Ltd ("21<sup>st</sup> Century") in 2004/05 which now operates under our Public Transport Monitoring Systems ("PTMS") division marked the start of the implementation of our plan to reposition the group into markets with growth potential. A clear watershed in this strategy was the disposal at the end of 2007 of a number of our legacy businesses.

These disposals meant that 2008 was always likely to be a challenging year as they would inevitably result in a reduction in total group sales and profitability in the short term. However, we saw the longer term benefits of reducing our borrowings and generating cash to invest in growth opportunities. Indeed, the disposal of our legacy car audio and security distribution businesses proved very timely as this market sector was severely exposed to the recessionary conditions which have impacted from the second half of 2008.

I am delighted to report that our Public Transport Monitoring Systems business enjoyed a good year - particularly in the second half. As a result of the successful launch of 21<sup>st</sup> Century's EcoManager system aimed at reducing fuel costs and improving safety by monitoring bus driver behaviour, our PTMS division achieved its highest sales month in November 2008 at over £1m. We are also very encouraged by trading to date in the current year.

In light of the success achieved by 21<sup>st</sup> Century we believe that our resources would be better focused on this subsidiary and so we have decided not to take up our option to acquire Cyberlyne Communications Limited ("CCL"). As advised in my trading update of 18 December 2008, CCL was unable to repay the loan from TG21 of £430,000 which became due on 31 December 2008. We are continuing our discussions with the management of CCL to try to negotiate staged repayment terms for this loan but, to be prudent, we have made a full provision for this amount in our consolidated income statement for the year.

In our interim results announcement I pointed to the continued decline in our mature audio insurance replacement business and our exit from the mobile 'phone installation contract with Unipart at the end of last year which have impacted on non PTMS work carried out by our Vehicle Installation Services division. Our interim results also noted that the anticipated growth in black-box installations for the motor insurance market has been disappointing. In response to this we have acted quickly and decisively to scale back the infrastructure supporting our non PTMS related activities, resulting in an exceptional restructuring charge of £0.2m in the year.

## Chairman's statement

### Financial review

Group – continuing operations	<b>2008</b>	2007
	<b>£m</b>	£m
Revenue	<b>12.2</b>	15.5
Gross profit	<b>7.4</b>	8.4
<i>Gross profit percentage</i>	<b>60%</b>	55%
Net operating expenses	<b>(6.8)</b>	(7.0)
Total operating profit from continuing operations before impairment loss and restructuring costs	<b>0.6</b>	1.4
Impairment loss	<b>(0.7)</b>	-
Restructuring costs	<b>(0.2)</b>	-
Operating loss from continuing operations	<b>(0.3)</b>	1.4
Provision for associate loan	<b>(0.4)</b>	-
Finance costs	<b>(0.1)</b>	(0.3)
(Loss)/profit before taxation	<b>(0.8)</b>	1.1
Taxation	<b>0.3</b>	(0.1)
Loss for the period from discontinued operations	-	(0.4)
(Loss)/Profit from continuing and discontinued operations	<b>(0.5)</b>	0.6
Minority interest	<b>(0.3)</b>	(0.1)
Net (loss)/profit attributable to members of the parent company	<b>(0.8)</b>	0.5
Earnings per share	<b>Pence</b>	Pence
– Continuing operations	<b>(0.96)p</b>	1.05p
– Continuing and discontinued operations	<b>(0.94)p</b>	0.62p
Net debt	<b>£m</b>	£m
	-	0.6
Analysis of revenue from continuing operations	<b>2008</b>	2007
	<b>£m</b>	£m
Public transport monitoring systems	<b>7.7</b>	5.0
Vehicle installation services	<b>2.8</b>	8.6
Distribution	<b>1.7</b>	1.9
Total	<b>12.2</b>	15.5

### Operational review

#### Public transport monitoring systems

Principal activities in this division are the supply of CCTV, black-box and other monitoring systems for use on public transport vehicles.

Sales in this division were up by 54% (£2.7m) from £5.0m to £7.7m.

During the year, 21<sup>st</sup> Century supplied over 1,000 on-bus CCTV systems to Arriva UK Bus. Following a successful trial, its new EcoManager product has also contributed significantly to the increase in revenue for the PTMS division in the latter part of the year with over 600 systems sold to Arriva UK Bus. The EcoManager system, which incorporates a passenger counting facility, is aimed at reducing fuel costs, improving safety and enhancing revenues for bus operators by monitoring driving styles against fuel consumption.

## Chairman's statement

We have pipeline orders for 2,000 of these systems in the current year.

The remaining increase in sales achieved in 2008 is attributable to CCTV business awarded to us by Go-Ahead group, Arriva Europe and several small bus operators. We hope to build further on these successes and we are hoping to commence trials of the EcoManager system with Arriva in mainland Europe in the current year.

In addition to EcoManager and passenger counting we have a number of exciting pipeline products under development. In October 2008, in conjunction with Transport for London we launched a trial of an on-bus CCTV system giving a live picture feed back to a central control centre monitored by TfL and the Metropolitan Police.

### Vehicle installation services

The principal activities within this division are:

- (i) installation of public transport monitoring systems for 21<sup>st</sup> Century;
- (ii) replacement and installation of in-car entertainment and navigation systems for insurance company customers;
- (iii) installation services for the embryonic black-box motor insurance market.

The original core activity of this division was the provision of replacement units for stolen in-car entertainment systems to the insurance market. We have flagged the decline in this market for a number of years which has resulted from improvements in vehicle security and the fact that in newer vehicles, in-car entertainment systems are now integrated into the dash board. Up until the end of 2007 the division also generated significant income from the installation of hands-free mobile 'phone kits. The main activity of this division now, however, is in support of the activities of 21<sup>st</sup> Century and so its contribution to the group is largely measured by the results of the PTMS division.

Third party sales - insurance and hands-free kit installations - are down by nearly 70% (£5.8m) compared to 2007. At the end of 2007 our mobile 'phone hands-free installation contract with Unipart ended. This contract had contributed £4.2m to sales in 2007. The remainder of the reduction in turnover in this division is attributable to the maturing audio insurance replacement business. We had hoped that this division would receive a boost from sales of black-box related motor insurance products; however, while sales have been steady, the growth in this sector has been disappointing. During the year we reduced headcount within the division and, while we remain alert to other vehicle installation opportunities, our focus will continue to be installations of public transport monitoring systems.

### Distribution

The principal activity of this division is the distribution of motorcycle alarms and accessories through our Datatool business. While Datatool's sales at £1.7m (2007: £1.9m) were slightly down on last year, the Thatcham approved 'Datatool S4' bike alarm is now the UK's number one selling brand and the division continues to make a positive contribution to group results.

### Net operating expenses

Net operating expenses for continuing activities as reported above were £6.8m compared to £7.0m in 2007. However the net operating expenses reported in 2007 under discontinued activities included £1.8m of "shared" overheads which could not be attributed directly to either continuing or discontinued operations. These overheads were split between the activities pro-rata to sales and included depreciation, warehouse costs and the support departments such as IT, Finance, Administration and Personnel along with the costs associated with being a public company. Total overheads for continuing activities in 2007, including an add back of the shared

## Chairman's statement

overheads previously allocated to discontinued operations were £8.8m. In 2008 we achieved net savings in overheads directly attributable to continuing activities of £1m and a further £1m reduction was achieved in operating expenses previously shared with discontinued operations. Consequently net operating expenses for continuing operations, after adjustment for last year's shared overheads, were reduced by £2m to £6.8m in the year.

### Land and buildings – impairment loss

In October 2008 we announced an option agreement to dispose of the group's freehold premises in Mitcham, Surrey for £2.7m. The carrying value of these premises in our balance sheet as at 31 December 2007, which was based upon a revaluation carried out in December 2004, was £3.5m. After the normal depreciation charge for the year ended 31 December 2008 this carrying value would have reduced to £3.4m.

However, subsequent to the disposal of a number of our distribution businesses at the end of 2007 our operations in Mitcham have contracted, so that the Mitcham property is currently under-utilised. In the opinion of the directors therefore, as at 31 December 2008, the value in use of this property had reduced. Consequently, the consolidated income statement for 2008 includes a provision of £0.7m for the write down in the carrying value of the freehold property to its estimated recoverable amount of £2.7m. There is also a credit of £0.3m in the consolidated income statement in respect of a reversal of the deferred tax provision required on the revaluation surplus. In arriving at this recoverable amount we have assumed that the sale of the property under the option agreement will proceed but this is dependent on the purchaser obtaining planning permission for the redevelopment of the site. We understand that their planning application is progressing but is still at an early stage.

### Outlook

We are looking forward to building on the considerable success achieved by our Public Transport Monitoring Systems division in the year. The final quarter of 2008 was particularly encouraging with record sales achieved within PTMS and I am particularly pleased to report that the momentum from this has continued into the first quarter of 2009.

Peter Ward  
Chairman

25 March 2009

## Directors' biographical details

### **Peter Ward, Non-executive Chairman**

Peter Ward, 63, joined TG21 plc in 2001 as Non-executive Chairman. Peter has spent most of his career in the motor industry, previously working for Rolls-Royce Motor Cars Ltd where he was appointed Chief Executive in 1987 and Chairman and Chief Executive from 1991 to 1995. In 1993 he also became Managing Director Operations of Vickers plc. In 1995 he joined the board of Trafalgar House plc and became Chairman and Chief Executive of Cunard Line Ltd. From 1997 until 2001 he was CEO of Hong Kong listed Jardine International Motor Holdings. Peter is Executive Chairman of Raymarine plc and also a member of the European Advisory Board for Harley-Davidson Inc.

### **Nicholas Grimond, Chief Executive**

Nick Grimond, 42, was Group Operations Director of Sextons, which he joined in 1984, until it was acquired by TG21 plc. He joined the board of TG21 plc in 1998 and was made Managing Director in 2003 and Chief Executive in October 2005.

### **Wilson Jennings, Finance Director and Company Secretary**

Wilson Jennings, 48, joined TG21 plc from Isis Research plc, a multi-national market research company where he was Finance Director for five years. In addition to the international experience gained with Isis, he has extensive corporate finance experience with PricewaterhouseCoopers. Wilson joined the board in March 2000.

### **David Voss, Non-executive Director and Senior Independent Director**

David Voss, 59, who joined the TG21 plc board in March 2002, was formerly Managing Director of PHH Services and PHH Leasing in the UK and a director of Hertz Europe. He was also founder and Managing Director of VELO Ltd, a subsidiary of Dresdner Kleinwort Benson and a director of Kleinwort Benson Limited. He is currently Chairman of Pinpoint Visualisation Limited and a director of Aldous Holdings Limited and Frogmill Management Company Limited.

## Report on corporate governance

### The workings of the board and its committees

#### The Board

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

Biographies of the directors including details of their experience and role within the group are set out on page 6.

#### Attendance at meetings

The full board met eleven times in 2008. All of the directors were in attendance at these meetings. The Chairman held a separate meeting with the other non-executive director on each occasion that the full board met.

#### The Audit Committee

During 2008 the audit committee comprised Peter Ward and David Voss who is its chairman. The audit committee's remit is set out in its terms of reference. The committee met with the auditors twice during the year. The committee assists the board in ensuring that the group's published financial statements give a true and fair view and, where the auditors provide non-audit services, that their objectivity and independence is safeguarded. The audit committee reviews arrangements by which the staff of the company 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

During 2008 the remuneration committee comprised Peter Ward and David Voss who is its chairman. One meeting of the committee was held during 2008. The committee is responsible for making recommendations to the board on the remuneration of senior executives and all directors.

#### The Nomination Committee

The nomination committee is comprised of David Voss and Peter Ward who is its 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. The nomination committee did not meet during 2008.

#### Election and re-election of directors

All directors of the company are subject to election by shareholders at the first Annual General Meeting 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.

## Report on corporate governance

### 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.tg21plc.com](http://www.tg21plc.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. In accordance with the guidance of the Turnbull Committee on internal control, the procedures are regularly reviewed in the light of an ongoing process to identify, evaluate and manage the significant risks faced by the group. The procedures are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The process has been in place for the full year under review and up to the date of approval of the annual report and accounts.

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

### Management structure

The board has overall responsibility for the group and there is a formal schedule of matters specifically reserved for decision by the board. Each executive director has been given responsibility for specific aspects of the group's affairs. The executive directors, together with key senior executives, constitute the management committee, which meets weekly, to discuss day-to-day operational matters.

### Control environment

The group's control environment is the responsibility of the group's directors and managers at all levels. A review of the key risks facing the business and the effectiveness of the group's internal controls was last performed in December 2008. During the year the board reviewed and updated its internal control arrangements to ensure they remained appropriate.

### Main control procedures

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

### Monitoring system used by the board

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

### Internal audit

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

### Going concern

After making enquiries, 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 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## Report on directors' remuneration

As an AIM company the company is not required to comply with the Directors' Remuneration Report Regulations 2002. Nevertheless, the board prefers to follow best practice and has therefore prepared the following report which meets the majority of these regulations and will be put to the shareholders for approval at the Annual General Meeting.

This remuneration report sets out the company's policy on the remuneration of executive and non-executive directors together with detail of directors' remuneration packages and service contracts.

### Remuneration committee

For the financial year ended 31 December 2008, 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.

Other than medical expenses cover given to Peter Ward, 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 other than share options.

### Remuneration policy for executive directors

The company's remuneration policy for executive directors is to:

- (a) have regard to the directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality;
- (b) link individual remuneration packages to the group's long-term performance through the award of share options and discretionary bonus schemes;
- (c) provide employment-related benefits including life assurance, insurance relating to the director's duties and medical insurance.

The directors' annual basic pay increases mirror those awarded to the staff – it is the intention to gradually increase the proportion of directors' remuneration which is linked to performance criteria.

A key focus for the board has been to try to improve the profitability and share price of the company and to this end the performance criteria attaching to the share options have been linked to growth in either the earnings per share or share price from the date of grant.

## Report on directors' remuneration

### Salaries and benefits

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. Executive directors' salaries were last reviewed in March 2009.

### Directors' service contracts

Details of individual directors' service contracts are as follows:

	<i>Contract date</i>	<i>Unexpired term</i>	<i>Notice period</i>
<i>Executive</i>			
N Grimond	1 January 2001	None	12 months
W W Jennings	1 January 2001	None	12 months

The non-executive directors do not have a service contract but their terms are set out in letters of appointment. The letter of appointment for Peter Ward is dated 1 January 2007 and that for David Voss is dated 26 February 2002. The non-executive directors' appointments are terminable with six months' notice.

The directors are required to retire by rotation. The director retiring by rotation at the forthcoming Annual General Meeting is David Voss.

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

### Non-executive directorships

With the permission of the board the executive directors may accept appointments as non-executive directors. Any fees related to such employment may be retained by the director concerned.

### Directors' detailed emoluments

Details of individual director's emoluments for the year are as follows:

	Salary and fees	Benefits	<b>Total</b>	Total
			<b>2008</b>	2007
<i>Executive</i>	£	£	£	£
N Grimond	170,035	1,800	<b>171,835</b>	248,787
W W Jennings	140,719	1,496	<b>142,215</b>	193,380
<i>Non-executive</i>				
D A H Voss	26,000	-	<b>26,000</b>	26,000
P T Ward	65,000	2,812	<b>67,812</b>	67,672
	401,754	6,108	<b>407,862</b>	535,839

## Report on directors' remuneration

### **Share options**

At 31 December 2008 the company had five employee share option schemes: the 1994 Unapproved Executive Share Option Scheme ("the 1994 Scheme"), the 1995 Unapproved Executive Share Option Scheme ("the 1995 Scheme"), the 1997 (No.3) Unapproved Executive Share Option Scheme ("the 1997 Unapproved Scheme"), the 1997 Approved Employee Share Option Plan ("the 1997 Approved Scheme"), the 2004 Enterprise Management Incentive Plan ("the 2004 EMI Scheme") and six (2007: six) individual director schemes.

The 1994 Scheme is administered by the directors and may only be granted to employees and directors of the company at the board's discretion. No further options are to be granted under this scheme.

The 1995 Scheme has terms substantially similar to those of the 1994 Scheme. Options are only granted at the discretion of the remuneration committee to employees of the group, but exclude the company's executive and non-executive directors. No further options are to be granted under this scheme.

The 1997 Unapproved Scheme was approved by shareholders of the company on 6 January 1997 and amended by resolution of shareholders on 18 May 2004. The scheme is administered by the remuneration committee and options may only be granted to employees and directors of the group at the discretion of the committee. Options may be granted at any time other than during a prohibited period for dealings under the Model Code for securities transactions set out in the UK Listing Rules.

The 1997 Approved Scheme was established by the company on 20 October 1997, and approved by the Inland Revenue under Schedule 9 of the Income and Corporation Taxes Act 1988.

The 2004 EMI Scheme was approved by shareholders on 18 May 2004. The EMI Scheme operates in substantially the same way as the 1997 Unapproved Scheme but participants are able to take advantage of tax concessions applicable to EMI options. The vesting of any new options issued under this scheme has been linked to the achievement of profit growth targets.

The non-executive director schemes were established on 20 November 2001, 22 March 2002, 19 March 2004, 9 May 2005 and 12 April 2006. .

### **Directors' interests in share options**

Directors' interests in the share options are disclosed in note 25 to these financial statements.

### **Directors' interests in shares**

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

## Directors' report

The directors present their report and the group financial statements for the year ended 31 December 2008.

### Results and dividend

The group made a loss for the year after tax and minority interest of £0.8m (2007, profit: £0.5 million). The directors do not recommend the payment of a dividend (2007: £nil).

### Principal activities and business review

The group operates in three divisions:

#### Public transport monitoring systems ("PTMS")

Principal activities in this division are the supply of CCTV, black-box and other monitoring systems for use on public transport vehicles.

#### Vehicle installation services

Principal activities within Vehicle Installation Services are the supply and installation of public transport monitoring systems, replacement of stolen in-car entertainment and navigation systems for insurance company customers and the installation of black-box units for the telematics based motor insurance market.

#### Distribution

Principal activities within Distribution during the year consisted of the distribution of the Datatool motorcycle alarm and other motor cycle accessories.

#### Business environment

The group disposed of its in-car entertainment and vehicle security distribution businesses at the end of 2007. These disposals proved timely as the motor industry suffered the impact of recession in 2008. Insurance replacement of stolen in-car entertainment systems continues to decline and sales in the embryonic telematics based motor insurance market have been disappointing. However the group is now focussed on the public transport market. On board CCTV sales have continued to grow and we have developed new products, principally EcoManager with passenger counting, which could provide a platform for future growth in the UK and overseas.

#### Strategy and key performance indicators

##### *Public transport monitoring systems*

Having successfully exited a number of the legacy businesses, the focus now is to develop our presence within the public transport monitoring systems market.

Our success in this market will come through building on the existing customer base and developing new products.

During the year 21<sup>st</sup> Century won repeat business from Arriva and Go-Ahead as well as winning new business from several smaller bus operators. Having successfully completed trials of its EcoManager and passenger counting system the group made its first sales of this product in the year which contributed significantly to the increase in sales achieved by the PTMS division.

## Directors' report

### *Net debt and cash generation*

A key objective for the group has been to manage cash flow through tight working capital control and to reduce net debt as quickly as possible. Key performance indicators are therefore the amount of cash generated by the group, the volume of order generation and the management of working capital. During the year the group generated £0.7m (2007: £1.4m) from operating activities and opening group net debt of £0.6m was reduced to nil by the end of the year.

### **Principal risks and uncertainties**

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

#### *Dependence on major customers*

Within the vehicle installation and public transport services divisions there is a high dependence on a relatively small number of customers and consequently the loss of one single customer would have a significant impact on the business. This risk is mitigated by monitoring and managing the business' key performance indicators, such as response times and customer satisfaction surveys, which are agreed with most of these customers. A key focus is to win new business in the PTMS market and thereby reduce reliance on the existing customer base.

#### *Dependence on key suppliers*

During the year the group has experienced problems with supplies from some of its key suppliers who have faced financial problems as a result of the world wide downturn in the economy and logistical problems in delivering their products on a timely basis. Wherever possible the group endeavours to retain a choice of suppliers for its component and finished goods and in instances where we are currently reliant on one supplier we are constantly looking for potential alternative suppliers.

#### *Competition*

The group operates in highly competitive markets and there is significant pressure to maintain quality of service and reduce costs. The sales team have ready access to market pricing information so that they can respond appropriately to price movements. Quality of service is monitored through questionnaires given to our installation customers and through reviews of the key performance indicators agreed with our customers.

#### *Technology*

The continued success of the group's activities within the PTMS market depends upon it keeping pace with changes and improvements in technology. The group has dedicated resources to enhancing its existing products and is investing in the development of new products.

#### *Decline of our legacy businesses*

The business has its foundation in several markets which are now mature or in decline. In recent years we have moved into new growth markets and exited a number of the mature and declining sectors but the risk remains that reduced sales from the remaining legacy businesses will impact more quickly than opportunities offered by these new markets can be exploited.

## Directors' report

### Financial risk management

The group's principal financial instruments comprise bank loans and cash. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial instruments such as trade debtors and trade creditors 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 doubtful receivables. Exposure to this risk is mitigated by careful evaluation of the granting of credit and close monitoring and management of collections from trade debtors.

#### Liquidity and interest rate risk

The group's policy on funding capacity is to ensure that we have sufficient long term funding and facilities in place to meet foreseeable peak borrowing requirements. During 2008, the company had a Sterling term loan facility of £1,000,000 and a Sterling overdraft facility of £1,000,000. These facilities were at floating rates of interest linked to LIBOR. At 31 December 2008 the term loan was reduced to £500,000 and the group had net cash at bank of £702,000. The group's policy is to ensure that sufficient resources are available to service all debt by utilising prudent cash flow forecasts.

#### Foreign currency risk

Several components used in our PTMS systems and the Datatool alarm are sourced from overseas suppliers who invoice in US Dollars. In addition, as PTMS extends its operations into Europe, an increasing proportion of transactions will be denominated in Euro. Consequently the group is exposed to fluctuations in Sterling against the US Dollar and the Euro. 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

Cash balances at the bank exceed group borrowings and the board believes that the group is in a strong position to develop opportunities within the growing public transport solutions market.

### 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 note 25 to the financial statements) were as follows:

	31 December 2008	31 December 2007
<b>The company</b> – ordinary 10p shares		
N Grimond	2,021,739	2,021,739
W W Jennings	784,921	784,921
D A H Voss	859,913	859,913
P T Ward	2,125,365	2,125,365

## Directors' report

The share interests at 31 December 2008 and 31 December 2007 include the interest of D A H Voss in 244,487 shares registered in nominee accounts.

Apart from the interests disclosed above no directors held interests at any time in the year in the share capital or loan stock of the company or other group companies and there have been no changes between the year end and the date of this report.

### Land and buildings

The group announced on 20 October 2008 that we have signed an option agreement to dispose of the group's freehold premises in Mitcham, Surrey for £2.7m. The carrying value of these premises in our balance sheet as at 31 December 2007, which was based upon a revaluation carried out in December 2004, and taken as deemed cost on transition to International Financial Reporting Standards, was £3.5m. After the normal depreciation charge for the year ended 31 December 2008 this was reduced to £3.4m.

However, subsequent to the disposal of a number of our distribution businesses at the end of 2007, our operations in Mitcham have contracted significantly, so that the Mitcham property has become under-utilised and the directors consider that the value in use of this property has therefore reduced. Consequently, the consolidated income statement of the group for 2008 includes a provision of £0.7m for the write down in the carrying value of the freehold property to its estimated recoverable amount of £2.7m. There is also a credit of £0.3m in the consolidated income statement in respect of a reversal of the deferred tax provision required on the profit that would arise if the property were disposed of for £2.7m.

### Research and development activities

The group maintains sufficient research and development resource in-house to ensure its market leading public transport monitoring systems remain cutting edge.

We constantly review the market place for any new technologies which might make a profitable contribution to the business and look to research and develop innovative solutions to produce new and improved products and services.

### Disabled employees

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

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

## Directors' report

### 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 experience.

### Creditor payment policy

The company's policy in relation to its suppliers is to:

- (a) settle the terms of payment with those suppliers when agreeing the terms of each transaction,
- (b) ensure that those suppliers are aware of the terms of payment by inclusion of the relevant terms in contracts, and
- (c) pay in accordance with contractual and other legal obligations.

The group's average creditor payment period at 31 December 2008 was 59 days (2007: 35 days) and that of the company was nil days (2007: nil days).

### Charitable donations

During the year the group made no charitable donations (2007: £2,400).

### Disclosure of information to auditors

Each director of the company confirms that:

- (a) so far as the director is aware there is no relevant audit information of which the company's auditors are 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 company's auditors are aware of that information.

By order of the board

W W Jennings  
Secretary  
25 March 2009

## **Statement of directors' responsibilities in respect of the financial statements**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

The directors are responsible for the maintenance and integrity of the group's website and wish to highlight that legislation in the UK covering the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Auditors' report on the group financial statements**

### **Nexia Smith & Williamson**

#### **Independent auditors' report to the shareholders of TG21 plc**

We have audited the group financial statements (the 'financial statements') of TG21 plc for the year ended 31 December 2008 which comprise the Group Income Statement, the Group Balance Sheets, the Group Cash Flow Statements, the Group Statement of Recognised Income and Expense and the related notes 1 to 30. These group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the group financial statements in accordance with applicable law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Report on Directors' remuneration and the Report on Corporate Governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements and the part of the Directors' Remuneration report to be audited.

## Auditors' report on the group financial statements

### *Opinion*

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985, of the state of the group's affairs as at 31 December 2008 and of the group's loss for the year then ended; and
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the group financial statements.

**Nexia Smith & Williamson**

Chartered Accountants

Registered Auditors

**25 Moorgate**

London

EC2R 6AY

Date 25 March 2009

*The maintenance and integrity of the TG21plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

*Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

## Consolidated income statement

for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Continuing operations</b>			
Revenue	2	12,217	15,455
Cost of sales		(4,864)	(7,020)
<b>Gross profit</b>		<b>7,353</b>	8,435
Other operating income		103	108
Administrative expenses – property impairment	12	(720)	-
Administrative expenses – restructuring costs		(144)	(46)
Administrative expenses - other		(6,898)	(7,137)
Administrative expenses - total		(7,762)	(7,183)
<b>Operating (loss)/profit</b>		<b>(306)</b>	1,360
Provision for associate loan	13	(430)	-
Finance costs	4	(70)	(271)
<b>(Loss)/profit before taxation</b>	5	<b>(806)</b>	1,089
Taxation	6	320	(100)
<b>(Loss)/profit for the period from continuing operations</b>		<b>(486)</b>	989
<b>Discontinued operations</b>			
Profit/(loss) for the period from discontinued operations	7	22	(353)
<b>(Loss)/profit for the period</b>		<b>(464)</b>	636
Attributable to:			
Equity holders of the parent	27	(764)	503
Minority interest		300	133
		<b>(464)</b>	636
<b>Earnings per share</b>			
From continuing operations	9		
Basic and diluted		<b>(0.96)p</b>	1.05p
From continuing and discontinued operations			
Basic and diluted		<b>(0.94)p</b>	0.62p

## Consolidated statement of recognised income and expense

for the year ended 31 December 2008

	2008	2007
	£'000	£'000
(Loss)/profit for the year and total recognised income and expense for the year	<u>(464)</u>	<u>636</u>
	<u>(464)</u>	<u>636</u>
Group	(764)	503
Minority interest	300	133
	<u>(464)</u>	<u>636</u>

## Consolidated balance sheet

At 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	10	4,850	4,850
Other intangible assets	11	388	511
Property, plant and equipment	12	2,922	3,837
Deferred tax asset	14	212	226
		<u>8,372</u>	<u>9,424</u>
<b>Current assets</b>			
Inventories	15	1,501	1,291
Trade and other receivables	16	2,727	4,566
Cash and cash equivalents	17	2,172	2,965
		<u>6,400</u>	<u>8,822</u>
<b>Total assets</b>		<b>14,772</b>	<b>18,246</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	(2,748)	(3,682)
Current tax liabilities	19	-	(70)
Bank loans and overdrafts	20	(1,970)	(2,444)
Provisions	22	(72)	(72)
		<u>(4,790)</u>	<u>(6,268)</u>
Net current assets		<b>1,610</b>	<b>2,554</b>
<b>Non-current liabilities</b>			
Bank loans	21	-	(1,150)
Provisions	22	(275)	(337)
Deferred tax liabilities	23	(362)	(626)
		<u>(637)</u>	<u>(2,113)</u>
<b>Total liabilities</b>		<b>(5,427)</b>	<b>(8,381)</b>
<b>Net assets</b>		<b><u>9,345</u></b>	<b><u>9,865</u></b>

## Consolidated balance sheet

At 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Shareholders' equity</b>			
Share capital	25	8,169	8,169
Share premium account	26	3,387	3,387
Special reserve	26	1,206	1,206
Other reserve	26	43	43
Retained earnings	26	(3,778)	(3,091)
		<b>9,027</b>	9,714
<b>Equity attributable to equity holders of the parent</b>			
Minority interests	25	318	151
		<b>9,345</b>	9,865
<b>Total equity</b>			

The financial statements were approved by the board of directors and authorised for issue on 25 March 2009 and were signed on its behalf by:

P T Ward  
Chairman

W W Jennings  
Finance Director

## Consolidated cash flow statement

for the year ended 31 December 2008

	Notes	2008	2007
		£'000	£'000
<b>Net cash generated from operating activities</b>	29	<b>693</b>	1,373
<b>Cash flow from investing activities</b>			
Disposal of discontinued operations	7	<b>395</b>	1,547
Purchases of property, plant and equipment		<b>(48)</b>	(78)
Purchases of intangible fixed assets		<b>(76)</b>	(158)
<b>Net cash generated from investing activities</b>		<b>271</b>	1,311
<b>Cash flow from financing activities</b>			
Repayment of borrowings		<b>(1,150)</b>	(1,350)
(Decrease)/increase in bank overdrafts		<b>(474)</b>	912
Dividend paid to minority interest		<b>(133)</b>	(26)
<b>Net cash used in financing activities</b>		<b>(1,757)</b>	(464)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(793)</b>	2,220
<b>Cash and cash equivalents at beginning of year</b>		<b>2,965</b>	745
<b>Cash and cash equivalents at end of year</b>		<b>2,172</b>	2,965

Other than the disposal proceeds disclosed above there was no cash flow from investing activities relating to the discontinued operations. Cash flows from operating and financing activities attributable to the discontinued operations cannot be meaningfully distinguished from those relating to continuing operations.

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 1. 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 issued and adopted early and endorsed by the European Union at the time of preparing these financial statements and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. A summary of the more important group accounting policies is set out below.

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

#### (i) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the group to estimate future cash flows expected to arise from the cash generating unit at a suitable discount rate in order to calculate the present value.

#### (ii) Provision for obsolete and slow moving inventory

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

#### (iii) Share based payments

In determining the fair value of equity settled share based payments and the related charge to the income statement, the group makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using the Black Scholes valuation model. At each balance sheet date 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 income statement with a corresponding adjustment to equity.

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 1. Significant accounting policies applied to the consolidated financial statements of the group (continued)

#### *Basis of consolidation*

The group financial statements include the results of the company and entities controlled by the company (its subsidiary undertakings) made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The acquisition of subsidiaries is accounted for using the purchase method. The results of subsidiaries sold or acquired are included in the consolidated income statement up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

Minority interest is calculated as the post tax share of the results from subsidiary undertakings attributable to the minority interest. Minority interests have been disclosed separately from the group's profit and shareholders' equity and stated as a separate item.

#### *Associates*

An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Associated undertakings are accounted for using the equity method. The consolidated income statement includes the group's share of the associates' post tax profits less losses, where appropriate, while the group's share of the net assets of the associates less losses (to the extent that those losses do not exceed the net investment in the associate) are shown on the consolidated balance sheet. Any goodwill is included in the carrying value of the investment in associates. On acquisition, the group's share of the associates' assets and liabilities is recorded at fair values reflecting their condition at that date. Where these fair values are provisional, adjustments are made where deemed appropriate in the hindsight period which is the first full year after acquisition.

#### *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 balance sheet and amortised on a straight line basis over its useful economic life of 10 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 income statement and may not be subsequently reversed. Goodwill previously eliminated has not been reinstated on implementation of IAS 38 as permitted by IFRS 1.

On disposal of a subsidiary or business, the attributable goodwill is included in the determination of profit or loss on disposal.

#### *Revenue*

Revenue represents amounts invoiced to customers, net of value added tax and trade discounts. Revenue from sales of equipment is recognised on delivery to the customer. Where the sale of equipment includes installation, the turnover is recognised once the installation has been completed.

#### *Taxation*

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement 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 substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 1. Significant accounting policies applied to the consolidated financial statements of the group (continued)

Deferred tax is provided using the balance sheet 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.

#### *Property, plant and equipment*

The cost of tangible fixed assets is their purchase price or, in the case of property included at its valuation prior to the adoption of IFRS, the revalued amount is taken as deemed cost.

Depreciation is calculated so as to write off the cost of tangible fixed assets 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:

	%
Freehold buildings	2
Motor vehicles	25
Plant and equipment	20-33

Freehold land is not depreciated.

#### *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.

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 1. Significant accounting policies applied to the consolidated financial statements of the group (continued)

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 income statement.

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, trademarks and patents which can be separately identified are capitalised as intangible assets at cost of acquisition and amortised over their estimated useful economic lives of between 3 and 20 years on a straight line basis. Intangible assets acquired as part of a business combination are stated in the balance sheet at their fair value at the date of acquisition and amortised over their estimated useful lives.

#### *Research and development*

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

Development expenditure is capitalised where it relates to a specific project where technical feasibility has been established, adequate technical, financial and other resources exist to complete the project, the expenditure attributable to the project can be measured reliably and overall project profitability is reasonably certain. In this case, it is recognised as an intangible asset and amortised over its useful economic life pro-rata to the number of units sold. All other development expenditure is recognised as an expense in the period in which it is incurred.

#### *Inventories*

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

#### *Cash and cash equivalents*

Cash and cash equivalents comprises cash balances and call deposits with maturity of less than or equal to three months.

#### *Financial instruments*

##### *Derivative financial instruments*

The group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. These financial instruments are included in the balance sheet as assets or liabilities at their fair values. The group does not use derivative financial instruments for speculative purposes but its financial instruments do not qualify for hedge accounting and consequently changes in their fair values are recognised in the income statement as they arise.

##### *Bank borrowings*

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Other finance charges including interest are accounted for on an accruals basis in the income statement in the period in which they are incurred.

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 1. Significant accounting policies applied to the consolidated financial statements of the group (continued)

#### *Trade receivables and trade payables*

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 income statement when there is objective evidence that the asset is impaired.

#### *Leasing and hire purchase commitments*

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

#### *Pensions*

The group operates a defined contribution scheme. The pension cost charge to the income statement 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 balance sheet 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 balance sheet date or if appropriate at the forward contract rate. All differences are taken to the income statement.

#### *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 options granted after 7 November 2002 are measured at their fair value at the date of grant using a Black Scholes model. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based upon the group's estimate of participants eligible to receive shares at the point of vesting.

#### *Discontinued operations*

Disposal groups are classified as discontinued operations where they represent a major line of business.

#### *Impact of standards not yet effective*

The International Accounting Standards Board has issued a number of international financial reporting standards which are effective for future accounting periods of the group.\* The directors do not anticipate that the adoption of any of these would make a material impact on these financial statements. (\*Relevant amendments: IAS1, IAS23, IAS27, IAS32, IFRS1, IAS27, IFRS2, IFRS3, IFRIC9 and IAS 39 and new: IFRS8)

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 2. Segmental reporting

The analysis by business area is based upon the group's reporting structure.

<b>2008 Continuing operations</b>	<b>Public transport monitoring systems £'000</b>	<b>Vehicle installation services £'000</b>	<b>Distribution £'000</b>	<b>Unallocated £'000</b>	<b>Total £'000</b>
Total revenue	7,733	7,046	1,697	-	16,476
Inter-segment sales	-	(4,259)	-	-	(4,259)
External revenue	<u>7,733</u>	<u>2,787</u>	<u>1,697</u>	<u>-</u>	<u>12,217</u>
Operating profit/(loss) before impairment loss, restructuring costs and provision for associate loan	1,636	(1,123)	45	-	558
Impairment of freehold property	-	-	-	(720)	(720)
Restructuring costs	(18)	(121)	(5)	-	(144)
Provision for associate loan	(430)	-	-	-	(430)
Operating profit/(loss)	<u>1,188</u>	<u>(1,244)</u>	<u>40</u>	<u>(720)</u>	<u>(736)</u>
Depreciation	(32)	(170)	(41)	-	(243)
Amortisation	(47)	(122)	(30)	-	(199)
Capital expenditure	83	33	8	-	124
Total assets	<u>9,821</u>	<u>3,561</u>	<u>1,390</u>	<u>-</u>	<u>14,772</u>
Total liabilities	<u>1,405</u>	<u>1,946</u>	<u>469</u>	<u>1,607</u>	<u>5,427</u>

#### 2008 - Discontinued operations

Distribution

£'000

Revenue	<u>-</u>
Operating profit arising from write back of provisions	122
Provision against deferred disposal proceeds	(100)
Operating profit	<u>22</u>

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 2. Segmental reporting (continued)

2007 Continuing operations	Public transport monitoring systems £'000	Vehicle installation services £'000	Distribution £'000	Unallocated £'000	Total £'000
Total revenue	4,961	11,409	1,873	-	18,243
Inter-segment sales	(4)	(2,784)	-	-	(2,788)
External revenue	<u>4,957</u>	<u>8,625</u>	<u>1,873</u>	-	<u>15,455</u>
Operating profit before restructuring costs	545	782	79	-	1,406
Restructuring costs	-	(46)	-	-	(46)
Operating profit	<u>545</u>	<u>736</u>	<u>79</u>	-	<u>1,360</u>
Depreciation	(10)	(122)	(20)	-	(152)
Amortisation	-	(70)	(12)	-	(82)
Capital expenditure	135	88	8	-	231
Total assets	<u>8,443</u>	<u>4,590</u>	<u>1,286</u>	-	<u>14,319</u>
Total liabilities	<u>1,577</u>	<u>1,478</u>	<u>243</u>	<u>3,199</u>	<u>6,497</u>

#### 2007 - Discontinued operations

	Distribution £'000
Revenue	<u>11,096</u>
Operating loss before disposal costs and proceeds	(364)
Restructuring costs	(262)
Write down of inventories following disposals of businesses	(200)
Onerous lease provision	(409)
Operating loss before proceeds from disposals of businesses	<u>(1,235)</u>
Profit on sale of business	957
Operating loss after proceeds from disposals of businesses	<u>(278)</u>
Depreciation	(137)
Amortisation	(66)
Capital expenditure	5
Total assets	<u>3,927</u>
Total liabilities	<u>1,884</u>

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 2. Segmental reporting (continued)

#### *Geographical Segments*

Revenue by location of customer:

	2008	2007
	£'000	£'000
<b><i>Continuing operations</i></b>		
Netherlands	52	42
Scandinavia	365	151
UK	11,726	15,209
Other EC	59	53
USA	15	-
	<b>12,217</b>	<b>15,455</b>
<b><i>Discontinued operations</i></b>		
Eire	-	160
UK	-	10,936
	-	11,096
Total revenue	<b>12,217</b>	<b>26,551</b>

All assets and liabilities of the group are located in the UK.

### 3. Employee information

The average monthly number of persons (including executive directors) employed by the group during the year was:

	2008	2007
	Number	Number
By activity:		
Administration	34	42
Technical	6	8
Operations	65	124
	<b>105</b>	<b>174</b>
<b><i>Staff costs (for the above persons):</i></b>		
	2008	2007
	£'000	£'000
Wages and salaries	3,525	5,246
Social security costs	393	537
Share-based payments	77	106
Pension costs	86	97
	<b>4,081</b>	<b>5,986</b>
<b><i>Key management compensation</i></b>		
	2008	2007
	£'000	£'000
Salaries and short-term employee benefits	1,102	1,271
Social security costs	141	162
Termination benefits	30	26
Share-based payments	77	106
Pension costs	76	70
	<b>1,426</b>	<b>1,635</b>

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 3. Employee information (continued)

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, distribution, personnel and IT. Directors' emoluments included above are:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Total directors' emoluments	<b>408</b>	536
Highest paid director emoluments	<b>172</b>	249

Directors' detailed emoluments are disclosed in the Report on Directors Remuneration. No director waived emoluments in the year (2007: nil).

### 4. Finance costs

	Continuing operations		Discontinued operations		Total	
	<b>2008</b>	2007	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£'000</b>	£'000	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Interest payable on bank loans and overdrafts	<b>70</b>	271	-	76	<b>70</b>	346

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 5. Profit on ordinary activities before taxation

This is stated after charging:

	Continuing operations		Discontinued operations		Total	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Operating lease rentals:						
- Rent of land and buildings	130	127	-	80	130	207
- Hire of plant and machinery	244	304	-	49	244	353
Depreciation:						
- Tangible fixed assets owned	243	152	-	137	243	289
Amortisation of Intangible fixed assets	199	82	-	66	199	148
Inventories – consumed and recognised as expense in cost of sales	4,839	7,020	-	8,554	4,839	15,574
Write down of inventories	163	159	-	230	163	389
Trade receivables impairment	42	137	-	92	42	229
Share based remuneration charge	77	106	-	-	77	106
Restructuring costs	144	46	-	262	144	308
Onerous lease provision	-	-	-	409	-	409
Provision against associate loan	430	-	-	-	430	-
Impairment of freehold property	720	-	-	-	720	-

Profit on ordinary activities before taxation is also stated after charging:

	2008 £'000	2007 £'000
Auditors' remuneration :		
- Auditing of the group financial statements pursuant to legislation	17	25
- Auditing of subsidiaries of the company pursuant to legislation	30	40
- Other services relating to taxation	29	14

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 6. Taxation

(a) Analysis of charge in year:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<i>Current tax</i>		
UK corporation tax on the profit for the year (28.5%)	-	20
UK corporation tax on profit of prior year (28.5%)	-	50
UK corporation tax overprovision in prior years	<b>(70)</b>	-
Total current tax (credit)/charge	<b>(70)</b>	70
Deferred tax (credit)/charge	<b>(250)</b>	30
Total tax (credit)/charge for the year	<b>(320)</b>	100

There was no tax payable on discontinued operations.

(b) Factors affecting the current tax charge for the year:

The tax assessed for the year differs from the standard rate of corporation tax in the UK (28.5%). The differences are explained below:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
(Loss)/profit on ordinary activities before tax	<b>(806)</b>	1,089
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	<b>(230)</b>	327
<i>Effects of:</i>		
Profit/(loss) on discontinued activities	<b>6</b>	(106)
Adjustment to prior year tax charge	<b>(70)</b>	50
Expenses not deductible for tax purposes	<b>240</b>	29
Capital allowances in excess of depreciation	<b>19</b>	(12)
Utilisation of tax losses	<b>(35)</b>	(218)
Current tax (credit)/charge for the year	<b>(70)</b>	70

(c) Deferred tax

The unrecognised and recognised deferred tax asset comprises the following:

<i>Group</i>	Unrecognised		Recognised	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Tax losses	<b>18</b>	-	-	-
Decelerated capital allowances	-	-	<b>212</b>	226
	<b>18</b>	-	<b>212</b>	226

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 6. Taxation (continued)

The movement on deferred tax is as follows:

	Debtor £'000	Creditor £'000
Balance brought forward at 1 January 2008	226	(626)
(Charge)/credit to profit and loss account	(14)	264
Balance carried forward at 31 December 2008	<b>212</b>	<b>(362)</b>

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

The deferred tax liability represents the potential tax payable on the unrealised revaluation surplus relating to the group's freehold property.

The net credit/(charge) to the income statement for the year comprises:

	<b>2008</b> £'000	2007 £'000
Reduction in deferred tax asset	<b>(14)</b>	(30)
Reduction in deferred tax liability	<b>264</b>	-
Net credit/(charge)	<b>250</b>	<b>(30)</b>

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 7. Discontinued operations

On 30 October 2007, the group entered into a sale agreement to dispose of its in-car entertainment distribution division and on 14 December 2007, the group entered into a sale agreement to dispose of its vehicle security division. The disposals were completed on these dates and from these dates the control of these divisions passed to the acquirers.

£690,000 of the sales proceeds payable by the acquirer for the vehicle security division was deferred and this deferred element of the consideration was payable by instalments during 2008. Although the acquirer has paid £395,000 during the year, not all of these instalments have been paid on a timely basis and, in the opinion of the directors, recovery of up to £100,000 of this deferred consideration is doubtful and consequently this amount has been provided for in full in the income statement to 31 December 2008.

A credit of £122,000 has been made to expenses in the income statement for the year ended 31 December 2008 in respect of the write back of provisions and other liabilities accrued at 31 December 2007 in respect of the discontinued operations.

The results of the discontinued operations which have been included in the consolidated income statement for the year were therefore as follows:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Revenue	-	11,096
Expenses – credit/(charge)	<b>122</b>	(12,406)
Profit/(loss) before and after tax*	<b>122</b>	(1,310)
(Loss)/profit on disposal of discontinued operations	<b>(100)</b>	957
Net profit/(loss) attributable to discontinued operations	<b>22</b>	(353)

\*There was no tax payable on discontinued operations.

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Book value of net assets sold		
Current assets – inventories	-	1,250
Non-current assets – property, plant and equipment	-	30
Net assets disposed of	-	1,280
(Provision against deferred sales proceeds)/gain on disposal	<b>(100)</b>	957
	<b>(100)</b>	2,237
Consideration paid in cash	-	1,547
Deferred sales proceeds	-	690
	-	2,237

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 8. Profit for the year of the parent company

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the year was £2,495,000 (2007, loss: £2,371,000).

### 9. 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.

	2008		2007	
	Earnings	Per share	Earnings	Per share
	£'000	amount	£'000	amount
		Pence		Pence
<b>From continuing and discontinued operations</b>				
Basic EPS				
Earnings attributable to ordinary shareholders	<b>(764)</b>	<b>(0.94)</b>	503	0.62
Diluted EPS				
Earnings	<b>(764)</b>	<b>(0.94)</b>	503	0.62
<b>From continuing operations</b>				
Basic EPS				
Earnings attributable to ordinary shareholders	<b>(764)</b>	<b>(0.94)</b>	503	0.62
Adjustment to exclude (profit)/loss from discontinued operations	<b>(22)</b>	<b>(0.02)</b>	353	0.43
Earnings from continuing operations	<b>(786)</b>	<b>(0.96)</b>	856	1.05
Diluted EPS				
Earnings from continuing operations (as above)	<b>(786)</b>	<b>(0.96)</b>	856	1.05

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

	2008	2007
	'000	'000
Weighted average number of shares	<b>81,689</b>	81,689

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 10. Goodwill

Goodwill acquired in a business combination is allocated at acquisition, to the cash generating units that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	Cash generating unit		Total goodwill £'000
	21 <sup>st</sup> Century goodwill £'000	Datatool goodwill £'000	
Deemed cost:			
At 1 January 2008	4,318	532	4,850
<b>At 31 December 2008</b>	<b>4,318</b>	<b>532</b>	<b>4,850</b>

#### *21<sup>st</sup> Century goodwill*

The company has acquired a 75% interest in 21<sup>st</sup> Century Crime Prevention Services Limited ("21<sup>st</sup> Century").

The company has an option to acquire the remaining 25% of 21<sup>st</sup> Century for £2.1m in cash. There is no fixed date for the exercise of this option and the option remains exercisable without time limit.

#### *Datatool goodwill*

Datatool goodwill represents the goodwill arising on the acquisition of Datatool (UK) Limited on 1 June 2001.

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding cash flow forecasts, growth rates and discount rates. The cash flow forecasts are derived from the most recent financial budgets approved by management and extrapolated in perpetuity assuming no growth. The discount rates needed to equate the net present value from these cash flows to the carrying value of goodwill are then compared to the required rate of return from the cash generating unit based upon an assessment of the time value of money, prevailing interest rates and the risks specific to the cash generating unit. If this discount rate is in excess of the required rate of return then it is assumed that no impairment has occurred to the carrying value of goodwill. The discount rates applied to equate the net present value of the forecast cash flows to the carrying value of goodwill were 32% for 21<sup>st</sup> Century and 19% for Datatool.

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 11. Other Intangible fixed assets

<i>2008 movements</i>	Development costs £000s	Purchased software £'000	Total £'000
Cost:			
At 1 January 2008	178	673	<b>851</b>
Additions	73	3	<b>76</b>
At 31 December 2008	<u>251</u>	<u>676</u>	<u><b>927</b></u>
Amortisation:			
At 1 January 2008	34	306	<b>340</b>
Charge for the year	64	135	<b>199</b>
At 31 December 2008	<u>98</u>	<u>441</u>	<u><b>539</b></u>
Net book value:			
At 31 December 2008	<u>153</u>	<u>235</u>	<u><b>388</b></u>
At 31 December 2007	<u>144</u>	<u>367</u>	<u>511</u>
 <i>2007 movements</i>			
Cost:			
At 1 January 2007	77	640	717
Additions	125	33	158
Disposals	(24)	-	(24)
At 31 December 2007	<u>178</u>	<u>673</u>	<u>851</u>
Amortisation:			
At 1 January 2007	18	175	193
Charge for the year	17	131	148
Disposals	(1)	-	(1)
At 31 December 2007	<u>34</u>	<u>306</u>	<u>340</u>
Net book value:			
At 31 December 2007	<u>144</u>	<u>367</u>	<u>511</u>
At 31 December 2006	<u>59</u>	<u>465</u>	<u>524</u>

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 12. Property, plant and equipment

<i>2008 movements</i>	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost:			
At 1 January 2008	3,786	2,556	<b>6,342</b>
Additions	-	48	<b>48</b>
At 31 December 2008	<u>3,786</u>	<u>2,604</u>	<u><b>6,390</b></u>
Depreciation:			
At 1 January 2008	292	2,213	<b>2,505</b>
Charge for the year	74	169	<b>243</b>
Impairment	720	-	<b>720</b>
At 31 December 2008	<u>1,086</u>	<u>2,382</u>	<u><b>3,468</b></u>
Net book amounts:			
At 31 December 2008	<u>2,700</u>	<u>222</u>	<u><b>2,922</b></u>
At 31 December 2007	<u>3,494</u>	<u>343</u>	<u>3,837</u>

<i>2007 movements</i>	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost:			
At 1 January 2007	3,786	2,845	6,631
Additions	-	78	78
Disposals	-	(367)	(367)
At 31 December 2007	<u>3,786</u>	<u>2,556</u>	<u>6,342</u>
Depreciation:			
At 1 January 2007	218	2,337	2,555
Charge for the year	74	215	289
Disposals	-	(339)	(339)
At 31 December 2007	<u>292</u>	<u>2,213</u>	<u>2,505</u>
Net book amounts:			
At 31 December 2007	<u>3,494</u>	<u>343</u>	<u>3,837</u>
At 31 December 2006	<u>3,568</u>	<u>508</u>	<u>4,076</u>

On 20 October 2008 the group entered into an option agreement to dispose of the freehold premises for £2.7m.

However, subsequent to the disposal of a number of our distribution businesses at the end of 2007, our operations in Mitcham have contracted significantly, so that the Mitcham property has become under-utilised and the directors consider that the value in use of this property has therefore reduced. Consequently, the consolidated income statement for the group for 2008 includes a provision of £0.7m for the write down in the carrying value of the freehold property to its estimated recoverable amount of £2.7m. There is also a credit of £0.3m in the consolidated income statement in respect of a reversal of the deferred tax provision required on the profit that would arise if the property were disposed of for £2.7m.

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 13. Associate

On 25 July 2006 TG21 entered into a loan and share option agreement with Cyberlyne Communications Limited ("CCL"). Under the agreement TG21 made a loan of £430,000 to CCL. In parallel with the loan agreement, CCL granted an option to TG21 to acquire 100% of CCL's share capital. The equity method of accounting for CCL as a 50% associate company was adopted from 29 September 2006, being the date that TG21 plc appointed its second nominated director to the board of CCL and the company thereby, in the opinion of the board of TG21 plc, was able to exercise significant influence over CCL. CCL is incorporated in the UK.

The option to acquire the share capital of CCL is valid until 30 June 2009, however, the directors of TG21 have decided not to take up this option and the TG21 nominated directors resigned from the board of CCL on 15 January 2009.

CCL was unable to repay the loan from TG21 which became due on 31 December 2008. The directors are continuing their discussions with the management of CCL to try to negotiate staged repayment terms for this loan but a full provision has been made for this amount in the consolidated income statement for the year ended 31 December 2008. The management accounts of CCL show it to have made a loss for the year to 31 December 2008 of £160,000 but because the group's share of these losses now exceed the group's interest in the associate and the group has no legal or constructive obligation to make payments on behalf of CCL, the consolidated income statement for the year to 31 December 2008 does not include the group's share of these losses. £160,000 is also the cumulative amount of unrecognised losses.

Details of the company's investments are:

<i>Interest in associate – Cyberlyne Communications Limited</i>	Net assets	Goodwill	Share of losses	Total interest in associate
	£'000	£'000	£'000	£'000
Cost:				
<b>At 1 January and 31 December 2008</b>	<b>(121)</b>	<b>146</b>	<b>(60)</b>	<b>(35)</b>

<i>Amounts relating to associate – Cyberlyne Communications Limited</i>	2008	2007
	£'000	£'000
Non-current assets	44	68
Current assets	710	972
Total assets	754	1,040
Current liabilities	(777)	(971)
Non-current liabilities	(499)	(431)
Total liabilities	(1,276)	(1,402)
Net liabilities	(522)	(362)
Revenues	1,570	2,214
Loss for year	(160)	-

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 14. Deferred tax asset – non current

The movement on the deferred tax non-current asset is as follows:

#### Deferred tax asset on decelerated capital allowances:

	£'000
Balance brought forward at 1 January 2008	226
Charge to profit and loss account	<u>(14)</u>
Balance carried forward at 31 December 2008	<u><u>212</u></u>

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 15. Inventories

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Finished goods and goods for resale	<b>1,501</b>	1,291

### 16. Trade and other receivables

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Trade receivables	<b>2,109</b>	2,947
Less: provision for impairment of receivables	<b>(154)</b>	(203)
Trade receivables – net	<b>1,955</b>	2,744
Amounts owed by associate undertaking	<b>217</b>	585
Deferred consideration on disposal of vehicle security division	<b>195</b>	690
Other receivables and prepayments	<b>360</b>	547
	<b>2,727</b>	4,566

The average credit period taken on sales of goods is 58 days (2007: 38 days). Trade receivables are provided for to the extent that management have 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.

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

	Amount receivable	
	<b>2008</b>	2007
	<b>£'000</b>	£'000
Alexander Dennis Group	<b>46</b>	311
Arriva Group	<b>1,161</b>	455
Fuji Heavy Industries Group	-	141
Go-Ahead Group	<b>135</b>	-
Optare Group	<b>198</b>	-
Unipart Logistics Group	-	456

Included in the group's trade receivable balance are debtors with a carrying amount of £797,000 (2007:£517,000) 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 78 days (2007:100 days).

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 16. Trade and other receivables (continued)

Ageing of past due but not impaired trade receivables

	<b>2008</b>	2007
	<b>£'000</b>	£'000
60-90 days	<b>737</b>	229
Over 90 days	<b>60</b>	288
	<b>797</b>	517

Movement in the provision for impairment of trade receivables:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Balance at 1 January	<b>203</b>	57
Impairment losses recognised	<b>42</b>	229
Amounts written off as uncollectable	<b>(91)</b>	(83)
Balance at 31 December	<b>154</b>	203

Ageing of impaired trade receivables

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Over 90 days	<b>154</b>	203
	<b>154</b>	203

The directors consider that the carrying amount of trade and other receivables approximates their fair value and the maximum exposure to credit risk.

### 17. Cash and cash equivalents

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Cash and cash equivalents	<b>2,172</b>	2,965

Cash and cash equivalents comprise cash held by the group and short-term bank deposits with original maturity of less than three months. The carrying amount of these assets approximate their fair value and the maximum exposure to credit risk.

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 18. Trade and other payables - current

	2008 £'000	2007 £'000
Trade payables	1,196	1,299
Amounts due to associate undertaking	253	143
Other taxation and social security	342	569
Other payables	26	503
Accruals and deferred income	931	1,168
	<b>2,748</b>	<b>3,682</b>

Trade creditors and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 59 days (2007: 35 days). No supplier charges interest on outstanding balances. The group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The directors consider that the carrying amount of trade payables approximates to their fair value.

### 19. Current tax liabilities

	2008 £'000	2007 £'000
Corporation tax	-	70

### 20. Bank loans and overdrafts - current

	2008 £'000	2007 £'000
Bank overdrafts	1,470	1,944
Current bank loans	500	500
Total current borrowings	<b>1,970</b>	<b>2,444</b>

The bank loan and overdrafts are secured by fixed and floating charges over all assets of the group.

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 21. Bank loans – non current

	2008 £'000	2007 £'000
Amounts falling due:		
in more than one year but not more than two years	-	500
in more than two years but not more than five years	-	650
	-	<u>1,150</u>

### 22. Provisions

	2008 £'000
Balance at 1 January	409
Movement in the year	(62)
Balance at 31 December	<u>347</u>
Included in current liabilities	72
Included in non-current liabilities	<u>275</u>
	<u>347</u>

The provision represents the management's best estimate of the group's liability under onerous leases in respect of property that is no longer utilised following the disposal of its discontinued operations (see note 7).

### 23. Deferred tax liabilities – non current

The movement on the deferred tax non-current liabilities is as follows:

	2008 £'000
Deferred tax liability on income from property disposal at its current carrying value	
Balance brought forward at 1 January	626
Movement in year	(264)
Balance carried forward at 31 December	<u>362</u>

### 24. 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 consists of debt, which includes the borrowings (notes 20 and 21), cash and cash equivalents (note 17) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings (notes 25 and 26).

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 24. Financial instruments (continued)

#### *Gearing*

The board has focused on reducing group borrowing in recent years and as a consequence net debt has reduced to nil at 31 December 2008 (2007: £0.6m). Net debt is defined as long and short term borrowings less cash and cash equivalents.

#### *Externally imposed capital requirement*

As part of the conditions of the group bank facilities the group is required to operate within covenant limits set by the bank. The group has complied with these externally imposed capital and income requirements throughout the period.

#### *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 1 to the financial statements.

#### *Categories of financial instruments*

	Carrying value	
	2008	2007
	£'000	£'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	<b>4,899</b>	7,531
<b>Financial liabilities</b>		
Fair value through profit and loss (FVTPL)		
Amortised cost	<b>4,718</b>	7,276

#### *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 and interest rates. The group enters into foreign exchange contracts to hedge the exchange rate risk arising on the purchase of inventory in US dollars and sales denominated in Euro. No foreign exchange contracts were outstanding at the year end or the prior year end. Previously the group has also entered into interest rate swap contracts to mitigate the risk of rising interest rates. The most recent interest rate swap contract ended in February 2007 and was not renewed as the directors consider that the reduction in net debt has significantly reduced the risk associated with movements in interest rates.

#### *Foreign currency risk management*

The group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 24. Financial instruments (continued)

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

	Liabilities		Assets	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Euro	-	-	24	2
US Dollar	-	-	251	83

The group is mainly exposed to fluctuations in the US dollar and Euro against Sterling. The following table details the group's sensitivity to a 20% increase or decrease in Sterling against the relevant foreign currencies. Ten percent represents management's assessment of a reasonable possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. A positive number below indicates an increase 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 and the balances below would be negative.

	Euro currency impact		US dollar currency impact	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Loss	(4)	-	(50)	(16)

During the year the group entered into forward exchange contracts to cover its exposure to fluctuations in the US dollar exchange rate. Typically the group would purchase or sell foreign currency between 3 and 6 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 (2007: Nil).

#### *Interest rate risk management*

The group is exposed to interest rate risk on its bank borrowings which are at variable interest rates linked to LIBOR. Previously, the risk has been managed by entering into interest rate swap contracts against the LIBOR element of the actual interest charge. The last of these contracts expired on 12 February 2007 and no new interest rate swap contract has been entered into since that date because, in management's opinion, the group's exposure has been mitigated as bank indebtedness has reduced.

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 24. Financial instruments (continued)

The following table details the group's sensitivity to a 5% increase or decrease in LIBOR. This represents management's assessment of a reasonable possible change in interest rates. The number below indicates a decrease in profit if there had been a 5% increase in LIBOR. For a 5% reduction in LIBOR there would be an equal and opposite impact on the profit and the number below would represent the potential increase in profit from an interest rate reduction at this level.

	<b>2008</b>
	<b>£'000</b>
Increase or decrease in profit resulting from a 5% change in LIBOR	<b>10</b>

#### *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. Trade receivables consist of a large number of customers, spread across several diverse industries; however, the group also has significant credit risk exposure to several single counterparties. Note 16 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 2008, the group had a term loan facility of £500,000 (2007: £1,650,000) and an overdraft facility of £1,000,000 (2007: £3,000,000). As at 31 December 2008, the term loan balance was £500,000 (2007: £1,650,000) and the net bank balance was £702,000 (2007: net cash at bank of £1,021,000) leaving undrawn facilities expiring within one year of £1,000,000 (2007: £3,000,000).

#### *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.

	<b>2008</b>	2007
	<b>£'000</b>	£'000
In one year or less	<b>4,780</b>	6,250
Between one and two years	-	586
Between two and five years	-	704
	<b>4,780</b>	<b>7,540</b>

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 25. Share capital

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Authorised:</b>		
109,448,930 (2007: 109,448,930) ordinary shares of 10 pence each	<b>10,945</b>	10,945

Called up share capital

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Allotted, called up and fully paid:</b>		
81,689,481 (2007: 81,689,481) ordinary shares of 10 pence each	<b>8,169</b>	8,169

#### **Share options and share based payments**

The company operates several employee share option schemes. As at 31 December options under these schemes, excluding those held by directors, were outstanding over:

Year ordinary share options issued	Exercise price	<b>2008</b>	2007
		<b>Number</b>	Number
1998	23.50p	<b>101,000</b>	121,000
1999	28.50p	<b>20,000</b>	24,000
2000	47.00p	<b>80,000</b>	96,000
2001	30.25p	<b>30,000</b>	44,000
2001	19.50p	<b>4,000</b>	8,000
2002	10.00p	<b>95,550</b>	187,950
2005	10.00p	<b>400,000</b>	550,000
2006	12.50p	<b>600,000</b>	875,000

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 25. Share capital (continued)

#### *Directors' interests in share options*

Details of options held by directors over the company's ordinary shares of 10p are set out below:

	<i>As at</i>	<i>Movements</i>	<i>As at</i>		<i>Date</i>	
	<i>31 December</i>	<i>in the year</i>	<i>31 December</i>	<i>Exercise</i>	<i>from which</i>	<i>Expiry</i>
	<i>2007</i>		<i>2008</i>	<i>price</i>	<i>exercisable</i>	<i>date</i>
<i>The 1997 Unapproved Scheme</i>						
N Grimond	500,000	-	<b>500,000</b>	23p	19.03.07	19.03.11
W W Jennings	500,000	-	<b>500,000</b>	23p	19.03.07	19.03.11
P T Ward	500,000	-	<b>500,000</b>	23p	19.03.07	19.03.11
<i>Non-executive Director Schemes</i>						
D A H Voss (note 1)	100,000	-	<b>100,000</b>	10p	22.03.02	22.03.12
D A H Voss	100,000	-	<b>100,000</b>	23p	19.03.07	19.03.11
D A H Voss	75,000	-	<b>75,000</b>	10p	09.05.08	09.05.15
DAH Voss	75,000	-	<b>75,000</b>	12.5p	12.04.06	12.04.16
P T Ward (note 2)	250,000	-	<b>250,000</b>	10p	20.11.01	20.11.11
P T Ward (note 3)	500,000	-	<b>500,000</b>	10p	22.03.02	22.03.12
<i>The 2004 EMI Scheme issue 1 (note 4)</i>						
N Grimond	500,000	-	<b>500,000</b>	10p	09.05.05	09.05.15
W W Jennings	500,000	-	<b>500,000</b>	10p	09.05.05	09.05.15
P T Ward	500,000	-	<b>500,000</b>	10p	09.05.05	09.05.15
<i>The 2004 EMI Scheme issue 2 (note 5)</i>						
N Grimond	500,000	-	<b>500,000</b>	12.5p	12.04.06	12.04.16
W W Jennings	500,000	-	<b>500,000</b>	12.5p	12.04.06	12.04.16
P T Ward	500,000	-	<b>500,000</b>	12.5p	12.04.06	12.04.16

The market price of the company's shares at the end of the financial year was 3.63p (2007: 5.75p) and the range of market prices during the year was 3.5p to 7.5p (2007: 4.63p to 7.5p).

1. These share options vested when the closing mid market value of the shares exceeded 15p.
2. The 250,000 Peter Ward share options, issued on 20 November 2001, vest in two equal tranches of 125,000 ordinary shares but only once the closing mid-market value of TG21 plc ordinary shares has equalled or exceeded target prices for each tranche of 28p and 35p respectively for five consecutive business days. Once a tranche has vested, that tranche shall remain exercisable irrespective of any future fluctuations in the value of the shares.
3. The 500,000 Peter Ward share options, issued on 22 March 2002, vest in four equal tranches of 125,000 ordinary shares but only once the closing mid-market value of TG21 plc ordinary shares has equalled or exceeded four target prices for each tranche of 15p, 22.5p, 30p and 37.5p respectively for five consecutive business days. Once a tranche has vested, that tranche shall remain exercisable irrespective of any future fluctuations in the value of the shares. At 31 December 2007, the first two tranches had vested.

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 25. Share capital (continued)

4. These share options were granted under the EMI Scheme on 9 May 2005 with a profit performance target that they would only vest on the achievement of at least 15% increase in the basic earnings per share of the company. These share options have all now vested.
5. These share options were granted under the EMI Scheme on 12 April 2006 with a profit performance target that they would only vest on the achievement of at least 15% increase in the basic earnings per share of the company. These share options have all now vested.

The weighted average remaining life of all share options outstanding at 31 December 2008 is 5 years and 9 months.

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

				<b>2008</b>				2007
				<b>Options</b>	<b>Weighted average exercise price</b>		Options	Weighted average exercise price
Outstanding at beginning of year				<b>6,275,000</b>	<b>14.3p</b>		6,275,000	14.3p
Granted during the year				-	-		-	-
Outstanding at end of year				<b>6,275,000</b>	<b>14.3p</b>		6,275,000	14.3p
Exercisable at end of year				<b>6,125,000</b>	<b>10p</b>		6,125,000	10p

  

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
Unapproved	19/03/2004	23	23.75	4	3	7	82%	4.51%
Unapproved	09/05/2005	10	9	5	3	10	78%	4.51%
Unapproved	12/04/2006	12.5	12.75	5	3	10	76%	4.48%
EMI	09/05/2005	10	9	5	2	10	78%	4.51%
EMI	01/07/2005	10	9.87	5	3	10	76%	4.10%
EMI	12/04/2006	12.5	12.75	5	3	10	76%	4.48%

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 25. Share capital (continued)

No dividend yield has been assumed for any of the above options and non 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. 4 or 5 years). Given the lack of past option award exercise data for the company's share-based awards, management have assumed an expected term equal to 5 years for option awards with 10 year terms (a typical average input for a 10 year option scheme) and an expected term of 4 years for the award with a 7 year term.

(c) Minority interests - movements

21 <sup>st</sup> Century Crime Prevention Services Limited	£'000
At 1 January 2008	151
Dividend paid to minority interest in respect of share of result for 2007	(133)
Share of result for 2008 attributable to minority interest	300
<b>At 31 December 2008</b>	<b>318</b>

### 26. Share premium account and reserves

	Share premium	Special reserve	Other reserves	Retained earnings
	£'000	£'000	£'000	£'000
At 1 January 2008	3,387	1,206	43	(3,091)
Loss for the year	-	-	-	(764)
Increase in share based payment reserve	-	-	-	77
<b>At 31 December 2008</b>	<b>3,387</b>	<b>1,206</b>	<b>43</b>	<b>(3,778)</b>

### 27. Reconciliation of movements in equity shareholders' funds

	2008 £'000	2007 £'000
Opening shareholders' funds	9,714	9,105
(Loss)/profit for the year	(764)	503
Increase in share based payment reserve	77	106
Closing equity shareholders' funds	<b>9,027</b>	<b>9,714</b>

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 28. Financial commitments

At 31 December 2008 the group had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Expiring within one year	33	177	117	233
Expiring between two and five years inclusive	61	513	74	108
Expiring in over five years	628	214	-	-
	<b>722</b>	<b>904</b>	<b>191</b>	<b>341</b>

The majority of the land and building operating lease payments represent rentals payable by the group for certain office and retail premises relating to discontinued operations. Wherever possible these premises are sub-let on equivalent terms to the related head-lease.

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

### 29. Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2008 £'000	2007 £'000
(Loss)/profit for the year	(464)	636
Adjustments for:		
Finance costs	70	346
Income tax (credits)/expense	(320)	100
Gain on disposal of discontinued operations	-	(957)
Impairment of freehold property	720	-
Depreciation of property, plant and equipment	243	289
Amortisation of intangible fixed assets	199	148
Share based payment expense	77	106
(Decrease)/increase in provisions	(62)	409
Operating cash flows before movement in working capital	463	1,077
(Increase)/decrease in inventories	(210)	573
Decrease in receivables	1,444	686
Decrease in payables	(934)	(620)
Cash inflow from operations	763	1,716
Interest paid	(70)	(343)
Net cash inflow from operating activities	693	1,373

## Notes to the consolidated financial statements

for the year ended 31 December 2008

### 30. Related party transactions

#### Subsidiaries

Transactions between the company and its subsidiaries are eliminated on consolidation and therefore not disclosed. Amounts owed by subsidiaries are interest free and repayable on demand.

#### Associate

Transactions between the group and its associate company, Cyberlyne Communications Limited ("CCL"), are summarised below:

	2008 £'000	2007 £'000
Sales to CCL	-	15
Purchases from CCL	<u>94</u>	<u>83</u>
Trading account amount due from CCL at 31 December	<u>217</u>	<u>155</u>
Trading account amount due to CCL at 31 December	<u>218</u>	<u>108</u>
Loan to CCL at 31 December	<u>430</u>	<u>430</u>

The loan to CCL has been provided for in full at 31 December 2008.

# Auditors' Report on the parent company financial statements

## Nexia Smith & Williamson

### Independent auditors' report to the shareholders of TG21 plc

We have audited the parent company financial statements of TG21 plc for the year ended 31 December 2008 which comprise the Balance Sheet and the related notes 1 to 7. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

We have reported separately on the group financial statements of TG21 plc for the year ended 31 December 2008.

#### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We read the information contained within the Directors' Report and consider whether it is consistent with the audited financial statements.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Report on Directors' remuneration and the Report on Corporate Governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

## Auditors' Report on the parent company financial statements

### *Opinion*

In our opinion:

- The parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985, of the state of the company's affairs as at 31 December 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

**Nexia Smith & Williamson**

Chartered Accountants

Registered Auditors

**25 Moorgate**

London

EC2R 6AY

Date 25 March 2009

*The maintenance and integrity of the TG21plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

*Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

## Company balance sheet

as at 31 December 2008

	Notes	2008	2007
		£'000	£'000
<b>Fixed assets</b>			
Investment in subsidiaries	3	<u>10,826</u>	12,749
		<b>10,826</b>	<b>12,749</b>
<b>Current assets</b>			
Amounts owed by group undertakings		1,265	1,630
Amount owed by associate undertaking – due within one year		-	430
Other debtors		-	2
Cash at bank		-	1
		<u>1,265</u>	<u>2,063</u>
<b>Creditors – due within one year</b>			
Bank overdrafts		(1,107)	(1,549)
Bank loans		(500)	(500)
Amounts owed to group undertakings		(1,285)	-
Other creditors		(4)	-
		<u>(2,896)</u>	<u>(2,049)</u>
Net current (liabilities)/assets		(1,631)	14
<b>Creditors – due after one year</b>			
Bank loans	4	-	(1,150)
<b>Net assets</b>		<u>9,195</u>	<u>11,613</u>
<b>Capital and reserves</b>			
Share capital	5	8,169	8,169
Share premium account	6	3,387	3,387
Special reserve	6	1,206	1,206
Other reserve	6	43	43
Merger reserve	6	1,001	1,001
Retained earnings	6	(4,611)	(2,193)
<b>Shareholders' funds</b>	7	<u>9,195</u>	<u>11,613</u>

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

The financial statements were approved by the board of directors on 25 March 2009 and were signed on its behalf by:

P T Ward  
Chairman

W W Jennings  
Finance Director

## Notes to the company financial statements

for the year ended 31 December 2008

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

#### *Basis of preparation*

The financial statements of the company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and Law. The principal accounting policies which have been applied consistently throughout the year and the preceding year are summarised below:

#### *Investments*

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

#### *Bank borrowings*

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis.

#### *Equity instruments*

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

### 2. Profit for the year

As permitted by section 230 of the Companies Act 1985 the company has elected not to present its own profit and loss account for the year. TG21 plc reported a loss for the financial year ended 31 December 2008 of £2,495,000 (2007, loss: £2,371,000).

The auditors' remuneration for the audit and other services is disclosed in note 5 to the consolidated financial statements.

### 3. Investments

	Interests in group undertakings £'000
Cost:	
At 1 January 2008	25,183
Additions	77
	<u>25,260</u>
Amounts provided:	
At 1 January 2008	(12,434)
Provided in the year	(2,000)
At 31 December 2008	<u>(14,434)</u>
Net book amounts:	
At 31 December 2008	<u><b>10,826</b></u>
At 31 December 2007	<u>12,749</u>

At the year end the directors undertook a review of the carrying value of the company's investments which comprise its interests in group undertakings and increased the amount provided against these investments by £2,000,000 to £14,434,000.

## Notes to the company financial statements

for the year ended 31 December 2008

### 3. Investments (continued)

#### *Interests in group undertakings*

Details of the company's principal subsidiary undertakings (all of which have been consolidated in the group financial statements) are as follows:

Name of undertaking	Description of shares held	Proportion of voting rights held %	Nature of business
*Toad (UK) Limited	Ordinary £1 shares	100	Sale and installation of vehicle audio and security products
21 <sup>st</sup> Century Crime Prevention Services Limited	Ordinary £0.01 shares and Preference £0.01 shares	75	Sale and installation of public transport CCTV and related products
Integrated Technologies (International) Limited	Ordinary £1 shares	75	Sale of vehicle audio interface leads and related products

*\*Wholly or partly held by a subsidiary undertaking.*

All of the above companies are incorporated in the United Kingdom.

### 4. Bank loans – non current

	2008 £'000	2007 £'000
Amounts falling due:		
in more than one year but not more than two years	-	500
in more than two years but not more than five years	-	650
	-	<u>1,150</u>

The bank loan and overdrafts are secured by fixed and floating charges over all assets of the group.

## Notes to the company financial statements

for the year ended 31 December 2008

### 5. Share capital

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Authorised:</b>		
109,448,930 (2007: 109,448,930) ordinary shares of 10 pence each	<b>10,945</b>	10,945
Called up share capital		
	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Allotted, called up and fully paid:</b>		
81,689,481 (2007: 81,689,481) ordinary shares of 10 pence each	<b>8,169</b>	8,169

### 6. Share premium account and reserves

	Share premium	Special reserve	Other reserve	Merger reserve	Profit and loss account
	£'000	£'000	£'000	£'000	£'000
At 1 January 2008	3,387	1,206	43	1,001	(2,193)
Loss for the year	-	-	-	-	(2,495)
Increase in share based payment reserve	-	-	-	-	77
At 31 December 2008	<b>3,387</b>	<b>1,206</b>	<b>43</b>	<b>1,001</b>	<b>(4,611)</b>

### 7. Reconciliation of movements in equity shareholders' funds

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Opening shareholders' funds	<b>11,613</b>	13,878
Increase in share based payment reserve	<b>77</b>	106
Loss for the year	<b>(2,495)</b>	(2,371)
Closing equity shareholders' funds	<b>9,195</b>	11,613