

21st Century Technology plc (formerly TG21 plc)

Annual Report

31 December 2009

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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 the group results from continuing activities for the year are ahead of management expectations with sales up 35% to £10.5m (2008: £7.7m). We also achieved a positive net cash position of £0.5m at the year end (2008: £0.2m) and as a result repaid the final tranche of our bank term loan in February 2010, leaving the group in the strong position of being debt free.

In April 2009 we acquired the remaining 25% shareholding in 21st Century Crime Prevention Services Limited ("CPS"). The purchase price for the final 25% tranche in CPS was initially established in an option agreement dated 18 December 2004 at £2.1m in cash. However, we successfully renegotiated the option and the vendor agreed to take half the consideration in 21st Century Technology plc shares fixed at 10p per share in lieu of cash.

In June 2009 the business of CPS was transferred to our other operating subsidiary, Toad (UK) Limited ("Toad") and the combined entity was renamed 21st Century Technology Solutions Limited ("Solutions"). At the same time the holding company, TG21 plc, was renamed 21st Century Technology plc.

During the period we also completed the strategic repositioning of the group as a public transport CCTV and monitoring systems specialist with the disposal of our remaining legacy distribution business, Datatool, and the announcement that we were to cease our insurance Vehicle Installation Services ("VIS") early in the New Year.

Solutions is now the sole operating company within our Public Transport Monitoring Systems division ("PTMS") which represents the continuing operations of the group.

Following the continued roll out by Arriva UK Bus of 'EcoManager', our driver monitoring fuel saving system, sales of this product reached £5m in 2009 (2008: £1.5m). This is particularly impressive as this was the first full year of sales for the product since its launch in July 2008.

In November 2009 Arriva North West and Merseytravel won the industry recognised Alexander Dennis Award for Innovation following their installation of the EcoManager system which yielded fuel savings of up to 12% and associated CO2 emission reductions. We currently have a strong pipeline for EcoManager with orders for over 1,000 of these systems from Arriva in the UK and, in February 2010, we were very pleased to receive our first orders for 360 EcoManager units from Arriva in mainland Europe.

In August 2009 we were awarded a three year contract to supply The Go-Ahead Group plc ("Go-Ahead") with its on vehicle CCTV for buses and static CCTV for train stations and other commercial premises, along with the management of Go-Ahead's train station platform CCTV installations. The total contract is estimated to be worth around £6m in sales value over the three years. Sales to Go-Ahead for 2009 were £1.2m (2008: £0.3m).

Early in 2010 we were delighted to add First Group UK Bus to our portfolio of major public transport customers, winning our first order from them for 159 on-bus CCTV systems. We now enjoy 'Approved Supplier' status with First Group UK Bus and we are actively tendering to become their preferred supplier.

Peter Ward
Chairman

23 March 2010

Chief Executive's review

Financial review

Our consolidated statement of comprehensive income for the year and the 2008 comparatives show sales from continuing operations only. Operating profit from continuing operations increased by 85% on last year at £0.7m (2008, before property impairment: £0.4m) and the profit after tax on continuing operations was £0.5m for the year compared to a loss of £0.5m last year. Net cash generated from operating activities was £1.5m (2008: £0.7m).

The overall net result from Datatool and VIS (the "discontinued operations") is disclosed separately. The overall net loss from the discontinued operations for the year was £0.5m compared to a breakeven position achieved in the prior year. The loss on discontinued operations was net of the following: a profit of £0.4m on the sale of the Datatool business; the write-off of £0.5m of goodwill attributable to Datatool; a provision of £0.2m for reorganisation and redundancy costs and £0.1m for write down of inventories.

Group – continuing operations	2009	2008
	£m	£m
Revenue	10.5	7.7
Gross profit	6.3	4.7
<i>Gross profit percentage</i>	60%	61%
Net operating expenses	(5.6)	(4.3)
Total operating profit from continuing operations before property impairment	0.7	0.4
Impairment loss	-	(0.7)
Operating profit/(loss) from continuing operations	0.7	(0.3)
Provision for associate loan	-	(0.4)
Finance costs	-	(0.1)
Profit/(loss) before taxation	0.7	(0.8)
Taxation	(0.2)	0.3
Profit/(loss) on continuing operations after tax	0.5	(0.5)
Loss for the period from discontinued operations	(0.5)	-
Loss from continuing and discontinued operations	-	(0.5)
Non-controlling interests	-	(0.3)
Net loss attributable to members of the parent company	-	(0.8)
Earnings per share	Pence	Pence
– Continuing operations	0.56p	(0.94)p
– Continuing and discontinued operations	0.02p	(0.93)p

Operational review – continuing operations

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, including products such as EcoManager and our passenger counting system, "PAS" (Passenger Analysis System).

Sales in this division were up by 35% (£2.8m) from £7.7m in 2008 to £10.5m during the year. Solutions is the preferred supplier of on-board CCTV to Arriva UK Bus and supplied over 600 systems to Arriva in the UK and 150 systems to Arriva in mainland Europe during 2009. We now have approximately 6,000 on-board CCTV systems fitted to Arriva buses in the UK with a further 350 in mainland Europe. Arriva have over 7,000 buses in the UK with a further 8,000 vehicles in mainland Europe.

Chief Executive's review (continued)

During the year, Solutions supplied 2,179 on-bus EcoManager systems to Arriva UK Bus bringing the total number installed to over 2,800. The EcoManager system is aimed at reducing fuel costs and exhaust emissions, improving safety and enhancing revenues for bus operators by monitoring driving styles against fuel consumption.

We already have pipeline orders for over 1,000 of these systems in the current year from Arriva in the UK and in February 2010 we won our first orders for 360 EcoManager units from Arriva in mainland Europe.

Following the award of the Go-Ahead contract in August 2009 we installed 200 on-bus CCTV systems to their fleet in the year. Go-Ahead have over 3,500 buses in the UK.

In January of the current year we were awarded Approved Supplier status with First Group UK Bus and received our first orders from them for 159 on bus CCTV systems. First Group UK Bus operates approximately 8,500 buses in the UK and we are actively tendering to become their preferred supplier for on board CCTV systems.

Net operating expenses

Net operating expenses for continuing activities as reported above were £5.6m compared to £4.3m in 2008. This increase of £1.3m for 2009 includes £2.7m of shared overheads which cannot be attributed directly to either continuing or discontinued operations. These overheads have been split between the activities pro-rata to sales and include 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 2009, excluding its allocation of shared overheads (£2.2m) were £3.4m compared to £2.7m in 2008 (when shared overheads allocated to continuing activities were £1.6m). Consequently net operating expenses for continuing operations, after adjustment for shared overheads, increased by £0.7m compared to last year. This increase is mainly attributable to increased staff costs and subcontracted labour employed to provide the PTMS installation services.

Operational review – discontinued operations

Vehicle installation services

The principal activity within this discontinued operation was the replacement and installation of in-car entertainment and navigation systems for insurance company customers.

Sales at £1.4m were down by 50% on the prior year. Before the group repositioned itself into the public transport CCTV market, the nationwide insurance replacement of stolen in-car hi-fi was a major contributor to the group's results. However, with the advent of improved vehicle security and the introduction of in-car entertainment systems which are built into the dashboard, this business has been in steady decline for a number of years. While breakeven was achieved by the division before closure costs, management forecasts indicated that sales would continue to fall and that the division would inevitably move into significant losses. Consequently after consulting with customers and staff, the decision was taken by the Board to cease activities in this sector.

Distribution

The principal activity of this discontinued operation was the distribution of motorcycle alarms and accessories through our Datatool business. Datatool sales of £1.5m for 2009 were slightly down on last year (2008: £1.6m), and after allocation of central overheads the division was only operating at breakeven compared to a profit of £0.1m in the prior year. Datatool was the last of the legacy distribution businesses in the group following the disposal of our in-car entertainment and car security businesses in 2007. In December 2009 Datatool was sold for a cash consideration of £0.5m.

Chief Executive's review (continued)

Land and buildings

In October 2008 we granted an option to purchase the group's freehold premises in Mitcham, Surrey for £2.7m to a property company looking to redevelop the site. However, this option lapsed on 5 February 2010. While it was disappointing that the developers were unable to progress their planning application, the disposal of the under-utilised site at Mitcham is not vital to our immediate growth plans.

The consolidated statement of comprehensive income for 2008 included a provision of £0.7m to write down the carrying value of the freehold property to the estimated recoverable amount under the option and the tax charge for last year included a credit of £0.3m in respect of the reversal of the deferred tax provision required on the revaluation surplus.

In light of the positive cash position in the group we are well placed to take advantage of any up turn in the commercial property market through the disposal of the site at a later date and will continue to monitor the property market accordingly.

Objectives and outlook

Following the successful repositioning of the group as a public transport CCTV and other monitoring systems specialist we are well positioned to grow the business and have a strategy to maximise returns to shareholders in the future by:

- Expanding our existing customer base in the UK;
- Developing opportunities to generate recurring revenue from maintenance income; for the existing installed CCTV systems of our UK customers;
- Growing our sales in Europe of both CCTV and EcoManager; and
- Continuing to invest in new innovation, such as EcoManager, to meet and drive customer needs.

We have made a good start to 2010, with a strong pipeline, and we are trading in line with expectations. Having won new business from First Group and our first orders for EcoManager in mainland Europe we are looking forward to building upon these early successes in 2010 and beyond.

Nick Grimond
Chief Executive

23 March 2010

Directors' biographical details

Peter Ward, Non-executive Chairman

Peter Ward, 64, joined the company 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.

Nicholas Grimond, Chief Executive

Nick Grimond, 43, was Group Operations Director of Sextons, which he joined in 1984, until it was acquired by 21st Century. He joined the board of the holding company in 1998 and was made Chief Executive in October 2005.

Wilson Jennings, Finance Director and Company Secretary

Wilson Jennings, 49, joined 21st Century 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 was appointed to the board in March 2000.

David Voss, Non-executive Director and Senior Independent Director

David Voss, 60, who joined the 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, Mobile Union Limited, Blue Whale Systems 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 2009. 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 2009 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 employees may in confidence raise concerns about possible inappropriateness in the financial reporting of the company or other matters. The audit committee has procedures in place for the investigation and follow up of any such matters reported to it by staff.

The Remuneration Committee

During 2009 the remuneration committee comprised Peter Ward and David Voss who is its chairman. One meeting of the committee was held during 2009. 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 2009.

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 (continued)

Terms of reference

The terms of reference for the audit, remuneration and nomination committees are available on request from the Company Secretary and are available for inspection on the company's website – www.21stplc.com

Internal controls

The directors acknowledge that they are responsible for the group's system of internal control and for reviewing its effectiveness. The internal control systems are reviewed annually by the board. Internal control systems are designed to meet the particular needs of the group and the risks to which it is exposed. 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 2009. 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 Schedule 8 to the Accounting Regulations under the Companies Act 2006. Nevertheless, the board prefers to follow best practice and has therefore prepared the following report which meets the majority of these regulations 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 2009, 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 and health check costs paid for David Voss, 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 (continued)

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 director's 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 directors retiring by rotation at the forthcoming Annual General Meeting are Peter Ward and Wilson Jennings.

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	Bonuses	Benefits	Total	Total
				2009	2008
<i>Executive</i>	£	£	£	£	£
N Grimond	170,035	83,152	2,692	255,879	171,835
W W Jennings	140,719	55,968	1,406	198,093	142,215
<i>Non-executive</i>					
D A H Voss	26,000	-	490	26,490	26,000
P T Ward	65,000	-	2,716	67,716	67,812
	401,754	139,120	7,304	548,178	407,862

Report on directors' remuneration (continued)

The directors received no bonuses in respect of the financial year 2008.

Share options

At 31 December 2009 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 (2008: 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 24 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 2009.

Change of name

At the company's Annual General Meeting held on 26 May 2009 a Special Resolution was passed to change the name of the company from TG21 plc to 21st Century Technology plc.

Results and dividend

The group achieved breakeven for the year (2008: loss £0.8 million). The directors do not recommend the payment of a dividend (2008: £nil).

Principal activities and business review

During 2009 the group operated in three divisions:

Public transport monitoring systems ("PTMS")

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

Vehicle installation services

The principal activity within Vehicle Installation Services was the 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 were the distribution of the Datatool motorcycle alarm and other motor cycle accessories.

Business environment

At the end of the year the group disposed of its Datatool distribution business and ceased its vehicle installation services for the insurance market. Datatool had been operating at breakeven and the insurance replacement of stolen in-car entertainment systems was in decline with disappointing sales in the embryonic telematics based motor insurance market. The group is now completely 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 has made a significant contribution to the results of the continuing operations in the year.

Strategy and key performance indicators

Having successfully completely exited the group's legacy businesses, the focus now is to build on our presence within the public transport monitoring systems market.

Our success in this market will come through expanding our existing customer base and developing new products.

During the year 21st Century won repeat CCTV business from Arriva in the UK and Europe and sold over 2,000 EcoManager systems. The group was awarded a three year contract with the Go-Ahead Group in the UK to supply on vehicle CCTV for buses and static CCTV for train stations and other commercial premises as well as winning new business from several smaller bus operators. Subsequent to the year end the group was awarded Approved Supplier status by First Group UK Bus.

Directors' report (continued)

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 £1.5m of cash (2008: £0.7m) from operating activities and the closing net surplus cash in excess of bank borrowings was £0.5m at the year end (2008: £0.2m)

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 PTMS division 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 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

Wherever possible the group endeavours to retain a choice of suppliers for its components 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 internal audits on the work performed by our installation engineers and through reviews of the key performance indicators agreed with our customers. The group also faces competition from some CCTV equipment suppliers who also sell direct to the market. The group's response is to emphasise that it is not tied to one system and to focus on its expertise as an independent integrator who can select and install the CCTV system which best matches customers' requirements.

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.

Directors' report (continued)

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 receivables and trade payables that arise directly from its operations.

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

Credit risk

The group is exposed to credit risk primarily in respect of its trade receivables, which are stated net of provision for estimated 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 receivables.

Liquidity and interest rate risk

The group's policy on funding capacity is to ensure that we have sufficient long term funding and facilities in place to meet foreseeable peak borrowing requirements. During 2009, 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 2009 the term loan was reduced to £250,000 (£2008: £500,000) and the group had net cash at bank of £522,000 (2008: £202,000). The group's policy is to ensure that sufficient resources are available to service all debt by monitoring prudent cash flow forecasts.

Foreign currency risk

Several components used in our PTMS systems 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

A summary of the group's objectives and outlook is given within the Chief Executive's Review on page 5.

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 24 to the financial statements) were as follows:

	31 December 2009	31 December 2008
The company – 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 (continued)

The share interests at 31 December 2009 and 31 December 2008 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 and post balance sheet event

On 20 October 2008 we signed an option agreement to dispose of the group's freehold premises in Mitcham, Surrey for £2.7m. This option expired on 5 February 2010.

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.

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 group'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 2009 was 58 days (2008: 59 days) and that of the company was nil days (2008: nil days).

Directors' report (continued)

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
23 March 2010

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 2006. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Auditor's report on the group financial statements

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 21ST CENTURY TECHNOLOGY PLC

We have audited the consolidated financial statements of 21st Century Technology plc for the year ended 31 December 2009 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes 1 to 27. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Auditor's report on the group financial statements

Opinion on financial statements

In our opinion:

- the consolidated financial statements give a true and fair view of the state of the group's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the consolidated financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group, or returns adequate for our audit have not been received from branches not visited by us; or
- the consolidated financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the parent company financial statements of 21st Century Technology plc for the year ended 31 December 2009.

Philip Quigley

25 Moorgate

Senior Statutory Auditor, for and on behalf of

London

Nexia Smith & Williamson

EC2R 6AY

Statutory Auditor

Chartered Accountants

23 March 2010

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

Consolidated statement of comprehensive income

for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Continuing operations			
Revenue	2	10,470	7,733
Cost of sales		(4,143)	(3,025)
Gross profit		6,327	4,708
Other operating income		93	103
Administrative expenses – property impairment	12	-	(720)
Administrative expenses – other		(5,675)	(4,408)
Administrative expenses – total		(5,675)	(5,128)
Operating profit/(loss)		745	(317)
Provision for associate loan	16	-	(430)
Finance costs	4	(54)	(44)
Profit/(loss) before taxation	5	691	(791)
Taxation	6	(192)	320
Profit/(loss) for the period from continuing operations		499	(471)
Discontinued operations			
(Loss)/profit for the period from discontinued operations	7	(481)	7
Profit/(loss) for the period		18	(464)
Attributable to:			
Equity holders of the parent		18	(764)
Non-controlling interests		-	300
		18	(464)
Earnings per share			
From continuing operations	9		
Basic and diluted		0.56p	(0.94)p
From continuing and discontinued operations			
Basic and diluted		0.02p	(0.93)p

Consolidated statement of changes in equity

for the year ended 31 December 2009

	Share capital	Share premium	Special and other reserve	Retained earnings	Total equity shareholders' funds
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January					
2008	8,169	3,387	1,249	(3,091)	9,714
Total comprehensive income for the period	-	-	-	(764)	(764)
Share based payments	-	-	-	77	77
Balance at 31 December					
2008	8,169	3,387	1,249	(3,778)	9,027
Total comprehensive income for the period	-	-	-	18	18
Share based payments	-	-	-	19	19
Issue of equity share capital (note 13)	1,054	-	-	-	1,054
Purchase of non- controlling interest (note 13)	-	-	-	(2,083)	(2,083)
Balance at 31 December					
2009	9,223	3,387	1,249	(5,824)	8,035

At the Annual General Meeting held on 23 May 2006 a special resolution was passed to transfer £8,723,000 standing on the credit of the company's share premium account to distributable reserves. Following the AGM an application to the High Court was made and this completed on 28 June 2006. For the protection of creditors an amount equal to the dividends received from subsidiary companies out of the prior year profit was transferred to the Special Reserve.

Consolidated statement of financial position

At 31 December 2009

	Notes	2009 £'000	2008 £'000
Assets			
Non-current assets			
Goodwill	10	4,318	4,850
Other intangible assets	11	247	388
Property, plant and equipment	12	2,820	2,922
Deferred tax asset	14	200	212
		<u>7,585</u>	<u>8,372</u>
Current assets			
Inventories	15	1,658	1,501
Trade and other receivables	16	1,874	2,727
Cash and cash equivalents	17	773	2,172
		<u>4,305</u>	<u>6,400</u>
Total assets		11,890	14,772
Liabilities			
Current liabilities			
Trade and other payables	18	(2,785)	(2,748)
Current tax liabilities	19	(180)	-
Bank loans and overdrafts	20	(251)	(1,970)
Provisions	21	(72)	(72)
		<u>(3,288)</u>	<u>(4,790)</u>
Net current assets		1,017	1,610
Non-current liabilities			
Provisions	21	(205)	(275)
Deferred tax liabilities	22	(362)	(362)
		<u>(567)</u>	<u>(637)</u>
Total liabilities		(3,855)	(5,427)
Net assets		<u>8,035</u>	<u>9,345</u>

Consolidated statement of financial position

At 31 December 2009

	Notes	2009 £'000	2008 £'000
Shareholders' equity			
Share capital	24	9,223	8,169
Share premium account		3,387	3,387
Special reserve		1,206	1,206
Other reserve		43	43
Retained earnings		(5,824)	(3,778)
		8,035	9,027
Equity attributable to equity holders of the parent			
Non-controlling interests	24	-	318
		8,035	9,345
Total equity		8,035	9,345

The financial statements were approved by the board of directors and authorised for issue on 23 March 2010 and were signed on its behalf by:

P T Ward
Chairman

W W Jennings
Finance Director

Consolidated statement of cash flows

for the year ended 31 December 2009

	Notes	2009	2008
		£'000	£'000
Net cash generated from operating activities	26	1,535	693
Cash flow from investing activities			
Disposal of discontinued operations	7	425	395
Purchases of property, plant and equipment		(81)	(48)
Purchases of intangible fixed assets		(212)	(76)
Purchase of shares in subsidiary	13	(1,054)	-
Net cash (used in)/generated from investing activities		(922)	271
Cash flow from financing activities			
Repayment of borrowings		(250)	(1,150)
Decrease in bank overdrafts		(1,469)	(474)
Dividend paid to non-controlling interest		(293)	(133)
Net cash used in financing activities		(2,012)	(1,757)
Net decrease in cash and cash equivalents		(1,399)	(793)
Cash and cash equivalents at beginning of year		2,172	2,965
Cash and cash equivalents at end of year		773	2,172

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.

The cash in flow from disposal of discontinued activities in 2008 was in respect of deferred consideration on disposals made in 2007.

Notes to the consolidated financial statements

for the year ended 31 December 2009

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, 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. A summary of the more important group accounting policies is set out below.

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

(i) Impairment of goodwill

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

(ii) Provision for obsolete and slow moving inventory

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

(iii) Share based payments

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

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 statement of comprehensive income up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

Non-controlling interest is calculated as the post tax share of the results from subsidiary undertakings attributable to the non-controlling interest. Non-controlling interests have been disclosed separately from the group's profit and shareholders' equity and stated as a separate item. There is no non-controlling interest at the year end due to the purchase of the non-controlling interest during the year.

Notes to the consolidated financial statements

for the year ended 31 December 2009

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

Segmental reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker as required by IFRS 8 "Operating Segments". The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

The adoption of IFRS8 for the first time this year has not resulted in any change to the basis of segmentation as under the previous standard (IAS 14 "Segmental Reporting") the group business segments were still defined as public transport monitoring systems, vehicle installation services and distribution.

Segment expenses are expenses that are directly attributable to a segment together with the relevant portion of other expenses that can reasonably be allocated to the segment. Tax is not allocated by segment.

Segment assets and liabilities include items that are directly attributable to a segment plus an allocation on a reasonable basis of shared items.

Non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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 statement of comprehensive income 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 statement of financial position. 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. There are no associates at the end of the year.

Goodwill

Goodwill arising on acquisitions prior to 22 December 1998 was written off immediately against reserves. Goodwill arising on acquisitions between 23 December 1998 and 31 December 2005 was capitalised, classified as an asset on the consolidated statement of financial position and amortised on a straight line basis over its useful economic life of 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 statement of comprehensive income and may not be subsequently reversed. Goodwill previously eliminated has not been reinstated on implementation of IAS 38 as permitted by IFRS 1.

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

Notes to the consolidated financial statements

for the year ended 31 December 2009

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

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 statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

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

Earnings per ordinary share

Basic earnings per share ("EPS") is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

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

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.

Notes to the consolidated financial statements

for the year ended 31 December 2009

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

Recoverable amount is the higher of fair value, less costs to sell, and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate appropriate to the specific asset or cash generating unit and by comparing the internal rate of return generated by the cash flows to target return rates established by management.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying value of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognised immediately in the statement of comprehensive income.

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

Intangible assets

Software which can be separately identified is 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.

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 if appropriate. These financial instruments are included in the statement of financial position as assets or liabilities at their fair values. The group does not use derivative financial instruments for speculative purposes but its financial instruments do not qualify for hedge accounting and consequently changes in their fair values are recognised in the statement of comprehensive income as they arise. There were no foreign exchange forward contracts at the end of the year or prior year.

Notes to the consolidated financial statements

for the year ended 31 December 2009

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

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 statement of comprehensive income in the period in which they are incurred.

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

Leasing and hire purchase commitments

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

Pensions

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

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the net expenditure required to settle the obligation at the year end date and are discounted to present value where the effect is material.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the year end date or if appropriate at the forward contract rate. All differences are taken to the statement of comprehensive income.

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

Activities are classified as discontinued operations where they represent a major line of business that meets the criteria in IFRS 5.

Notes to the consolidated financial statements

for the year ended 31 December 2009

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

Impact of standards adopted for the first time

The presentation of the primary financial statements has been modified in order to comply with IAS 1 (revised). However the revised standard has no impact on the reported results or financial position of the Group. The improvements to the IFRSs resulted in a number of amendments to the various standards to clarify the treatment in circumstances where practice previously varied. The improvements had no impact on the reported results or financial position of the Group.

IFRS 3 (2008) has been adopted in accounting for the acquisition of the final 25% of 21st Century Crime Prevention Services Limited (see note 13).

IFRS 8 requires operating segments to be identified on the basis of internal reports used to assess performance and allocate resources. The adoption of this standard has not resulted in any change to the segments reported previously.

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: IAS32, IFRS2, IFRS17 and IFRS18.)

Notes to the consolidated financial statements

for the year ended 31 December 2009

2. Segmental reporting

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

2009 - Continuing operations

	Public Transport Monitoring Systems £'000
Total revenue	<u>10,470</u>
Operating profit before reorganisation costs	944
Reorganisation costs	<u>(199)</u>
Operating profit after reorganisation costs	<u>745</u>
Depreciation	(137)
Amortisation	(264)
Capital expenditure	229
Total assets	<u>9,413</u>
Total liabilities	<u>(3,019)</u>

2009 - Discontinued operations

	Vehicle Installation Services £'000	Distribution £'000	Total £'000
Total revenue	3,648	1,504	5,152
Inter-segment sales	<u>(2,255)</u>	-	<u>(2,255)</u>
External revenue	<u>1,393</u>	<u>1,504</u>	<u>2,897</u>
Operating profit before disposal costs and proceeds	2	3	5
Datatool goodwill written off	-	(532)	(532)
Reorganisation and redundancy costs	(200)	(13)	(213)
Write down of inventories following disposals of businesses	(100)	-	(100)
Legal and professional fees on disposal	-	(21)	(21)
Operating loss before proceeds from disposals of businesses	<u>(298)</u>	<u>(563)</u>	<u>(861)</u>
Profit on sale of business	-	393	393
Operating loss after proceeds from disposals of businesses	<u>(298)</u>	<u>(170)</u>	<u>(468)</u>
Depreciation	(18)	(20)	(38)
Amortisation	(35)	(38)	(73)
Capital expenditure	31	33	64
Total assets	<u>1,066</u>	<u>1,411</u>	<u>2,477</u>
Total liabilities	<u>(402)</u>	<u>(434)</u>	<u>(836)</u>

Notes to the consolidated financial statements

for the year ended 31 December 2009

2. Segmental reporting (continued)

2008 - Continuing operations

	Public Transport Monitoring Systems £'000	Unallocated £'000	Total £'000
Total revenue	7,733	-	7,773
Operating profit before impairment loss, restructuring costs and provision for associate loan	421	-	421
Impairment of freehold property	-	(720)	(720)
Restructuring costs	(18)	-	(18)
Provision for associate loan	(430)	-	(430)
Operating loss	(27)	(720)	(747)
Depreciation	(154)	-	(154)
Amortisation	(126)	-	(126)
Capital expenditure	78	-	78
Total assets	9,350	-	9,350
Total liabilities	(3,435)	-	(3,435)

2008 - Discontinued operations

	Vehicle Installation Services £'000	Distribution £'000	Total £'000
Total revenue	7,046	1,697	8,743
Inter-segment sales	(4,259)	-	(4,259)
External revenue	2,787	1,697	4,484
Operating profit before impairment loss, restructuring costs and provision for associate loan	9	150	159
Restructuring costs	(121)	(5)	(126)
Operating (loss)/profit	(112)	145	33
Depreciation	(55)	(34)	(89)
Amortisation	(45)	(28)	(73)
Capital expenditure	28	17	45
Total assets	3,370	2,052	5,422
Total liabilities	(1,238)	(754)	(1,992)

Notes to the consolidated financial statements

for the year ended 31 December 2009

2. Segmental reporting (continued)

Geographical Segments

Revenue by location of customer:

	2009	2008
	£'000	£'000
<i>Continuing operations</i>		
UK	9,887	7,368
Scandinavia	581	365
Other EC	2	-
	<u>10,470</u>	<u>7,733</u>
<i>Discontinued operations</i>		
UK	2,824	4,358
Netherlands	38	52
France	15	-
USA	6	15
Other EC	14	59
	<u>2,897</u>	<u>4,484</u>
Total revenue	<u><u>13,367</u></u>	<u><u>12,217</u></u>

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

Customers who represented more than 10% of total revenue within continuing operations were:

Revenue by customer

	2009	2008
	£'000	£'000
Arriva UK Bus	8,552	6,416
Go-Ahead Group	1,234	325

3. Employee information

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

	2009	2008
	Number	Number
By activity:		
Administration	24	34
Technical	11	6
Operations	47	65
	<u>82</u>	<u>105</u>
<i>Staff costs (for the above persons):</i>		
	2009	2008
	£'000	£'000
Short-term employee benefits	3,699	3,918
Share-based payments	19	77
Post employment costs	61	86
	<u>3,779</u>	<u>4,081</u>

Notes to the consolidated financial statements

for the year ended 31 December 2009

3. Employee information (continued)

<i>Key management compensation</i>	2009	2008
	£'000	£'000
Salaries and short-term employee benefits	1,140	1,243
Termination benefits	199	30
Share-based payments	19	77
Post-employment benefits	42	76
	1,400	1,426

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:

	2009	2008
	£'000	£'000
Total directors' emoluments	548	408
Highest paid director emoluments	256	172

Directors' detailed emoluments are disclosed in the Report on Directors' Remuneration.

4. Finance costs

	Continuing operations		Discontinued operations		Total	
	2009	2008	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000
Interest payable on bank loans and overdrafts	54	44	13	26	67	70

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5. Profit/(loss) on ordinary activities before taxation

This is stated after charging:

	Continuing operations		Discontinued operations		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Operating lease rentals:						
- Rent of land and buildings	73	82	20	48	93	130
- Hire of plant and machinery	195	154	54	90	249	244
Depreciation:						
- Tangible fixed assets owned	137	154	38	89	175	243
Amortisation of Intangible fixed assets	264	126	73	73	337	199
Inventories – consumed and recognised as expense in cost of sales	4,302	3,063	1,587	1,776	5,889	4,839
Write down of inventories	-	103	100	60	100	163
Trade receivables impairment	-	27	67	15	67	42
Share based remuneration charge	19	49	-	28	19	77
Restructuring costs	199	18	213	126	412	144
Provision against associate loan	-	430	-	-	-	430
Impairment of freehold property	-	720	-	-	-	720

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

	2009 £'000	2008 £'000
Auditors' remuneration :		
Fees payable to the company's auditors for the audit of the company's annual financial statements	17	17
Fees payable to the company's auditors for the audit of the company's subsidiaries of the company pursuant to legislation	23	24
Total audit fees	40	41
Tax services	37	27
Other services	4	4

Notes to the consolidated financial statements

for the year ended 31 December 2009

6. Taxation

(a) Analysis of charge in year:

	2009	2008
	£'000	£'000
<i>Current tax</i>		
UK corporation tax on the profit for the year (28%)	180	-
UK corporation tax overprovision in prior years	-	(70)
Total current tax charge/(credit)	180	(70)
Deferred tax charge/(credit)	12	(250)
Total tax charge/(credit) for the year	192	(320)

There was no tax payable on discontinued operations.

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

The tax assessed for the year differs from the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2009	2008
	£'000	£'000
Profit/(loss) on ordinary activities before tax	691	(791)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 28.5%)	193	(226)
<i>Effects of:</i>		
(Loss)/profit on discontinued activities	(135)	2
Adjustment to prior year tax charge	-	(70)
Expenses not deductible for tax purposes	181	240
Capital allowances in excess of depreciation	6	19
Research & Development tax credits	(58)	-
Utilisation of tax losses	(7)	(35)
Deferred tax charge/(credit)	12	(250)
Total tax charge/(credit) for the year	192	(320)

(c) Deferred tax

The unrecognised and recognised deferred tax asset comprises the following:

<i>Group</i>	Unrecognised		Recognised	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Tax losses	70	70	-	-
Decelerated capital allowances	-	-	200	212
	70	70	200	212

The group has £250,000 of unutilised tax losses (2008: £250,000).

Notes to the consolidated financial statements

for the year ended 31 December 2009

6. Taxation (continued)

The movement on deferred tax is as follows:

	Receivable £'000	Payable £'000
Balance brought forward at 1 January 2009	212	(362)
Charge to profit and loss account	(12)	-
Balance carried forward at 31 December 2009	<u>200</u>	<u>(362)</u>

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 (charge)/credit to the statement of comprehensive income for the year comprises:

	2009 £'000	2008 £'000
Reduction in deferred tax asset	(12)	(14)
Reduction in deferred tax liability	-	264
Net (charge)/credit	<u>(12)</u>	<u>250</u>

7. Discontinued operations

On 15 December 2009, the group entered into a sale agreement to dispose of its Datatool motorcycle security and accessories division. The disposal was completed on this date and from this date control of this division passed to the acquirers. On the same day the company announced that it would cease its insurance Vehicle Installation Services ("VIS") early in the New Year.

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

	2009 £'000	2008 £'000
Revenue	2,897	4,484
Expenses	<u>(3,771)</u>	<u>(4,477)</u>
(Loss)/profit before and after tax*	(874)	7
Profit on disposal of discontinued operations	<u>393</u>	-
Net (loss)/profit attributable to discontinued operations	<u>(481)</u>	<u>7</u>

*There was no tax payable on discontinued operations.

Notes to the consolidated financial statements

for the year ended 31 December 2009

7. Discontinued operations (continued)

	2009 £'000
Book value of net assets sold	
Current assets – inventories	109
Non-current assets – property, plant and equipment	23
Net assets disposed of	<u>132</u>
Profit on disposal	<u>393</u>
	<u>525</u>
Consideration received in cash	<u>425</u>
Deferred sales proceeds	100
	<u>525</u>

8. Profit for the year of the parent company

As permitted by section 408 of the Companies Act 2006, 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 £103,000 (2008, loss: £2,495,000).

Notes to the consolidated financial statements

for the year ended 31 December 2009

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. None of the company's share options were dilutive as the option prices were all above the year end market value of the shares.

	Earnings £'000	2009 Per share amount Pence	Earnings £'000	2008 Per share amount Pence
From continuing and discontinued operations				
Basic EPS				
Earnings attributable to ordinary shareholders	18	0.02	(764)	(0.93)
Diluted EPS				
Earnings	18	0.02	(764)	(0.93)
From continuing operations				
Basic EPS				
Earnings attributable to ordinary shareholders	18	0.02	(764)	(0.93)
Adjustment to exclude loss/(profit) from discontinued operations	481	0.54	(7)	(0.01)
Earnings from continuing operations	499	0.56	(771)	(0.94)
Diluted EPS				
Earnings from continuing operations (as above)	499	0.56	(771)	(0.94)

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:

	2009 '000	2008 '000
Weighted average number of shares	89,226	81,689

Notes to the consolidated financial statements

for the year ended 31 December 2009

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		
	21 st Century (CPS) goodwill £'000	Datatool goodwill £'000	Total goodwill £'000
Deemed cost:			
At 1 January 2009 and 1 January 2008	4,318	532	4,850
Disposal	-	(532)	(532)
At 31 December 2009	4,318	-	4,318

21st Century (CPS) goodwill

The company held a 75% interest in 21st Century Crime Prevention Services Limited ("CPS") at 1 January 2009. On 14 April 2009 the company increased its holding in CPS to 100% through the acquisition of the remaining non-controlling interest. The difference between the fair value of the consideration and the balance on the non-controlling interest and the difference between the nominal value and the fair value of the shares issued as non cash consideration have been recognised directly in equity shareholders' funds (see note 13).

Datatool goodwill

Datatool goodwill represented the goodwill arising on the acquisition of Datatool (UK) Limited on 1 June 2001. This business was sold during the year and consequently the goodwill has been included in the calculation of profit on disposal in the statement of comprehensive income.

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 was 24%.

Notes to the consolidated financial statements

for the year ended 31 December 2009

11. Other Intangible fixed assets

<i>2009 movements</i>	Development costs £'000	Purchased software £'000	Total £'000
Cost:			
At 1 January 2009	251	676	927
Additions	210	2	212
Disposals	-	(57)	(57)
At 31 December 2009	461	621	1,082
Amortisation:			
At 1 January 2009	98	441	539
Charge for the year	190	147	337
Disposals	-	(41)	(41)
At 31 December 2009	288	547	835
Net book value:			
At 31 December 2009	173	74	247
At 31 December 2008	153	235	388
 <i>2008 movements</i>			
	Development costs £'000	Purchased software £'000	Total £'000
Cost:			
At 1 January 2008	178	673	851
Additions	73	3	76
At 31 December 2008	251	676	927
Amortisation:			
At 1 January 2008	34	306	340
Charge for the year	64	135	199
At 31 December 2008	98	441	539
Net book value:			
At 31 December 2008	153	235	388
At 31 December 2007	144	367	511

Notes to the consolidated financial statements

for the year ended 31 December 2009

12. Property, plant and equipment

<i>2009 movements</i>	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost:			
At 1 January 2009	3,786	2,604	6,390
Additions	-	81	81
Disposals	-	(36)	(36)
At 31 December 2009	3,786	2,649	6,435
Depreciation:			
At 1 January 2009	1,086	2,382	3,468
Charge for the year	54	121	175
Disposals	-	(28)	(28)
At 31 December 2009	1,140	2,475	3,615
Net book amounts:			
At 31 December 2009	2,646	174	2,820
At 31 December 2008	2,700	222	2,922
 <i>2008 movements</i>			
	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost:			
At 1 January 2008	3,786	2,556	6,342
Additions	-	48	48
At 31 December 2008	3,786	2,604	6,390
Depreciation:			
At 1 January 2008	292	2,213	2,505
Charge for the year	74	169	243
Impairment	720	-	720
At 31 December 2008	1,086	2,382	3,468
Net book amounts:			
At 31 December 2008	2,700	222	2,922
At 31 December 2007	3,494	343	3,837

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13. Acquisition

On 14 April 2009 the group acquired the remaining 25% of the issued ordinary share capital of 21st Century Crime Prevention Services Ltd ("CPS") and as a consequence CPS became a wholly owned subsidiary of the group. The consideration for this final 25% was satisfied as follows:

	Fair value of consideration
	£'000
Cash paid on completion	554
Cash paid on 19 October 2009	500
Total cash paid	<u>1,054</u>
10,539,125 new 21 st Century Technology plc ordinary shares issued as fully paid up at 10p each	488
Total consideration at fair value	<u><u>1,542</u></u>

The fair value of the non cash consideration above represents the market price of the shares in 21st Century Technology plc at the date of the acquisition being 4.63p per share.

In accordance with IFRS 3 (2008), the difference between the above consideration and the balance on non-controlling interest and the difference between the nominal value and the fair value of the shares issued as non cash consideration have been recognised directly in equity and attributed to equity holders in the parent within the consolidated statement of changes in equity shareholders' funds:

	£'000	£'000
Fair value of total consideration		1,542
Non-controlling interest balance at 1 January 2009	(318)	
Dividend paid to non-controlling interest in the period	293	
Balance of non-controlling interest at date of acquisition		<u>(25)</u>
		1,517
Nominal value of shares issued as non cash consideration	1,054	
Fair value of shares issues as non cash consideration	<u>(488)</u>	
		566
IFRS 3 (2008) adjustment recognised in equity shareholders' funds		<u><u>2,083</u></u>

Notes to the consolidated financial statements

for the year ended 31 December 2009

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 2009	212
Charge to profit and loss account	(12)
Balance carried forward at 31 December 2009	<u>200</u>

15. Inventories

	2009 £'000	2008 £'000
Finished goods and goods for resale	<u>1,658</u>	<u>1,501</u>

16. Trade and other receivables

	2009 £'000	2008 £'000
Trade receivables	1,846	2,109
Less: provision for impairment of receivables	(168)	(154)
Trade receivables – net	<u>1,678</u>	1,955
Amounts owed by associate undertaking	-	217
Deferred consideration on disposal of vehicle security division	-	195
Deferred consideration on disposal of Datatool division	100	-
Other receivables and prepayments	96	360
	<u>1,874</u>	<u>2,727</u>

In 2006 the company entered into a loan and share option agreement with Cyberlyne Communications Limited (“CCL”). Under the agreement the company made a loan of £430,000 to CCL and CCL granted an option to 21st Century to acquire 100% of CCL’s share capital. The loan was fully provided for in 2008 as CCL was unable to repay the loan when it fell due. The directors of the company decided not to take up the option and it expired on 30 June 2009. Previously CCL was treated as a 50% associate undertaking and its results accounted for under the equity method of accounting. However following the resignations in January 2009 of the 21st Century nominated directors from the board of CCL, the directors believe that the company is no longer able to exercise significant influence over CCL and consequently it is no longer treated as an associate undertaking in these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2009

16. Trade and other receivables (continued)

The average credit period taken on sales of goods is 40 days (2008: 50 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	
	2009	2008
	£'000	£'000
Arriva Group	1,187	1,161
Go-Ahead Group	100	135
Wrightbus	261	-

Included in the group's trade receivable balance are debtors with a carrying amount of £146,000 (2008: £797,000) 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 75 days (2008:78 days).

Ageing of past due but not impaired trade receivables

	2009	2008
	£'000	£'000
60-90 days	144	737
Over 90 days	2	60
	146	797

Movement in the provision for impairment of trade receivables:

	2009	2008
	£'000	£'000
Balance at 1 January	154	203
Impairment losses recognised	81	42
Amounts written off as uncollectable	(67)	(91)
Balance at 31 December	168	154

Ageing of impaired trade receivables

	2009	2008
	£'000	£'000
60-90 days	66	-
Over 90 days	102	154
	168	154

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

Notes to the consolidated financial statements

for the year ended 31 December 2009

17. Cash and cash equivalents

	2009 £'000	2008 £'000
Cash and cash equivalents	<u>773</u>	<u>2,172</u>

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.

18. Trade and other payables - current

	2009 £'000	2008 £'000
Trade payables	682	1,196
Amounts due to associate undertaking	-	253
Other taxation and social security	300	342
Other payables	60	26
Accruals and deferred income	<u>1,743</u>	<u>931</u>
	<u>2,785</u>	<u>2,748</u>

Trade creditors and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 58 days (2008: 59 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

	2009 £'000	2008 £'000
Corporation tax	<u>180</u>	-

20. Bank loans and overdrafts - current

	2009 £'000	2008 £'000
Bank overdrafts	1	1,470
Current bank loans	<u>250</u>	<u>500</u>
Total current borrowings	<u>251</u>	<u>1,970</u>

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 2009

21. Provisions

	2009 £'000
Balance at 1 January	347
Movement in the year	<u>(70)</u>
Balance at 31 December	<u>277</u>
Included in current liabilities	<u>72</u>
Included in non-current liabilities	<u>205</u>
	<u>277</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 certain discontinued operations in 2007.

22. Deferred tax liabilities – non current

Deferred tax liability on income from property disposal at its current carrying value:	
2009 £'000	2008 £'000
Balance brought forward 1 January	362 626
Movement in year	<u>- (264)</u>
Balance carried forward at 31 December	<u>362 362</u>

23. 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 (note 20), cash and cash equivalents (note 17) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Gearing

The board has focused on reducing group borrowing in recent years and as a consequence net debt is nil at 31 December 2009 (2008: £nil). 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.

Notes to the consolidated financial statements

for the year ended 31 December 2009

23. Financial instruments (continued)

Categories of financial instruments

	Carrying value	
	2009	2008
	£'000	£'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	2,647	4,899
Financial liabilities		
Amortised cost	3,216	4,718

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.

Foreign currency risk management

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

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

	Liabilities		Assets	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Euro	5	-	15	24
US Dollar	3	-	17	251

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 10% 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.

Notes to the consolidated financial statements

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23. Financial instruments (continued)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A 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	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Loss	(2)	(4)	(3)	(50)

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 (2008: 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.

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.

	2009	2008
	£'000	£'000
Increase or decrease in profit resulting from a 5% change in LIBOR	10	10

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.

Notes to the consolidated financial statements

for the year ended 31 December 2009

23. Financial instruments (continued)

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 2009, the group had a term loan of £250,000 (2008: £500,000) and an overdraft facility of £1,000,000 (2008: £1,000,000). As at 31 December 2009 the net bank balance was £772,000 (2008: net cash at bank of £702,000) leaving undrawn facilities expiring within one year of £1,000,000 (2008: £1,000,000).

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.

	2009	2008
	£'000	£'000
In one year or less	3,221	4,780
Between one and two years	-	-
Between two and five years	-	-
	3,221	4,780

24. Share capital

	2009	2008
	£'000	£'000
Authorised:		
109,448,930 (2008: 109,448,930) ordinary shares of 10 pence each	10,945	10,945
Called up share capital:		
	2009	2008
	£'000	£'000
Allotted, called up and fully paid:		
At 1 January		
81,689,481 (2008: 81,689,481) ordinary shares of 10 pence each	8,169	8,169
Shares issued during the year:		
10,539,125 ordinary shares of 10 pence each issued as fully paid on the acquisition of the remaining 25% of the issued share capital of 21 st Century Crime Prevention Services Limited (note 13)	1,054	-
At 31 December		
92,228,606 (2008: 81,689,481) ordinary shares of 10 pence each	9,223	8,169

Notes to the consolidated financial statements

for the year ended 31 December 2009

24. Share capital (continued)

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	2009 Number	2008 Number
1998	23.50p	-	101,000
1999	28.50p	-	20,000
2000	47.00p	68,000	80,000
2001	30.25p	30,000	30,000
2001	19.50p	-	4,000
2002	10.00p	95,550	95,550
2005	10.00p	400,000	400,000
2006	12.50p	600,000	600,000

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> 31 December 2008	<i>Movements</i> in the year	<i>As at</i> 31 December 2009	<i>Exercise</i> price	<i>Date</i> from which exercisable	<i>Expiry</i> date
<i>The 1997 Unapproved Scheme</i>						
N Grimond	500,000	-	500,000	23p	19.03.07	19.03.11
W W Jennings	500,000	-	500,000	23p	19.03.07	19.03.11
P T Ward	500,000	-	500,000	23p	19.03.07	19.03.11
<i>Non-executive Director Schemes</i>						
D A H Voss (note 1)	100,000	-	100,000	10p	22.03.02	22.03.12
D A H Voss	100,000	-	100,000	23p	19.03.07	19.03.11
D A H Voss	75,000	-	75,000	10p	09.05.08	09.05.15
DAH Voss	75,000	-	75,000	12.5p	12.04.06	12.04.16
P T Ward (note 2)	250,000	-	250,000	10p	20.11.01	20.11.11
P T Ward (note 3)	500,000	-	500,000	10p	22.03.02	22.03.12
<i>The 2004 EMI Scheme issue 1 (note 4)</i>						
N Grimond	500,000	-	500,000	10p	09.05.05	09.05.15
W W Jennings	500,000	-	500,000	10p	09.05.05	09.05.15
P T Ward	500,000	-	500,000	10p	09.05.05	09.05.15
<i>The 2004 EMI Scheme issue 2 (note 5)</i>						
N Grimond	500,000	-	500,000	12.5p	12.04.06	12.04.16
W W Jennings	500,000	-	500,000	12.5p	12.04.06	12.04.16
P T Ward	500,000	-	500,000	12.5p	12.04.06	12.04.16

Notes to the consolidated financial statements

for the year ended 31 December 2009

24. Share capital (continued)

The market price of the company's shares at the end of the financial year was 6.88p (2008: 3.63p) and the range of market prices during the year was 3.5p to 8.63p (2008: 3.5p 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 21st Century Technology 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 21st Century Technology 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. The first two tranches have vested.
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 2009 is 4 years and 8 months.

Notes to the consolidated financial statements

for the year ended 31 December 2009

24. Share capital (continued)

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

				2009		2008		
				Options	Weighted average exercise price	Options	Weighted average exercise price	
Outstanding at beginning of year				6,275,000	14.3p	6,275,000	14.3p	
Granted during the year				-	-	-	-	
Outstanding at end of year				6,275,000	14.3p	6,275,000	14.3p	
Exercisable at end of year				6,125,000	10p	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%

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

Expected volatility was determined by calculating the historical volatility of the company's share price over the time commensurate with the award term immediately prior to the date of grant (i.e. 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.

Notes to the consolidated financial statements

for the year ended 31 December 2009

24. Share capital (continued)

Non-controlling interests - movements

21 st Century Crime Prevention Services Limited	£'000
At 1 January 2009	318
Dividend paid to non-controlling interest in respect of share of result for 2008	(293)
IFRS 3 (2008) adjustment (note 13)	(25)
At 31 December 2009	-

25. Financial commitments

At 31 December 2009 the group had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Due within one year	121	154	135	117
Due between two and five years inclusive	435	460	81	74
Due in over five years	27	106	-	-
	583	720	216	191

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.

Notes to the consolidated financial statements

for the year ended 31 December 2009

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

	2009	2008
	£'000	£'000
Profit/(loss) for the year	18	(464)
Adjustments for:		
Finance costs	54	70
Income tax expense/(credits)	192	(320)
Gain on disposal of discontinued operations	(393)	-
Goodwill written off on disposal of discontinued operations	532	
Impairment of freehold property	-	720
Depreciation of property, plant and equipment	175	243
Amortisation of intangible fixed assets	337	199
Share based payment expense	19	77
Decrease in provisions	(70)	(62)
Operating cash flows before movement in working capital	864	463
Increase in inventories	(157)	(210)
Decrease in receivables	853	1,444
Increase/(decrease) in payables	35	(934)
Cash inflow from operations	1,595	763
Interest paid	(60)	(70)
Net cash inflow from operating activities	1,535	693

27. 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.

Auditors' Report on the parent company financial statements

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 21ST CENTURY TECHNOLOGY PLC

We have audited the parent company financial statements of 21st Century Technology plc for the year ended 31 December 2009 which comprise the Parent Company Balance Sheet and the related notes 1 to 6. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Auditors' Report on the parent company financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the consolidated financial statements of 21st Century Technology plc for the year ended 31 December 2009.

Philip Quigley

Senior Statutory Auditor, for and on behalf of

Nexia Smith & Williamson

Statutory Auditor

Chartered Accountants

25 Moorgate

London

EC2R 6AY

23 March 2010

Company balance sheet

as at 31 December 2009

	Notes	2009	2008
		£'000	£'000
Fixed assets			
Investment in subsidiaries	3	<u>10,000</u>	10,826
		10,000	10,826
Current assets			
Amounts owed by group undertakings		1,264	1,265
Other debtors		5	-
Cash at bank		<u>739</u>	-
		2,008	1,265
Creditors – due within one year			
Bank overdrafts		-	(1,107)
Bank loans		(250)	(500)
Amounts owed to group undertakings		(1,589)	(1,285)
Other creditors		(4)	(4)
		<u>(1,843)</u>	<u>(2,896)</u>
Net current assets/(liabilities)		165	(1,631)
Net assets		<u>10,165</u>	<u>9,195</u>
Capital and reserves			
Share capital	4	9,223	8,169
Share premium account	5	3,387	3,387
Special reserve	5	1,206	1,206
Other reserve	5	43	43
Merger reserve	5	1,001	1,001
Retained earnings	5	<u>(4,695)</u>	<u>(4,611)</u>
Shareholders' funds	6	<u>10,165</u>	<u>9,195</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 23 March 2010 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 2009

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 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and Law. The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised 1996) 'Cash Flow Statements'. 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 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. Loss for the year

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own profit and loss account for the year. 21st Century Technology plc reported a loss for the financial year ended 31 December 2009 of £103,000 (2008 loss: £2,495,000).

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 2009	25,260
Additions	<u>2,102</u>
	27,362
Amounts provided:	
At 1 January 2009	(14,434)
Provided in the year	<u>(2,928)</u>
At 31 December 2009	<u>(17,362)</u>
Net book amounts:	
At 31 December 2009	<u>10,000</u>
At 31 December 2008	<u>10,826</u>

Additions above includes the acquisition of the non-controlling interest in 21st Century Crime Prevention Services Limited (see note 13 to the consolidated financial statements).

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 £2,928,000 to £17,362,000.

Notes to the company financial statements

for the year ended 31 December 2009

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
21 st Century Technology Solutions Limited (formerly Toad (UK) Limited)	Ordinary £1 shares	100	Sale and installation of vehicle audio and security products
21 st Century Crime Prevention Services Limited	Ordinary £0.01 shares and Preference £0.01 shares	100	Sale and installation of public transport CCTV and related products
Integrated Technologies (International) Limited	Ordinary £1 shares	75	Non trading

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

4. Share capital

	2009 £'000	2008 £'000
<i>Authorised:</i>		
109,448,930 (2008: 109,448,930) ordinary shares of 10 pence each	10,945	10,945
<i>Called up share capital:</i>		
	2009 £'000	2008 £'000
Allotted, called up and fully paid:		
At 1 January		
81,689,481 (2008: 81,689,481) ordinary shares of 10 pence each	8,169	8,169
Shares issued during the year:		
10,539,125 ordinary shares of 10 pence each issued as fully paid on the acquisition of the remaining 25% of the issued share capital of 21 st Century Crime Prevention Services Limited (note 13 of the consolidated financial statements)	1,054	-
At 31 December		
92,228,606 (2008: 81,689,481) ordinary shares of 10 pence each	9,223	8,169

Notes to the company financial statements

for the year ended 31 December 2009

5. 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 2009	3,387	1,206	43	1,001	(4,611)
Loss for the year	-	-	-	-	(103)
Increase in share based payment reserve	-	-	-	-	19
At 31 December 2009	3,387	1,206	43	1,001	(4,695)

6. Reconciliation of movements in equity shareholders' funds

	2009 £'000	2008 £'000
Opening shareholders' funds	9,195	11,613
Shares issued during the year	1,054	-
Increase in share based payment reserve	19	77
Loss for the year	(103)	(2,495)
Closing equity shareholders' funds	10,165	9,195