

5 dms

Journeo

Connected systems,
for connected journeys

Journeo plc (formerly 21st Century Technology plc)

Annual Report and Financial Statements
for the year ended 31 December 2019

WEDNESDAY



A94HQZN

A07

06/05/2020

#133

COMPANIES HOUSE

Journeo

JOURNEO PROVIDES CRITICAL TECHNOLOGY SOLUTIONS TO THE TRANSPORT COMMUNITY WHICH CAPTURE, PROCESS AND DISPLAY ESSENTIAL INFORMATION TO IMPROVE JOURNEYS.

We serve towns and cities with passenger information, fleet operators with safety and efficiency systems and bring these together in fully-integrated solutions for transit hubs such as airports. Our systems contribute to wider smart city initiatives as transport becomes more intelligent and connected.

We are customer-led with over 20 years' experience solving complex operational requirements based on deep technical and market knowledge. We are recognised leaders in the systems engineering and services needed to partner our customers and to install and support their solutions in the factory, on the street and on the vehicle. Our technical resources focus on increasing customer value by developing products and software that meet the transport communities' unique requirements.



CONTENTS

OVERVIEW

Headlines and investment case	01
At a glance	02
Chairman's statement	04

STRATEGIC REPORT

Chief Executive's report	06
Markets	08
Business model	10
Strategy	12
Principal risks	14
Chief Technical Officer's report	15

GOVERNANCE

Board of Directors	16
Senior management team	17
Report on corporate governance	18
Report of Directors' Remuneration	20
Statutory Directors' report	22
Auditor's report	24

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income	27
Consolidated statement of changes in equity	28
Consolidated statement of financial position	29
Consolidated statement of cash flows	30
Notes to the consolidated financial statements	31
Company statement of financial position	55
Company statement of changes in equity	56
Notes to the company financial statements	57
Corporate information	63

OPERATIONAL HEADLINES

Contract awards totalling approximately £9.0m of new business confirmed in late 2019, for delivery in 2020 and beyond, including projects for Stansted Airport, City of Edinburgh Council and a northern transport partnership.

Renamed to Journeo to create unified branding reflecting the transformation of the Group into the technology-led business of today.

Passenger Systems sales increased to £4.8m (2018: £4.4m) and gross profit increased to £2.6m (2018: £2.5m).

Fleet Systems sales decreased by 19% to £6.6m (2018: £8.2m) and gross profit decreased to £1.9m (2018: £2.4m), mainly due to a reduction in overseas sales.

FINANCIAL HEADLINES

Revenue
(2018: £12.6m)

£11.4m

Gross profit
(2018: £4.8m)

£4.5m

Loss before tax
(2018: profit of £0.1m)

(£0.9m)

Underlying loss before tax
(2018: loss of £0.1m)

(£0.8m)

Generated from share placing;

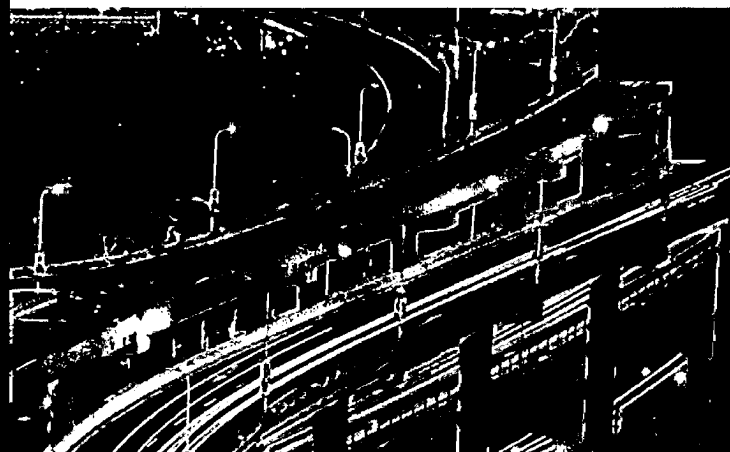
£1.2m

Cash and cash equivalents at year end
(2018: £0.5m)

£0.7m

Diluted Loss per share
(2018: Earnings 0.15p)

(1.08p)



INVESTMENT CASE

Journeo is a specialist provider of both on and off-vehicle tailored solutions to the transport community. We deliver to our customers through dedicated teams in Passenger Systems for the local authorities and Passenger Transport Executives (PTEs) managing transport networks and Fleet Systems for the bus, coach, rail and specialist commercial fleet operators. Both segments have growth opportunities with a focus on increasing the number and quality of journeys, particularly in and around cities, in response to the need to reduce congestion and deliver the carbon-neutral, low-emissions agenda. This has been backed by government action, for example in England significant funding is starting to flow from the £2.4bn Transforming Cities Fund and the regulatory landscape changes of the Bus Services Act 2017 are generating new opportunities.

Investments made in recent years in the group's technology to deliver a cloud based modular hardware agnostic SaaS platform has positioned it well to take advantage of the opportunities now being presented. In addition, the UK market position has enabled exclusive relationships to be struck with specialist equipment manufacturers which have the potential to significantly increase revenue.

Our business model is to compete in the market as an open provider of technology solutions, working with global-scale product companies and local specialists to deliver highly reliable and cost-effective solutions for the transport community over the lifecycle of the systems. The service offering includes the design, tailoring, installation, on-site support and back-office systems.

We compete by striving to offer better integrated solutions at reduced costs to our customers. We carefully select niche markets where we can generate significant market share to generate the economies of scale needed. Our customers in the transport community include fleet operators, vehicle manufacturers, local authorities and PTEs.

The segments that we serve are attractive with relatively few competitors and with high barriers to entry due to a combination of technical complexity, unique solutions and the management of long lifecycle assets across a large geographic area. The ability to rise to the challenges of increasing complexity and integrated solutions on the cloud provide Journeo with a well differentiated position.

The Group continues to look for acquisition opportunities to strengthen and deepen the portfolio and to extend the services offered.

At a glance

SEGMENTS

We deliver to our customers through dedicated teams. Passenger Systems for the local authorities and Passenger Transport Executives (PTEs) managing transport networks and Fleet Systems for the bus, coach, rail and specialist commercial fleet operators.

PASSENGER SYSTEMS

We provide our solutions to many of the 435 local authorities and 8 Passenger Transport Executives (PTEs) across the UK and currently have over 2,800 display system installations under maintenance and software support contracts. These systems are powered by our next generation electronic passenger information software, 'EPIX' our content management system for the transport sector.

Our advanced digital signage takes the world's best screens from global manufacturers and houses them in hardened, environmentally protected enclosures to meet the exacting requirements of outdoor installation throughout the UK's public spaces. These screens are further enhanced with situational awareness technology as required, creating unique solutions for the transport sector.

FLEET SYSTEMS

We provide vital on-board safety and efficiency solutions to a growing share of the UK Bus market and are proud to include leading companies such as Abellio, Arriva, First Group, National Express and Translink, amongst our customers. Our services extend into mainland Europe through Keolis and Arriva. We also serve customers in rail, light-rail and specialist vehicle sectors. We support fleet operators, large and small, with many thousands of vehicles nationwide.

Our Journeo management software provides fleets a platform for improved operational efficiency, valuable data-insights and connectivity into the wider organisation and smarter city. Our key enabling technology on the vehicle is Journeo Edge which runs vehicle applications such as remote condition monitoring, agnostic video management and passenger counting. Our engineering services cover the design, systems integration, installation and field service support.

CASE STUDY



SPRINT SUPER SHELTER

Transport for West Midlands (TfWM) is delivering seven enhanced bus routes, that will link key residential and employment areas, improving connectivity throughout Birmingham, Solihull and the Black Country. Two initial schemes have been prioritised and are expected to benefit the region with over 30 million journeys a year over £200 million in economic benefits.

The prioritised bus routes will bring dependable timetables and an average journey time saving of 20%.

To highlight the services, the routes will benefit from state-of-the-art bus shelters, featuring a range of Journeo technologies. The demo concept shelter includes technologies that will become standard across all shelters, such as 38" widescreen, High Definition displays, interactive wayfinding displays and smart ticket collection points.

The shelter will also be fitted with CCTV to ensure that all technology is secure and features developmental technology, that will enable the PTE to evaluate other solutions for the roll out. This includes accent lighting, to illuminate the shelter in route specific branding when Sprint services are expected to arrive and iBeacon technology to push real-time departure information direct to passengers' mobile devices.

The demo concept shelter is being warmly received and a roll-out along the initial routes is likely to commence in H2 2020.

SOLUTIONS

We serve towns and cities with passenger information, fleet operators with safety and efficiency systems and bring these together in fully integrated solutions for transit hubs such as airports.

EPIX CONTENT MANAGEMENT SYSTEM

EPIX controls the content displayed on public transport information estates and gives local authorities and PTEs the power to display scheduled and real-time transport information in conjunction with supporting media and vital disruption messaging for routes and services.

REMOTE CONDITION MONITORING

The open-platform Journeo Edge intelligent gateway provides real-time information on the health of an increasing number of on-board systems. Its machine learning algorithms lead to higher system availability and lower costs.

INTERACTIVE WAYFINDING & SMART TICKETING

To highlight points of interest, destinations and transport services, our interactive wayfinding totems allow PTEs to provide all the information needed to move people around their towns and cities, clearly and accessibly. Smart Ticket Vending Machines and collection points allow transport users to access their travel accounts, top-up funds and collect products already purchased online.

INTELLIGENT DISPLAY TECHNOLOGY

Our unique display signage is specifically designed for extended lifecycles in public spaces and additional functionality delivered from Journeo technology provides them with situational awareness capability, allowing them to conserve power when not in use and alert system owners if subjected to attack.

ON-BOARD TECHNOLOGIES

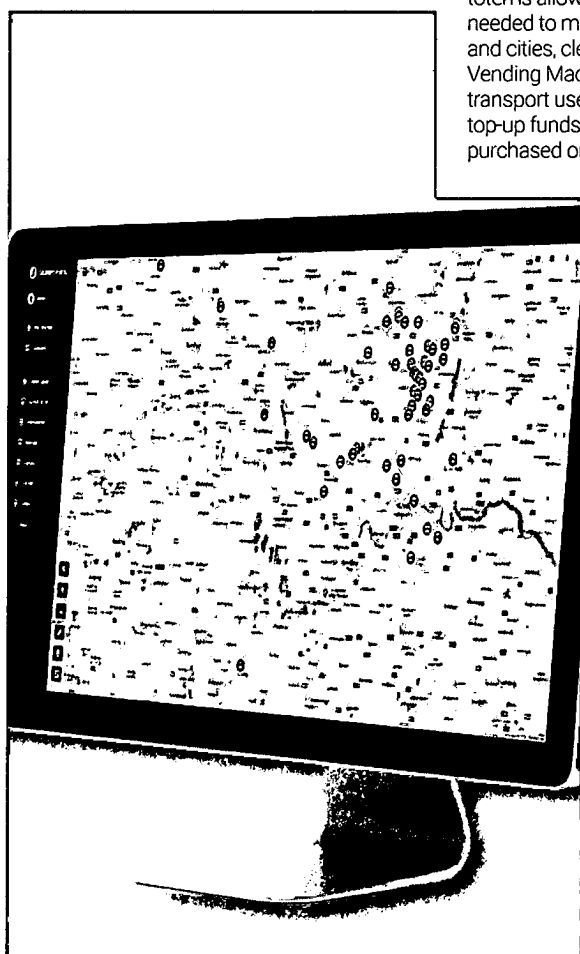
Our design engineering complies with CEN standards and installations are completed in accordance with Federation of Communication Services (FCS) regulations. We are members of Information Technology for Public Transport (ITxPT) and our solutions include, CCTV, Automatic Passenger Counting (APC), Telematics, Next Stop Announcements and Passenger Wi-Fi.

AGNOSTIC VIDEO MANAGEMENT

As fleets evolve, so does the technology on them, resulting in a mix of newer and legacy technologies from many manufacturers, each with their own proprietary, closed system.

The Journeo agnostic video management platform unlocks users and enables them to manage all of these in a single, secure, cloud-based environment, providing them the freedom to select best-of-breed technologies.

CASE STUDY



RCM

CCTV has become an invaluable tool for fleet operators. For First Bus it protects the safety of their 1.6 million daily passengers, their staff and their assets. As with all CCTV, the vast majority of footage captured will never be viewed. As a result, faults with the CCTV system may not be noted until either a scheduled preventative maintenance visit takes place (which would typically take place every three months); or, when footage is required to review an incident.

To mitigate this potentially costly risk, First Bus were looking for technology that could monitor the health of their Digital Video Recorder estate. Any solution implemented needed to be agnostic, as their DVR estate had grown over many years with technology supplied from a variety of different manufacturers.

Journeo Edge devices have been installed in over 1,500 vehicles; over a quarter of the First Bus fleet, and our RCM software monitors the health of CCTV and connected systems in real-time and instantly reports performance issues, faults and failures, both through Journeo's cloud-based platform and via API directly into First's Fleet Management platform.

Journeo RCM has delivered an increase in CCTV availability of over 10%; provided greater reassurance that drivers, passengers and vehicles are safely protected and aided insurance claims processing - at lower cost than periodic maintenance arrangements.

Chairman's statement



MARK ELLIOT

Non-executive Chairman

"WE HAVE BEGUN THE YEAR WITH AN UNPRECEDENTED ORDER BOOK, A LARGE AND GROWING SALES PROSPECTS PIPELINE AND HAVING JUST RAISED £1.2M IN THE RECENT PLACING, HAVE A STRONGER BALANCE SHEET AND ADDITIONAL WORKING CAPITAL TO FUND OUR GROWTH PLANS FOR FY2020"

As I began drafting this Chairman's statement the world was in a very different place than the position as I commit this to print, as we face the effects of the coronavirus pandemic. The Company is responding admirably to the challenges and once we are through this period, we are in a strong position to build on the considerable interest in the Company's products and services evidenced by the contract awards totalling approximately £9 million of new business that were confirmed late last year, for delivery in 2020 and beyond. The successful £1.2m placing in December strengthens our balance sheet and provides additional working capital to fund the growth.

I am pleased to report that results for the year-ended December 2019 are in-line with market expectations and whilst trading conditions in some areas of public transport, particularly in the UK remained a challenge, a great deal of progress is being made. Our strategy of applying our research and development to create innovative and valuable solutions is gaining traction. The growing demand for these solutions in the government-backed, regulatory schemes for transforming public transport infrastructure and information delivery systems is beginning to produce tangible business in both our Passenger and Fleet segments. Our systems are playing a part in the smarter-cities of the future.

This strategy led to significant contract awards and framework agreements being secured towards the end of the year resulting in our strongest order book to date. These wins along with increasing adoption of our own technologies and a record sales prospects pipeline underpin our confidence in further progress being made in 2020.

TRADING RESULTS

Group results for the year ended 31 December 2019 show an underlying loss of £777k (2018: £138k). Overall sales decreased to £11.4m (2018: £12.6m) and gross profit decreased to £4.5m (2018: £4.8m).

Passenger sales increased to £4.8m (2018: £4.4m) with similar margins to last year and gross profit increased to £2.6m (2018: £2.5m).

Fleet sales decreased by 19% to £6.6m (2018: £8.2m), reflecting the problems that bus operators faced with falling passenger numbers, changing technology to carbon-zero vehicles, reduced government subsidies and regulatory changes. Gross profit decreased to £1.9m (2018: £2.4m) following the sales decrease as margins were maintained.

Underlying administrative expenses increased slightly to £5.5m (2018: £5.4m), with continued investment in technical and sales personnel to support our strategy.

The loss before tax was £0.9m (2018: profit £0.1m).

STRATEGY & MARKETS UPDATE

As we continue to invest in the development of our own core technologies and software, the importance, scale and value of the business-critical infrastructure opportunities that we are able to access is changing.

It is evident that some segments within the public transport markets in which the Group operates are challenging, but it is very encouraging to see the receptive approach both new and existing customers are taking towards the new technologies and services we are developing to help them meet their needs of delivering efficient and inter-connected operations within modern, carbon-zero, public transport environments.

The contracts that were secured towards the end of 2019 such as the £4.8m Edinburgh project and the £1.5m Stansted airport project were of a scale and complexity that would previously have been unattainable by the Group. The resource optimisation and real-time information software, alongside our IoT and 'on-board' security and information systems demonstrate our strategy is working. Developing innovative solutions built from a core, scalable technology platform that can be applied to other market applications will deliver increasing efficiencies to our customers and increasing value to our shareholders.

We have many operators both in the UK and overseas at various stages in their evaluation of our new on-board and cloud-based technologies. We look forward to these progressing during 2020. The sales cycle for new on-board technologies can be somewhat protracted given the nature of the projects on many thousands of vehicles and the operators' need to prove the business-case and, through a sequence of trials, gain the necessary safety and homologation approvals. The trials are going well with positive feedback and initial orders have been received in Q1 2020.

A key market driver is government support at both a local and national level for increased use of public transport responding to aims of carbon-zero, reduced emissions and lowering congestion. Following many years of austerity, which has seen reductions in support for the bus industry in general, we are starting to benefit from new programmes. The £2.4bn Transforming Cities Fund is one example. This fund's objective is to increase productivity and growth through investment in public and sustainable transport with a focus on intra-city connectivity. The recently announced £1.9m order for a northern transport partnership flows from this funding source.

Within the UK bus market, vehicle replacement programmes have, for the second year in a row, diminished with substantially fewer new vehicles being built compared with historic levels. Reorganisation of the UK bus manufacturers saw ADL being acquired by NFI, and in late 2019, Bamford Bus set up from the receivership of Wrightbus in Northern Ireland. These developments have also been influenced by uncertainties surrounding the changing technology to carbon-zero vehicles. The recent DfT and government statements about £4bn investment over the next five years for British manufactured carbon-zero bus variants provides some much need clarity and we look forward to new bus registrations increasing in the medium term.

SHARE PLACING AND CHANGE OF NAME

In October 2019 the Company appointed W H Ireland as NOMAD and broker and successfully carried out a £1.2m share placing alongside a share consolidation. The Company also took the opportunity to change its name to Journeo plc to better reflect the technology-led strategy of the Group.

I would like to welcome Canaccord Genuity as our new and largest institutional shareholder and we were delighted to receive the ongoing commitment and support of many new and existing shareholders, including Board members and a number of our senior managers who also participated in the placing.

OUTLOOK

We have begun the year with an unprecedented order book, a large and growing sales prospects pipeline and, having just raised £1.2m in the recent placing, have a stronger balance sheet and additional working capital to fund our growth plans for FY2020. Trading in the first few months of this year has been in-line with management expectations. The government initiatives are real and there are substantive economic drivers in the smarter-cities markets we serve.

However, the unforeseen and rapidly developing public health situation as a result of coronavirus has the potential to impact key elements of our complex supply chains, engineering teams and end-user or customer site operations. This is covered in more detail in the Risk section of the Strategic Report. Our priority is the safety and well-being of all of the people involved in the business and continuing to provide our essential services in the public transport arena. We will act at all times in accordance with prevailing Government recommendations.

Whilst a significant degree of operational uncertainty has been introduced, the need for public transport and the contracts we currently have, give us confidence that we will navigate this crisis successfully.

Undoubtedly these are exceptionally challenging times, but we have dedicated, talented and resourceful people working hard to get through the coronavirus crisis. On behalf of the Board, I would like to offer my sincere thanks to all our people and I am sure we will emerge in a strong position from which to profitably grow.

MARK ELLIOT

Non-executive Chairman

2 April 2020



Chief Executive's report



RUSS SINGLETON
Chief Executive

“THERE IS SIGNIFICANT POTENTIAL FOR GROWTH, AS OUR CAPABILITIES AND INVESTMENTS IN TECHNOLOGY BEGIN TO MATURE AT A TIME WHEN THERE ARE MAJOR MARKET OPPORTUNITIES”

The rebranding to Journeo plc was a key moment in the development of our business, marking a watershed in our transition to better serve our customers and markets. Over the last few years, we have been building our technology capabilities in response to a rapidly evolving landscape for both our fleet operators and passenger network managers. We needed to change into a technology-led business with software and specialist product design skills to facilitate the converging and more complex systems required by our customers. We adopted “Connected Systems for Connected Journeys” as our strapline to reflect our aspirations and the direction of travel in our markets. We have invested in our vision and are starting to deliver those complex converged systems to our customers, thereby continuing our heritage which has been built on engineering excellence, technology leadership, a deep affinity with our customers and a commercial aim to grow our business.

JOURNEO – NEW JOURNEY

Our investment started with the acquisition of our Passenger Systems business in 2015 which provided access to the UK passenger information market and the software product and skills to build upon. The Research and Development team was established in 2016 by Dr Houghton, who applied these software capabilities and developed the Journeo Remote Condition Monitoring (RCM) application to monitor and manage on-vehicle CCTV and associated IT sub-systems. This has evolved into a powerful, software-based service to manage critical safety and information systems on the vehicle. We delivered our first converged solution at London Gatwick for passenger transit for the flying public and the airport and airline workers, with information and safety on the vehicle, at the bus stop and in the terminal. We are now working on cloud-based video management solutions for our fleet operators.

The recent contract wins we announced amounting to £9m, which include work for Stansted Airport, City of Edinburgh Council and a northern transport partnership, are evidence of the transformation we have been undergoing to become the technology-led business we are today and of the increasing value we are able to deliver to our customers. I expect this to feed through into a profitable and growing business this year.

OPERATIONAL REVIEW

PASSENGER SYSTEMS

Earlier in the year we reported that market conditions in the UK passenger information sector were encouraging and that the Company's technology innovations were competing well and attracting significant interest. At the half year end the order book was some 50% higher as compared with prior year. We anticipated that revenues for the year would be ahead of 2018 with a large carry forward order book and the segment was expected to produce a profitable contribution. Whilst revenue for 2019 increased 8.3% to £4.8m (2018: £4.4m), broadly in line with management expectations, there were a number of project delays that resulted in a small loss for the year of £80k (2018: £60k loss). On the surface this may appear modest progress, but it masks what has been achieved through the year.

There is significant potential for growth, as our capabilities and investments in technology begin to mature at a time when there are major market opportunities. This is demonstrated by the announcements made in our December trading update where we highlighted around £7.5m of future business that will transform our Passenger Systems segment. The largest two wins were:

- In October, we were made aware of the recommendation of a £2.9m contract for the provision of real-time passenger

information systems for the City of Edinburgh Council bus network. At the time contractual negotiations were at an advanced stage and the anticipated value of the project over its duration was expected to increase to £4.8m, with one important element worth £0.8m scheduled to be completed early in H1 2020. The £4.8m framework contract and the first £0.8m order were secured in January 2020.

- In November we were notified by a northern transport partnership that a contract had been awarded to a Tier-1 contractor for the Company's passenger information systems technology. The contract is part of the first tranche of the Transforming Cities Fund (TCF). In February 2020, we secured a contract for £1.9m from the Tier-1 contractor to work on this project.

We also announced in December that we had been awarded the contracts for Lots 1, 2 and 3 of the Electronic Bus Stop display supply - OJEU Contract reference 2019/S 189-459067 - from Nottinghamshire County Council. As this is a framework arrangement, there is no specific value attached to the awards, but the contract duration encompasses tranche 2 of the Transforming Cities Fund projects. Lot 1 will include the Company's new high brightness LED displays, Lot 2 will include high-definition Thin Film Transistor (TFT) displays and Lot 3 will be including the Company's new ultra-low power solutions. In aggregate the value of work expected to be undertaken will be material to the Company.

These wins are an endorsement of our strategy of combining engineering services, partnerships with complementary industry specialists and our own latest generation of industry specific products and software for the benefit of our customers. This creates a powerful offering that allows us to access large and complex projects that would previously have been inaccessible to us.

We are also developing new solutions in response to the needs of local authorities and Passenger Transport Executives (PTEs) as we seek to extend our role in the transport sector of the wider smarter city. For instance, air quality monitoring technology is currently expensive to purchase, install and maintain. Our response has been to invest in a solution to address this and we currently have active trials of our low-cost and fast deployment solution with a small number of customers. In addition, we have responded to the UK's pothole problem and have initial trials of our new road surface monitoring technologies with a local authority customer, which has yielded positive results and is feeding back into the development process – a great example of our customer-led development.

Overall, I am pleased with the progress in the Passenger Systems business and look forward to continuing to build on our successes with customers, industry complementors and the supply chain.

FLEET SYSTEMS

We made substantial progress in the year retaining existing clients, adding new Tier-1 operators and advancing our Journeo technology platform, however, the results from the Fleet business, although in line with management expectations, were disappointing.

Revenue fell by 19% to £6.6m (2018: £8.2m). There were two main reasons for this; a £0.4m reduction in our Scandinavian revenue as our operator customers were unsuccessful in renewing a number of their route franchises leading to a reduction in the number of vehicles under contract. Secondly, 2019 did not have any major fleet-wide technology programs as our operators responded to their market conditions by cancelling or delaying projects that were anticipated; whereas in 2018 we benefited from a £1m update program for a New Zealand based bus operator.

Gross profit fell similarly by 21% to £1.9m (2018: £2.4m) whilst margins were broadly in-line with the previous year at 29%.

The underlying loss for the year was £469k (2018: loss £90k).

Our customers in the UK market faced difficult conditions with on-going reductions in government subsidies resulting in fewer routes, fleet miles and ultimately passenger journeys. This suppressed retrofit programmes of new technologies on legacy fleets and exerted price pressure on any contract renewals for supply or services. In addition, the market for new vehicles was also held back by the uncertainties of changing technology to zero-emissions vehicles and the regulatory environment in cities.

The Society of Motor Manufacturers and Traders published data on the UK's bus and coach registrations showing a 14% fall to 2,766 (2018: 3,212). We have seen similar decreases in our major customers new bus build and the receivership of Wrightbus, one of the UK's two main bus manufacturers, highlighted the problems. Thankfully its factory re-opened as the Barnford Bus Company stepped in to rescue parts of the business, no doubt buoyed by the recently announced Government plans for substantial support for more carbon-zero public transport.

UK sales were down 3% to £5.8m (2018: £6.0m) with an encouraging £0.1m increase in gross profits, benefitting from initiatives that offset reduced bus numbers and delayed technology refreshes. Business development efforts won a new major operator customer in National Express and secured exclusive rights to the innovative SmartVision "digital wing-mirrors", increasing our supply to existing customers and, via bus manufacturers, extending our reach to all five of the Tier-1 and many other fleet operators. The Journeo Remote Condition Monitoring SaaS services are generating a lot of interest and played an important part in contract renewals and new business acquisition.

We maintain a small and agile Rail team in order to respond to requirements from rail customers and were delighted to win a number of orders in the sector prior to year end. The benefit of these were too late in the year to impact 2019 results, but the orders will begin to filter through the early part of 2020.

Our strategic aims for delivering profitable growth are to:

- increase the value of our solutions via technology investment in the Journeo platform
- increase our overseas sales with new routes to market for our Journeo technology solutions through vehicle manufacturers, multi-national fleet operators and regional market leading integrators
- extend our supply opportunities by adding more complementary products

Our investments to support this include the development of the Journeo technology platform and the key services of remote condition monitoring and agnostic video management. This will enable our customers to deliver operational efficiencies and provide a real incentive to drive through fleet technology refreshes, which are a major driver for our business.

In addition, we have been building on the London Gatwick airport passenger transit solution we completed in 2017, that delivered

technology on-bus and at car park bus stop locations along with operational and management reporting software. I was pleased to announce in the December trading update a £1.5m contract with National Express at Stansted Airport for a similar transit solution and five year support services, with the option to extend to eight years.

We continue to support our large fleet operator customers and in H1 2019 were pleased to announce the renewal of a 3-year framework with Arriva UK Bus. The continuation of this long-term relationship is testimony to the value we bring to our fleet customers.

CENTRAL SERVICES

The Central Services support our overall strategy goals of customer bonding, engineering excellence, technology leadership and business growth.

The major corporate activity in the year was the share consolidation and successful £1.2m share placing to strengthen our balance sheet and fund future growth.

The Group's business development team played an important role in our major bids by linking our technology investments to the market opportunities.

In marketing, the major change has been the rebranding of the company to Journeo and this will continue in 2020 as the segments adopt the unified branding.

I am pleased to report that we successfully gained accreditation for our Information Security Management System to ISO 27001:2, and this joins our existing ISO accreditations for Quality, Health and Safety and Environmental Management.

There appears to be real momentum gathering around the UK bus market and we are well placed to capitalise on the opportunities that will arise. However, there remains significant questions on the timing of any upturn, particularly with the effects of the coronavirus pandemic on the world's bus operators and manufacturers. We will keep the situation under close review and react accordingly..

RUSS SINGLETON

Chief Executive

2 April 2020



Markets

Our markets for Fleet and Passenger Systems are being significantly influenced by a number of major global and transport specific trends impacting our customers. Government policy can be a key positive driver to our markets setting the regulatory and support environment. In the UK there has been a marked change in policies to provide a more supportive environment for public transport.

MAJOR TRENDS

GLOBAL MEGATRENDS	TRANSPORT TRENDS
Rapid urbanisation	Increased Congestion. More passengers likely.
Climate change and resource scarcity	Move to zero-emission vehicles. Use of renewable energy.
Shift in global economic power	Supply chain globalisation and vehicle production rising in Asia.
Demographic and social change	Slight decrease in journeys per person due to rise of the internet.
Technological breakthroughs	More intelligent transport in smarter-cities. A future and with driverless and on-demand services.

GOVERNMENT POLICY

The transport sector, and particularly public transport, play a key part in any strategy to reduce emissions and congestion. Most cities and governments have policies to encourage the use of public transport. In the UK we have had many years of austerity with cuts to local government affecting our Passenger customers and reduced subsidies impacting the economics of our Fleet customers. More recently the UK government is starting to reverse these cuts creating a more favourable environment for the transport community. The bus market has particular focus, where for example buses in England account for more than 60% of all public transport journeys. Key initiatives are:

NET ZERO

UK targets net zero greenhouse gas emissions by 2050. "Public transport and active travel will be the natural first choice for our daily activities. We will use our cars less and be able to rely on a convenient, cost-effective and coherent public transport network." (Rt Hon Grant Shapps MP)

TRANSFORMING CITIES FUND (TCF)

A £2.4bn programme, originally announced in 2017, to improve productivity and spread prosperity through investment in public and sustainable transport in some of the largest English city regions. To be released in tranches over five years to successful applicant city regions.

BUS SERVICES ACT 2017

New powers to England's metropolitan areas outside London to redress perceived negative effects of deregulation – variable quality, lack of integration and fragmented services. The Act presents local authorities with new powers to bring about change and unlock the potential for the bus industry to achieve more for passengers than it does today.



PASSENGER SYSTEMS

THE MARKET

We mainly supply passenger information systems to the local authorities and Passenger Transport Executives (PTEs) that manage transport networks.

The austerity of the last decade has severely restricted investment in passenger information but for some time now we have been seeing increased activity in the UK passenger systems market as the first tranche of TCF was released to PTEs and Local Authorities in 2019. This appears to be a positive trend that is set to continue.

The market benefits from displays having finite lives from both an operational and aesthetic point of view, and the replacement market for ageing estates remains attractive.

OUR RESPONSE

Our strategy of combining engineering services, partnerships with complementary industry specialists and our own latest generation of industry specific displays and software puts us in a strong position for the large and complex projects we see in the market.

We are continuing to invest in our Journeo EPIX Software as we see great potential in the market over the coming years.

We are also developing new solutions in response to the needs of local authorities and PTEs as we seek to extend our role in the transport sector of the wider smarter city.

We have emerging business opportunities in ticketing, emissions measurement and road surface analysis for the same customer sets.

FLEET SYSTEMS

OUR MARKETS

We supply safety and information systems to bus, rail, light-rail and specialist vehicle operators, as well as integrated solutions to places like airports. Our solutions tend to be provisioned at a fleet-wide level rather than individual vehicles.

UK bus is our largest market where the main drivers for revenue are the systems for new vehicles, the fleet wide adoption of new technology to meet operational need and the on-going servicing to the fleet.

The UK market has seen a perfect storm for operator economics, falling passenger numbers, rising costs, fare pressures, changing technology to carbon-zero vehicles, reduced government subsidies and regulatory changes.

It has been tough for our UK operators putting pressure on our service income and increasing scrutiny on the major decisions for fleet-wide programmes. New bus and coach registrations have fallen for each of the last 3 years and overall, there has been a 37% fall since 2016.

As the effect of changing government policies filters through we expect to see an improving situation.

One example is the announcement of funding in the 2020 UK budget to support 4,000 zero-emission buses as part of a larger £5bn package for bussing and cycling. There is also to be a National Bus Strategy created in late 2020.

OUR RESPONSE

Keep continuously improving our services to customers through operational efficiency and increasing the value of our solutions via technology investment to achieve higher market share.

For instance, our Journeo Remote Condition Monitoring solution provides operators with a cost-effective route for ensuring the critical systems on their vehicles are working to meet regulatory and operational requirements and have the potential to reduce life-cycle costs through smarter servicing and extended product life.

Reinvigorate our overseas presence with new routes to market for our new technology-based solutions through bus manufacturers, multi-national fleet operators and regional market leading integrators.

Extend our supply opportunities by adding more complementary products. For example, the SmartVision "digital wing-mirrors" being deployed across the UK and particularly in London as part of the TfL Vision Zero initiative.

Business model

Journeo provides critical technology solutions to the transport community which capture, process and display essential information to improve journeys. We compete by providing an open platform for technology solutions, unlocking customers from suppliers' proprietary systems facilitating participation in wider smart city initiatives.

We strive to offer more fully integrated, connected solutions at reduced costs to our customers. We carefully seek out, or in some cases create, niche market applications where we see significant growth or market leadership potential. The development of our products and solutions are customer-led and we include multi-national, multi-modal fleet operators, vehicle manufacturers, local authorities and Passenger Transport Executives (PTEs) within our customer base.



KEY RESOURCES

Our core capabilities have developed over 20 years of practical experience in creating market leading solutions for the unique requirements of the transport community. Our key resources can be grouped under three headings:

CUSTOMER BONDING

Like our customers we have a long-term commitment to the transport sector. We are specialists and understand the importance of creating solutions that are at the same time leading edge but durable and cost-effective over the long-term.

ENGINEERING EXCELLENCE

Our people and culture are aligned to the needs of our customers. The importance of our solutions in the day-to-day operations of our customers informs our actions. Our customers demand engineering excellence and it is at the heart of our expertise.

TECHNOLOGY LEADERSHIP

We support our customers legacy systems, today's new purchases and tomorrows strategic direction. We have a 360° view of the technology relevant to our customers and the capability to develop products and software that meet the transport communities' unique requirements.

OUR ACTIVITIES

We provide critical technology solutions to the transport community which capture, process and display essential information to improve journeys. We serve towns and cities with passenger information, fleet operators with safety and efficiency systems and bring these together in fully-integrated solutions for places such as airports.



Our main activities can be split by:

ENGINEERING SERVICES

A full spectrum service from design and bid response teams to installation and field services.

TECHNOLOGY PROVIDER

A deeper knowledge of customer needs and the technology landscape allow us to bring forward solutions that increase customer value. We develop specialised products and software that meet the transport communities' unique requirements.

SUPPORT SERVICES

We provide common services to our operating segments delivering best practices and processes to enable them to deliver efficient and consistent results for our customers.

OUR CUSTOMERS

We deliver to our customers through dedicated teams:

PASSENGER SYSTEMS

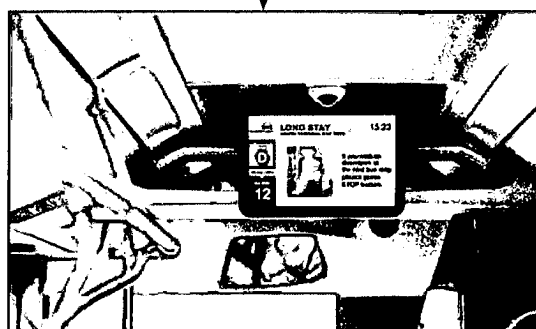
Focused on the local authorities and PTEs involved in transport network management.

FLEET SYSTEMS

For the bus, coach, rail and specialist commercial fleet operators

JOURNEO TECHNOLOGY

Provides our own products and software through the Passenger and Fleet Systems channels. As the adoption of these new offerings gathers pace, we may see segments emerge to target specific integrated solutions such as airports and an international arm for sales to overseas customers.



VALUE CREATED FOR STAKEHOLDERS

END USERS

We have become a trusted partner to many of our customers and are proud of the long-term relationships we have built and our ability to attract new customers. Our solutions deliver long-term value.

KEY SUPPLIERS AND COMPLEMENTORS

Our market presence and engineering excellence provide a strong basis for great relationships across the supply chain and also we work closely with consultants and specifiers.

EMPLOYEES

We aim to attract and retain great people by providing rewarding jobs that allow significant opportunities for personal development.

SHAREHOLDERS

By developing our own intellectual property and technologies, we have already begun to access opportunities that were previously inaccessible to us. As we apply these to a wider range of markets we aim to return continued value to our shareholders.

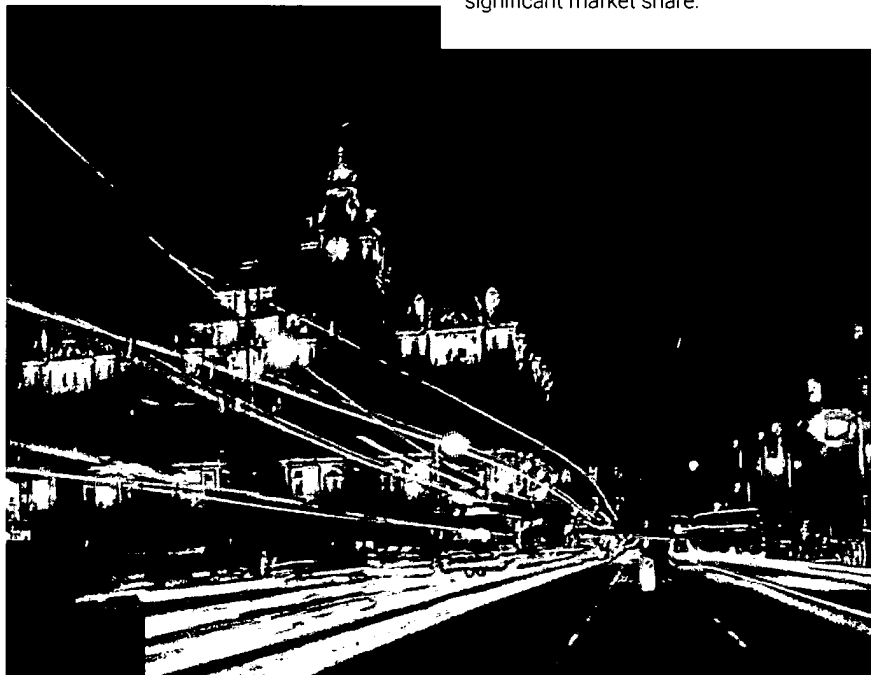
THE WIDER COMMUNITY

The systems we create improve the provision of information to the travelling public, increase the efficiency of services and help to safeguard their journeys. We also engage in charitable activities at a company-wide level.

Strategy

CONNECTED SYSTEMS FOR CONNECTED JOURNEYS.

We aim for deep customer bonding in the critical technology solutions we provide to the transport community which capture, process and display essential information to improve journeys. We carefully select niche markets where we can generate significant market share.



We support our customers legacy systems, today's new purchases and tomorrow's strategic direction. We have a 360° view of the technology relevant to our customers and the capability to develop products and software that meet the transport communities' unique requirements, as well as the engineering services to deliver and support the solutions.

We are an open technology provider and partner with many leading global-scale product companies and local specialists in the industry to deliver our solutions. We demonstrate across the life-cycle of our solutions engineering excellence and technical leadership.

We are uniquely placed for growth, as solutions in the transport community converge, with significant presence in both the transport network passenger information market and the fleet operator's safety and efficiency market. The Journeo Technology platform underpins an increasing number of our solutions.

We continue to look for acquisition opportunities to strengthen and deepen the portfolio and to extend the services offered.

Our overall strategy is developed through initiatives grouped into four strategic goals focused on our customers, our capabilities and our stakeholders:

CUSTOMER BONDING

ENGINEERING EXCELLENCE TECHNOLOGY LEADERSHIP

BUSINESS GROWTH

STRATEGY DEVELOPMENT & PROGRESS

We set objectives to advance our strategic goals with regular performance monitoring by the Board and management. Our key objectives going forward as part of the continual development of Journeo are:

2020 OBJECTIVES

CUSTOMER BONDING

Extend our influence within our large customer organisations to better reflect the increased operational benefits of our converged solutions.

ENGINEERING EXCELLENCE

Deliver a step-change in operational capabilities to meet the manufacturing, delivery and support requirements of the recent transformational project wins.

TECHNOLOGY LEADERSHIP

Increase the value of our solutions via technology investment in the Journeo technology platform.
Develop the Journeo technology brand; its marketing, intellectual-property and productisation.

BUSINESS GROWTH

Increase our overseas sales with new routes to market for our Journeo technology solutions through vehicle manufacturers, multi-national fleet operators and regional market leading integrators.
Extend our supply opportunities by adding more complementary products.

Please see the following table highlighting the progress we have made this year:

2019 OBJECTIVE	PROGRESS REPORT
CUSTOMER BONDING	
Form tighter bonds with our customers to secure recurring revenues for our new solutions.	In Passenger Systems we extended our relationship with Transport for West Midlands (TfWM) as they adopted our market leading new full-colour LED screen after a successful trial. In Fleet Systems we retained all major accounts and secured a 3-year renewal of the Arriva framework agreement and added National Express to our tier-1 customer base.
Extend the management platform to empower all staff.	Significant progress throughout our teams.
ENGINEERING EXCELLENCE	
Enhance the tools provided to our customer service team.	Field-service software package selected by the team with a Q2 2020 go-live date.
TECHNOLOGY LEADERSHIP	
Invest in additional technical capabilities and systems linked to target market sectors.	We further invested in the year in research and development creating innovative technology-led solutions for our future. We made substantial progress as recent contract wins, like TfWM above, show.
BUSINESS GROWTH	
Achieve Breakthrough sales in new verticals Third-party resale of our own technology IP through Journeo Generate cash to continue investment whilst maintaining tight working capital controls.	We have made important progress in entering new customer segments, both directly and through third-parties with a number of evaluations progressing well. To continue investment we raised £1.2m in a successful share placing.

Principal Risks

RISK OR UNCERTAINTY AND POTENTIAL IMPACT	MITIGATION
CORONAVIRUS (COVID-19)	
<p>The coronavirus pandemic and Government and societal reactions to events will inevitably impact the business in all areas;</p> <ul style="list-style-type: none"> • our people <ul style="list-style-type: none"> – our fundamental duty of care for their safety – our capacity to deliver our services - customer SLAs and project delivery • our customers <ul style="list-style-type: none"> – reduction in demand for our services – whether our services are deemed essential – credit risk and cash flow • our supply chain <ul style="list-style-type: none"> – their capability to deliver key services and components 	<p>We are managing the Company's response to the developing situation on a daily basis through the Group management team. The Group will monitor and follow Government guidance and will communicate with staff, customers and the supply chain as appropriate.</p> <p>We have taken steps to adapt our working practices to the guidelines and have regular communication with all our staff advising them on the steps they should take to maintain safe working environments in the workplace and in the event that they show symptoms of the virus.</p>
BREXIT	
<p>The Group has an international supply chain and customer base. Access to, and delivery of equipment, people and materials could be negatively impacted by a disorderly conclusion of the future trading arrangements with the EU.</p>	<p>We have maintained the buffer stock secured for the potential 2019 hard Brexit across our warehousing locations to mitigate any short-term impact around the current 31 December 2020 end date for the transition period.</p> <p>The duty paid on non-EU purchases is in line with WTO terms and therefore, the risk to the Company of the UK adopting these terms directly at the end of the transition period is minimal.</p>
MAJOR PROJECT DELIVERY	
<p>Failure to deliver a major project on time or to specification, or technical performance falling short of customer expectations, would have potentially significant adverse financial and reputational consequences.</p>	<p>Risk assessments are conducted for all projects and the major ones are also subject to Board approval.</p> <p>Major projects are reviewed at various levels and frequencies throughout the project lifecycle. Any material exceptions are escalated to the Group management team.</p>
DEPENDENCE ON KEY SUPPLIERS	
<p>Wherever possible the Group endeavours to retain a choice of suppliers in the supply-chain. In instances where we are reliant on the performance of one supplier for a product or a sub-system our risk is increased.</p>	<p>We manage this risk with rigorous financial and technical appraisals of key suppliers. We monitor their general performance closely and for major projects we apply the mitigation covered above.</p>
COMPETITION	
<p>The Group may face increased competition as the technology on and off vehicles moves away from point solutions to broader integrated solutions.</p> <p>This changing technology landscape creates openings for new product and service entrants that may possess better technical and capital resources than the Group.</p>	<p>The Group will continue to increase its technical capability to capitalise on our current market position and work closely with technology partners to broaden our skills.</p> <p>We are targeting becoming a larger group via organic growth and potential acquisitions to provide better economies of scale and increased industry knowledge.</p>
TECHNOLOGY	
<p>As transport systems become more intelligent and converged there is a risk that solutions or products can be overtaken by new approaches. The speed of innovation may increase.</p> <p>This may impact our ability to invest in further development in the future and could reduce the product life-cycle for our current solutions in the market.</p>	<p>We are a customer-led business that has made significant investments in research and development resources in carefully selected niche markets in which we are recognised experts with substantial field engineering experience. This allows us to continually keep pace with changes and improvements in relevant technology and link this to our customer's changing needs.</p> <p>The Board regularly reviews progress on product development.</p>

Chief Technical Officer's report



DR ANDY HOUGHTON
Chief Technical Officer

“THE INVESTMENT MADE IN ADDITIONAL LOW-LEVEL, EMBEDDED DEVELOPMENT RESOURCES IN 2019 IS REAPING BENEFITS AND HAS ALLOWED US TO ACCELERATE PROGRESS”

INTRODUCTION

2019 proved to be as busy as anticipated with technological development gathering pace on every front. It remains an exciting position as our growing development capabilities are applied to an increasing number of customer requirements that are becoming more complex.

Our customer-led development remains focused in key areas:

- Turning mass data into meaningful information
- Driving the evolution of our core systems
- Utilising our capabilities and products to enter adjacent markets

Our open integration approach of utilising best-of-breed third-party components in our solutions, rather than re-invention, complemented by our own industry specific products and software continues. We have made significant progress in building our Journeo Technology Platform, an agile framework for the rapid deployment of new services and ideas. While this has long been our goal, previous years have naturally been focussed on bringing the fleet and passenger businesses together and we are now able to concentrate on the evolution of our development framework; this has been carefully constructed in a way that allows us to drop new services and applications into a consistent look-and-feel.

The Journeo Technology Platform recognises that we cannot own the whole solution for transportation and highways management in smart cities, but we are able to provide an open-platform into which best-of-breed specialisms can plug in to. Making our systems open stops them from becoming a barrier to innovation; we can own the information gateway without setting limits on the overall solution. In this way we don't have to own the answers to everything; instead we, or our customers, can pull in specialisms and expertise where it is necessary.

This year we have seen several partnerships flourish, increasing the scope of our capabilities well beyond what could be achieved with only our internal resource. By obtaining a deep understanding of their products we can deliver deep integration into our management and reporting platform; in some cases these relationships evolve into mutually beneficial partnerships where we work with the manufacturer to adapt and tune the products for our particular use cases.

TRANSPORT NETWORK TECHNOLOGIES

Much of our engagement with local authorities focuses on deploying technology solutions to facilitate transport policy. This can manifest as providing richer information to the public to encourage the use of public transport, monitoring air quality to augment real-time decision-making on health or managing the road network more effectively.

This engagement includes providing information as well as tools to interpret and visualise that information in a sensible and near real-time way. Throughout 2019, we engaged with a surface monitoring trial, explored further in my accompanying case study, to analyse road surface conditions on key corridors into and out of a UK City. Potholes are a major reason for complaints to local authorities and the current methods of detecting and recording their presence are, frankly, antiquated.

The work undertaken on our EPIX Content Management System has seen us give greater control to the user to distribute information and updates either in granularity, to individual stops on routes for specific journeys, or at scale across entire information estates, as has been utilised during the current pandemic.

ON-VEHICLE TECHNOLOGIES

The technical capability of our Fleet business has made significant strides forward in recent years and this was crystallised in 2019 as our Remote Condition Monitoring and Agnostic

Video Management System applications were in receipt of their first innovation award. Previously, as an integrator of third-party technologies, this would have been unthinkable.

The open and agnostic solution unlocks operators from proprietary manufacturer systems, allows operators to innovate and trial new systems, all the while allowing us to increase the breadth of the services we can offer them. It also means that when new, discreet systems such as SmartVision enter the operator technology ecosphere, we can work with them to integrate and add value to their products. This is all achieved using the same base technology stack utilised in other areas of our business.

Our operator-targeted applications are gaining traction and are undergoing several extensive field trials. We are seeing our technology prove itself in the UK, Scandinavia and beyond.

The investment made in additional low-level, embedded development resources in 2019 is reaping benefits and has allowed us to accelerate progress. The Journeo Edge intelligent gateway router and the associated cloud-based management software has been key in the current development of the solutions that we are beginning to bring to market and has increased the breadth of solutions that we are able to provide.

2020 is already shaping to be an exciting year; we are integrating data sourced from multiple endpoints onto our new platform, including vehicles, air quality and now road surface; building a powerful solution that is beginning to show its capacity to give holistic views of transport networks in the years to come.

Board of Directors



MARK ELLIOTT

Non-executive Chairman



Mark Elliott, 61, joined the Company in December 2010 as a Non-executive Director before taking on the role of Executive Chairman in August 2013 after a period in the role of Interim Finance Director from January 2013. In August 2014 Mark was appointed Non-executive Chairman. Mark is a Chartered Accountant who was an Equity Partner with Baker Tilly (now RSM UK) specialising in audit and corporate finance. More recently he has advised and been on the board of two companies listed on AIM. He is also Non-Executive Chairman of AIM listed Malvern International Plc.



JAMES CUMMING

Non-executive Director and Senior Independent Director



James Cumming, 69, joined the Board as a Non-executive Director in August 2013. Following a long career in corporate advisory and broking in the City, including acting as Chief Executive Officer of N+1 Brewin LLP, and latterly as a Senior Adviser to Cantor Fitzgerald, James has significant experience in working with small and mid-sized UK companies. James currently utilises his commercial experience in supporting growth companies in non-executive roles, is an associate of Ruffena Capital and has qualified as a fellow of the Chartered Institute of Securities & Investment.

KEY

A	Audit Committee
N	Nomination Committee
R	Remuneration Committee



NICK LOWE

Chief Financial Officer and Company Secretary

Nick Lowe, 41, joined the Company in May 2017 as Chief Financial Officer. Nick is an FCA with experience at finance director level in growing, technology-led, SME businesses. He has strong group reporting, process and control skills developed whilst at the prestige motor dealer, Sytner Group. Nick qualified as a Chartered Accountant with Tenon in Nottingham, before joining KPMG.



RUSS SINGLETON

Chief Executive Officer

Russ Singleton, 61, joined the Company in October 2013 as Chief Executive. Russ is a Chartered Engineer with a strong track record, including forming and growing electronics businesses for Synectics plc, formerly Quadnetics Group plc, where, after moving to AIM in 2002, he led the group as Chief Executive, achieving a five-fold increase in turnover and substantial profits. This growth came organically and through acquisitions. Subsequently, he formed Coretrol Limited to focus on opportunities in the security markets.

Senior management team



DR ANDY HOUGHTON
Chief Technical Officer



MARK JOHNSON
Director of Fleet Systems



PHIL HARRISON
Group Financial Controller



DARREN MAHER
Group Development and
Communications Director



KIM BRADLEY
Group Projects Manager



STEVE KESTERTON
Group Operations Manager

Report on corporate governance

SUMMARY

- The full Board met twelve times in 2019. All of the Directors of the Company at the time of the meetings were in attendance.
- The Audit Committee met with the auditor once during the year.
- Several meetings of the Remuneration Committee were held during 2019.
- An ongoing process to identify, evaluate and manage the significant risks faced by the Group has been in place for the full year under review.

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

THE WORKINGS OF THE BOARD AND ITS COMMITTEES

THE BOARD

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

Biographies of the Directors, including details of their experience and role within the Group, are set out on page 16.

ATTENDANCE AT MEETINGS

The full Board met twelve times in 2019. All of the Directors of the Company at the time of the meetings were in attendance.

THE AUDIT COMMITTEE

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

THE REMUNERATION COMMITTEE

The Remuneration Committee comprises the two Non-executive Directors: James Cumming, as Chairman, and Mark Elliott. Several meetings of the Committee were held during 2019. The Committee is responsible for making recommendations to the Board on the remuneration of senior management and all Directors.

THE NOMINATION COMMITTEE

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

ELECTION AND RE-ELECTION OF DIRECTORS

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

TERMS OF REFERENCE

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

INTERNAL CONTROLS

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

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

MANAGEMENT STRUCTURE

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

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

CONTROL ENVIRONMENT

The Group's control environment is the responsibility of the Group's Directors and managers at all levels. A review of the key risks facing the business and the effectiveness of the Group's internal controls was last performed in January 2019. 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

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

The Group's net underlying loss for the year was £777k (2018: £138k). As at 31

December 2019 the Group had net current liabilities of £916k (2018: £1,084k) and net cash reserves of £725k (2018: £485k).

In December 2018 the 2016 Loan Notes maturity date was extended and an additional £250k of 2018 Loan Notes were issued to enable the Group to continue its investment in R&D and provide working capital to ensure that the Group can capitalise on anticipated opportunities.

In December 2019 the Group raised gross proceeds of £1.2m from a placing.

The Directors have prepared Group cash flow projections for the period to 30 June 2021 based on latest forecasts that show that the Group will be able to operate within the Group current funding resources. The financial uncertainty created within the economy as a result of Covid-19 is clearly difficult to forecast and predict, but the Directors have produced sensitised forecasts based on their best estimates of likely outcomes, and these indicate that for the 12 month period from the date of signing these financial statements the group will be able to operate within the financial facilities available to it, with significant headroom to allow for any lost revenues.

The pledges made by the UK Government provide further comfort to the Directors, that they will have access to additional funding, should they require from the various

measures that the Government has put in place to help protect employment and support businesses through this period of uncertainty.

Whilst there is a significant degree of operational uncertainty as a result of the Coronavirus, the essential need for public transport and the contracts we currently have, provides confidence that the Group will be able to navigate these challenging times, and will emerge in a position from which The Group can grow in the future

Furthermore, the Directors are comforted by clear sentiment from the UK Government that they will support business during this difficult time, with a range of measures already outlined to protect jobs and business, with more to come.

On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of these financial statements. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.



Report of Directors' Remuneration

As an AIM company, the Company is required to comply with AIM Notice 36 and not with Schedule 8 to the Accounting Regulations under the Companies Act 2006. Nevertheless, the Board prefers to follow best practice and has therefore prepared the following report which meets the majority of these regulations.

This Report on Directors' Remuneration sets out the Company's policy on the remuneration of Executive and Non-executive Directors together with details of Directors' remuneration packages and service contracts.

REMUNERATION COMMITTEE

For the financial year ended 31 December 2019, the remuneration policy for Executive and Non-executive Directors and the determination of individual Executive Director's 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:

- the basic salaries and benefits available to Executive Directors of comparable companies;
- the need to attract and retain Directors of an appropriate calibre;
- the need to ensure Executive Directors' commitment to the continued success of the Company by means of incentive schemes; and
- the need for the remuneration awarded to reflect performance.

REMUNERATION OF THE NON-EXECUTIVE DIRECTORS

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

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

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

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

- 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;
- link individual remuneration packages to the Group's long-term performance through the award of share options and discretionary bonus schemes; and
- provide employment-related benefits including life assurance, insurance relating to the Directors' duties and medical insurance.

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

DIRECTORS' SERVICE CONTRACTS

Details of individual Directors' service contracts are as follows:

	Contract date	Unexpired term	Notice period
Executive			
R C Singleton	10 October 2013	None	Twelve months
N Lowe	15 May 2017	None	Six months

The Non-executive Directors do not have service contracts but their terms are set out in letters of appointment.

	Date of letter of appointment	Notice period
Non-executive		
M W Elliott	18 August 2014	One month
J Cumming	22 August 2013	None

The Directors are required to retire by rotation and the appointment of new Directors has to be approved at the next AGM subsequent to their appointment by the Board. The Director retiring by rotation is James Cumming.

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

NON-EXECUTIVE DIRECTORSHIPS

With the permission of the Board, the Executive Directors may accept appointments as non-executive directors elsewhere. Any fees related to such employment may be retained by the Director concerned.

DIRECTORS' DETAILED EMOLUMENTS AND REMUNERATION

Details of individual Directors' emoluments and remuneration for the year are as follows:

	Salary and fees £	Benefits £	Pension £	Total 2019 £	Total 2018 £	Total 2017 £
Executive						
R C Singleton	150,000	18,683	11,380	180,063	178,758	260,771
N Lowe ¹	123,379	812	7,845	132,036	112,907	62,409
G Robinson ²	—	—	—	—	—	107,437
Non-executive						
M W Elliott	35,000	—	39,830	74,830	73,623	98,446
J Cumming	23,000	—	—	23,000	23,000	23,000
	331,379	19,495	59,055	409,929	388,288	552,063

1. Appointed 15 May 2017.

2. Resigned 15 May 2017.

The 2017 remuneration included compensation for salaries and fees deferred in 2016.

SHARE OPTIONS

At 31 December 2019, the Company had two employee share option schemes: the 2004 Enterprise Management Incentive (EMI) Plan and the 2014 Enterprise Management Incentive (EMI) Share Option Plan. The 2004 EMI Plan was approved by shareholders on 18 May 2004 and expired for new options on its tenth anniversary. On 22 October 2014, the Board established the 2014 EMI Share Option Plan, which operates in substantially the same way as the 2004 EMI Plan.

No options were granted under the 2014 EMI Share Option Plan in the year. The outstanding options are detailed in note 22 to the financial statements.

DIRECTORS' INTERESTS IN SHARE OPTIONS

Directors' interests in share options are disclosed in note 22 to the Group financial statements

DIRECTORS' INTERESTS IN THE EMPLOYEE SHAREHOLDER PLAN

On 15 February 2015, the 21st Century Technology Employee Shareholder Plan (the "Plan") was implemented following approval at a general meeting of the Company.

Directors' interests in the Plan are disclosed in note 22 to the Group financial statements.

DIRECTORS' INTERESTS IN SHARES

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

Statutory Directors' report

The Directors present their report and the Group financial statements for the year ended 31 December 2019.

The following matters are reported by the Directors in accordance with the Companies Act 2006 requirements in force at the date of the Annual Report.

The Directors present their report and the Group financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Group are set out within the Strategic Report on page 10.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The consolidated statement of comprehensive income for the year ended 31 December 2019 is set out on page 27.

A review of the Group's business activities and its future developments is included in the Strategic Report on pages 6 to 15 and the Chairman's Statement on pages 4 and 5.

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

KEY PERFORMANCE INDICATORS

The Directors and Company management use financial key performance indicators (KPIs), as reflected in this Annual Report, to monitor progress against our objectives. The KPIs are:

- Revenue
- Gross Profit and Gross Profit %
- Administrative expenses - total and underlying
- Operating profit – total and underlying
- Net Current Liabilities
- Net cash balance and net cash flows from operating activities
- Earnings per share on a basic and diluted basis
- Profit before tax
- Order book

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the principal risks and uncertainties considered by the Board to affect the Group, and the related mitigation actions, are given in the Strategic Report on page 14.

FINANCIAL RISK MANAGEMENT

The Group's financial instruments include bank facilities and cash. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial instruments, such as trade receivables and trade payables, that arise directly from its operations.

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

CREDIT RISK

The Group is exposed to credit risk primarily in respect of its trade receivables, which are stated net of provision for estimated impaired receivables. Exposure to this risk is mitigated by careful evaluation of the granting of credit and close monitoring and management of collections from trade receivables. In addition, we have credit insurance in place on the majority of trade receivables.

LIQUIDITY AND INTEREST RATE RISK

The Group's policy on funding capacity is to ensure that we have sufficient long-term funding and facilities in place to meet foreseeable peak borrowing requirements. At 31 December 2019, the Group had net cash at bank of £725k (2018: £485k). The Group's policy is to ensure that sufficient resources are available to service all debt by monitoring prudent cash flow forecasts.

During 2018 the 2016 Loan Notes maturity date was extended and an additional £250k of 2018 Loan Notes were issued.

FOREIGN CURRENCY RISK

Several components used in Fleet Systems are sourced from overseas suppliers who invoice in US Dollars and Euros. In addition, our operations in Europe generate transactions denominated in Euros and Swedish Krona. Consequently, the Group is exposed to fluctuations in Sterling against these foreign currencies. Where appropriate, the Group uses forward exchange contracts to hedge foreign exchange exposures arising on forecast payments in foreign currencies and our selling prices in overseas markets are linked to movements in Sterling.

FUTURE OUTLOOK

A summary of the outlook for the Group is given within the Chairman's Statement on page 5.

GOING CONCERN

The financial statements have been prepared on a going concern basis as covered in the Report on Corporate Governance on page 18.

RESULTS AND DIVIDEND

The Group reports a loss of £0.9m for the year (2018: profit of £0.1m). At the forthcoming AGM the Directors are not recommending the payment of a dividend (2018: £nil).

DIRECTORS

Details of current Directors, dates of appointment, their roles, responsibilities and significant external commitments are set out on page 16.

DIRECTORS' INTERESTS IN SHARES

The Directors during the year and their interests in the share capital of the Company, other than in respect of options to acquire Ordinary Shares (which are detailed in the analysis of options included in note 22 to the financial statements) were as follows:

	Number of Ordinary 6.5p Shares in the Company	
	31 December 2019	31 December 2018
M W Elliott	100,000	—
R C Singleton	300,000	3,007,346
N Lowe	15,000	—
J Cumming	25,000	—

187,750 of the share interests of Russ Singleton are held in self-invested personal pension schemes.

Apart from the interests disclosed above and in note 22, no Directors held interests at any time in the year in the share capital of the Company or other Group companies.

DISABLED EMPLOYEES

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

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, 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 performance.

DIRECTORS' INDEMNITY

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all of the Company's Directors.

DIRECTORS' DUTIES

The Directors of the Company are required to act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows: "A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole".

The Directors are aware of their obligations with regards to the matters under section 172, namely:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the company.

The Strategic report on page 6, the Directors' report on page 22 and the Corporate governance statement on page 18 set out the ways in which these duties are fulfilled.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements of the Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;

- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 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 corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO AUDITOR

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

- so far as the Director is aware there is no relevant audit information of which the Group's auditor is unaware; and
- he has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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

By order of the Board

MARK ELLIOTT

Non-executive Chairman

2 April 2020

Auditor's report

to the members of Journeo plc

OPINION

We have audited the financial statements of Journeo plc (formerly 21st Century Technology plc) (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Income Statement and Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. 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. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

EMPHASIS OF MATTER

We draw attention to note 2 to the financial statements, which explains the uncertainty which the current Coronavirus pandemic has created within the world economy, and the resultant challenges for the ability of the Directors to forecast the future performance of the Group. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

We identified the key audit matters described below as those which were most significant in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matter in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

RISK DESCRIPTION	OUR RESPONSE TO THE RISK
REVENUE RECOGNITION As detailed in note 2, Significant Accounting Policies, the Group's revenue is generated from a number of streams, as follows: <ul style="list-style-type: none"> • the sale of equipment; • installation of equipment; • construction contracts; and • service contracts. Given the material nature of revenue and the variety of methods it is generated through, the appropriateness of revenue recognition and management's application of the Group's revenue recognition accounting policy represents a key risk area of significant judgement in the financial statements.	We reviewed the accounting policies and practices for consistency of application as well as the basis of any recognition estimates. We tested equipment sales and installation revenue to gain assurance over the completeness, existence and accuracy of reported revenue. We tested construction contracts and ongoing service contracts to gain assurance over the completeness, existence and accuracy of reported revenue. We performed cut-off procedures to test transactions around the year end and verified a sample of revenue to originating documentation to provide evidence that transactions were recorded in the correct period.

RISK DESCRIPTION**OUR RESPONSE TO THE RISK****CARRYING VALUE AND IMPAIRMENT OF GOODWILL**

The Group has a significant goodwill balance in relation to the Passenger Systems Cash Generating Unit. The Group's assessment of carrying value requires significant judgement, in particular regarding cash flows, growth rates, discount rates and sensitivity assumptions.

We challenged the assumptions used in the impairment model for goodwill, which is described in note 10.

We considered historical trading performance by comparing recent growth rates of both revenue and operating profit.

We assessed the appropriateness of the assumptions concerning growth rates and inputs to the discount rates against latest market expectations.

We performed sensitivity analysis to determine whether an impairment would be required if costs increase at a higher than forecast rate.

PROVISION FOR WARRANTY COSTS

The Group provides warranties on some of the equipment sold and therefore makes provision for future costs in relation to these warranties. The amount provided is a management estimate based on historical cost experience and management experience and requires significant judgement.

We reviewed the calculation method and agreed a sample of data used in the calculation back to source records.

We tested warranty claims in the year to gain assurance over the existence of costs.

We agreed warranty terms back to contracts for a sample of those provided.

MATERIALITY

The materiality for the Group financial statements as a whole was set at £228,000. This has been determined with reference to the benchmark of the Group's revenue which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 2% of Group revenue as presented in the Group Income Statement.

The materiality for the parent company financial statements as a whole was set at £108,000. This has been determined with reference to the parent company's net assets, which we consider to be an appropriate measure for a holding company with investments in trading subsidiaries. Materiality represents 2% of net assets as presented on the face of the parent company's Balance Sheet.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We adopted a risk-based audit approach. We gained a detailed understanding of the Group's business, the environment it operates in and the risks it faces. The key elements of our audit approach were as follows:

The audit team evaluated each component of the Group by assessing its materiality to the Group as a whole. This was done by considering the percentage of total Group assets, liabilities, revenues and profit before taxes which each component represented. From this, we determined the significance of the component to the Group as a whole, and devised our planned audit response. In order to address the audit risks described in the Key Audit Matters section which were identified during our planning process, we performed a full-scope audit of the financial statements of the parent company, Journeo plc, and all of the Group's UK trading subsidiaries, providing 100% coverage of revenues and profit before tax for these components. The operations that were subject to full-scope audit procedures made up 100% of consolidated revenues and £752,000 of consolidated loss before tax. We applied analytical procedures to the balance sheets and income statements of the entities comprising the remaining operations of the Group, focusing on applicable risks identified as above, and their significance to the Group's balances.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our audit report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Auditor's report continued

to the members of Journeo plc

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

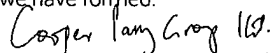
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the parent 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 parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.



KATHARINE WARRINGTON (SENIOR STATUTORY AUDITOR)

for and on behalf of

Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 2 April 2020

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Revenue	3,4	11,402	12,601
Cost of sales		(6,863)	(7,752)
Gross profit	4	4,539	4,849
Underlying administrative expenses		(5,530)	(5,357)
Other income		214	370
Underlying loss		(777)	(138)
Share-based payments		–	398
Total administrative expenses		(5,316)	(4,589)
Operating (loss) / profit		(777)	260
Finance expense	6	(171)	(121)
(Loss) / profit before taxation from continuing operations	7	(948)	139
Taxation credit	8	15	3
(Loss) / profit for the year being total comprehensive (loss) / profit attributable to owners of the parent		(933)	142
(Loss) / profit per share	9		
Basic		(1.08p)	0.15p
Diluted		(1.08p)	0.15p

The notes on pages 31 to 54 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity shareholders' funds £'000
Balance at 1 January 2018	6,061	8	(5,802)	267
Profit and total comprehensive income for the year	—	—	142	142
Share-based payments	—	—	(398)	(398)
Balance at 31 December 2018	6,061	8	(6,058)	11
Loss and total comprehensive income for the year	—	—	(933)	(933)
Proceeds from issue of new shares	156	950	—	1,106
Balance at 31 December 2019	6,217	958	(6,991)	184

The notes on pages 31 to 54 form part of these financial statements.

Consolidated statement of financial position

at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Goodwill	10	1,345	1,345
Other intangible assets	11	1,054	969
Property, plant and equipment	12	287	138
Trade and other receivables	15	43	43
		2,729	2,495
Current assets			
Inventories	14	1,271	1,650
Trade and other receivables	15	3,923	3,224
Cash and cash equivalents	16	725	485
		5,919	5,359
Total assets		8,648	7,854
Equity and Liabilities			
Shareholders' equity			
Share capital	22	6,217	6,061
Share premium account		958	8
Retained earnings		(6,991)	(6,058)
Total equity		184	11
Non-current liabilities			
Deferred revenue	17	671	499
Loans and borrowings	19	570	576
Deferred tax liability	13	9	35
Lease liabilities	26	64	—
Provisions	20	315	290
		1,629	1,400
Current liabilities			
Trade and other payables	17	3,212	2,914
Deferred revenue	17	2,214	2,329
Loans and borrowings	19	1,141	1,000
Lease liabilities	26	88	—
Provisions	20	180	200
		6,835	6,443
Total equity and liabilities		8,648	7,854

The financial statements were approved by the Board of Directors and authorised for issue on 2 April 2020 and were signed on its behalf by:

M W ELLIOTT

Non-executive Chairman

Registered number: 2974642

R C SINGLETON

Chief Executive



The notes on pages 31 to 54 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Net cash flows from operating activities	24	(249)	380
Cash flows from investing activities			
Purchases of property, plant and equipment		(45)	(91)
Purchases/generation of intangible assets		(538)	(452)
Net cash flows from investing activities		(583)	(543)
Cash flows from financing activities			
Cash flows from financing activities		145	126
Principal element of lease repayments		(170)	—
Issue of loan notes		—	250
Repayment of loans		(10)	(32)
Issue of Shares		1,106	—
Net cash flows from financing activities		1,071	344
Net increase in cash and cash equivalents		239	181
Cash and cash equivalents at beginning of year		485	302
Effect of foreign exchange rate changes		1	2
Cash and cash equivalents at end of year		725	485

The notes on pages 31 to 54 form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2019

1. GENERAL INFORMATION

Journeo plc (formerly 21st Century Technology plc) is a public limited company incorporated in England and listed on AIM. Its principal trading subsidiaries are 21st Century Fleet Systems Limited and 21st Century Passenger Systems Limited, and its registered and head office address is 12 Charter Point Way, Ashby-de-la-Zouch, Leicestershire LE65 1NF. Its principal place of business is in the UK and mainland Europe and its principal activities are described in the Strategic Report on page 10.

2. SIGNIFICANT ACCOUNTING POLICIES APPLIED TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

BASIS OF PREPARATION

These financial statements are the consolidated financial statements of Journeo plc and its subsidiaries (the "Group"). Separate financial statements for the parent company as an individual entity are included on pages 55 to 62.

The Group financial statements are prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued and effective (or adopted early) and endorsed by the European Union at the time of preparing these financial statements and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except financial instruments and share-based payments, which are prepared in accordance with IFRS 9 and IFRS 2 respectively. A summary of the more important Group accounting policies is set out below.

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

CHANGES TO ACCOUNTING STANDARDS

The group has adopted the following new standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting IFRS 16.

The Group elected to adopt the new rules on a modified retrospective basis from 1 January 2019. This is disclosed in note 26.

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

BASIS OF CONSOLIDATION

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

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

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

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

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES APPLIED TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP continued

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

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

GOODWILL

Goodwill 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.

PLANT AND EQUIPMENT

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

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

Leasehold improvements	20%
Right of Use asset: property	21 months
Plant and equipment	20–33%
Right of Use asset: vehicles	Up to 60 months

BUSINESS COMBINATIONS

On the acquisition of a company or business, a determination of the fair value and the useful life of intangible assets acquired is performed, which requires the application of management judgement. Future events could cause the assumptions used by the Group to change, which would have a significant impact on the results and net position of the Group.

REVENUE

Revenue represents amounts invoiced to customers, net of value added tax and trade discounts. The sale of equipment includes installation of on-vehicle equipment, with the turnover being recognised once the installation has been completed or when the goods are despatched. There is also revenue from longer term and construction contracts which is recognised as contract work in progress in accordance with the Group's contract accounting policy as detailed below. For most sales, the enforceable contract is each purchase order, which is an individual, short term contract. As the enforceable contract for most arrangements is the purchase order, the transaction price is determined at the date of each sale and, therefore, there is no future variability within scope of IFRS 15 and no further remaining performance obligations under those contracts.

When the Group sells multiple goods and/or services as a package, the components are separated and accounted for separately.

Revenue received before goods and services are delivered is recognised as deferred income and transferred to the statement of comprehensive income once the goods are delivered and when the services have been performed.

Ongoing revenue from service contracts is recognised on a straight line basis over the term of the contract.

The group does provide a warranty period of up to 5 years which is considered to be an assurance-type warranty and therefore no separate performance obligation has been identified.

CONTRACT ACCOUNTING

The Company recognises revenue and costs on its customer contracts under the percentage of completion method.

In determining costs incurred up to the year end, any costs relating to future activity on a contract are excluded and are shown as contract work in progress. The aggregate of the cost incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on contracts, under receivables and prepayments. Where the progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on contracts, under trade and other payables.

2. SIGNIFICANT ACCOUNTING POLICIES APPLIED TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP continued

SEGMENT REPORTING

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

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

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

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.

IMPAIRMENT

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

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

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

INTANGIBLE ASSETS

Software

Software which can be separately identified is capitalised to intangible assets at cost of acquisition and amortised over the estimated useful economic lives of between three and five years on a straight line basis into administrative expenses. All software will be fully amortised by 31 December 2024.

Research and development

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

Development expenditure is capitalised where it relates to a specific project where technical feasibility has been established, adequate technical, financial and other resources exist to complete the project, the expenditure attributable to the project can be measured reliably and overall project profitability is reasonably certain. In this case, it is recognised as an intangible asset and amortised over its useful economic life when the asset is made available for use. All other development expenditure is recognised as an expense in the period in which it is incurred. All capitalised development expenditure will be fully amortised by 31 December 2024.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES APPLIED TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP continued

Customer lists

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

INVENTORIES

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

FINANCIAL INSTRUMENTS

Cash and cash equivalents

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

Loans and receivables and other financial liabilities

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

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

FINANCIAL ASSETS

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

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

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

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

LEASING

Prior to 1 January 2019 leases of property, plant and equipment and motor vehicles were classified as either finance or operating leases under IAS 17. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease. The impact of the change is disclosed in note 26. Under IFRS 16, which the Group has adopted effective for the period starting 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In adopting this approach, the Group has applied the expedient to expense long-term leases with a remaining lease term of 12 months or less or short-term leases (less than 12 months). These leases are disclosed as operating leases. Rentals payable under operating leases are charged in the statement of comprehensive income on a straight-line basis over the lease term.

SHORT-TERM EMPLOYEE BENEFITS

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

PENSIONS

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

PROVISIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES APPLIED TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP continued

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the year-end date. All differences are taken to the statement of comprehensive income.

The assets and liabilities of foreign operations are translated to Sterling at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Sterling at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in 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

The Group issues equity-settled share-based payments to certain Directors and employees. Share-based payments are measured at their fair value at the date of grant using a Black Scholes model. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based upon the Group's estimate of participants eligible to receive shares at the point of vesting.

GOING CONCERN

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

The Group's net underlying loss for the year was £777k (2018: £138k). As at 31 December 2019 the Group had net current liabilities of £916k (2018: £1,084k) and net cash reserves of £725k (2018: £485k).

In December 2018 the 2016 Loan Notes maturity date was extended and an additional £250k of 2018 Loan Notes were issued to enable the Group to continue its investment in R&D and provide working capital to ensure that the Group can capitalise on anticipated opportunities.

In December 2019 the Group raised gross proceeds of £1.2m from a placing.

The Directors have prepared Group cash flow projections for the period to 30 June 2021 based on latest forecasts that show that the Group will be able to operate within the Group current funding resources. The financial uncertainty created within the economy as a result of Covid-19 is clearly difficult to forecast and predict, but the Directors have produced sensitised forecasts based on their best estimates of likely outcomes, and these indicate that for the 12 month period from the date of signing these financial statements the group will be able to operate within the financial facilities available to it, with significant headroom to allow for any lost revenues.

The Directors also monitor a rolling cashflow forecast and key management review working capital movements and requirements on a daily basis. The Directors are satisfied that the group will be able to settle their debts as they fall due.

The pledges made by the UK Government provide further comfort to the Directors, that they will have access to additional funding, should they require from the various measures that the Government has put in place to help protect employment and support businesses through this period of uncertainty.

Whilst there is a significant degree of operational uncertainty as a result of the Coronavirus, the essential need for public transport and the contracts we currently have, provides confidence that the Group will be able to navigate these challenging times, and will emerge in a position from which The Group can grow in the future

On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of these financial statements. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Note 3 – Revenue recognition

Where products and maintenance are bundled in a contract some judgement may be required to identify the separate components which are recognised in accordance with general revenue recognition criteria.

(ii) Note 8 – Deferred tax

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES APPLIED TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP continued

(iii) Note 10 – Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate future cash flows expected to arise from the cash generating unit at a suitable discount rate in order to calculate the present value. A discount rate of 14% is applied to the cash flow forecasts from the most recent financial budgets and long-term plans which are extrapolated in perpetuity assuming no growth beyond five years. The key assumptions made in relation to the impairment review of goodwill are set out in note 10.

(iv) Note 11 – Capitalisation of development, amortisation and impairment of intangibles

It is Group policy to capitalise and amortise development expenditure for the production of new or substantially improved products and processes if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. Such expenditure is amortised over the period which the Directors expect to obtain economic benefits. This policy includes judgements regarding the initial recognition of the asset based upon market research and expected future net revenues. It also includes estimations regarding the period of amortisation.

Determining whether intangibles are impaired requires an estimation of the recoverable value of the individual asset. Where assets generate cash flows that are independent of other assets then the value-in-use calculation requires the Group to estimate future cash flows expected to arise from the asset at a suitable discount rate in order to calculate the present value.

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

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

(vi) Note 18 – Contract accounting

Determining the outcome of a contract requires management to make judgements on whether the outcome can be estimated reliably and this includes estimates of future costs. The percentage completion of a contract also requires management to make judgements and estimates which are based on costs incurred and project progress.

When the outcome of a contract cannot be estimated reliably contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised when incurred.

When the outcome of a contract can be estimated reliably contract revenue and contract costs are recognised over the period of the contract as revenue and expenses, respectively. This is normally measured either by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work are included to the extent that they have been agreed with the customer. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately in profit and loss.

(vii) Note 20 – Warranty and other provisions

Determining the level of provision necessary for product warranties requires management to make judgements in estimating the likely future costs based upon historical cost experience, expected future trends and management's experience. Provisions are estimated on a per vehicle basis.

(viii) Note 22 – Share-based payments

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

3. REVENUE

The revenue split between goods and services is:

	2019 £'000	2018 £'000
Goods	6,996	8,202
Services	4,406	4,399
	11,402	12,601
Contract works included in goods	3,218	2,699

4. SEGMENTAL REPORTING

IFRS 8 requires operating segments to be determined on the basis of those segments whose operating results are regularly reviewed by the Board of Directors (the Chief Operating Decision Maker as defined by IFRS 8) to make strategic decisions.

As the Board of Directors reviews revenue, gross profit and operating loss on the same basis as set out in the consolidated statement of comprehensive income, no further reconciliation is considered to be necessary.

REVENUE AND GROSS PROFIT

	Revenue 2019 £'000	Gross profit 2019 £'000	Revenue 2018 £'000	Gross profit 2018 £'000
Fleet Systems	6,646	1,900	8,217	2,395
Passenger Systems	4,756	2,639	4,384	2,454
Total	11,402	4,539	12,601	4,849

MAJOR CUSTOMERS

In the year, two customers within the Fleet Systems segment each accounted for over 10% of Group revenue at 16% and 10%. In the prior year, there were two Fleet Systems customers that each accounted for over 10% of revenue at 19% and 11%. There were no major customers within the Passenger Systems segment.

UNDERLYING (LOSS)/PROFIT

	2019 £'000	2018 £'000
Fleet Systems	(469)	148
Passenger Systems	(80)	(57)
	(549)	91
Central	(228)	(229)
Underlying (loss)/profit	(777)	(138)

RECONCILING TO LOSS BEFORE INTEREST AND TAX

	Underlying operating profit/(loss) £'000	Share-based payments £'000	Operating profit/(loss) £'000	Profit/(loss) before interest and tax £'000
2019				
Fleet Systems	(469)	—	(469)	(469)
Passenger Systems	(80)	—	(80)	(80)
	(549)	—	(549)	(549)
Central	(228)	—	(228)	(228)
	(777)	—	(777)	(777)

	Underlying operating profit/(loss) £'000	Share-based payments £'000	Operating profit/(loss) £'000	Profit/(loss) before interest and tax £'000
2018				
Fleet Systems	148	398	546	546
Passenger Systems	(57)	—	(57)	(57)
	91	398	489	489
Central	(229)	—	(229)	(229)
	(138)	398	260	260

Net assets attributed to each business segment represent the net external operating assets of that segment, excluding goodwill, bank balances and borrowings, which are shown as unallocated amounts, together with central assets and liabilities.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

4. SEGMENTAL REPORTING continued

NET ASSETS

	Assets 2019 £'000	Liabilities 2019 £'000	Net assets 2019 £'000	Assets 2018 £'000	Liabilities 2018 £'000	Net assets 2018 £'000
Fleet Systems	3,501	(2,700)	801	2,848	(2,183)	665
Passenger Systems	3,059	(3,968)	(909)	3,135	(4,039)	(904)
	6,560	(6,668)	(108)	5,983	(6,222)	(239)
Goodwill	1,345	—	1,345	1,345	—	1,345
Cash and borrowings	725	(1,711)	(986)	485	(1,576)	(1,091)
Unallocated	18	(85)	(67)	41	(45)	(4)
Total	8,648	(8,464)	184	7,854	(7,843)	11

GEOGRAPHICAL SEGMENTS

	Revenue 2019 £'000	Gross profit 2019 £'000	Revenue 2018 £'000	Gross profit 2018 £'000
UK	10,522	4,025	10,337	3,755
International				
– Scandinavia	515		924	
– Other EU	355		345	
– Non-EU	10		995	
Total international	880	514	2,264	1,094
Total	11,402	4,539	12,601	4,849

ASSETS AND LIABILITIES BY LOCATION

	2019 £'000	2018 £'000
Assets		
UK	8,628	7,823
International	20	31
Total assets	8,648	7,854
Liabilities		
UK	(8,436)	(7,814)
International	(28)	(29)
Total liabilities	(8,464)	(7,843)

All non-current assets are located within the United Kingdom.

5. EMPLOYEE INFORMATION

The average monthly number of persons (including Executive Directors) employed by the Group during the year was:

	2019 Number	2018 Number
By activity:		
Administration	26	23
Technical	13	14
Operations	59	64
	98	101

STAFF COSTS (FOR THE ABOVE PERSONS)

	2019 £'000	2018 £'000
Wages and salaries	3,744	3,891
Social security costs	447	453
Pension costs	157	88
Share-based payments	–	20
	4,348	4,452

KEY MANAGEMENT COMPENSATION (INCLUDED ABOVE)

	2019 £'000	2018 £'000
Wages and salaries	672	722
Social security costs	95	81
Pension costs	76	65
Share-based payments	–	20
	843	888

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, finance, business development and IT. Directors' emoluments and pensions included on page 21 are:

	Emoluments		Pension contributions	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Total Directors	351	339	59	49
Highest paid Director	169	167	11	11

There are three (2018: three) Directors receiving payments into pension schemes. Directors' detailed emoluments are disclosed in the Report on Directors' Remuneration.

6. FINANCE EXPENSE

	2019 £'000	2018 £'000
Interest payable on loans	159	121
IFRS16 interest	12	–
	171	121

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

7. (LOSS) / PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

This is stated after charging/(crediting):

	2019 £'000	2018 £'000
Operating lease rentals:		
– Rent of land and buildings	96	197
– Hire of plant and equipment	184	219
Depreciation:		
– Property, plant and equipment owned	68	79
– Right of Use Assets	130	–
Amortisation of intangible fixed assets (included within administrative expenses)	453	313
Research and Development expenditure	172	315
Inventories – consumed and recognised as an expense in cost of sales	3,554	4,463
Trade Receivables Impairment	35	–
Write down of inventories	60	117
Exchange differences	21	30
Share-based payments credit	–	(398)

(Loss) / profit before taxation is also stated after charging:

	2019 £'000	2018 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	3	3
Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	45	43
Total audit fees	48	46

8. TAXATION

(A) ANALYSIS OF (CREDIT)/CHARGE IN YEAR:

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on the loss for the year (19%)	–	–
Swedish corporation tax on the profit for the year (22%)	–	(3)
Prior year under provision	10	–
Deferred tax (credit)/charge		
– Temporary differences on acquisition	(25)	–
Total tax credit for the year	(15)	(3)

8. TAXATION continued**(B) FACTORS AFFECTING THE TOTAL TAX (CREDIT)/CHARGE FOR THE YEAR**

The tax assessed for the year differs from the standard rate of corporation tax in the UK at 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
(Loss) / profit on ordinary activities before tax	(948)	140
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(180)	27
Effects of:		
Expenses not deductible for tax purposes	(8)	(53)
Change in unrecognised deferred tax assets	204	96
Income not taxable	(41)	(70)
Prior year under/(over) provision	10	(3)
Total tax credit for the year	(15)	(3)

(C) DEFERRED TAX ASSET/(LIABILITY)

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

Group	Unrecognised		Recognised	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Tax losses	669	508	—	—
Decelerated capital allowances	51	24	—	—
Short term timing differences	—	43	—	—
Arising on acquisition	—	—	(9)	(35)
	720	575	(9)	(35)

The Group has £3,937,000 of unutilised tax losses (2018: £2,987,000) which may be carried forward indefinitely.

9. PROFIT/(LOSS) PER ORDINARY SHARE

Basic earnings per share (EPS) is calculated by dividing the earnings attributable to Ordinary Shareholders by the weighted average number of Ordinary Shares in issue during the year.

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

Group	2019		2018	
	Profit / (Loss) £'000	Per share amount Pence	Profit / (Loss) £'000	Per share amount Pence
Basic EPS				
Profit / (Loss) attributable to Ordinary Shareholders	(933)	(1.08)	142	0.15
Diluted EPS				
Profit / (Loss) attributable to Ordinary Shareholders	(933)	(1.08)	142	0.15

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

	2019 '000	2018 '000
Basic weighted average number of shares	86,433	93,240
Dilutive potential Ordinary Shares	—	—
Diluted weighted average number of shares	86,433	93,240

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

10. GOODWILL

Goodwill acquired in a business combination is allocated at acquisition to the cash generating unit (CGU) that is expected to benefit from that business combination. The Group has two CGUs which are its two operating segments, Fleet Systems and Passenger Systems. The carrying amount of goodwill has been allocated to the CGUs as follows:

	Passenger Systems £'000	Total £'000
Deemed cost:		
At 1 January 2018	1,345	1,345
At 31 December 2018	1,345	1,345
At 31 December 2019	1,345	1,345

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

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

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

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

The discount rates are as follows:

	2019 %	2018 %
Passenger Systems	13	14

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

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

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

The level of sales is the key assumption used in the cash flow forecast. Sales have been determined by management using estimates based upon past experience and future performance with reference to market position and the sales pipeline. The macroeconomic environment has improved and there has been an increase in the number and size of contracts available. In 2017 a major restructuring took place, followed by a reinvestment in key staff during 2018 and 2019. The 2020 forecast predicts growth of 50%. The remaining four years are based upon compound sales growth of 5%.

The value-in-use calculation supports the carrying value of the CGU with headroom of £6,958k. A sensitivity analysis has been performed on the impairment test. The Directors consider that an absolute change in the key sales assumption is possible and a reduction of 20% points in the growth rate in 2020 to 30% would result in headroom remaining in the current carrying value of goodwill in relation to Passenger Systems of £2,851k. If sales forecasts were down 20% across the whole period and overheads remained unchanged then there would be headroom of £797k.

Based on the review the discount rate applied to equate the net present value of the forecast cash flows to the carrying value of goodwill and the intangible assets was 72.2%, whereas the required rate of return of the CGU is 13%.

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

11. OTHER INTANGIBLE ASSETS

	Customer list £'000	Development costs £'000	Software £'000	Total £'000
2019 movements				
Cost				
At 1 January 2019	192	1,159	186	1,537
Additions	—	538	—	538
At 31 December 2019	192	1,697	186	2,075
Amortisation				
At 1 January 2019	139	302	127	568
Charge for the year	38	376	39	453
At 31 December 2019	177	678	166	1,021
Net book value				
At 31 December 2019	15	1,019	20	1,054
	Customer list £'000	Development costs £'000	Software £'000	Total £'000
2018 movements				
Cost				
At 1 January 2018	192	1,807	726	2,725
Additions	—	452	—	452
Disposals	—	(1,100)	(540)	(1,640)
At 31 December 2018	192	1,159	186	1,537
Amortisation				
At 1 January 2018	101	1,166	629	1,896
Charge for the year	38	236	38	312
Disposals	—	(1,100)	(540)	(1,640)
At 31 December 2018	139	302	127	568
Net book value				
At 31 December 2018	53	857	59	969

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

12. PLANT AND EQUIPMENT

	Leasehold improvements £'000	Right of Use Asset Lease £'000	Plant and equipment £'000	Total £'000
2019 movements				
Cost				
At 1 January 2019	12	—	325	337
Additions	—	302	45	347
Disposals	—	(4)	(45)	(49)
At 31 December 2019	12	298	325	635
Depreciation				
At 1 January 2019	4	—	195	199
Charge for the year	2	130	66	198
Disposals	—	(4)	(45)	(49)
At 31 December 2019	6	126	216	348
Net book amounts				
At 31 December 2019	6	172	109	287
2018 movements				
Cost				
At 1 January 2018	12	—	495	507
Additions	—	—	91	91
Disposals	—	—	(261)	(261)
At 31 December 2018	12	—	325	337
Depreciation				
At 1 January 2018	2	—	377	379
Charge for the year	2	—	79	81
Disposals	—	—	(261)	(261)
At 31 December 2018	4	—	195	199
Net book amounts				
At 31 December 2018	8	—	130	138

At 31 December 2019, the Plant and Equipment include items with a carrying value of £25k pledged as security for loans included in note 19.

13. DEFERRED TAX LIABILITY

The movement on the deferred tax liability is as follows:

	Liability £'000
Deferred tax liability arising on acquisition	
Balance brought forward at 1 January 2019	35
Debit to consolidated statement of comprehensive income	(26)
Balance carried forward at 31 December 2019	9

14. INVENTORIES

	2019 £'000	2018 £'000
Raw materials	251	307
Work in progress	17	105
Finished goods and goods for resale	1,003	1,238
	1,271	1,650

15. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Current		
Trade receivables	2,070	1,674
Less: provision for impairment of receivables	(49)	(16)
Trade receivables – net	2,021	1,658
Amounts due from contract customers	868	701
Other receivables and prepayments	1,034	865
	3,923	3,224
Non-current		
Other receivables and prepayments	43	43

The average credit period taken on sales of goods is 36 days (2018: 42 days). Trade receivables are provided for to the extent that management has reason to believe that the recoverability of the debt is questionable. Before granting credit terms to any new customer, the Group uses an external credit checking company to assess the customer's credit quality and to assist in the definition of credit limits for that customer. In addition, the company uses credit protection facilities to protect certain key customer receivables.

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

	Amount receivable	
	2019 £'000	2018 £'000
Customer 1	1,010	330
Customer 2	–	317
Customer 3	–	242
Customer 4	204	193
Customer 5	–	104

Included in the Group's trade receivable balance are debtors with a carrying amount of £337,000 (2018: £606,000) 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 77 days (2018: 66 days).

Ageing of past due but not impaired trade receivables:

	2019 £'000	2018 £'000
Up to three months past due	296	557
Three to six months past due	13	15
Over six months past due	28	34
	337	606

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

15. TRADE AND OTHER RECEIVABLES continued

Movement in the provision for impairment of trade receivables:

	2019 £'000	2018 £'000
Balance at 1 January	16	16
Provision made	33	—
Balance at 31 December	49	16

Ageing of impaired trade receivables:

	2019 £'000	2018 £'000
Over 90 days	49	16
	49	16

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

16. CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Cash and cash equivalents	725	485

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

17. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Current		
Trade payables	1,675	1,365
Other taxation and social security	559	600
Other payables	8	47
Accruals	970	902
Deferred income relating to contracts	727	949
Deferred income	1,487	1,380
	5,426	5,243
Non-current		
Deferred income	671	499

Trade creditors and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 89 days (2018: 63 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

18. CONTRACT ACCOUNTING

	2019 £'000	2018 £'000
Contracts in progress at dates of statement of financial position:		
Amounts due from contract customers included in trade and other receivables	868	701
Amounts due to contract customers included in trade and other payables	(727)	(949)
	141	(248)
Contract costs incurred plus recognised profit less recognised losses to date	1,678	2,521
Less: progress billings	(1,537)	(2,769)
	141	(248)

At 31 December 2019, retentions held by customers for contract work amounted to £10,000 (2018: £4,000). Advances received from customers for contract work amounted to £727,000 (2018: £949,000).

At 31 December 2019, amounts of £nil (2018: £nil) included in trade and other receivables and arising from contracts are due for settlement after more than twelve months.

19. LOANS AND BORROWINGS

	2019			2018		
	Current £'000	Non-current £'000	Total £'000	Current £'000	Non-current £'000	Total £'000
Bank loans	1,141	20	1,161	1,000	26	1,026
2016 Loan Notes	—	300	300	—	300	300
2018 Loan Notes	—	250	250	—	250	250
	1,141	570	1,711	1,000	576	1,576

The fair value of the loans and borrowings is not substantially different from the carrying value.
During the year £10,000 (2018: £180,000) of loans and borrowings were repaid.

The main terms of the loans are:

	Loan name	Interest rate	Term	Final payment	Loan value
Close Brothers	Invoice finance	2.35% over base	Repayable on demand		1,133
BMW Finance	BMW	8.28%	4 years	January 2022	28
2016 Loan Notes	Loan notes	10.00%	5.3 years	March 2021	300
2018 Loan Notes	Loan notes	10.00%	3.3 years	March 2022	250
					1,711

The 2016 and 2018 Loan notes are secured on the trade and other debtors of the Group's principal trading entities, 21st Century Fleet Systems Limited and 21st Century Passenger Systems Limited.

The invoice finance facility is secured by a debenture over all assets of the Group's principal trading entities, 21st Century Fleet Systems Limited and 21st Century Passenger Systems Limited.

At 31 December 2019, Plant and Equipment with a carrying value of £25k (2018: £37k) are pledged as security for loans.

At 31 December 2019, intangible assets with a carrying value of £Nil (2018: £20k) are pledged as security for loans.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

20. PROVISIONS

	Warranty £'000	Total £'000
Balance at 1 January 2019	490	490
Charged	242	242
Released	(237)	(237)
Movement in the year	5	5
Balance at 31 December 2019	495	495
Included in current liabilities	180	180
Included in non-current liabilities	315	315
	495	495

The warranty provision represents management's best estimate of the Group's liability for warranties granted on products sold based on past experience and industry averages for defective products. The warranty provision is expected to be fully released by 31 December 2024.

21. FINANCIAL INSTRUMENTS

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity balances. The capital structure of the Group at the year end consisted of cash and cash equivalents, loans and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group maintains or adjusts its capital structure through the payment of dividends to shareholders, the issue of new loans, loan repayments, the issue of new shares and the buy-back of existing shares.

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

Note 22 to the financial statements provides details regarding the Company's share capital and movements in the year. There were no breaches of any requirements with regard to any relevant conditions imposed by the Company's Articles of Association during the periods under review.

GEARING

Net debt was £986,000 at 31 December 2019 (2018: £1,091,000). Net debt is defined as cash and cash equivalents less short-term and long-term borrowings.

SIGNIFICANT ACCOUNTING POLICIES

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

21. FINANCIAL INSTRUMENTS continued

CATEGORIES OF FINANCIAL INSTRUMENTS

	Carrying value	
	2019 £'000	2018 £'000
Financial assets		
Loans and receivables (including cash and cash equivalents):		
Trade receivables	2,021	1,658
Other receivables	1,034	865
Cash and cash equivalents	725	485
	3,780	3,008
Financial liabilities		
Other financial liabilities held at amortised cost:		
Trade payables	1,675	1,365
Other payables	8	47
IFRS16 leases	151	—
Accruals	970	902
Loans and borrowings	1,711	1,576
	4,515	3,890

The Directors consider that the carrying amount of the financial assets approximates to their fair value and represents the maximum exposure to credit risk.

The Directors consider that the carrying amount of the financial liabilities approximates to their fair value.

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's approach to managing financial risk is described in the Directors' Report.

MARKET RISK

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates.

FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

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

	Assets		Liabilities	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Swedish Krona	28	36	35	40
Euro	18	90	312	23
US Dollar	—	—	—	12
New Zealand Dollar	—	—	2	4

At the year end the Group was exposed to fluctuations in Swedish Krona, Euros, New Zealand Dollars and US Dollars against Sterling. The following table details the Group's sensitivity to a 10% increase or decrease in Sterling against the relevant foreign currencies. 10% represents management's assessment of a possible change in foreign currency exchange rates.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

21. 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 negative number below indicates a decrease in profit where Sterling strengthens against the relevant currency. For a 10% weakening in Sterling against the foreign currency, there would be an equal and opposite impact on the profit.

	2019 £'000	2018 £'000
Swedish Krona profit	1	—
Euro profit / (loss)	29	(7)
US Dollar profit	—	1

CREDIT RISK MANAGEMENT

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

The credit risk within contracts is managed in the same way. The credit risk management of other receivables, where material, if not covered above, is handled on a case-by-case basis.

The Group has significant credit risk exposure to several single counterparties. Note 15 to the financial statements gives details of counterparties with balances in excess of 5% of total trade receivables at the year end.

LIQUIDITY RISK MANAGEMENT

Responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and maintaining adequate banking facilities. At 31 December 2019, the Group had £nil overdraft facility (2018: £nil). As at 31 December 2019, the net bank balance, cash less overdraft, was £725,000 (2018: £485,000). At 31 December 2019, the Group has £550k (2018: £550k) of loan notes and an invoice discounting facility with Close Brothers for £1,250k (2018: £1,250k).

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.

	2019 £'000	2018 £'000
In one year or less	3,452	3,013
In one to two years	570	576

22. SHARE CAPITAL

CALLED UP SHARE CAPITAL

	2019 £'000	2018 £'000
Authorised		
8,741,250 New Ordinary Shares of 6.5p each (2018: 93,239,755 Ordinary Shares of 6.5p each)	568	6,061
87,412,500 Deferred Shares of 6.5p each (2018: Nil)	5,682	—
	6,250	6,061
Issued, allotted and paid up		
8,227,500 New Ordinary Shares of 6.5p each (2018: 93,239,755 Ordinary Shares of 6.5p each)	535	6,061
87,412,500 Deferred Shares of 6.5p each (2018: Nil)	5,682	—
	6,217	6,061

On 2 December 2019, the group issued 245 ordinary shares with a nominal value of 6.5p at par.

22. SHARE CAPITAL continued

On 2 December 2019, 93,240,000 ordinary shares with a nominal value of 6.5p were consolidated into 23,310 ordinary shares with a nominal value of £260. On the same date, 23,310 ordinary shares with a nominal value of £260 were subdivided into 5,827,500 ordinary shares with a nominal value of 6.5p and 87,412,500 deferred shares with a nominal value of 6.5p.

On 10 December 2019, the group issued 2,400,000 ordinary shares with a nominal value of 6.5p and a share premium of 43.5p per share.

Ordinary shares are entitled to one vote each, a dividend and a return on assets.

Deferred shares are not entitled to vote or any dividends. A return on liquidation will only be made after payment has been made to the holders of ordinary shares of the amounts paid up on such shares and the sum of £10,000,000 in respect of each ordinary share.

The share premium account represents the amount received on the issue of ordinary shares by the Company, in excess of their nominal value and is non-distributable.

The merger reserve represents the excess over nominal value of the fair value consideration for the acquisition of subsidiaries satisfied by the issue of shares in accordance with S612 of the Companies Act 2006.

SHARE OPTIONS

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

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

	2019		2018	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year	4,146,154	6.5p	7,992,308	6.5p
Lapsed during the year	-	-	(3,846,154)	6.5p
Changes due to share restructure	(3,887,019)	6.5p	-	-
Outstanding at end of year	259,135	104p	4,146,154	6.5p
Exercisable at end of year	259,135	104p	4,146,154	6.5p

The aggregate credit recognised in the Group financial statements in the year was £Nil (2018: £384,000), all of which was recognised in a subsidiary entity's results.

DIRECTORS' INTERESTS IN SHARE OPTIONS

Details of options held by Directors over the Company's Ordinary and Deferred Shares of 104p are set out below:

	As at 31 December 2018	Changes due to share restructure	As at 31 December 2019	Exercise price	Date from which exercisable	Expiry date
The 2004 EMI Scheme issue 3						
R C Singleton	3,846,154	(3,605,769)	240,385	104p	10/10/2016	10/10/2023

The market price of the Company's shares at the end of the financial year was 20.21p (2018: 2.95p) and the range of market prices during the year was 2.35p to 70p (2018: 2.35p to 3.70p). The weighted average remaining life of all share options outstanding at 31 December 2019 is 3 years and 9 months (31 December 2018: 4 years and 9 months).

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

22. 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:

Option type	Grant date	Exercise price (pence)	Share price on grant date (pence)	Expected term (years)	Vesting period (years)	Option life (years)	Expected volatility	Risk free rate
EMI	10/10/2013	104	5.62	5	3	10	144%	2.74%
EMI	12/10/2015	104	4.38	5	3	10	146%	1.82%

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

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

EMPLOYEE SHAREHOLDER PLAN

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

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

- (a) at the discretion of the Executive where a compulsory share transfer event occurs (such as a cessation of employment); and
- (b) if (i) not less than three years nor more than ten years have elapsed since the Shares were acquired; and (ii) the share price of Ordinary Shares in the capital of the Company (or such other company as may then be the parent company of Solutions) is not less than 112p per share.

The price per Share payable under the Put Option shall be equal to the amount by which the market capitalisation of the Company (as determined by the middle-market price of the Company's shares averaged over the last ten dealing days preceding the valuation date) exceeds £378,787, divided by the total number of issued shares in the capital of Fleet Systems.

The price may be settled, at the discretion of the Company, in cash or by the issue or transfer of such number of Ordinary Shares in the Company to the relevant value, calculated by reference to the middle-market price of the Company's shares averaged over the last ten dealing days preceding the valuation date. Should the Company exercise its discretion described above and issue the Executives with Ordinary Shares in the Company in exchange for the Shares in Solutions, the Executives' holdings in the Company would represent, following the same allotment, 7% of the fully diluted share capital of the Company.

DIRECTORS' INTERESTS IN THE EMPLOYEE SHAREHOLDER PLAN

	As at 31 December 2018	Issued in the year	As at 31 December 2019	Exercise price	Date from which exercisable	Expiry date
21st Century Technology Employee Shareholder Plan						
R C Singleton	100	—	100	112.0p	13/02/2018	13/02/2025

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

Option type	Grant date	Exercise price (pence)	Share price on grant date (pence)	Expected term (years)	Vesting period (years)	Option life (years)	Expected volatility	Risk free rate
Employee Shareholder Plan	13/02/2015	104	4.88	5	3	10	139%	1.68%

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

The aggregate credit recognised in the Group financial statements in the year was £Nil (2018: charge £208,000), all of which was recognised in a subsidiary entity's results.

23. FINANCIAL COMMITMENTS

At 31 December 2019, the Group had total commitments under non-cancellable operating leases not accounted for under IFRS16 as follows:

	2019 £'000	2018 £'000
Due within one year	45	110
Due between two and five years	6	319
Due over five years	–	217
	51	646

24. RECONCILIATION OF OPERATING (LOSS) / PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2019 £'000	2018 £'000
(Loss) / profit for the year	(933)	142
Adjustments for:		
– Finance expense	171	121
– Deferred tax credit	(25)	–
– Depreciation of property, plant and equipment	198	79
– Amortisation of intangible fixed assets	453	313
– Share-based payment (income)/ expense	–	(398)
– Foreign exchange rate	12	17
– Increase / (decrease) in provisions	5	(128)
Operating cash flows before movement in working capital	(119)	146
Decrease / (increase) in inventories	379	(295)
(Increase) / decrease in receivables	(523)	515
Increase in payables	183	133
Cash (outflow) / inflow from operations	(80)	498
Income taxes (paid) / received	(10)	3
Interest paid	(159)	(121)
Net cash (outflow) / inflow from operating activities	(249)	380

25. RELATED PARTY TRANSACTIONS

Payments to key management personnel are included in note 5.

£60,000 of the 2016 Loan Notes and £25,000 of the 2018 Loan Notes included in note 19 in aggregate were provided by three of the Group's Directors: Russ Singleton, Mark Elliott and James Cumming (the "Lending Directors"). The Lending Directors are related parties of the Company pursuant to the AIM Rules for Companies.

There are no other related party transactions.

SUBSIDIARIES

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

26. CHANGES IN ACCOUNTING POLICIES

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

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

- comparative amounts for 2018 and prior years are not restated, and continue to reflect application of the previous standard, IAS 17.
- all of the lease agreements Journeo PLC reported as operating leases in 2018 were converted as lease agreements and recognised on the balance sheet on the adoption of IFRS 16.
- the cumulative effect of adopting IFRS 16 is recognised in equity as an adjustment to the opening balance of retained earnings for the current period. This was not material and there was no impact on retained earnings.
- the Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.
- all lease and associated non-lease components are accounted for as a single arrangement.
- new long term leases with an expected remaining term of 12 months and other low value asset leases have been treated as an expense.

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

The Journeo PLC premises lease has been restated from its original end date to the contracted break date in October 2020.

The impact of adopting IFRS 16 for the twelve months to 31st December 2019 compared to prior years accounting standards is shown below:

	Total £'000
Increase in depreciation	118
Increase in Interest expense	10
Decrease in property and vehicle lease expense	(126)
Increase in underlying profit	2

Company statement of financial position

at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	3	7	12
Investment in subsidiaries	4	6,958	6,958
		6,965	6,970
Current assets			
Other debtors		11	31
Cash and cash equivalents		23	—
		34	31
Total assets		6,999	7,001
Equity and Liabilities			
Shareholders' equity			
Share capital	8	6,217	6,061
Share premium account		958	8
Merger reserve		1,001	1,001
Retained earnings		(2,798)	(2,514)
Shareholders' funds		5,378	4,556
Non-current liabilities			
Loans and borrowings	6	550	550
		550	550
Current liabilities			
Amounts owed to Group undertakings	5	986	1,850
Other creditors and accruals		85	45
		1,071	1,895
Total equity and liabilities		6,999	7,001

The financial statements were approved by the Board of Directors and authorised for issue on 2 April 2020 and were signed on its behalf by:

M W ELLIOTT

Non-executive Chairman

Registered number: 2974642

R C SINGLETON

Chief Executive

The notes on pages 57 to 62 form part of these parent company financial statements.

Company statement of changes in equity

for the year ended 31 December 2019

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total equity shareholders' funds £'000
Balance at 1 January 2018	6,061	8	1,001	(1,857)	5,213
Loss and total comprehensive income for the year	—	—	—	(259)	(259)
Share-based payments	—	—	—	(398)	(398)
Balance at 31 December 2018	6,061	8	1,001	(2,514)	4,556
Loss and total comprehensive income for the year	—	—	—	(284)	(284)
Proceeds from Issue of new shares	156	950	—	—	1,106
Balance at 31 December 2019	6,217	958	1,001	(2,798)	5,378

The notes on pages 57 to 62 form part of these parent company financial statements.

Notes to the company financial statements

for the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES APPLIED TO THE INDIVIDUAL ENTITY FINANCIAL STATEMENTS OF THE COMPANY

STATEMENT OF COMPLIANCE

The separate financial statements of the Company are presented in accordance with Financial Reporting Standard 101 'The Reduced Disclosure Framework'. They have been prepared under the historic cost convention, except financial instruments and share options, which have been prepared in accordance with IFRS 9 and IFRS 2 respectively. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the year.

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

This Company is included in the consolidated financial statements of Journeo plc for the year ended 31 December 2019. These accounts are available from the registered address of the Company.

DISCLOSURE EXEMPTIONS APPLIED

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

- (i) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
- (ii) The applicable requirements of IAS 36 'Impairment of Assets' relating to the disclosures of estimates used to measure recoverable amounts;
- (iii) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79a, iv), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73e) and the reconciliation of the carrying amount of intangible assets (IAS 38.118e);
- (iv) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
- (v) The requirements of IAS 7 'Statement of Cash flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d), 111 relating to the presentation of a cash flow statement;
- (vi) The requirements of paragraph 45(b) and 45-52 of IFRS 2 'Share-based Payments' because the share-based payment arrangement concerns instruments of a group entity.

BASIS OF PREPARATION

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

(i) Note 4 - Investments in subsidiaries

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

GOING CONCERN

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

The Group's net underlying loss for the year was £777k (2018: £138k). As at 31 December 2019 the Group had net current liabilities of £916k (2018: £1,084k) and net cash reserves of £725k (2018: £485k).

In December 2018 the 2016 Loan Notes maturity date was extended and an additional £250k of 2018 Loan Notes were issued to enable the Group to continue its investment in R&D and provide working capital to ensure that the Group can capitalise on anticipated opportunities.

In December 2019 the Group raised gross proceeds of £1.2m from a placing.

The Directors have prepared Group cash flow projections for the period to 30 June 2021 based on latest forecasts that show that the Group will be able to operate within the Group current funding resources. The financial uncertainty created within the economy as a result of Covid-19 is clearly difficult to forecast and predict, but the Directors have produced sensitised forecasts based on their best estimates of likely outcomes, and these indicate that for the 12 month period from the date of signing these financial statements the group will be able to operate within the financial facilities available to it, with significant headroom to allow for any lost revenues.

Notes to the company financial statements continued

for the year ended 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES APPLIED TO THE INDIVIDUAL ENTITY FINANCIAL STATEMENTS OF THE COMPANY continued

The Directors also monitor a rolling cashflow forecast and key management review working capital movements and requirements on a daily basis. The Directors are satisfied that the group will be able to settle their debts as they fall due.

The pledges made by the UK Government provide further comfort to the Directors, that they will have access to additional funding, should they require from the various measures that the Government has put in place to help protect employment and support businesses through this period of uncertainty.

Whilst there is a significant degree of operational uncertainty as a result of the Coronavirus, the essential need for public transport and the contracts we currently have, provides confidence that the Group will be able to navigate these challenging times, and will emerge in a position from which The Group can grow in the future

On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of these financial statements. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

INVESTMENTS

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

FINANCIAL INSTRUMENTS

Cash and cash equivalents

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

Loans and receivables and other financial liabilities

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

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

Financial assets

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

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

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

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

SHARE CAPITAL AND SHARE PREMIUM

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

MERGER RESERVE

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

IMPAIRMENT

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

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

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

2. 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. Journeo plc reported a loss for the financial year ended 31 December 2019 of £284,000 (2018: loss of £259,000).

The Company has an unrecognised deferred tax asset of:

	2019 £'000	2018 £'000
Tax losses	290	281

The auditor's remuneration for the audit and other services is disclosed in note 7 to the Group financial statements.

The Directors' remuneration is disclosed in note 5 to the Group financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

2019 movements	Leasehold improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2019	12	9	21
Additions	—	—	—
At 31 December 2019	12	9	21
Depreciation			
At 1 January 2019	5	4	9
Charge for the year	3	2	5
At 31 December 2019	8	6	14
Net book amounts			
At 31 December 2019	4	3	7
At 31 December 2018	7	5	12

4. INVESTMENTS IN SUBSIDIARIES

	Interests in Group undertakings	
	2019 £'000	2018 £'000
Cost		
At 1 January	27,367	27,367
At 31 December	27,367	27,367
Amounts provided		
At 1 January	(20,409)	(20,409)
At 31 December	(20,409)	(20,409)
Net book amounts	6,958	6,958

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

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

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

Notes to the company financial statements continued

for the year ended 31 December 2019

4. INVESTMENTS IN SUBSIDIARIES continued

The discount rates are as follows:

	2019 %	2018 %
Fleet Systems	14	14
Passenger Systems	13	14

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

The Passenger Systems cash flow projections are described in detail in Note 10 to the Group Accounts. The value-in-use calculation supports the carrying value of the CGU with headroom of £6,958k. The sensitivity analysis based on a reduction of 20% points in the growth rate in 2020 to 30% produced headroom of £2,851k.

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

Sales have been determined by management using estimates based upon past experience and future performance with reference to market position and the sales pipeline. The sales levels in 2020 are supported by long-term framework agreements with key customers, actual performance in 2019 and a strong order book going forward, 2020 represents a 51% increase and the next three years are based upon compound sales growth of 5%. However, given the difficulties experienced in the past in achieving sales forecasts in Fleet Systems the Directors have risk adjusted the forecast to reduce the projected sales growth rate in 2020 to 44% and in the subsequent three years to 5%. This calculation produces a net present value for the CGU of £930k.

A sensitivity analysis has been performed on the Fleet Systems calculation. The Directors consider that an absolute change in the key sales assumption is possible and a reduction of 5% points in the growth rate in 2019 to 39% would result in a £1,611k reduction in the value-in-use of the CGU.

Combining the net assets of the Group with the net present value of the cash flow projections of Fleet Systems and Passenger Systems produces an estimated investment value-in-use of £7,417k for 21st Century Fleet Systems Ltd. This supports the current carrying value of the investment. Combining the sensitivity analyses for Fleet Systems and Passenger Systems as described above would result in a £5,718k reduction in the investment value.

SUBSIDIARY UNDERTAKINGS

Details of the Company's subsidiary undertakings at 31 December 2019 are as follows:

Name of undertaking	Nature of business	Country of incorporation
Direct subsidiaries		
21st Century Fleet Systems Ltd	Sale and installation of CCTV and other monitoring devices	UK
21st C. Scandinavia AB	CCTV installation and project management	Sweden
21st Century Crime Prevention Services Ltd	Dormant	UK
21st Century Technology Group Ltd	Dormant	UK
Bridge Alert Ltd	Dormant	UK
Ecomanager Ltd	Dormant	UK
Integrated Technologies (International) Ltd	Dormant	UK
21st Century Technology Limited	Dormant	UK
Laserline (UK) Limited	Dormant	UK
Linefit Engineering Limited	Dormant	UK
Second Base Systems Ltd	Dormant	UK
Secure Microsystems Ltd	Dormant	UK
ServiceManager Ltd	Dormant	UK
Sextons Group Ltd	Dormant	UK
Toad Innovations Ltd	Dormant	UK
Toad Ltd	Dormant	UK
21st Century Integrated Systems Limited	Holding company of Region Services Group	UK

4. INVESTMENTS IN SUBSIDIARIES continued

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

All subsidiaries are wholly owned except the 70%-owned Integrated Technologies (International) Ltd. All UK subsidiaries' registered office address is the same as the Company; 12 Charter Point Way, Ashby-de-la-Zouch LE65 1NF except Linefit Engineering Limited, registered office 272 Bath Street, Glasgow, G2 4JR.

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

5. AMOUNTS OWED TO GROUP UNDERTAKINGS

The amounts owed to Group undertakings are repayable upon demand.

6. LOANS AND BORROWINGS

	2019			2018		
	Current £'000	Non-current £'000	Total £'000	Current £'000	Non-current £'000	Total £'000
Loan Notes 2016	–	300	300	–	300	300
Loan Notes 2018	–	250	250	–	250	250
	–	550	550	–	550	550

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

During the year, £nil (2018: £250,000) of loans and borrowings were issued.

The main terms of the bank and other loans are:

	Loan name	Interest rate %	Term	Final payment	Loan value £'000
Loan Notes 2016	Loan notes	10.00	5.3 years	March 2021	300
Loan Notes 2018	Loan notes	10.00	3.3 years	March 2022	250

The 2016 and 2018 Loan notes are secured on the trade and other debtors of the Group's principal trading entities, 21st Century Fleet Systems Limited and 21st Century Passenger Systems Limited.

7. EMPLOYEE INFORMATION

The Company had no direct employees in the years ended 31 December 2019 and 31 December 2018.

Notes to the company financial statements continued

for the year ended 31 December 2019

8. SHARE CAPITAL CALLED UP SHARE CAPITAL

	2019 £'000	2018 £'000
Authorised		
8,741,250 New Ordinary Shares of 6.5p each (2018: 93,239,755 Ordinary Shares of 6.5p each)	568	6,061
87,412,500 Deferred Shares of 6.5p each (2018: Nil)	5,682	—
	6,250	6,061
Issued, allotted and paid up		
8,227,500 New Ordinary Shares of 6.5p each (2018: 93,239,755 Ordinary Shares of 6.5p each)	535	6,061
87,412,500 Deferred Shares of 6.5p each (2018: Nil)	5,682	—
	6,217	6,061

On 2 December 2019, the group issued 245 ordinary shares with a nominal value of 6.5p at par.

On 2 December 2019, 93,240,000 ordinary shares with a nominal value of 6.5p were consolidated into 23,310 ordinary shares with a nominal value of £260. On the same date, 23,310 ordinary shares with a nominal value of £260 were subdivided into 5,827,500 ordinary shares with a nominal value of 6.5p and 87,412,500 deferred shares with a nominal value of 6.5p.

On 10 December 2019, the group issued 2,400,000 ordinary shares with a nominal value of 6.5p and a share premium of 43.5p per share.

Ordinary shares are entitled to one vote each, a dividend and a return on assets.

Deferred shares are not entitled to vote or any dividends. A return on liquidation will only be made after payment has been made to the holders of ordinary shares of the amounts paid up on such shares and the sum of £10,000,000 in respect of each ordinary share.

The share premium account represents the amount received on the issue of ordinary shares by the Company, in excess of their nominal value and is non-distributable.

The merger reserve represents the excess over nominal value of the fair value consideration for the acquisition of subsidiaries satisfied by the issue of shares in accordance with S612 of the Companies Act 2006.

Corporate information

DIRECTORS**NON-EXECUTIVE CHAIRMAN**

M W Elliott

NON-EXECUTIVE DIRECTOR

J Cumming

EXECUTIVE DIRECTORS

R C Singleton

N Lowe

COMPANY SECRETARY

N Lowe

AUDITOR**COOPER PARRY GROUP LIMITED**

Sky View

Argosy Road

East Midlands Airport

Castle Donington

Derby

DE74 2SA

BANKERS**NATWEST BANK**

Carlyle House

Carlyle Road

Cambridge

CB4 3DH

SOLICITORS**ASHURST**

Broadwalk House

5 Appold Street

London

EC2A 2HA

REGISTERED OFFICE

12 Charter Point Way

Ashby-de-la-Zouch

LE65 1NF

Registered number: 2974642

**NOMINATED ADVISER, FINANCIAL
ADVISER AND BROKER****WH IRELAND LIMITED**

St Brandon's House

29 Great George Street

Bristol

BS1 5QT

REGISTRARS**LINK ASSET SERVICES**

The Registry

34 Beckenham Road

Beckenham

Kent

BR3 4TU