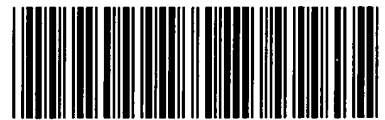


**ServicePower Technologies Plc**  
**Report and Financial Statements**

Year Ended  
31 December 2015

Registration number: 3941006

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**ServicePower Technologies Plc**

**Report and financial statements for the year ended 31 December 2015**

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**ServicePower Technologies Plc**

**Directors and advisers for the year ended 31 December 2015**

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<b>Directors</b>	H Fitzwilliam-Lay	(Non-Executive Chairman)
	L N Bury	(Non-Executive Director)
	R E Mace	(Non-Executive Director)
	M E Martin	(Chief Executive Officer)
	T Sandhu	(Chief Financial Officer)
<b>Secretary</b>	T Sandhu	
<b>Registered Office</b>	Petersgate House, 64, St Petersgate, Stockport, Cheshire, SK1 1HE	
<b>Company number</b>	3941006	
<b>Auditor</b>	Deloitte LLP, Chartered Accountants and Statutory Auditor Manchester, United Kingdom.	

## ServicePower Technologies Plc

### Joint Statement of the Chairman and Chief Executive

ServicePower Technologies Plc ("ServicePower") provides the leading wholly-configurable optimisation technology in the field service industry for employed and contracted technicians. During 2015 we launched two new products: NexusFS™ and Optimization on Demand™ and developed the first new algorithm in decades: Quantum Annealing, brings the latest in optimisation technology to the wider mobile worker marketplace. ServicePower's technology aims to provide field service organisations with end to end functionality, which can be used to route and dispatch employed, contracted 3rd party or on demand field resources, enabling clients to mix resources to achieve productivity, cost, margin or customer service objectives.

Continuing to grow product revenues and finance the development of the new technology was the focus in 2015. Turnover and product revenues grew despite the cessation of a pass-through contract that until a few years ago was the Company's largest contract. The Company has also built a platform and migrated the majority of its products to the Cloud. This can be scaled more efficiently in the future and greater cost efficiencies expected in future years. The pipeline and number of qualified leads have continued to grow.

Client retention remained very high, whilst enterprise sales cycles remain long, typically 12-24 months for ServiceScheduling, they are shorter with the other applications, and are expected to be shorter with the new products being launched more widely in 2016.

The financial results for 2015 represent growth in license revenues and SaaS contracts, with increased investment in R&D and associated overheads leading to a loss for the year. Invitations to bid and interest from prospects continues to increase, and there is strong interest in the overall product suite following the investment in it. Technologically, 2015 was the Company's most successful year to date related to pace of R&D output, which has continued into 2016 and the Board believe this is giving rise to increased brand awareness.

With £1.4 million of cash at 31 December 2015, the Balance Sheet remains solid, and ServicePower has a Field Service technology platform that is beginning to differentiate itself from the competition.

Historically, the Company has reported revenues in two segments: ServiceScheduling (including ServiceMobility and Smart Services/Broker) and ServiceOperations (including ServiceClaims and ServiceDispatch and ServiceMarket). The Company is moving to reporting revenue in the following groupings of SaaS, Managed Services, and License/Support and Maintenance in 2016, which fits with the migration to a single integrated platform for products and the launch of new cloud functionality for customers.

The Board is focused on growing turnover and profits organically by building channels and alliances, and winning new customers in the verticals where its products are best suited. It is intended that the Company will continue to launch new products, whilst at the same time expanding the reach of the updated existing applications and partner with other technology providers that are already engaged in complimentary activities in field service or are looking to strategically improve their position or enter the field service market.

#### Financial Review

Total revenue for the year increased by 2% to £13.0 million (2014: £12.7 million).

The ServiceScheduling segment licence and consultancy revenue was steady at £6.1 million (2014: £5.6 million). Efforts continue to implement new customer wins and upgrade customers for which additional professional services revenue will be recognised in 2016. The low margin pass-through contract previously reported in the ServiceScheduling segment has expired in 2015. Mobility, included within the ServiceScheduling segment, decreased by 40% to £0.3 million (2014: £0.5 million) given the investments and team allocation to developing the cloud offering in 2015.

ServiceOperations revenue increased by 2% to £6.0 million (2014: £5.9 million), including £0.3 million in licence sales.

In order to give additional detail, revenue can be split into product related (Service Scheduling, Support and Maintenance, Claims and Dispatch, SaaS, ServiceStats, ServiceClaims Licences & GPS.), Managed Services (fully outsourced ServiceOperations) and Professional Services. Using this split, Revenue of £13 million can be split as Product related, £8.2 million (2014: £7.3 million); Managed Services £3.7 million (2014: £4.1 million) and Professional Services £1.1 million (2014: £1.3 million).

## ServicePower Technologies Plc

### Joint Statement of the Chairman and Chief Executive (continued)

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#### Financial Review (continued)

The Company continued to invest in expanding product functionality across all of its product range as well as its unified platform activities, investing £1.4 million in 2015 (2014: £1.1 million). Of this, £0.7 million (2014: £0.7 million) was capitalised in accordance with IAS 38.

Gross profit for the year increased by 1% to £6.1 million (2014: £6.0 million) and the percentage gross margin remained consistent year on year. Loss before tax was £1.2 million (2014: £1.0 million), primarily driven by increased investment in R&D and associated overheads leading to an increased loss for the year.

The basic and diluted loss per share for the full year was 0.5p (2014: 0.5p).

Cash balances were £1.4 million at 31 December 2015 (2014: £2.7 million).

#### Operational Review

##### *Creating a complete field services platform*

Developed as an industry agnostic platform, the ServicePower software supports customers in 27 industry verticals. Following the expansion of NexusFS™ functionality, a mobility platform for the SMB market, the Company also expects to be offering more inventory and asset management functionality beginning in 2016.

Optimisation on Demand, which was first launched in 2015 is the first product to offer the power of an artificial intelligence algorithm solely as a cloud Software as a Service offering, an on demand service for customers to choose the right level of optimisation for their business.

Our platform, anchored by the leading wholly configurable optimisation technology, has been developed over 20 years by field service experts and is unique in the industry. The patented Simulated Annealing technology and proprietary travel matrix engine provides field service organisations with a fully mobilised scheduling and dispatch solution which can be used to route and dispatch employed, contracted 3rd party or on demand field resources, based on robust rules based logic that enables clients to mix resources to achieve productivity, cost, margin, and customer service objectives. It intelligently schedules the best technicians for the best job, with the right parts to get the job completed the first time. It also provides robust logic to manage SLA (service level agreement) work and complex jobs that other competitive rules based products cannot deliver.

As a result of expanding the offering, a customer can now turn to ServicePower to manage the complete lifecycle of a customer or a job, using a variety of field resources, customer and work order management, to optimised scheduling and 3rd party dispatch, to mobile status updates, inventory management, signature capture, GPS tracking, payments, job pricing, inventory management, analytics, etc.

Our platform also has robust capabilities with regard to Machine to Machine (“M2M”) / Internet of Things (“IoT”) connected services technology. A partnership with global device or other product manufacturers and a leading M2M technology provider enables proactive automation of field based events to provide far superior results for customers compared to competitors which simply monitor GPS devices.

##### *The Market*

The field service industry is one which is rapidly evolving. Increased competition in service, changing customer dynamics and reduced margins are driving field service organisations toward technology which can be used to improve their competitive edge and increase productivity and efficiency, as well as improve customer service. These, alongside new technologies like social, mobile, cloud, analytics and IoT are revolutionising field service. Customers also expect scheduled appointments to eliminate wasted time, and technicians are prepared and knowledgeable enough to complete the job on the first visit.

## ServicePower Technologies Plc

### Joint Statement of the Chairman and Chief Executive (continued)

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#### *The Market (continued)*

The continued advancements that the Company is making in the areas of the new products are in areas that capture the evolving demands in field service. Providing a scalable, fully mobilised field service management software platform at an affordable cost is yielding benefits to the Company's customers, and is attracting further interest from prospects.

#### *Strategic alliances*

The Company continues its focus on strategic partnerships and alliances growing relationships that are expected in future years to result in increased referrals. The new product launches are capable of being white labelled and suitable for sale through indirect channels or strategic partnerships or alliances.

#### *Growth Strategy*

ServicePower has entered 2016 continuing to drive its strategy for growth, based around two areas of focus. These are:

1) *Growth of product sales to existing and new customers either directly or through channel relationships*

Optimisation technology is the foundation of the ServicePower platform. We are acknowledged by customers and analysts as being among the world's visionaries with our multi-layer, cost versus rules based optimisation, having invested 20 years of development into the ServiceScheduling software.

ServicePower differentiates itself by delivering an enterprise level solution, as evidenced by our long-standing global tier 1 customer base, which provides a strong foundation to grow turnover in both our core and additional industry verticals, in many geographies. Demand is growing for our products from existing clients, new clients and through potential channel partners that see the fit for their business and/or product lines.

ServiceOperations is experiencing steady growth and demand in the marketplace. Being an independent provider of a truly multi-tenant SaaS platform is valued and the Company is winning business from competitors, especially with the dispatch functionality for the management of work to be performed by contractors.

2) *Continued technology innovation and development*

The Company's focus is on technology, solving not only today's field service challenges, but those of the future. Our ability to develop organically and launch new products is now proven. The pace of updates and innovation in the more mature applications has also accelerated. Continued product innovation is what drives the interest from prospects and customers alike and facilitates continued growth in product sales.

#### **Outlook**

With a proven ability to win new customers, the validation by Gartner of the investment in strategic innovation and development of our global field management platform, ServicePower is positioned for a strong performance in 2016 and beyond. Our growing, prestigious client base, including some of the best known brands in the world, is proof of our commitment to providing the best, most complete, and technologically advanced field management tool in the world. Trading in 2016 has continued in line with forecasts, some additional cost efficiencies are being put into the business and we are confident of a successful outcome to the year.



**Hugh Fitzwilliam-Lay, Chairman**

**Marne Martin, CEO**

**5 April 2016**

### Principal activities, trading review and future developments

The principal activity of the Group is the sale, hosting and implementation of field service management software, outsourcing and management of dispatch, claims and warranty processing, and the sale of GPS and mobility products.

**Operations:** ServicePower's focus is on providing technology solutions, services, and industry expertise globally to allow service businesses to operate with maximum efficiency. The Group's solutions and services enable our customers to address the three key service delivery challenges: i) offer a higher quality of service, ii) reduce the cost of service delivery, and iii) grow revenue and profitability. The Group's head office is based in McLean, VA, with offices in Stockport, United Kingdom and Santa Ana, CA in the USA. The Group has three subsidiaries, ServicePower Business Solutions Limited in the UK, ServicePower Inc and Service Network LLC in the USA. The financial position and performance of the Group is set out on pages 28-32.

**Markets:** The market for the Group's technology solutions and services is global, with most of its existing sales to companies throughout North America and the UK. Customers interested in the Group's solutions and services are those that employ in-house service engineers, or utilise a network of independent service contractors to respond to a request for service. These companies vary in size from large corporations with their own service engineers to small independent organisations with fewer than five technicians. ServicePower's enterprise optimisation software, ServiceScheduling, is targeted at those organisations which employ the greatest numbers and the ServiceOperations software is targeted at companies that manage service delivery through independent service companies. As part of the Group's total service product offering, our clients can, and sometimes do, outsource part or all of their service delivery operations. This service is delivered throughout North America, the United Kingdom and parts of Europe. In the future, the Group anticipates broadening its geographical reach.

**Sales and marketing:** In 2015, 68% (2014: 66%) of Group turnover (£8.8 million) was generated in North America (2014: £8.4 million). The Group continues to capitalise on the hundreds of man years of development already invested in its products. 2015 saw continued investment which brought a number of new products into the fold through internal development. Clients continue to upgrade to the latest version of Scheduling. In 2015, 54% of revenue was generated from ServiceScheduling and 46% from ServiceOperations, (2014: 54% and 46%, respectively).

**Research and development:** To maintain the Group's leading edge software-based solutions, £1.4 million (2014: £1.1 million) in research and development costs were incurred in the year; of which £0.7 million was capitalised (2014: £0.7 million) The Group has research and development centres in North America and the United Kingdom that employed an average of 26 staff (2014: 26), through which the Group develops its own intellectual property. In addition, to meet the demand for further customer enhancements, the Group continues to develop intellectual property such as the Mobility, Nexus and Optimisation as a Service ("OaaS") products. Development costs capitalised in 2015 relate to ongoing development of the acquired Mobility software, Nexus and OaaS products with integration into the existing suite of products, as well as the development of the Group's Scheduling and Broker software.

**Contract values:** Customers can either i) buy a one-time perpetual licence for ServiceScheduling with an annual fee for support and maintenance and new releases or ii) pay for the use of the licence and maintenance on a hosted or SaaS basis. This latter type of contract is variable in size and can range in value and term, depending upon the nature of the contract. Revenue from ServiceOperations is typically earned from a cost per transaction approach.

## ServicePower Technologies Plc

### Strategic Report (continued)

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#### Key performance indicators (KPIs)

ServicePower operates in a complex and specialised field using the business model of a software sales company; the primary objective is to sell software licenses or hosted solutions using its software. In ServiceOperations, the goal is to maximise the number of transactions through the software. The KPIs of the Group have been identified as follows:

**Revenue and deferred and accrued income:** In the year, invoiced sales for the Group were £12.5 million (2014: £12.8 million). £13.0 million was recognised as revenue (2014: £12.7 million) and held in the balance sheet was deferred income of £2.2 million (2014: £2.7 million) and accrued income of £0.2 million (2014: £0.2 million). This provides an indication of the value of support and maintenance contracts that have been invoiced and paid, but not yet completed, and the value of transactional jobs completed but yet to be invoiced.

A breakdown of revenue from the ServiceScheduling segment is as follows:

	2015	2014
	£ million	£ million
Licences/subscription fees	0.8	0.5
SaaS	1.1	0.9
Implementation/support	5.1	5.5
<b>Total</b>	<b>7.0</b>	<b>6.9</b>

A breakdown of revenue from the ServiceOperations segment is as follows:

	2015	2014
	£ million	£ million
Licences	0.3	-
Implementation/support	0.4	0.6
Hosting/SaaS	1.9	1.9
Operations US	1.1	1.3
Operations UK	2.3	2.1
<b>Total</b>	<b>6.0</b>	<b>5.9</b>

**Monthly recurring revenue:** ServicePower has many ServiceScheduling maintenance contracts that are renewable annually and provide regular monthly revenue. Recurring revenue also comes from ServiceOperations clients, provided they continue to renew and previous transaction volumes can be relied upon to continue into the future. The renewal rate of the Group's customers remains stable and high.

**Gross margins and loss before tax:** The outcomes of both gross margin and profit before tax is dependent upon sales volume and the mix of the business. The gross profit was £6.1 million in 2015 (2014: £6.0 million). The Group had a loss before tax of £1.2 million in 2015 (2014: £1.0 million) as a result of the increased investment in R&D and associated overheads leading to an increased loss for the year.

**Operating cash flow:** ServicePower usually charges a percentage of the ServiceScheduling licence fee upon contract signature and the support and maintenance fees are invoiced annually in advance. This assists the Group with working capital requirements given that a significant proportion of costs are fixed employee-related costs. Trade debtors and other receivables at the end of the financial year were £2.4 million (2014: £2.5 million). Debtor days for the Group represented 42 days of invoiced sales (2014: 39 days). The trade and other creditors and accruals at the end of the financial year were £1.4 million (2014: £1.3 million) representing 75 creditor days (2014: 67 days). Cash outflow from operations for the year was £0.6 million (2014: inflow £0.8 million).

## ServicePower Technologies Plc

### Strategic Report (continued)

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**Cash at bank:** The Board pays particular attention to the cash at bank and cash movements and regularly reviews cash forecasts to ensure the financial commitments of the Group are met. ServicePower closed the financial year with cash at bank, including short term deposits, of £1.4 million (2014: £2.7 million). During the year the company redeemed in full its convertible loan notes, with the majority converted to shares and a cash element of £0.2 million paid to a loan note holder.

**Employee recruitment and retention:** The Group increased its average headcount in the year by 5 to 109 employees (2014: 104), primarily as a result of organic growth. ServicePower operates in a knowledge-based industry and requires a highly skilled workforce, particularly within the development teams to maintain skill levels, flexibility and an ability to respond to market and client demands promptly.

#### Commercial risks and uncertainties

The key commercial risks and uncertainties facing the Group are as follows:

**Recruitment, retention and training of employees:** ServicePower operates in a knowledge-based industry and recognises the importance of the recruitment and retention of its highly skilled workforce.

**Reference customers:** The Group sells on the basis of adding value to the customer. A significant amount of the sales success is dependent upon the continued goodwill of existing customers to host reference visits by potential customers. This involves presentations by senior staff to demonstrate the value of the offering, the non-financial benefits and a demonstration of the software operating in real time.

**Customer procurement timescales:** The Group sells to global organisations which may have lengthy procurement processes, occasionally stretching over a considerable number of months. The procurement may go through several budgeting cycles, require board approval, face competition from other non IT-related projects and key decision makers may move on. For these reasons, it is difficult to forecast securing individual contracts, and it is almost impossible to predict the precise timing of the signing of contracts.

**Unpredictable cash flow:** To date, a significant portion of cash receipts have come from the sale of large software licences. The signing of contracts by large corporate customers is very difficult to predict due to long procurement cycles. Consequently, the Group has sought to reduce the impact of such sales by focusing the revenue streams towards a transactional and SaaS approach and developing other means of managing cash outflows, including identifying cost saving measures.

**Exchange rate fluctuations:** The Group has significant operations in North America and as such is exposed to movements in the US Dollar/Sterling exchange rate. This risk has historically been alleviated somewhat by the stability of the currencies and matching revenues and costs in the two currencies.

**ServicePower Technologies Plc**

**Strategic Report (continued)**

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**Technological advancement:** The Group operates in markets where technical development of the products can be fast-paced. This is particularly relevant as regards the use of new cloud technology, and consequently the Group will continue to develop its products so they can interface with the latest technology and, if suitable, acquire selective companies that would facilitate this further.

**Competition:** The Group keeps up to date on the business activities of all existing major competitors in its markets as well as identifying new entrants who may potentially gain a foothold in the market. The Group ensures its pricing structure is competitive when faced with competition for new business and has an account management programme in place to ensure existing business is protected from competitors.

This report was approved by the board of directors and is signed on its behalf by:



Marne Martin, CEO

5 April 2016

## **ServicePower Technologies Plc**

### **Report of the directors for the year ended 31 December 2015**

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The directors present their report on the affairs of the Group and the audited financial statements, for the year ended 31 December 2015. The Corporate Governance Statement, the Report of the Audit Committee and the Report of the Remuneration Committee form part of this report.

#### **Results and dividends**

The consolidated income statement is set out on page 28 and shows the financial performance for the year.

The directors cannot recommend the payment of a dividend on the ordinary shares (2014: same).

#### **Directors and their interests**

The directors who served during the year, and to the date of this report are:

##### **Lindsay Bury, Non-Executive Chairman**

Lindsay Bury has been with the Group since January 2000. Throughout his extensive business career he has been a founding director of ACT, now part of Misys, Chairman of Bango plc, a company listed on AIM, a director of Electric & General Investment Co Plc and a number of private software companies.

##### **Hugh Fitzwilliam-Lay, Non-Executive Director**

Hugh joined the Group in September 2007. He was co-founder of Citipost Inc., a logistics company that was sold to Royal Mail in 2000 and is currently Managing Partner of BFL&P, an early stage venture capital investor that has stakes in 15 companies. He also has an interest in Venrex 1 LLP, a small venture capital company.

##### **Rick Mace, Non-Executive Director**

Rick joined ServicePower in October 2012. He has extensive business experience within the technology industry at international level and with both publicly-listed and private companies. He currently holds directorships with Hakisa Corp., Island Club Resort, NextGen. Transaction Network Services Inc., Digital River Corp. and the Competitive Carrier Association.

##### **Marne Martin, Chief Executive Officer**

Marne joined the Group in January 2013. She has experience in a wide range of domestic and international industries, and notably her last position was as CFO and a director for Norcon plc, a UK AIM-listed telecommunication and defence consulting company. She was formerly a director of Formigo Ltd (Tep Wireless) and Digicel Holdings Limited. Marne was appointed acting Chief Executive Officer on 23 July 2014 and was appointed Chief Executive Officer on 11 September 2014.

##### **Tajinder Sandhu, Chief Finance Officer**

Tajinder joined the Group in June 2014. Tajinder is a Chartered Accountant (ACA) with 22 years post-qualification experience. Tajinder has spent the last two decades working in a wide range of large international and domestic for profit and non-profit sectors including consulting for government agencies and The University of Oxford.

## ServicePower Technologies Plc

### Report of the directors for the year ended 31 December 2015 (continued)

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As from 1 January 2015, directors' and officers' liability insurance was in force.

The directors who held office at 31 December 2015 had the following interests, including those of connected parties, in the ordinary share capital of the Company:

	Ordinary shares of 1p each			
		31 December 2015		31 December 2014
	Options	Shares	Options	Shares
L N Bury	-	10,295,661	-	10,295,661
M Martin	6,300,000	-	6,300,000	-
H Fitzwilliam-Lay	-	7,449,504	-	7,449,504
T Sandhu	750,000	-	750,000	-

M Martin, R E Mace and H Fitzwilliam-Lay were elected at the 2014 AGM for a three year term. L N Bury was re-elected at the 2014 AGM.

#### Creditors' payment policy and practice

It is the Group's policy to agree commercial terms of business with suppliers prior to the supply of goods and services. In the absence of any dispute, the Group pays, wherever possible, in accordance with these agreed terms. The number of days' purchases of the Group represented by trade creditors at 31 December 2015 was 75 days and at 31 December 2014 was 67 days.

#### Capital structure

Details of the issued share capital, together with the details of the movements in the Company's issued share capital during the year are shown in note 17. The Company has one class of shares. The ordinary shares carry no right to fixed income and each share carries the right to vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights.

Details of employee share schemes are set out in note 20.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Main Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement on page 15.

Under its Articles of Association, the Company has authority to issue ordinary shares.

There is an agreement should the Company be taken over by a purchase of its shares that all existing employee share options would vest immediately. This is not considered to be significant in terms of likely impact on the business of the Group as a whole. Furthermore, the directors are not aware of any agreements between the Company and its directors or employees that provide compensation for loss of office or employment that occurs because of a takeover bid other than the normal severance provisions included by contract with a given employee in the case of termination.

#### Employees

The number of employees and their remuneration is set out in note 6. The Group complies with all applicable labour laws in the respective jurisdictions.

## **ServicePower Technologies Plc**

### **Report of the directors for the year ended 31 December 2015 (continued)**

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#### **Charitable and political donations**

Charitable donations made in the year were £nil (2014: £373). Political donations were £nil in both years.

#### **Research and development activities**

An indication of any activities in the field of research and development in relation to the company and its subsidiary undertakings has been provided in the Strategic report.

#### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **Employee consultation**

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee share scheme has been running successfully since its inception in 2000. The scheme is open to certain employees.

#### **Going concern**

A significant portion of cash receipts comes from the sale of large software licences and support and maintenance agreements. The signing of contracts by large corporate customers can be difficult to predict due to long procurement cycles and therefore there is uncertainty in forecasting the timing and quantum of cash receipts from these customers, which ultimately led to the loss incurred in the current year. The financial results for 2015 represent growth in licenses and SaaS contracts, with increased investment in R&D and associated overheads leading to a loss for the year.

At 31 December 2015 the Group had net assets of £2.4 million including £1.4 million of cash and cash equivalents (31 December 2014: net assets of £2.4 million including £2.7 million of cash and cash equivalents). During the year the group redeemed in full its convertible loan notes, with the majority converted to shares and a cash element of £0.2 million paid to a loan note holder. On 8 of February 2016, the Company took out an interest bearing short term loan for £1 million repayable on 16 of December 2016.

In determining whether the Group's financial statements can be prepared on the going concern basis, the directors considered the Group's business activities together with factors likely to affect its future development, performance and its financial position including cash flows, liquidity position and the principal risks and uncertainties relating to its business activities. In performing these reviews, the directors have taken account of uncertainties around cash flow timing, repayment of short term loans and the ability to make saving initiatives to mitigate foreseeable downside scenarios. Taking these into account, the Group should still be able to cover its costs should these scenarios arise.

Based on cash flow forecasts which take into account the directors' best estimate of current sales orders and opportunities, expenditure forecasts as well as the Group's current cash balance, the directors consider it appropriate to prepare the Group's financial statements on the going concern basis.

**ServicePower Technologies Plc**

**Report of the directors for the year ended 31 December 2015 (continued)**

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**Auditor**

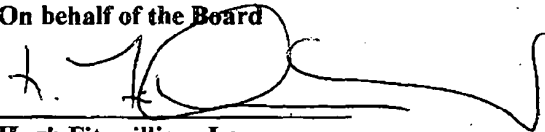
In the case of each of the persons who are Directors of the Group at the date when this report is approved:

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

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

Deloitte LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditor will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



**Hugh Fitzwilliam-Lay**

Director

5 April 2016

## ServicePower Technologies Plc

### Corporate governance statement

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#### Hugh Fitzwilliam-Lay (Chairman of the Board)

Dear Shareholder

The Company is committed to the principles of corporate governance, and although not required to do so by the AIM Rules, the directors have decided to provide certain corporate governance disclosures.

There is commitment to maintain the standards of corporate governance throughout the Group. For the year ended 31 December 2015, the Board has sought to comply with the UK Corporate Governance Code so far as it is practicable and appropriate for a public company of its size. There are therefore sections of the code with which the company does not comply.

The Board is accountable to the Company's shareholders for good governance and the statement set out below describes how the principles identified in the UK Corporate Governance Code have been applied.

#### Directors

At 31 December 2015, the Board comprised a Chairman, two executive Directors, namely the Chief Executive, the Chief Financial Officer, and two independent non-executive Directors, all of whom bring a wide range of skills and experience to the Board. The roles of Chairman and Chief Executive are separated and clearly defined. The Chairman is primarily responsible for the working of the Board and the Chief Executive for the running of the business and implementation of Board strategy and policy. The Chief Executive is assisted in managing the business on a day-to-day basis by an executive management Board whose span of control covers the outsourcing and hosting and the scheduling businesses; it meets at least monthly and comprises the respective operations directors, the Chief Financial Officer, the head of sales/channels & alliances, the head of marketing, and the head of human resources. Each of the non-executive directors is considered by the Board to be independent despite their interests in the share capital detailed on page 12 because they are considered to be independent from management and free from any relationship which could materially interfere with the exercise of their judgement.

The non-executive directors make a regular contribution to the functioning of the Board, thereby helping to ensure that no one individual or group dominates the Board's decision-making process. In particular the non-executive directors constructively challenge and help develop proposals on strategy.

The Board's focus is on strategy formulation, policy and control. A corporate governance framework has been adopted by the Board, which identifies its roles and responsibilities and how these are discharged.

Biographies of the Board members appear on page 11 of this report.

There were 7 Board meetings in 2015. The attendance of directors is set out below:

L N Bury	7
H Fitzwilliam-Lay	6
R E Mace	7
M Martin	7
T Sandhu	7

## ServicePower Technologies Plc

### Corporate governance statement (continued)

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#### Directors (continued)

One of the responsibilities of the Chairman is to ensure that Board members receive sufficient and timely information regarding corporate and business issues to enable them to discharge their duties. The adequacy of this information is periodically reviewed.

All Directors have access to the advice and services of the Company Secretary and the Board has established a procedure whereby Directors, wishing to do so in the furtherance of their duties, may take independent professional advice at the expense of ServicePower.

The Company Secretary is also charged with ensuring that any new Board members are equipped to fulfil their duties and responsibilities. The induction and personal development of both executive and non-executive Directors is subject to ongoing review to ensure ServicePower operates in accordance with the provisions of the UK Corporate Governance Code.

Non-executive Directors are appointed for a three year term, after which their appointment may be extended upon mutual agreement. It is envisaged that the maximum term for a non-executive Director under this regime is unlikely to exceed nine years. However, L N Bury has served for greater than nine years and therefore offers himself for annual re-election. In accordance with the Company's Articles of Association, one-third of the Board are required to retire by rotation each year, or if their number is not three or an integral multiple of three, the number nearest to but not exceeding one-third, shall retire from office. However, over a three year period all Directors must have retired from the Board and faced re-election. Additionally, each director must retire at the third annual general meeting following his or her appointment or reappointment in a general meeting.

The senior independent non-executive director is L N Bury, and concerns relating to the executive management of the Company or the performance of the other non-executive directors can be raised with him. Whilst no formal review of performance takes place, if a member of the Board were not performing, and as the Board comprises five members it would be immediately apparent, then remedial action would be the responsibility of Mr Fitzwilliam-Lay in his capacity as Chairman.

The Audit Committee is considered to have recent and relevant financial experience and all members have financial experience, details of which are referred to in their biographies on page 11.

**Corporate governance statement (continued)**

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**Committees of the Board**

The Board maintains three standing committees; all of which operate within written terms of reference. They are the Audit Committee, the Remuneration Committee and the Nominations Committee. Their minutes are circulated for review and consideration by the full complement of Directors, supplemented by oral reports from the committee chairman, or other members.

The Audit Committee met on 24<sup>th</sup> March 2015 and was attended by R Mace, H Fitzwilliam-Lay, and L N Bury; M Martin and T Sandhu and representatives of the external auditor attended by invitation.

The members of the committees are as follows:

Audit Committee: R Mace (Chairman of the Audit Committee), L N Bury, H Fitzwilliam-Lay  
Remuneration Committee: L N Bury (Chairman of the Remuneration Committee), H Fitzwilliam-Lay, R E Mace  
Nominations Committee: L N Bury (Chairman of the Nominations Committee), R E Mace, H Fitzwilliam-Lay

The reports of the Audit Committee and the Remuneration Committee follow on pages 19 to 24.

**Internal control**

The Board of Directors has overall responsibility for the system of internal control, covering all controls including financial, operational and compliance controls and risk management and for reviewing its effectiveness throughout ServicePower. Such a control system can only provide reasonable and not absolute assurance against material misstatement or loss, and is designed not to eliminate risk, but to enable ServicePower to achieve its corporate objectives within a managed risk profile. The Board is responsible for determining strategies and policies for risk and control, whilst management is responsible for designing, operating and monitoring risk management and control processes to implement Board policies effectively.

The Board confirms that an ongoing process for identifying, evaluating and managing ServicePower's significant risks has operated throughout the year and up to the date of approval of the Annual Report and Accounts. This process has been subject to regular annual review by the Board and is in accordance with the revised guidance on internal control published in October 2005 (The Turnbull Guidance). During the year, steps have been taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to the Board's and management's attention. The key elements of the process are as follows:

- Strategic risks are considered by both the Board and the Executive Committee through one or more meetings devoted specifically to the long term strategic direction of ServicePower. Detailed financial and operating plans are developed for the year ahead and monthly reports are provided to the Board covering actual performance against plan, analysis of significant variances and scrutiny of key performance indicators.
- The Executive Committee manages the business on a day to day basis and the Divisional Directors are responsible for embedding risk management and control in accordance with the corporate governance framework.

**ServicePower Technologies Plc**

**Corporate governance statement (continued)**

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**Internal control (continued)**

The Board undertakes a formal annual assessment of the overall risk management in order to form a view on the effectiveness of the system of internal controls. The Board has concluded that the size of the Company and the volume of transactions currently does not warrant an Internal Audit department. This is subject to annual review.

There has been no change in ServicePower's internal control over financial reporting during the 2015 fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Relations with shareholders**

ServicePower values its dialogue with both institutional and private investors. Effective two-way communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy. The Company also posts financial information on its website [www.servicepower.com](http://www.servicepower.com).

All investors are encouraged to participate in the Annual General Meeting at which the Chairman presents a review of the results and comments on current business activity. The Chairmen of the Audit, Remuneration and Nomination Committees will be available at the Annual General Meeting to answer any shareholder questions.

The Notice of the Annual General Meeting is circulated more than 20 working days before the Meeting and ServicePower will continue its practice of proposing only unbundled individual resolutions.

On behalf of the Board



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**H Fitzwilliam-Lay**  
Chairman

5 April 2016

## ServicePower Technologies Plc

### Report of the Audit Committee

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Membership of the Audit Committee is restricted to independent Non-Executive Directors. They have a wide variety of skills and experience including investment banking, commercial and senior management. The Chief Executive Officer and the Chief Financial Officer, who are invited to the Audit Committee meetings, also provide business and accounting expertise. The Audit Committee met once in 2015, with full attendance by its members.

The Audit Committee's primary tasks are to review the scope of external audit, to receive reports from Deloitte LLP and to review the preliminary results and annual financial statements before they are presented to the Board, focusing in particular on accounting policies and compliance and areas of management judgement and estimates, and the appointment and removal of the external auditor. The Audit Committee more generally acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Company's internal control and risk management systems and processes. The terms of reference for the Audit Committee are available for inspection by request to the company's registered office address. The Audit Committee also regularly reviews the requirement for an internal audit function. It is the view of the Audit Committee that an internal audit function is not required at this time due to the Group's size. ServicePower's relationship with the external auditor is monitored by the Audit Committee and Board.

The Audit Committee is appointed by the Board from the non-executive directors of the Group and the Chairman. The Audit Committee's terms of reference include all matters indicated by the UK Corporate Governance Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

The Audit Committee is responsible for:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the Group's internal financial controls and, unless expressly addressed by the Board itself, the Group's internal control and risk management systems;
- making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- developing and implementing a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee is required to report its findings to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken.

## ServicePower Technologies Plc

### Report of the Audit Committee (continued)

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The Board expects the Audit Committee members to have an understanding of:

- the principles of, contents of, and developments in financial reporting, including applicable accounting standards;
- key aspects of the Group's operations including corporate policies, Group financing, products and systems of internal control;
- matters that influence or distort the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the role of external auditing and risk management;
- the regulatory framework for the Group's businesses; and
- environmental and social responsibility best practices.

The Group has arrangements in place for the Chief Executive Officer and Chief Financial Officer to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate for the size of the Company.

#### **Overview of the actions taken by the Audit Committee to discharge its duties**

Since the beginning of 2015 the Audit Committee has:

- reviewed the annual reports for 2015 and 2014 and the half yearly report issued in September 2015. As part of this review the Committee received a report from the external auditor on its audit of the financial statements;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and accounts on this matter;
- reviewed and agreed the approach of the audit work to be undertaken by the external auditor;
- agreed the fees to be paid to the external auditor for their audit of the 2015 accounts; and
- undertaken an evaluation of the performance of the external auditor, monitoring their independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee, and day to day responsibility to the Group finance function.

#### **External auditor**

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The policy assigns oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee, and day to day responsibility to the Chief Financial Officer.

**ServicePower Technologies Plc**

**Report of the Audit Committee (continued)**

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**External auditor (continued)**

The Group's policy on external audit sets out the categories of non-audit service which the external auditor will and will not be allowed to provide to the Group, subject to de minimis levels and Audit Committee Chairman approval in emergency situations.

To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee reviewed:

- the changes in key external audit staff in the external auditor's plan for the current year;
- the arrangements for day-to-day management of the audit relationship; and
- the overall extent of non-audit services provided by the external auditor, in addition to their case by case approval of the provision of non-audit services by the external auditor.

To assess the effectiveness of the external auditor, the Audit Committee reviewed:

- the external auditor's fulfilment of the agreed audit plan and variations from the plan;
- the robustness and perceptiveness of the auditor in their handling of the key accounting and audit judgements; and
- the content of the external auditor's Report to the Audit Committee.

As part of this year's decision to recommend the re-appointment of the auditor, the Audit Committee has taken into account the tenure of the auditor and the need to consider whether there should be a full tender process. There are no contractual obligations that act to restrict the Audit Committee's choice of external auditor.

As a consequence of its satisfaction with the results of its activities outlined above, the Audit Committee has recommended to the Board that the external auditor be re-appointed.

**Overview**

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditor.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

**Approval**

This report was approved by the Audit Committee and signed on its behalf by:



**R Mace**  
**Chairman of the Audit Committee**  
5 April 2016

## **ServicePower Technologies Plc**

### **Report of the Remuneration Committee**

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#### **Introduction**

Although not required to do so by the AIM rules, the directors have decided to provide certain directors' remuneration disclosures. A resolution to approve this report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

#### **Remuneration committee**

The Company has established a Remuneration Committee, which is constituted in accordance with the recommendations of the UK Corporate Governance Code. The members of the Committee during 2015 were L N Bury, Chairman, H Fitzwilliam-Lay, and R E Mace. In addition, M E Martin, was also invited as relevant to attend the meeting of the Committee when her involvement is deemed beneficial to assist in consideration of the matters raised.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No director plays a part in any discussion about his or her own remuneration.

#### **Remuneration policy**

The Remuneration Committee endeavours to offer competitive remuneration packages that are designed to attract, motivate and retain executive directors and senior management of the highest calibre. The main elements of the remuneration package for executive directors and senior management are:

- basic salary and benefits;
- annual bonus payments;
- share option incentives; and
- pension arrangements.

#### **Basic salary**

An executive director's basic salary is determined by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, objective reference is taken to those in a comparative Group of companies in the lower quartile of TechMARK companies, for executives of similar stature, responsibility and skill. Basic salaries were reviewed in November 2014 and any merit increases were given at that time. In addition to basic salary, the executive directors receive certain benefits-in-kind, namely life cover and private medical insurance.

#### **Annual bonus payments**

The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid, representing the incentive element of the overall remuneration package of the executive directors. Details of bonuses awarded to directors in the year can be found on page 24.

#### **Share options**

The Company believes that share ownership by executive directors and senior management helps strengthen the link between their personal interests and those of the shareholders. It therefore has share option schemes under which options are granted.

## **ServicePower Technologies Plc**

### **Report of the Remuneration Committee (continued)**

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#### **Share options (continued)**

On 31 December 2008 a new plan was set up under which the Chief Executive and other senior managers were granted share options. In 2015 grants were made to the Chief Financial Officer (750,000) and other senior staff (2,950,000). In 2014 grants were made to the Chief Executive (6,300,000) and a senior manager (3,000,000). The share options vested immediately after the grant date at an exercise price of 5.25p.

The Group recognised expenses of £29,000 and £66,000 related to equity-settled share-based payment transactions in 2015 and 2014 respectively for the directors.

#### **Pension arrangements**

The Company operates a money purchase personal pension scheme.

#### **Loss of office**

No payments for loss of office were made during the year to any Director of the Group.

#### **Service contracts**

It is the Company's policy that the executive directors should have contracts with an indefinite term providing for a maximum of one year's notice. In accordance with the Company's articles, the Board can only remove a director from office if this is unanimously approved by other Board members. Alternatively, a director can be removed by shareholder resolution.

M E Martin has specific terms of engagement under a service contract dated 18 December 2012. The notice period from the Company is 12 months and from the director, 6 months. There is no entitlement to compensation for loss of office.

T Sandhu has specific terms of engagement under a service contract. The notice period from the Company is 6 months and from the director, 6 months. There is no entitlement to compensation for loss of office.

#### **Non-executive directors**

All non-executive directors have specific terms of engagement under letters of appointment dated 23 March 2000 for L N Bury, 18 September 2007 for H Fitzwilliam-Lay and 17 October 2012 for R E Mace. Their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. Non-executive directors cannot participate in any of the Company's share option schemes. There is no entitlement to any period of notice for the non-executive directors or any compensation payable for loss of office.

#### **Directors' share options (audited information)**

The share options of the directors are set out below. No share options of the directors were exercised in either 2015 or 2014. Some share options lapsed in 2015. The market price of the shares at 31 December 2015 was 2.75p and the range during the financial year was between 6.475p and 2.75p.

#### **New plan share option scheme (audited information)**

In 2008 a new plan was set up. Grants were made on 10 December 2014 for M Martin, who was granted 6,300,000 options, and a senior manager, 3,000,000, both grants were at an exercise price of 5.25p and vested immediately.

In 2014, T. Sandhu was granted 750,000 options and other management and key personnel were granted 2,950,000 at exercise prices ranging between 6.625p to 6.88p. These grants vested by 1 January 2015.

**ServicePower Technologies Plc**

**Report of the Remuneration Committee (continued)**

**New plan share option scheme (audited information) (continued)**

	1 January 2015 Number	Cancelled/ Forfeited in the year Number	Granted in the year Number	31 December 2015 Number	Date from which exercisable	Expiry date	Exercise price Pence
Marne Martin -Unapproved	6,300,000	-	-	6,300,000	Dec 2014	Dec 2023	5.25p
Tajinder Sandhu- Unapproved	750,000	-	-	750,000	Jan 2015	Dec 2025	6.88p
Senior management and staff - Unapproved	5,950,000	3,012,000	2,462,000	5,100,000	Dec 2014	Mar 2025	4.69p-6.88p

**Directors' emoluments (audited information)**

The emoluments of the individual directors were as follows:

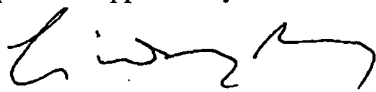
	Basic Salary and Car Allowance 2015 £'000	Benefits in Kind 2015 £'000	Fees 2015 £'000	Bonus earned 2015 £'000	Total Emoluments 2015 £'000	Total Emoluments 2014 £'000
L N Bury	-	-	17	-	17	18
H Fitzwilliam-Lay	-	-	38	-	38	38
R E Mace	-	-	20	-	20	18
M Martin	213	15	-	26	254	202
T Sandhu	80	6	-	5	91	46
	<b>293</b>	<b>21</b>	<b>75</b>	<b>31</b>	<b>420</b>	<b>322</b>

Pension contributions were paid on behalf of T Sandhu of £6,000 (2014: £3,000). On behalf of M Martin £11,063 of 401K contributions were made (2014: £9,863 of 401K contributions).

The Act requires certain disclosures about the remuneration of the highest paid director taking into account emoluments, gains on exercise of share options and amounts receivable under key incentive schemes. On this basis the highest paid director is M. Martin and hers remuneration is disclosed above.

**Approval**

This report was approved by the Remuneration Committee and signed on its behalf by:



**L N Bury**  
**Chairman of the Remuneration Committee**  
5 April 2016

## ServicePower Technologies Plc

### Statement of Directors' Responsibilities

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The directors are responsible for preparing the Annual 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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected 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 accounts 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are 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
- make an assessment of the company's ability to continue as a going concern.

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.

#### Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

On behalf of the Board

Hugh Fitzwilliam-Lay  
Director  
5 April 2016



## **ServicePower Technologies Plc**

### **Independent auditor's report to the members of ServicePower Technologies plc**

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We have audited the group financial statements of ServicePower Technologies plc for the year ended 31 December 2015, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

#### **Respective responsibilities of directors and auditor**

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

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

**ServicePower Technologies Plc**

**Independent auditor's report to the members of ServicePower Technologies plc (continued)**

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**Matters on which we are required to report by exception**

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Other matters**

We have reported separately on the parent company financial statements of ServicePower Technologies plc for the year ended 31 December 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.



**William Smith MA FCA (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester, United Kingdom

5 April 2016

**ServicePower Technologies Plc**

**Consolidated income statement for the year ended 31 December 2015**

	Note	2015 £'000	2014 £'000
<b>Revenue</b> – ServiceScheduling		7,026	6,873
– ServiceOperations		5,964	5,855
<b>Total revenue</b>	<b>3</b>	12,990	12,728
Cost of sales		(6,878)	(6,684)
<b>Gross profit</b>		6,112	6,044
<b>Administrative expenses</b>			
- other expenses		(7,268)	(6,899)
- foreign exchange gain/(loss)		71	(22)
<b>Total administrative expenses</b>		(7,197)	(6,921)
<b>Operating loss</b>		(1,085)	(877)
Investment income	7	2	2
Finance costs	8	(119)	(167)
<b>Loss before taxation</b>	<b>5</b>	(1,202)	(1,042)
Tax	9	95	98
<b>Loss after taxation for the year</b>		(1,107)	(944)
<b>Loss per share</b>			
Basic	10	(0.5)p	(0.5)p
Diluted	10	(0.5)p	(0.5)p

All amounts relate to continuing activities.

**ServicePower Technologies Plc**

**Consolidated statement of comprehensive income for the year ended 31 December 2015**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the year	(1,107)	(944)
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	68	124
<b>Other comprehensive income for the year</b>	<b>68</b>	<b>124</b>
<b>Total comprehensive expense for the year</b>	<b>(1,039)</b>	<b>(820)</b>

Exchange differences on translation of foreign operations will be reclassified to profit or loss in the event of any disposal of underlying operations (2014: same).

The total comprehensive expense for the year is attributable to the equity holders of the Company.

ServicePower Technologies plc

Consolidated statement of changes in equity for the year ended 31 December 2015

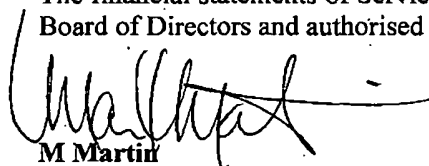
	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share scheme reserve £'000	Exchange translation reserve £'000	Equity reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2014	10,032	18,994	-	975	(1,602)	401	(3,008)	(22,620)	3,172
Loss for the year	-	-	-	-	-	-	-	(944)	(944)
Other comprehensive income for the year	-	-	-	-	124	-	-	-	124
Total comprehensive income / (expense) for the year	-	-	-	-	124	-	-	(944)	(820)
Credit to equity for equity- settled share-based payments	-	-	-	66	-	-	-	-	66
Balance at 31 December 2014	10,032	18,994	-	1,041	(1,478)	401	(3,008)	(23,564)	2,418
Loss for the year	-	-	-	-	-	-	-	(1,107)	(1,107)
Other comprehensive income for the year	-	-	-	-	68	-	-	-	68
Total comprehensive income / (expense) for the year	-	-	-	-	68	-	-	(1,107)	(1,039)
Shares issued in the year	277	667	-	-	-	-	-	-	944
Transfer to capital redemption reserve	(8,034)	-	8,034	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	(354)	-	-	-	354	-
Credit to equity for equity- settled share-based payments	-	-	-	29	-	-	-	-	29
Balance at 31 December 2015	2,275	19,661	8,034	716	(1,410)	401	(3,008)	(24,317)	2,352

**ServicePower Technologies Plc**

**Consolidated balance sheet as at 31 December 2015**

	Note	2015 £'000	2014 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	11	2,323	2,098
Property, plant and equipment	12	237	239
		<u>2,560</u>	<u>2,337</u>
<b>Current assets</b>			
Trade and other receivables	14	2,179	2,367
Current tax receivable	14	193	98
Cash and cash equivalents		1,417	2,702
		<u>3,789</u>	<u>5,167</u>
<b>Total assets</b>		<u><b>6,349</b></u>	<u><b>7,504</b></u>
<b>Current liabilities</b>			
Trade payables	15	(1,420)	(1,246)
Deferred revenue	15	(2,225)	(2,736)
Other creditors	15	(6)	(36)
Short-term loan	15	(346)	-
Convertible loan note	15	-	(1,068)
		<u>(3,997)</u>	<u>(5,086)</u>
<b>Net assets</b>		<u><b>2,352</b></u>	<u><b>2,418</b></u>
<b>Equity</b>			
Share capital	17	2,275	10,032
Capital redemption reserve		8,034	-
Share premium account		19,661	18,994
Share scheme reserve		716	1,041
Exchange translation reserve		(1,410)	(1,478)
Equity reserve		401	401
Merger reserve		(3,008)	(3,008)
Retained earnings deficit		(24,317)	(23,564)
<b>Total equity attributable to the owners of the Company</b>		<u><b>2,352</b></u>	<u><b>2,418</b></u>

The financial statements of ServicePower Technologies plc, registration number 3941006, were approved by the Board of Directors and authorised for issue on 5 April 2016. They were signed on its behalf by:

  
**M Martin**  
**Director**

**ServicePower Technologies Plc**

**Consolidated cash flow statement for the year ended 31 December 2015**

	Note	2015 £'000	2014 £'000
<b>Net cash (outflow)/inflow from operating activities</b>	<b>18</b>	<u>(588)</u>	<u>828</u>
<b>Investing activities</b>			
Interest received		2	2
Interest paid		(31)	-
Purchases of property, plant and equipment		(117)	(221)
Expenditure on intangible assets		<u>(735)</u>	<u>(714)</u>
<b>Net cash used in investing activities</b>		(881)	(933)
<b>Financing activities</b>			
Loan note redemption		(1,280)	-
Issue of ordinary shares		1,067	-
Short term loan		750	-
Repayment of short term loan		(750)	-
Cash received from short term factoring		<u>346</u>	<u>-</u>
<b>Net cash generated by financing activities</b>		<u>133</u>	<u>-</u>
<b>Net decrease in cash and cash equivalents</b>		(1,336)	(105)
<b>Cash and cash equivalents at beginning of year</b>		2,702	2,672
Effect of exchange rate changes		51	135
<b>Cash and cash equivalents at end of year</b>		<u><u>1,417</u></u>	<u><u>2,702</u></u>

## ServicePower Technologies Plc

### Notes to the consolidated financial statements for the year ended 31 December 2015

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#### 1 General information

ServicePower Technologies plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 3. The nature of the Group's operations and its principal activities are set out in the report of the directors and the strategic report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

The Group has adopted Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee of the IASB. Individual standards and interpretations have to be adopted by the European Commission and the process leads to a delay between the issue and adoption of new standards and in some cases amendment by the European Commission. IFRSs are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and are therefore subject to change.

*Standards not affecting the reported results nor the financial position*

Annual Improvements to IFRSs 2011 – 2013 Cycle: The Group has adopted the amendments to IFRSs included in the Annual Improvements to IFRSs 2011 – 2013 Cycle for the first time in the current year. The amendments are in the nature of clarifications rather than substantive changes to existing requirements.

The application of the amendments has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

#### **New and revised IFRSs in issue but not yet effective**

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

IFRS 16 Leases

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

Amendments to IAS 1 Disclosure Initiative

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

Amendments to IAS 27 Equity Method in Separate Financial Statements

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities Applying the Consolidation Exemption

**1 General information (continued)**

Annual Improvements to IFRSs 2012-2014 Cycle: Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of financial instruments;
- IFRS 15 may have an impact on revenue recognition and related disclosures; and
- IFRS 16 will impact both the measurement and disclosures of leases.

The directors have not yet performed a complete assessment of the impact of these Standards,

**Basis of accounting**

The annual financial statements are prepared in accordance with IFRS as adopted by the European Union. The financial statements have been prepared on a historical cost basis. The principal accounting policies are set out below.

**2 Significant accounting policies**

**Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

**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 the 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 affects 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.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

## ServicePower Technologies Plc

### Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

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#### 2 Significant accounting policies (continued)

##### Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, the financial statements have been prepared on the going concern basis. Further information is disclosed in the Report of the Directors on page 13.

##### Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (revised) *Business Combinations* are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell. Acquisition related costs are recognised in profit and loss as incurred.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. Costs of acquisition are recognised as an expense.

##### Revenue recognition

Revenue represents sales to customers at invoiced amounts less VAT and other sales-related taxes. It is recognised when and to the extent that the Group has earned the right to consideration for services provided.

Software licence sales are recognised upon receipt of evidence of final acceptance by the customer.

Software support is invoiced annually and taken to revenue over the period in which the services are supplied.

Implementation and other consultancy work is invoiced and recognised as income as the work is performed.

Revenue relating to ServiceOperations contracts and the supply of services is recognised as income as the work is performed.

Where the Company enters into contracts scheduling a combination of one or more of the above activities, revenue is recognised for each component separately in accordance with the relevant policy above. Revenue is allocated to each separate element of the contract in proportion to the relevant fair values of each element.

**2 Significant accounting policies (continued)**

**Leasing**

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease, except where another more systematic basis is more representative of the time pattern in which the economic benefits from the lease asset are consumed.

**Foreign currencies**

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the presentation currency for the consolidated financial statements.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

**Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

**2 Significant accounting policies (continued)**

**Taxation (continued)**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Property, plant and equipment**

Short leasehold interests and fixtures, fittings and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method, on the following bases:

Short leasehold interests	- over length of lease
Fixtures, fittings and equipment	- 16.6% to 33.3% per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

## 2 Significant accounting policies (continued)

### Internally-generated intangible assets: research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method. The assigned useful economic life on internally – generated intangible assets is three to six years.

### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at their fair value at the acquisition date less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

**2 Significant accounting policies (continued)**

**Intangible assets acquired in a business combination (continued)**

Subsequent to initial recognition, acquired intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method. The assigned useful economic life on intangible assets is three to six years.

**Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

*Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets, other than those at fair value through profit and loss (FVTPL), are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future of cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership, or continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**2 Significant accounting policies (continued)**

**Financial instruments (continued)**

*Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

*Compound instruments*

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, in the case of the convertible loan notes that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

*Trade receivables*

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

*Trade payables*

Trade payables are not interest-bearing and are stated at their nominal value.

## 2 Significant accounting policies (continued)

### Retirement benefit costs

The Company contributes to a number of private money purchase pension schemes as well as stakeholder pension schemes. The contributions are charged to the income statement in the period in which they become payable.

### Share-based payments

The Group has applied the requirements of IFRS 2 *Share-based Payment*.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

### Critical accounting judgements and key sources of estimation uncertainty

#### *Recoverability of intangible assets*

During the year, management reconsidered the carrying value of its intangible assets relating to software development, which are included in the balance sheet at £1.9 million (2014: £1.5 million). The projects continue to progress in a satisfactory manner, and customer reaction has reconfirmed management's previous estimates of anticipated revenues from the projects.

For the assets which are currently being amortised, the estimation of revenues is based on the useful economic life of the assets, which is based on applicable customer contracts and product cycle.

#### *Development cost capitalisation*

Under the requirements of IAS 38, when certain criteria have been met, development costs for software products should be capitalised. In assessing those criteria, which include certain assessments of technical and commercial feasibility, the exercise of judgement is required. The directors have assessed the relevant criteria under IAS 38 and development costs have been capitalised in the year of £0.7 million (2014: £0.7 million).

#### *Revenue recognition*

Where the company enters into contracts involving a combination of one or more of the revenue-generating activities, revenue is recognised for each component separately in accordance with the relevant revenue recognition policy. Revenue is allocated to each separate element in proportion to the relative fair values of each element.

## ServicePower Technologies Plc

### Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

#### 3 Revenue

An analysis of the Group's revenue is as follows:

	2015 £'000	2014 £'000
<b>Continuing operations</b>		
Sales of goods and services	12,990	12,728

#### 4 Business segments

Segment information reported externally is analysed on the basis of the Group's business streams, namely ServiceScheduling software licences, which provide scheduling solutions, and ServiceOperations, which provides claims and despatch processing in the consumer electronics market.

Segment information about these businesses is presented below:

2015	Service Scheduling 2015 £'000	Service Operations 2015 £'000	Group Total 2015 £'000
Revenue from external sales	7,026	5,964	12,990
Segment profit	3,306	2,806	6,112
Central administration costs – other			(7,268)
Foreign exchange gain			71
Total central administration costs			(7,197)
Investment income			2
Finance costs			(119)
Loss before tax			(1,202)
Tax			95
Loss after tax			(1,107)

**ServicePower Technologies Plc**

**Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)**

**4 Business segments (continued)**

2014	Service Scheduling 2014 £'000	Service Operations 2014 £'000	Group Total 2014 £'000
Revenue from external sales	6,873	5,855	12,728
Segment profit	3,264	2,780	6,044
Central administration costs – other			(6,899)
Foreign exchange loss			22
Total central administration costs			(6,921)
Investment income			2
Finance costs			(167)
Loss before tax			(1,042)
Tax			98
Loss after tax			(944)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represent the profit earned by each segment without allocation of central administration costs, including directors' salaries, investment revenue and finance costs and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

**Segment assets**

	2015 £'000	2014 £'000
ServiceScheduling	1,890	2,219
ServiceOperations	1,005	1,180
Total segment assets	2,895	3,399
Unallocated assets	3,454	4,105
Total consolidated assets	6,349	7,504

For the purposes of monitoring segment performance and allocating resources between segments the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of cash and cash equivalents and trade and other receivables of the parent company.

ServicePower Technologies plc

Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

4 Business segments (continued)

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
ServiceScheduling	112	84	651	714
ServiceOperations	431	321	202	221
<b>Group total</b>	<b>543</b>	<b>405</b>	<b>853</b>	<b>935</b>

The Group's revenues from its major products and services were as follows:

	2015 £'000	2014 £'000
ServiceScheduling	7,026	6,873
ServiceOperations	5,964	5,855
<b>Group total</b>	<b>12,990</b>	<b>12,728</b>

Geographical information

The Group's operations are located in the United States of America, the United Kingdom and the rest of Europe. The Group's revenue from external customers and information about its segment assets by geographical location are detailed below irrespective of the origin of the services:

	Revenue from external customers		Non-current assets	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
United States of America	8,840	8,438	1,691	1,544
United Kingdom	3,900	4,191	869	793
Rest of Europe	250	99	-	-
	<b>12,990</b>	<b>12,728</b>	<b>2,560</b>	<b>2,337</b>

**ServicePower Technologies Plc**

**Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)**

**5 Loss before taxation**

Loss before taxation has been arrived at after charging/(crediting):

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Foreign exchange (loss)/gain	(71)	22
Research and development costs	656	548
Depreciation of property, plant and equipment	124	101
Amortisation of intangible assets	419	304
Impairment of intangible assets	165	-
Staff costs (see note 6)	6,401	6,033
Impairment loss recognised on trade receivables	-	30
Operating lease rentals – other	262	279
Auditor's remuneration for audit services (see below)	71	69

Amounts payable to Deloitte LLP and their associates by the Group in respect of non-audit services were £15,000 (2014: £9,000).

A more detailed analysis of auditor's remuneration is provided below.

	<b>2015</b>		<b>2014</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
<b>Fees payable to the Company's auditor for the audit of the Company's annual accounts</b>	10	14	10	14
<b>Fees payable to the Company's auditor and its associates for other services to the Group</b>				
The audit of the Company's subsidiaries pursuant to legislation	61	86	59	86
Total audit fees	<u>71</u>	<u>100</u>	<u>69</u>	<u>100</u>
Other services:				
Taxation compliance services	15	100	9	100
Total non-audit fees	<u>15</u>	<u>100</u>	<u>9</u>	<u>100</u>

**ServicePower Technologies Plc**

**Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)**

**6 Staff costs**

The average monthly number of employees (including executive directors) was:

	<b>2015</b>	<b>2014</b>
	<b>Number</b>	<b>Number</b>
Sales and marketing	12	12
Development	26	26
Support and implementation	25	24
Operation and administration	46	42
	<u>109</u>	<u>104</u>

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Their aggregate remuneration comprised:		
Wages and salaries	5,671	5,269
Social security costs	480	485
Other pension costs	221	213
Share-based payments	29	66
	<u>6,401</u>	<u>6,033</u>

Directors' emoluments are disclosed on page 24.

**7 Investment income**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Interest on bank deposits	<u>2</u>	<u>2</u>

**8 Finance costs**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Interest on convertible loan note	108	167
Financing charges	11	-
	<u>119</u>	<u>167</u>

## ServicePower Technologies Plc

### Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

#### 9 Taxation

Corporation tax is calculated at 20.25% (2014: 21.49%) of the estimated assessable loss for the year. The credit for the year can be reconciled to the loss per the income statement as follows:

	2015 £'000	2014 £'000
Loss before tax	(1,202)	(1,042)
Tax at the UK corporation tax rate of 20.25% (2014: 21.49%)	(243)	(224)
Tax effect of expenses that are not deductible in determining taxable profit	49	29
Fixed asset timing differences	-	13
Tax effect of short term timing differences	(17)	(35)
Enhanced R&D deduction	(133)	(154)
Difference in overseas tax rate	-	108
US state taxes payable	-	1
Utilisation of tax losses	(25)	(1)
Current year losses carry forward	274	165
Tax credit and effective rate for the year	<u>(95)</u>	<u>(98)</u>

At the balance sheet date, the group has unused tax losses of £19.3 million (2014: £16.9 million) available for offset against future profits. A deferred tax asset has been recognised in respect of £0.7 million (2014: £ nil) of such losses. No deferred tax asset has been recognised in respect of the remaining £18.6 million (2014: £19.3 million) as it is not considered probable that there will be future taxable profits available.

No deferred tax asset has been recognised on the basis of the uncertainty of the timing of new licence contracts, particularly given the long procurement processes for new licence agreements. In the opinion of the directors there is not sufficient evidence that the asset would be recoverable in the foreseeable future.

**ServicePower Technologies Plc****Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)**

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**10 Loss per share**

The calculation of the basic and diluted loss per share is based on the following data:

**Loss**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Loss for the purposes of basic and diluted loss per share, being net loss attributable to equity holders of the parent	<u>(1,107)</u>	<u>(944)</u>

**Number of shares**

	<b>2015</b> <b>Number</b>	<b>2014</b> <b>Number</b>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>227,560,827</u>	<u>200,030,324</u>

**Loss per share**

	<b>2015</b> <b>pence</b>	<b>2014</b> <b>pence</b>
Basic loss per share	<u>(0.5)</u>	<u>(0.5)</u>
Diluted loss per share	<u>(0.5)</u>	<u>(0.5)</u>

**ServicePower Technologies Plc**

**Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)**

**11 Intangible assets**

	<b>Software development £'000</b>	<b>Customer contracts £'000s</b>	<b>Total £'000s</b>
<b>Cost</b>			
At 1 January 2014	3,829	839	4,668
Additions	714	-	714
Exchange adjustment	220	34	254
At 1 January 2015	4,763	873	5,636
Additions	735	-	735
Exchange adjustment	203	43	246
At 31 December 2015	5,701	916	6,617
<b>Amortisation</b>			
At 1 January 2014	2,932	134	3,066
Charge for the year	168	136	304
Exchange adjustment	151	17	168
At 1 January 2015	3,251	287	3,538
Charge for the year	271	148	419
Impairment charge	165	-	165
Exchange adjustment	153	19	172
At 31 December 2015	3,840	454	4,294
<b>Carrying amount</b>			
At 31 December 2015	1,861	462	2,323
At 31 December 2014	1,512	586	2,098
At 31 December 2013	897	705	1,602

Intangible assets are amortised over their estimated useful lives of three to six years. The amortisation charge is included within administration expenses in the income statement.

For software development costs the useful life is based on applicable product cycles.

Customer contracts are amortised over the expected length of the contracts.

Additions to software development in the year represent development costs capitalised.

Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated, for dividend purposes, as a realised loss.

During the year, as a result of performance of the ServiceRatings.com website and certain source code licences purchased in prior periods, the Group carried out a review of the recoverable amount of the software products. These assets are used in the Service Operations business unit. The review led to the recognition of an impairment loss of £165,000 (2014: £nil).

## Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

## 12 Property, plant and equipment

	Short leasehold interests £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2014	23	1,436	1,459
Additions	25	196	221
Exchange adjustment	-	30	30
	<hr/>	<hr/>	<hr/>
At 1 January 2015	48	1,662	1,710
Additions	31	87	118
Exchange adjustment	-	52	53
	<hr/>	<hr/>	<hr/>
At 31 December 2015	79	1,801	1,880
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation and impairment</b>			
At 1 January 2014	3	1,327	1,330
Charge for the year	13	88	101
Exchange adjustment	(1)	41	40
	<hr/>	<hr/>	<hr/>
At 1 January 2015	15	1,456	1,471
Charge for the year	18	106	124
Exchange adjustment	1	46	47
	<hr/>	<hr/>	<hr/>
At 31 December 2015	35	1,608	1,643
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2015	44	193	237
	<hr/>	<hr/>	<hr/>
At 31 December 2014	32	206	239
	<hr/>	<hr/>	<hr/>
At 31 December 2013	20	109	129
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## ServicePower Technologies Plc

### Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

#### 13 Subsidiaries

The following were subsidiary undertakings at the end of the current year and have all been included in the consolidated financial statements:

Name	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %
ServicePower Business Solutions Limited	England	100	100
ServicePower Incorporated	USA	100	100
ServiceNetwork LLC	USA	100	100

ServicePower Business Solutions Limited is a wholly-owned subsidiary of ServicePower Technologies plc.  
ServicePower Incorporated is a wholly-owned subsidiary of ServicePower Business Solutions Limited.  
ServiceNetwork LLC is a wholly-owned subsidiary of ServicePower Incorporated.

The principal activity of all subsidiaries listed above is the sale, hosting and implementation of field service management software, outsourcing and management of dispatch, claims and warranty processing, and the sale of GPS and mobility products.

#### 14 Other financial assets

##### Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	1,634	1,530
Allowance for doubtful debts	(8)	(10)
Trade receivables (net)	<u>1,626</u>	<u>1,520</u>
Other receivables – prepayments and accrued income	553	945
	<u>2,179</u>	<u>2,465</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period taken on sales of goods is 42 days (2014: 36 days). No interest is charged on overdue receivables. The Group has provided fully for receivables it considers to be not recoverable based on historical default experience.

Before accepting any new customer the Group assesses the customer's credit status and reviews on a regular basis thereafter their ability to pay to terms.

Included within other receivables is a performance bond with a customer for £nil (2014: £26,746).

## ServicePower Technologies Plc

### Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

#### 14 Other financial assets (continued)

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

Of the trade receivables balance at the end of the year, £192,056 (2014: £187,862) is due from one of the Group's largest customers. There are 3 (2014: 3) other customers who represent more than 27 per cent (2014: 30 per cent) of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of £874,137 (2014: £572,068) which are past due but not impaired at the reporting date. The Group regards all amounts as recoverable as there has not been a significant change in credit quality. The Group does not hold any collateral over any of these balances. On average past due receivables are 23 days overdue (2014: 9 days).

##### Ageing of past due but not impaired receivables

	2015 £'000	2014 £'000
30-60 days	442	318
60-90 days	187	145
Over 90 days	245	109
Total	<u>874</u>	<u>572</u>

##### Movement in the allowance for doubtful debts

	2015 £'000	2014 £'000
Balance at 1 January	10	80
Impairment losses	-	30
Amounts written off during the year as uncollectible	-	(20)
Utilisation of provision previously recognised	(2)	(80)
Balance at 31 December	<u>8</u>	<u>10</u>

The allowance for doubtful receivables relates to balances which are all past due by greater than 90 days. In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date.

The directors consider that the carrying amount of trade and other receivables is approximately equal to fair value.

Bank balances and cash comprise cash held by the Group, short-term bank deposits with an original maturity of three months or less and letters of credit issued to third parties as guarantees of £72,113 (2014: £66,739). The carrying amount of these assets approximates their fair value.

##### Credit risk

The Group's principal financial assets are bank balances, cash and trade and other receivables.

**ServicePower Technologies Plc**

**Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)**

**15 Other financial liabilities**

**Trade and other payables**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors and accruals	1,420	1,246
Deferred revenue	2,225	2,736
Other creditors	6	36
Short term loan	346	-
Convertible loan note	-	1,068
	<u>3,997</u>	<u>5,086</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 75 days (2014: 60 days).

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

In 2008 the convertible loan notes were issued giving the investors the right to convert the loan note at the lower of 5 pence a share or the price paid for the new shares issued in the fundraising. The loan note would incur interest at 8%, which would compound every six months and roll up into the value of the note. The accounting treatment for the convertible loan notes is prescribed in IAS 39. The Company did not elect to use the fair value option for this instrument on initial recognition.

In the current year accrued interest using the effective interest rate was £94,000 (2014: £167,000) and was expensed in the income statement. During the year, the company redeemed in full its convertible loan notes, with the majority converted to shares and a cash element of £0.2 million paid to a loan note holder.

**16 Deferred tax**

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting period.

	<b>Tax</b>	<b>Intangible</b>	<b>Total</b>
	<b>losses</b>	<b>assets</b>	<b>£</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2014	-	-	-
Movement in the year	-	-	-
At 1 January 2015	-	-	-
Prior year adjustment	111,887	(111,887)	-
Current year movement	18,870	(18,870)	-
At 31 December 2015	<u>130,758</u>	<u>(130,758)</u>	<u>-</u>

**ServicePower Technologies Plc**

**Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)**

**16 Deferred tax (continued)**

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2015	2014
	£	£
Deferred tax assets	130,758	-
Deferred tax liabilities	(130,758)	-
	<u>-</u>	<u>-</u>

**17 Share capital**

The Company and Group's capital structure is as follows:

	2015	2014
	£'000	£'000
<i>Allotted, called-up and fully paid</i>		
227,560,827 (2014: 200,030,324) Ordinary shares of 1p each	2,275	2,000
803,378,691 Deferred shares of 1p each	-	8,032
	<u>2,275</u>	<u>10,032</u>

**18 Notes to the cash flow statement**

	2015	2014
	£'000	£'000
Loss from operations	(1,085)	(877)
Adjustments for:		
Depreciation of property, plant and equipment	124	101
Amortisation of intangible assets	419	304
Impairment of intangible assets	165	-
Share-based payments expense	29	66
Foreign exchange (gain) / loss	(71)	10
Operating cash flows before movements in working capital	(419)	(396)
Decrease in receivables	92	846
(Decrease)/increase in payables	(356)	290
Cash (used in)/generated by operations	(683)	740
Tax credit received	95	88
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(588)</u>	<u>828</u>

The cash and cash equivalent balance comprises of cash and bank balances.

**ServicePower Technologies Plc**

**Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)**

**19 Commitments under operating leases**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Minimum lease payments under operating leases recognised in the income statement for the year	<u>262</u>	<u>279</u>

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	194	191
In the second to fifth years inclusive	<u>572</u>	<u>549</u>
	<u>766</u>	<u>740</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties, computer equipment and telephone systems. Leases are negotiated for terms of 1 to 5 years and rentals are fixed for terms of 1 to 5 years.

**20 Share-based payments**

**Equity-settled share option schemes under the 2000 Share option schemes**

The Company has a share option scheme for certain levels of employees of the Group. Approved options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant.

Under the ServicePower Technologies plc (Approved) 2000 Share Option Scheme, the option will vest provided the share price has risen by more than 10% per annum and they are exercisable not earlier than 3 or later than 10 years after the option was granted. Options are forfeited if the employee leaves the Group.

Under the ServicePower Technologies plc (Unapproved) 2000 Share Option Scheme, the option will vest provided the overall percentage increase in the market value of the Company being greater than the percentage increase of the 75% of the other companies which are part of the TechMARK index. They are exercisable not earlier than 1 or later than 10 years after the option was granted. Options are forfeited if the employee leaves the Group.

**ServicePower Technologies Plc**

**Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)**

**20 Share-based payments (continued)**

At 31 December 2015, the following share options were outstanding in respect of the ordinary shares:

	Year of grant	Number of shares	Range of dates exercisable	Exercise price per share
Unapproved share option scheme	2004	38,876	March 2005 - July 2016	34.0p-45.0p

Movements in share options are summarised as follows:

	Number of share options	2015 Weighted average exercise price (pence)	Number of share options	2014 Weighted average exercise price (pence)
Outstanding at beginning of year	51,126	36.0	206,010	19.9
Forfeited during the year	-	-	(137,442)	15.0
Lapsed during the year	(12,250)	26.9	(17,442)	45.0
Outstanding at the end of the year	38,876	39.1	51,126	36.0
Exercisable at the end of the year	38,876	39.1	51,126	36.0

**Equity-settled share option schemes under the 2000 Share option schemes**

The options outstanding at 31 December 2015 had a weighted average exercise price of 39.1 pence (2014: 23.3 pence), and a weighted average remaining contractual life of 0.6 years (2014: 1.3 years).

No options were granted in the year on the Share option schemes (2014: 2000).

Inputs into the Black Scholes simulation valuation model are as follows:

		2015	2014
Weighted average share price	Pence	19.0	19.0
Weighted average exercise price	Pence	19.9	19.9
Expected volatility	%	50	50
Expected life	Years	3.17	3.17
Risk-free rate	%	4.48	4.48

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 4 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

**ServicePower Technologies Plc**

**Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)**

**20 Share-based payments (continued)**

**New options granted after 1 January 2008**

At an EGM held on 11 December 2008 the Group adopted a new share option plan, which is available to directors and certain levels of employees in the Group. The new plan does not replace the existing schemes but those granted share options under the new plan surrendered all outstanding share options held under the existing schemes. The new discretionary share option scheme is set up to take advantage of the tax-favoured EMI options to UK employees and tax-favoured ISOs to US employees.

The options will vest not earlier than 2 years after the option was granted provided certain performance targets are met, or immediately upon a change of corporate control without the need to satisfy the performance targets.

Initial grants were made on 31 December 2008 at 5p to UK employees and to comply with US law, to US employees at the market price at the date of grant. All subsequent grants to both UK and US employees will be at the market price at the date of grant. All share options are forfeited if the employee leaves the Group.

At 31 December 2015, the following share options were outstanding in respect of the ordinary shares:

**Equity-settled share option scheme under the 2008 scheme**

	Year of grant	Exercise number of shares	Dates exercisable	Price per share
New plan share options	2008	1,200,000	1 January 2011	5.0p
New plan share options	2008	100,000	1 January 2011	2.75p
New plan share options	2010	492,105	30 March 2012	4.3p
New plan share options	2011	1,357,985	30 March 2013	8.5p
New plan share options	2013	9,300,000	1 January 2014	5.25p
New plan share options	2014	1,350,000	26 March 2014	6.625p
New plan share options	2014	1,600,000	31 December 2014	6.88p
New plan share options	2015	2,462,000	2 January 2016	4.69p

Movements in share options are summarised as follows:

	Number of share options	2015 Weighted average exercise price (pence)	Number of share options	2014 Weighted average exercise price (pence)
Outstanding at beginning of year	15,350,000	5.77	12,450,000	5.5p
Granted during the year	2,462,000	4.69	2,950,000	6.76p
Forfeited during the year	(3,787,000)	6.28	(50,000)	4.3p
Outstanding at the end of the year	14,025,000	5.44	15,350,000	5.75p
Exercisable at the end of the year	12,016,000	5.50	14,650,000	5.71p

**20 Share-based payments (continued)**

**Equity-settled share option scheme under the 2008 scheme (continued)**

The options outstanding at 31 December 2015 had a weighted average exercise price of 5.40 pence (2014: 5.75 pence), and a weighted average remaining contractual life of 8.3 years (2014: 8.3 years).

The inputs into the Black Scholes valuation model are as follows:

		2015	2014
Weighted average share price	Pence	4.65	6.76
Weighted average exercise price	Pence	4.65	6.76
Expected volatility	%	65.3	58.9
Expected life of option	Years	2	2
Risk-free rate	%	1.78	1.5

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 4 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

**Equity-settled share option scheme under the 2008 scheme**

The Group recognised total expenses of £29,000 and £66,000 related to equity-settled share-based payment transactions in 2015 and 2014 respectively.

**21 Related party transactions**

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

**Remuneration of key management personnel**

The remuneration of the directors, who are the key management personnel of the Group, is set out in Report of the Remuneration Committee on pages 22 to 24.

**22 Financial instruments**

**Capital risk management**

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

## ServicePower Technologies

### Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)

#### 22 Financial instruments (continued)

	2015 £'000	2014 £'000
Cash and cash equivalents	1,417	2,702
Convertible loan note	-	1,068
Equity	<u>2,352</u>	<u>2,418</u>

Equity includes all capital and reserves of the Group attributable to equity holders of the parent. The Group is not subject to externally-imposed capital requirements.

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.

#### Capital risk management (continued)

	2015 £'000	2014 £'000
<b>Financial assets</b>		
Cash and cash equivalents	1,417	2,702
Trade debtors and other receivables	<u>2,179</u>	<u>2,465</u>
	<u>3,596</u>	<u>5,167</u>
<b>Financial liabilities</b>		
Liabilities less deferred revenue	<u>1,773</u>	<u>2,350</u>

#### Financial risk management objectives

The Group finance function provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and price risk), credit risk and liquidity risk. The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

**22 Financial instruments (continued)**

**Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of dealing only with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings and credit limits are continuously monitored and reviewed.

Trade receivables consist of a large number of customers, spread across a number of industries in the United Kingdom, United States and Europe. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Information on significant outstanding debtor balances is included in note 14. The Group does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities.

**Foreign currency risk management**

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. At present the Group does not have foreign exchange contracts to manage the risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2015 are as follows:

	Liabilities		Assets	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>US Dollar</b>	<u>3,491</u>	<u>3,923</u>	<u>5,039</u>	<u>5,804</u>

The Group is exposed to movements in the value of the currency of the United States of America (US dollar).

The following table details the Group's sensitivity to a potential 10% increase and decrease in the sterling against the US dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the sterling strengthens 10% against the US dollar. For a 10% weakening of the sterling against the US dollar, there would be a comparable impact on the profit, and the balance would be negative.

**ServicePower Technologies Plc**

**Notes to the consolidated financial statements for the year ended 31 December 2015 (continued)**

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**22 Financial instruments (continued)**

**Financial currency risk management**

	<b>US dollar currency impact</b>	
	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit or loss and net assets</b>	<b>48</b>	<b>42</b>

**Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's liabilities. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. The Group has no undrawn facilities at 31 December 2015.

**Liquidity risk**

The Group's financial liabilities are £1,773,000 (2014: £2,349,000). On contractual maturity all liabilities fall due within 30 days and they have been calculated based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

## **ServicePower Technologies Plc**

### **Independent auditor's report to the members of ServicePower Technologies Plc**

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We have audited the parent company financial statements of ServicePower Technologies plc for the year ended 31 December 2015, which comprise the Company Balance Sheet, the Company Statement of Changes in Equity and the related notes 1 to 8. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

#### **Respective responsibilities of directors and auditor**

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

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the Company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

**ServicePower Technologies Plc**

**Independent auditor's report to the members of ServicePower Technologies Plc (continued)**

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**Matters on which we are required to report by exception**

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

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

**Other matters**

We have reported separately on the group financial statements of ServicePower Technologies plc for the year ended 31 December 2015.

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the company a quoted company.



**William Smith MA FCA (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester, United Kingdom

5 April 2016

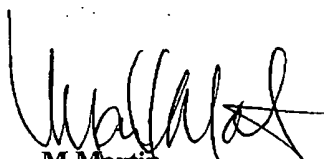
**ServicePower Technologies Plc**

**Company balance sheet as at 31 December 2015**

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Investment in subsidiaries	3	6,379	6,379
<b>Current assets</b>			
Debtors	4	6,495	6,928
Cash and cash equivalents		6,495	6,928
<b>Creditors: amounts falling due within one year</b>			
Other creditors	5	(37)	(7)
Convertible loan note	5	-	(1,068)
<b>Net current assets</b>		6,458	5,853
<b>Total assets less current liabilities</b>		12,837	12,232
<b>Net assets</b>		12,837	12,232
<b>Shareholders' funds</b>			
Share capital	6	2,275	10,032
Capital redemption reserve		8,034	-
Share premium account		19,661	18,994
Equity reserve		401	401
Share scheme reserve		716	1,041
Retained earnings		(18,250)	(18,236)
<b>Shareholders' funds</b>		12,837	12,232

The financial statements of ServicePower Technologies Plc, registration number 3941006, were approved by the Board and authorised for issue on 5 April 2016.

They were signed on its behalf by:

  
**M Martin**  
**Director**

**ServicePower Technologies Plc**

**Company statement of changes in equity for the year ended 31 December 2015**

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share scheme reserve £'000	Equity reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2014	10,032	18,994	-	975	401	(17,850)	12,552
Loss for the year	-	-	-	-	-	(386)	(386)
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	-	-	(386)	(386)
Credit to equity for equity-settled share-based payments	-	-	-	66	-	-	66
Balance at 31 December 2014	10,032	18,994	-	1,041	401	(18,236)	12,232
Loss for the year	-	-	-	-	-	(368)	(368)
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	-	-	(368)	(368)
Shares issued in the year	277	667	-	-	-	-	944
Transfer to capital redemption reserve	(8,034)	-	8,034	-	-	-	-
Transfer to retained earnings	-	-	-	(354)	-	354	-
Credit to equity for equity-settled share-based payments	-	-	-	29	-	-	29
Balance at 31 December 2015	2,275	19,661	8,034	716	401	(18,250)	12,837

## **ServicePower Technologies Plc**

### **Notes to the company financial statements for the year ended 31 December 2015**

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#### **1 Significant accounting policies**

##### **Basis of preparation**

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the company has adopted FRS 101 and has undergone transition from reporting UK Generally Accepted Accounting Principles (UKGAAP) to FRS 101 as issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. No adjustments that have a material effect to the financial statements were noted as part of the transition from UK GAAP to FRS 101 and as such a reconciliation from UK GAAP to FRS 101 has not been provided.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

##### **Going concern**

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, the financial statements have been prepared on the going concern basis. Further information is disclosed in the Report of the Directors on page 13.

##### **Cash flow statement**

The company's cash flows are included in the consolidated cash flow statement presented in the group financial statements above. As a result, the company has taken the advantage of the available exemption under the Companies Act 2006 and has not presented a separate cash flow statement.

##### **Financial instruments**

###### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

###### *Compound instruments*

The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, in the case of the convertible loan notes that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured.

## ServicePower Technologies Plc

### Notes to the company financial statements for the year ended 31 December 2015 (continued)

#### Financial instruments (continued)

##### *Compound instruments (continued)*

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

##### **Investments**

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

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits.

##### **Share options**

The accounting policy for share options in issue over the Company's share capital is set out in the Significant Accounting Policies note on page 41 to the consolidated financial statements.

#### **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. ServicePower Technologies plc reported a loss for the financial year ended 31 December 2015 of £367,762 (2014: loss of £386,403).

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

#### **3 Investment in subsidiaries**

The following were subsidiary undertakings at the end of the current year and have all been included in the consolidated financial statements:

<b>Name</b>	<b>Place of incorporation (or registration) and operation</b>	<b>Proportion of ownership interest %</b>	<b>Proportion of voting power held %</b>
ServicePower Business Solutions Limited	England	100	100
ServicePower Incorporated	USA	100	100
ServiceNetwork LLC	USA	100	100

ServicePower Business Solutions Limited is a wholly-owned subsidiary of ServicePower Technologies plc. The cost and net book value of the investment balance is £6,379 in both periods. ServicePower Incorporated is a wholly-owned subsidiary of ServicePower Business Solutions Limited. ServiceNetwork LLC is a wholly-owned subsidiary of ServicePower Incorporated.

The principal activity of all subsidiaries listed above is the sale, hosting and implementation of field service management software, outsourcing and management of dispatch, claims and warranty processing, and the sale of GPS and mobility products.

## ServicePower Technologies Plc

### Notes to the company financial statements for the year ended 31 December 2015 (continued)

#### 4 Debtors

	2015 £'000	2014 £'000
<b>Amounts falling due within one year</b>		
Amounts owed by group undertakings	6,489	6,920
Prepayments	6	8
	<u>6,495</u>	<u>6,928</u>

#### 5 Creditors

	2015 £'000	2014 £'000
<b>Amounts falling due within one year</b>		
Other creditors	37	7
Convertible loan note	-	1,068
	<u>37</u>	<u>1,075</u>

In 2008 the convertible loan notes were issued giving the investors the right to convert the loan note at the lower of 5 pence a share or the price paid for the new shares issued in the fundraising. The loan note would incur interest at 8%, which would compound every six months and roll up into the value of the note. The accounting treatment for the convertible loan notes is prescribed in IAS 39. The Company did not elect to use the fair value option for this instrument on initial recognition.

The convertible loan was converted on 30 June 2015.

In 2015 accrued interest using the effective interest rate was £94,000 (2014: £167,000) and was expensed in the income statement.

#### 6 Share capital

Existing capital structure is as disclosed in note 17 of the group financial statements.

**ServicePower Technologies Plc**

**Notes to the company financial statements for the year ended 31 December 2015 (continued)**

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**7 Share based payments**

The share based payment disclosures are shown in Note 20 of the group financial statements, all share based payments in the group relate to the company.

**8 Related party transactions**

During the year the company entered into transactions with ServicePower Business Solutions Limited amounting to £431,000, of which £218,000 (2014: £169,000) was in the ordinary course of business and £213,000 (2014: £nil) in respect to the redemption of the convertible loans which was paid by ServicePower Business Solutions Limited on behalf of the company and was recharged back. Amounts owed by ServicePower Business Solutions Limited at the reporting date were £6,489,000 (2014: £6,920,000).