

**ServicePower Technologies Ltd**  
**(formerly ServicePower Technologies Plc)**  
**Report and Financial Statements**

Year Ended  
31 December 2016

Registration number: 3941006

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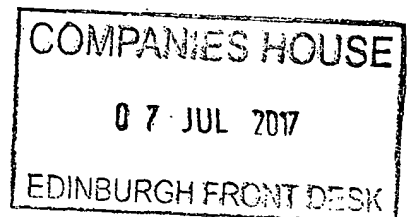
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**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Report and financial statements for the year ended 31 December 2016**

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**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Directors and advisers for the year ended 31 December 2016**

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<b>Directors</b>	R Nayot K Daekyung Ma M E Martin
<b>Secretary</b>	S Evans
<b>Registered Office</b>	Petersgate House 64 St Petersgate Stockport Cheshire SK1 1HE
<b>Company number</b>	3941006
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants 3 Hardman Street Manchester M3 3HF

## ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)

### Strategic Report

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#### 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.

On the 7 February, Servicepower delisted as a public company from the AIM market and transferred to private company status following an excellent and successful approach by a Private Equity company called Diversis Capital LLP. Servicepower is now owned 100% by Diversis and this provides Servicepower with the enhanced ability to further grow its business quickly and efficiently with the financial support of Diversis who have made a significant investment into Servicepower and now look to profitably grow the business in the future.

**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
- iii) grow revenue and profitability

The Group's head office is based in McLean, Virginia, USA, with offices in Stockport, United Kingdom and Santa Ana, California, USA. The Group has three subsidiaries, ServicePower Business Solutions Ltd in the United Kingdom, and ServicePower Inc and Service Network LLC in the USA. The financial position and performance of the Group is set out on pages 11 - 14.

**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 2016, 67% (2015: 68%) of Group turnover (£10 million) was generated in North America (2015: £8.8 million). The Group continues to capitalise on the significant development already invested in its products. Clients continue to upgrade to the latest version of Scheduling. In 2016, 48% of revenue was generated from ServiceScheduling and 52% from ServiceOperations, (2015: 54% and 46%, respectively).

**Research and development:** To maintain the Group's leading edge software-based solutions, £1 million (2015: £1.4 million) in research and development costs were incurred in the year; of which £0.5 million was capitalised (2015: £0.7 million) The Group has research and development centres in North America and the United Kingdom that employed an average of 21 staff (2015: 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, Customer Portal and Optimisation as a Service ("OaaS") products.

## ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)

### Strategic Report (continued)

Development costs capitalised in 2016 relate to ongoing development of the Mobility software and OaaS products with integration into the existing suite of products, as well as the development of the Group's Scheduling and mobile workforce management 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 Software as a Service ("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 or other SaaS basis.

#### 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 £13.9 million (2015: £12.5 million). Revenue of £14.2 million was recognised (2015: £13.0 million) and held in the balance sheet was deferred income of £2 million (2015: £2.2 million) and accrued income of £0.3 million (2015: £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:

	2016	2015
	£ million	£ million
Licences/subscription fees	1.0	1.0
SaaS	0.8	0.9
Implementation/support	5.3	5.1
<b>Total</b>	<b>7.1</b>	<b>7.0</b>

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

	2016	2015
	£ million	£ million
Licences	0.4	0.3
Implementation/support	0.7	0.4
Hosting/SaaS	2.6	1.9
Operations US	0.9	1.1
Operations UK	2.5	2.3
<b>Total</b>	<b>7.1</b>	<b>6.0</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 £9.6 million in 2016 (2015: £8.8 million – as restated). The Group had a loss before tax of £0.4 million in 2016 (2015: £1.2 million). There has been increased investment in R&D, and a reduction in general overheads leading to a reduced loss for the year.

## **ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

### **Strategic Report (continued)**

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**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 £2.8 million (2015: £2.2 million). Debtor days for the Group represented 48 days of invoiced sales (2015: 42 days). The trade and other creditors and accruals at the end of the financial year were £1.0 million (2015: £1.4 million) representing 54 creditor days (2015: 75 days). Cash outflow from operations for the year was £0.6 million (2015: outflow £0.6 million).

**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 £1.3 million (2015: £1.4 million).

In addition to cash and cash equivalents, the Group held cash balances of £208,588 (2015: £347,002) at the balance sheet date on behalf of certain customers for payments it makes on behalf of those customers to 3rd party service agents. The cash is received from the customer throughout the year and only paid to 3rd parties after receipt from the customer. The cash is held under a contractual banking agreement which the Group has with each of its customers. The amount is isolated from the Group's working capital in separate bank accounts and is not recorded on the Group's balance sheet. The amount is matched by an equal amount due back to the customer at any one time.

**Employee recruitment and retention:** The Group decreased its average headcount in the year by 8 to 101 employees (2015: 109). 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.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Strategic Report (continued)**

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**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.

The weakening of sterling against the US dollar increases the value of the revenue generated from the US in local currency when converted into Sterling. At the same time, operating costs in the US increase in value when translated into sterling. The management of Servicepower remain alert and keep abreast of foreign exchange instruments to help the business deliver its objectives and business growth whilst minimising exposure on currency transactions

**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**

**30 June 2017**

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Report of the directors for the year ended 31 December 2016**

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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 2016.

**Results and dividends**

The consolidated income statement is set out on page 11 and shows the financial performance for the year.

The directors cannot recommend the payment of a dividend on the ordinary shares (2015: £Nil).

**Directors**

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

R Nayot	(Appointed 7 February 2017)
K Daekyung Ma	(Appointed 7 February 2017)
L Bury	(Resigned 17 January 2017)
H Fitzwilliam-Lay	(Resigned 7 February 2017)
R Mace	(Resigned 17 January 2017)
M E Martin	
T Sandhu	(Resigned 15 June 2016)

**Charitable and political donations**

Charitable and political donations made in the year were £Nil (2015: £Nil).

**Research and development activities**

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

**Post balance sheet events**

On 6 February 2017 the decision was taken to strike off ServiceNetwork LLC and transfer its trade and assets into ServicePower Incorporated.

On 7 February 2017 the company de-listed from AIM, following the acquisition of the company's share capital by Diversis Capital UK Ltd, a subsidiary of Diversis Capital LLC. The acquisition was funded through loan finance, some of which has been passed down to the Group in the post balance sheet period.

On 11 April 2017 the company re-registered with the registrar of companies as a private limited company.

**Going concern**

A significant portion of cash receipts come from the sale of large software licences, support and maintenance agreements and the ServiceOperations segment of the business. 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. However, the sales pipeline and forecast are very buoyant and shows considerable interest in our product and services. The positive EBITDA in the year reflects the improvement in the company's results. Forecasts for next year continue to highlight the improvement on this year's results on a like for like basis.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Report of the directors for the year ended 31 December 2016 (continued)**

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At 31 December 2016 the Group had net assets of £2.4 million including £1.3 million of cash and cash equivalents (31 December 2015: net assets of £2.4 million including £1.4 million of cash and cash equivalents). On 8 February 2016, the Group took out an interest bearing short term loan for £1 million, repayable on 16 December 2016. This loan was extended and repaid in full on 27 January 2017.

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. Taking these into account, the Group will be able to cover its liabilities.

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, along with the investment from Diversis Capital LLC, the directors consider it appropriate to prepare the Group's financial statements on the going concern basis.

**Matters of strategic importance**

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained the Report of the Directors. It has done so in respect of future developments.

**Auditor**

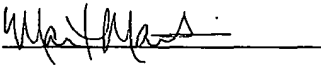
RSM UK Audit LLP were appointed auditors in the year, and have indicated their willingness to be reappointed, with arrangements put in place for them to be deemed as reappointed in the absence of an annual general meeting.

**Statement as to disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information of which the group's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant 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.

**On behalf of the Board**



**Director**  
30 June 2017

## **ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

### **Statement of Directors' Responsibilities**

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and 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;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU and for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**Opinion on financial statements**

We have audited the group and parent company financial statements ("the financial statements") on pages 11 to 46. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

**In our opinion**

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

**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 financial statements and, based on the work undertaken in the course of our audit, the Strategic report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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

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

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

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

**Respective responsibilities of directors and auditor**

As more fully explained in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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.

*RSM UK Audit LLP*

**Jonathan Lowe (Senior Statutory Auditor)**  
for and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
3 Hardman Street,  
Manchester,  
M3 3HF

*6 July 2017*

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Consolidated income statement for the year ended 31 December 2016**

	Note	2016 £'000	2015 (restated) £'000
Revenue	3	14,213	12,990
Cost of sales		<u>(4,602)</u>	<u>(4,233)</u>
Gross profit		9,611	8,757
Administrative expenses		<u>(9,873)</u>	<u>(9,842)</u>
Operating loss		(262)	(1,085)
Investment income	6	1	2
Finance costs	7	<u>(99)</u>	<u>(119)</u>
Loss before taxation	4	(360)	(1,202)
Taxation	8	<u>26</u>	<u>95</u>
Loss after taxation for the year		<u><u>(334)</u></u>	<u><u>(1,107)</u></u>

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Consolidated statement of comprehensive income for the year ended 31 December 2016**

	2016 £'000	2015 £'000
Loss for the year	(334)	(1,107)
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>		
Exchange differences on translation of foreign operations	326	68
<b>Other comprehensive income for the year</b>	<b>326</b>	<b>68</b>
<b>Total comprehensive expense for the year</b>	<b>(8)</b>	<b>(1,039)</b>

Exchange differences on translation of foreign operations will only be reclassified to profit or loss in the event of any disposal of underlying operations.

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

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Consolidated balance sheet as at 31 December 2016**

	Note	2016 £'000	2015 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9	2,420	2,323
Property, plant and equipment	10	154	237
		<u>2,574</u>	<u>2,560</u>
<b>Current assets</b>			
Trade and other receivables	12	2,819	2,179
Current tax receivable		26	193
Cash and cash equivalents	16	1,307	1,417
		<u>4,152</u>	<u>3,789</u>
<b>Total assets</b>		<u>6,726</u>	<u>6,349</u>
<b>Current liabilities</b>			
Trade payables	13	(765)	(1,141)
Deferred revenue	13	(2,021)	(2,225)
Other payables	13	(271)	(285)
Short-term loan	13	(1,295)	(346)
		<u>(4,352)</u>	<u>(3,997)</u>
<b>Net assets</b>		<u>2,374</u>	<u>2,352</u>
<b>Equity</b>			
Share capital	15	2,275	2,275
Capital redemption reserve		8,034	8,034
Share premium account		19,661	19,661
Share scheme reserve		746	716
Exchange translation reserve		(1,084)	(1,410)
Equity reserve		401	401
Merger reserve		(3,008)	(3,008)
Retained earnings deficit		(24,651)	(24,317)
<b>Total equity attributable to the owners of the Company</b>		<u>2,374</u>	<u>2,352</u>

The financial statements of ServicePower Technologies Ltd (formerly ServicePower Technologies Plc), registration number 3941006, were approved by the Board of Directors and authorised for issue on 30 June 2017.

They were signed on its behalf by:



**M Martin**  
Director

ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)

Consolidated statement of changes in equity for the year ended 31 December 2016

	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 2015	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:									
Exchange differences on translating foreign operations	-	-	-	-	68	-	-	-	68
Total other comprehensive income for the year	-	-	-	-	68	-	-	-	68
Transactions with owners:									
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	-	-	-	-	-	-
Share-based payments	-	-	-	29	-	-	-	-	29
Total transactions with owners	(7,757)	667	8,034	29	-	-	-	-	973
Transfer to retained earnings	-	-	-	(354)	-	-	-	354	-
<b>Balance at 31 December 2015</b>	<b>2,275</b>	<b>19,661</b>	<b>8,034</b>	<b>716</b>	<b>(1,410)</b>	<b>401</b>	<b>(3,008)</b>	<b>(24,317)</b>	<b>2,352</b>
Loss for the year	-	-	-	-	-	-	-	(334)	(334)
Other comprehensive income for the year:									
Exchange differences on translating foreign operations	-	-	-	-	326	-	-	-	326
Total other comprehensive income for the year	-	-	-	-	326	-	-	-	326
Total comprehensive income / (expense) for the year	-	-	-	-	326	-	-	(334)	(8)
Transactions with owners:									
Share-based payments	-	-	-	30	-	-	-	-	30
Total transactions with owners	-	-	-	30	-	-	-	-	30
<b>Balance at 31 December 2016</b>	<b>2,275</b>	<b>19,661</b>	<b>8,034</b>	<b>746</b>	<b>(1,084)</b>	<b>401</b>	<b>(3,008)</b>	<b>(24,651)</b>	<b>2,374</b>

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Consolidated statement of changes in equity for the year ended 31 December 2016**

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**Share premium**

Consideration received for shares issued above their nominal value net of transaction costs.

**Capital redemption reserve**

The nominal value of shares repurchased and still held at the end of the reporting period.

**Share Scheme reserve**

The cumulative share-based payment expense.

**Exchange translation reserve**

The cumulative exchange differences arising on the translation into sterling of the foreign currency denominated wholly owned subsidiaries.

**Equity reserve**

The equity element of convertible loan notes.

**Merger reserve**

Reserve for own shares acquired on the admission of ServicePower Technologies to the London Stock Exchange full list in 2000.

**Retained earnings**

Cumulative profit and loss, net of distributions to owners.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Consolidated cash flow statement for the year ended 31 December 2016**

	Note	2016 £'000	2015 £'000
<b>Net cash outflow from operating activities</b>	<b>16</b>	<u>(601)</u>	<u>(588)</u>
<b>Investing activities</b>			
Interest received		1	2
Interest paid		(27)	(31)
Purchases of property, plant and equipment		(18)	(117)
Expenditure on intangible assets		<u>(506)</u>	<u>(735)</u>
<b>Net cash used in investing activities</b>		<u>(550)</u>	<u>(881)</u>
<b>Financing activities</b>			
Loan note redemption		-	(1,280)
Issue of ordinary shares		-	1,067
Increase in short term loan		1,000	750
Repayment of short term loan		-	(750)
Cash received from short term factoring		<u>(123)</u>	<u>346</u>
<b>Net cash generated by financing activities</b>		<u>877</u>	<u>133</u>
<b>Net decrease in cash and cash equivalents</b>		(274)	(1,336)
<b>Cash and cash equivalents at the beginning of year</b>		1,417	2,702
Effect of foreign exchange rates		164	51
<b>Cash and cash equivalents at the end of year</b>		<u>1,307</u>	<u>1,417</u>

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016**

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**1 General information**

ServicePower Technologies Ltd (formerly ServicePower Technologies Plc) is a company limited by shares, incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on page 2. 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.

**First time adoption of standards and interpretations**

In the current year the Group has applied a number of amendments to IFRSs issued by the IASB. Their adoption has not had a material impact on the disclosures or on the amounts reported in the Group financial statements. The following amendments were applied:

Amendments to IAS 1 Disclosure Initiative

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

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

**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

The directors consider that the adoption of the Standards listed above may impact on the financial statements of the Group in future periods, as follows:

- IFRS 9 impacts on the measurement and disclosures of financial instruments;
- IFRS 15 impacts on revenue recognition and related disclosures; and
- IFRS 16 impacts on the measurement and disclosures of leases.

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

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016**

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**1 General information (continued)**

**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.

**2 Significant accounting policies**

**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 affect its returns.

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

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.

**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 7.

**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.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

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**2 Significant accounting policies (continued)**

**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 Group 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.

**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.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

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**2 Significant accounting policies (continued)**

**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.

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% to 33% 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.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

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**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.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

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**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, 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.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

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**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.

*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.

In addition to cash and cash equivalents, the Group held cash balances of £208,588 (2015: £347,002) at the balance sheet date on behalf of certain customers for payments it makes on behalf of those customers to 3rd party service agents. The cash is received from the customer throughout the year and only paid to 3rd parties after receipt from the customer. The cash is held under a contractual banking agreement which the Group has with each of its customers. The amount is isolated from the Group's working capital in separate bank accounts and is not recorded on the Group's balance sheet. The amount is matched by an equal amount due back to the customer at any one time.

*Trade payables*

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

**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.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

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**2 Significant accounting policies (continued)**

**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**

***Impairment 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 £2 million (2015: £1.9 million). The exercise undertaken resulted in an impairment charge of £162,000 (2015: £165,000) in relation to Service Market. Other 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. Management must also make judgements regarding the point at which the asset is ready for use and amortisation will commence.

***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 £0.5 million (2015: £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 Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**3 Revenue**

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

	2016 £'000	2015 £'000
<b>Continuing operations</b>		
Sales of goods and services	14,213	12,990
	<u>14,213</u>	<u>12,990</u>
	2016 £'000	2015 £'000
<b>Geographical split</b>		
United Kingdom	4,064	3,900
USA	10,042	8,840
Rest of Europe	107	250
	<u>14,213</u>	<u>12,990</u>

**4 Loss before taxation**

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

	2016 £'000	2015 £'000
Foreign exchange gain	(158)	(71)
Research and development costs	492	656
Depreciation of property, plant and equipment	129	124
Amortisation of intangible assets	596	419
Impairment of intangible asset	162	165
Operating lease rentals - other	300	262
Auditor's remuneration for audit services	40	71
	<u>40</u>	<u>71</u>

Amounts payable to RSM UK Audit LLP and their associates by the Group in respect of non-audit services were £10,000. Amounts payable in 2015 in respect of non-audit services of £15,000 were payable to Deloitte LLP.

In previous periods, an annual adjustment was made to transfer costs relating to professional services from administrative expenses to cost of sales. The directors have reviewed this process and believe this adjustment was inappropriate as it did not reflect the true gross margin of trade. The comparative income statement has been restated within these financial statements, the impact being a decrease in cost of sales of £2,645,000 and a subsequent increase in administrative expenses. The adjustment has no impact on operating profit, reserves or the balance sheet in either period.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**5 Staff costs**

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

	2016 Number	2015 Number
Sales and marketing	12	12
Development	21	26
Support and implementation	22	25
Operation and administration	46	46
	<u>101</u>	<u>109</u>

	2016 £'000	2015 £'000
Their aggregate remuneration comprised:		
Wages and salaries	6,164	5,671
Social security costs	283	480
Other pension costs	167	221
Share-based payments	30	29
	<u>6,644</u>	<u>6,401</u>

**Directors' remuneration**

The emoluments of the directors were as follows:

	Total emoluments 2016 £'000	Total emoluments 2015 £'000
Remuneration for qualifying services	386	420
Pension contributions	18	17
	<u>404</u>	<u>437</u>

Retirement benefits are accruing to the following number of directors under money purchase schemes 2 (2015: 2).

The remuneration of the highest paid director was £256,000 (2015: £265,000).

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**6 Investment income**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Interest on bank deposits	1	2

**7 Finance costs**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Interest on loan notes	72	108
Financing charges	27	11
	<u>99</u>	<u>119</u>

**8 Taxation**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
Research and development tax credit	(26)	(95)
<b>Total current tax</b>	<u>(26)</u>	<u>(95)</u>
<b>Total tax credit</b>	<u>(26)</u>	<u>(95)</u>

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**8 Taxation (continued)**

Corporation tax is calculated at 20% (2015: 20.25%) of the estimated assessable loss for the year. The total credit for the year can be reconciled to the loss per the income statement as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Loss before tax	(360)	(1,202)
Tax at the UK corporation tax rate of 20% (2015: 20.25%)	(72)	(243)
Tax effect of expenses that are not deductible in determining taxable profit	78	49
Recalculation of deferred tax at prevailing rate	130	-
Other short term differences	(194)	-
Tax effect of short term timing differences	-	(17)
R&D tax credit and deductions	(26)	(133)
Utilisation of tax losses	-	(25)
Current year losses carry forward	58	274
Tax credit at effective rate for the year	<u>(26)</u>	<u>(95)</u>

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015. Further reductions to the UK Corporation tax rates were substantively enacted on 26 October 2015, reducing the main rate to 19% from 1 April 2017 and to 18% from 1 April 2018 and a further reduction was substantively enacted on 6 September 2016 reducing the rate to 17% from 1 April 2020. The deferred tax assets and liabilities reflect these rates.

At the balance sheet date, the group has unused tax losses of £20.1 million (2015: £19.3 million) available for offset against future profits. A deferred tax asset has been recognised in respect of £0.7 million (2015: £0.7million) of such losses. No deferred tax asset has been recognised in respect of the remaining £19.4 million (2015: £18.6 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 Ltd (formerly ServicePower Technologies Plc)

Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)

9 Intangible assets

	Software development £'000	Customer contracts £'000s	Total £'000s
<b>Cost</b>			
At 1 January 2015	4,763	873	5,636
Additions	735	-	735
Exchange adjustment	203	43	246
At 1 January 2016	5,701	916	6,617
Additions	506	-	506
Exchange adjustment	866	170	1,036
At 31 December 2016	7,073	1,086	8,159
<b>Amortisation</b>			
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 1 January 2016	3,840	454	4,294
Charge for the year	513	83	596
Impairment charge	162	-	162
Exchange adjustment	596	91	687
At 31 December 2016	5,111	628	5,739
<b>Carrying amount</b>			
At 31 December 2016	1,962	458	2,420
At 31 December 2015	1,861	462	2,323
At 31 December 2014	1,512	586	2,098

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. The remaining average amortisation period for categories of intangible assets are 5.4 years (2015: 5.7 years).

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

In the prior 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. Recoverable amount was based on value in use. These assets are used in the Service Operations business unit. The review led to the recognition of an impairment loss of £165,000, recognised in administration expenses. A further review for the current year resulted in the impairment of software development costs relating to Service Market for £162,000, recognised in administrative expenses.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**10 Property, plant and equipment**

	<b>Short leasehold interests £'000</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2015	48	1,662	1,710
Additions	31	87	118
Exchange adjustment	-	52	52
	<hr/>	<hr/>	<hr/>
At 1 January 2016	79	1,801	1,880
Additions	-	18	18
Exchange adjustment	6	219	225
	<hr/>	<hr/>	<hr/>
At 31 December 2016	85	2,038	2,123
<b>Accumulated depreciation and impairment</b>			
At 1 January 2015	15	1,456	1,471
Charge for the year	18	106	124
Exchange adjustment	2	46	48
	<hr/>	<hr/>	<hr/>
At 1 January 2016	35	1,608	1,643
Charge for the year	19	110	129
Exchange adjustment	1	196	197
	<hr/>	<hr/>	<hr/>
At 31 December 2016	55	1,914	1,969
<b>Net book value</b>			
At 31 December 2016	30	124	154
	<hr/>	<hr/>	<hr/>
At 31 December 2015	44	193	237
	<hr/>	<hr/>	<hr/>
At 31 December 2014	33	206	239
	<hr/>	<hr/>	<hr/>

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**11 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 Ltd	England	100	100
ServicePower Incorporated	USA	100	100
ServiceNetwork LLC	USA	100	100

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.

The registered offices of the subsidiary undertakings are:

ServicePower Business Solutions Ltd – Petersgate House, 64 St Petersgate, Stockport, Cheshire, SK1 1HE  
ServicePower Incorporated and ServiceNetwork LLC - 8180 Greensboro Drive, Suite 600, McLean, VA 22102

On 6 February 2017 the decision was taken to strike off ServiceNetwork LLC and transfer its trade and assets into ServicePower Incorporated.

**12 Other financial assets**

**Trade and other receivables**

	2016 £'000	2015 £'000
Trade receivables	2,059	1,634
Allowance for doubtful debts	(1)	(8)
Trade receivables (net)	<u>2,058</u>	<u>1,626</u>
Other receivables – prepayments and accrued income	761	553
	<u>2,819</u>	<u>2,179</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 48 days (2015: 42 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.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**12 Other financial assets (continued)**

**Trade and other receivables (continued)**

Of the trade receivables balance at the end of the year, £304,394 (2015: £192,056) is due from one of the Group's largest customers. There are 3 (2015: 3) other customers who represent more than 35 per cent (2015: 27 per cent) of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of £757,377 (2015: £874,137) 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.

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

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
30-60 days	431	442
60-90 days	82	187
Over 90 days	243	245
<b>Total</b>	<b>756</b>	<b>874</b>

**Movement in the allowance for doubtful debts**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 January	8	10
Utilisation of provision previously recognised	(7)	(2)
<b>Balance at 31 December</b>	<b>1</b>	<b>8</b>

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 £nil (2015: £72,113). 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 Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**13 Other financial liabilities**

**Trade and other payables**

	2016 £'000	2015 £'000
Trade payables	765	1,141
Other tax and social security	46	42
Deferred revenue	2,021	2,225
Other payables	52	6
Accruals	173	237
Short term loan	1,072	-
Other borrowings	223	346
	<u>4,352</u>	<u>3,997</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 54 days (2015: 75 days).

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

The short term loan is unsecured and carries interest of 8%. This loan has been repaid in the period post year end.

In the current year accrued interest using the effective interest rate was £71,980 (2015: £108,197) and was expensed in the income statement.

Other borrowings include an invoice discounting facility, which is secured against the assets to which it relates.

**14 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.

	Tax losses £	Intangible assets £	Total £
At 1 January 2015	-	-	-
Prior year adjustment	111,887	(111,887)	-
Current year movement	18,870	(18,870)	-
At 1 January 2016	<u>130,757</u>	<u>(130,757)</u>	-
Current year movement	(5,984)	5,984	-
At 31 December 2016	<u>124,773</u>	<u>(124,773)</u>	-

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**14 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:

	2016 £	2015 £
Deferred tax assets	124,773	130,757
Deferred tax liabilities	(124,773)	(130,757)
	<u>          -</u>	<u>          -</u>

**15 Share capital**

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

	2016 £'000	2015 £'000
<i>Allotted, called-up and fully paid</i> 227,560,827 (2015: 227,560,827) Ordinary shares of 1p each	<u>          2,275</u>	<u>          225</u>

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

**16 Notes to the cash flow statement**

	2016 £'000	2015 £'000
Loss from operations	(262)	(1,085)
Adjustments for:		
Depreciation of property, plant and equipment	129	124
Amortisation of intangible assets	596	419
Impairment of intangible assets	162	165
Share-based payments expense	30	29
Foreign exchange gain	(215)	(71)
Operating cash flows before movements in working capital	440	(419)
(Increase)/decrease in receivables	(640)	92
Decrease in payables	(594)	(356)
Cash used in operations	<u>          (794)</u>	<u>          (683)</u>
Tax credit received	193	95
<b>Net cash outflow from operating activities</b>	<u>          (601)</u>	<u>          (588)</u>

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

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**16 Notes to the cash flow statement (continued)**

In addition to cash and cash equivalents, the Group held cash balances of £208,588 (2015: £347,002) at the balance sheet date on behalf of certain customers for payments it makes on behalf of those customers to 3rd party service agents. The cash is received from the customer throughout the year and only paid to 3rd parties after receipt from the customer. The cash is held under a contractual banking agreement which the Group has with each of its customers. The amount is isolated from the Group's working capital in separate bank accounts and is not recorded on the Group's balance sheet. The amount is matched by an equal amount due back to the customer at any one time.

**17 Commitments under operating leases**

	2016 £'000	2015 £'000
Minimum lease payments under operating leases recognised in the income statement for the year	300	262

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:

	2016 £'000	2015 £'000
Within one year	228	194
In the second to fifth years inclusive	464	572
	<u>692</u>	<u>766</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.

**18 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 Ltd (formerly 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 Ltd (formerly 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 Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

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

At 31 December 2016, 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	2016 Weighted average exercise price (pence)	Number of share options	2015 Weighted average exercise price (pence)
Outstanding at beginning of year	38,876	39.1	51,126	36.0
Forfeited during the year	-	-	-	-
Lapsed during the year	(38,876)	39.1	(12,250)	26.9
Outstanding at the end of the year	-	-	38,876	39.1
Exercisable at the end of the year	-	-	38,876	39.1

The options outstanding at 31 December 2016 had a weighted average exercise price of 39.1 pence (2015: 39.1 pence), and a weighted average remaining contractual life of Nil years (2015: 0.6 years).

No options were granted in the year on the Share option schemes (2015: Nil).

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

		2016	2015
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 Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**18 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 2016, 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	100,000	1 January 2011	2.75p
New plan share options	2013	9,300,000	1 January 2014	5.25p
New plan share options	2014	600,000	26 March 2014	6.625p
New plan share options	2014	416,000	31 December 2014	6.88p
New plan share options	2015	1,759,000	2 January 2016	4.69p
New plan share options	2016	500,000	31 December 2016	2.75p

Movements in share options are summarised as follows:

	Number of share options	2016 Weighted average exercise price (pence)	Number of share options	2015 Weighted average exercise price (pence)
Outstanding at beginning of year	14,025,000	5.44	15,350,000	5.77
Granted during the year	500,000	5.50	2,462,000	4.69
Forfeited during the year	(1,850,000)		(3,787,000)	6.28
Outstanding at the end of the year	<u>12,675,000</u>	5.37	<u>14,025,000</u>	5.44
Exercisable at the end of the year	<u>11,700,000</u>	5.45	<u>12,016,000</u>	5.50

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

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

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

The options outstanding at 31 December 2016 had a weighted average exercise price of 5.37 pence (2015: 5.44 pence) and a weighted average remaining contractual life of 8.3 years (2015: 8.3 years).

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

		2016	2015
Weighted average share price	Pence	2.75	4.65
Weighted average exercise price	Pence	2.75	4.65
Expected volatility	%	65.3	65.3
Expected life of option	Years	1	2
Risk-free rate	%	1.78	1.78

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 £30,000 and £29,000 related to equity-settled share-based payment transactions in 2016 and 2015 respectively.

**19 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.

At 31 December 2016 the group had an outstanding loan balance due to Herald Investment Trust Plc, a shareholder whilst the group was listed. The balance owing was £1,000,000, as well as £71,980 of accrued interest. The loan was repaid in full 27 January 2017. There was no such balance in 2015.

**Remuneration of key management personnel**

The remuneration of key management personnel is £494,461 (2015: £433,282).

**20 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 Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**20 Financial instruments (continued)**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	1,307	1,417
Equity	<u>2,374</u>	<u>2,352</u>

In addition to cash and cash equivalents, the Group held cash balances of £208,588 (2015: £347,002) at the balance sheet date on behalf of certain customers for payments it makes on behalf of those customers to 3rd party service agents. The cash is received from the customer throughout the year and only paid to 3rd parties after receipt from the customer. The cash is held under a contractual banking agreement which the Group has with each of its customers. The amount is isolated from the Group's working capital in separate bank accounts and is not recorded on the Group's balance sheet. The amount is matched by an equal amount due back to the customer at any one time.

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.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>		
Cash and cash equivalents	1,307	1,417
Trade debtors and other receivables	2,449	1,827
	<u>3,756</u>	<u>3,244</u>
<b>Financial liabilities</b>		
Liabilities less deferred revenue	<u>2,331</u>	<u>1,772</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.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**20 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 12. 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 2016 are as follows:

	Liabilities		Assets	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
US Dollar	<u>3,205</u>	<u>3,491</u>	<u>4,993</u>	<u>5,039</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 Ltd (formerly ServicePower Technologies Plc)**

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

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**20 Financial instruments (continued)**

**Financial currency risk management**

	US dollar currency impact	
	2016 £'000	2015 £'000
Profit or loss and net assets	42	48

**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 2016 (2015: £nil).

**Liquidity risk**

The Group's financial liabilities are £2,331,000 (2015: £1,772,000). 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.

**21 Post balance sheet events**

On 6 February 2017 the decision was taken to strike off ServiceNetwork LLC and transfer its trade and assets into ServicePower Incorporated.

On 7 February 2017 the company de-listed from AIM, following the acquisition of the company's share capital by Diversis Capital UK Ltd, a subsidiary of Diversis Capital LLC. The acquisition was funded through loan finance, some of which has been passed down to the Group in the post balance sheet period.

On 11 April 2017 the company re-registered with the Registrar of Companies as a private limited company.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Company balance sheet as at 31 December 2016**

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Investment in subsidiaries	3	6,379	6,379
<b>Current assets</b>			
Debtors	4	7,261	6,495
		7,261	6,495
<b>Creditors: amounts falling due within one year</b>			
Other creditors	5	(18)	(37)
Short term loan	5	(1,072)	-
<b>Net current assets</b>		6,171	6,458
<b>Total assets less current liabilities</b>		12,550	12,837
<b>Net assets</b>		12,550	12,837
<b>Shareholders' funds</b>			
Share capital	6	2,275	2,275
Capital redemption reserve		8,034	8,034
Share premium account		19,661	19,661
Equity reserve		401	401
Share scheme reserve		746	716
Retained earnings		(18,567)	(18,250)
<b>Shareholders' funds</b>		12,550	12,837

The financial statements of ServicePower Technologies Ltd (formerly ServicePower Technologies Plc), registration number 3941006, were approved by the Board and authorised for issue on 30 June 2017.

They were signed on its behalf by:



**M Martin**  
Director

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Company statement of changes in equity for the year ended 31 December 2016**

	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 2015	10,032	18,994	-	1,041	401	(18,236)	12,232
Loss for the year	-	-	-	-	-	(368)	(368)
Transactions with owners:							
Total comprehensive expense for the year	-	-	-	-	-	(368)	(368)
Transactions with owners:							
Shares issued in the year	277	667	-	-	-	-	944
Transfer to capital redemption reserve	(8,034)	-	8,034	-	-	-	-
Share-based payments	-	-	-	29	-	-	29
Total transactions with owners	(7,757)	667	8,034	29	-	-	973
Transfer to retained earnings	-	-	-	(354)	-	354	-
<b>Balance at 31 December 2015</b>	<b>2,275</b>	<b>19,661</b>	<b>8,034</b>	<b>716</b>	<b>401</b>	<b>(18,250)</b>	<b>12,837</b>
Loss for the year	-	-	-	-	-	(317)	(317)
Total comprehensive expense for the year	-	-	-	-	-	(317)	(317)
Transactions with owners:							
Share-based payments	-	-	-	30	-	-	30
Total transactions with owners	-	-	-	30	-	-	30
<b>Balance at 31 December 2016</b>	<b>2,275</b>	<b>19,661</b>	<b>8,034</b>	<b>746</b>	<b>401</b>	<b>(18,567)</b>	<b>12,550</b>

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the company financial statements for the year ended 31 December 2016**

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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, 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.

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.

**Reduced disclosure exemptions**

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements and, where relevant, equivalent disclosures have been made in the Group accounts, in accordance with FRS 101:

- Presentation of a Statement of Cash Flows and related notes;
- Disclosure of the objectives, policies and processes for managing capital;
- Disclosure of key management personnel compensation;
- Disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- The effect of financial instruments on the Statement of Comprehensive Income;
- Comparative period reconciliations for the number of shares outstanding;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- A reconciliation of the number and weighted average exercise prices of share options, how the fair value of share-based payments was determined and their effect on profit or loss and the financial position;
- Related party disclosures for transactions with the parent or wholly owned members of the group.

The financial statements of the Company are consolidated into the group financial statements presented in this document.

**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 7.

**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.

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the company financial statements for the year ended 31 December 2016 (continued)**

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**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 24 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 Ltd (formerly ServicePower Technologies Plc) reported a loss for the financial year ended 31 December 2016 of £317,263 (2015: loss of £367,762).

The auditor's remuneration for audit and other services is disclosed in note 4 to the consolidated financial statements.

The company has no employees (2015 : Nil).

**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 Ltd	England	100	100
ServicePower Incorporated	USA	100	100
ServiceNetwork LLC	USA	100	100

ServicePower Business Solutions Ltd is a wholly-owned subsidiary of ServicePower Technologies Ltd. The cost and net book value of the investment balance is £6,379,000 in both periods. ServicePower Incorporated is a wholly-owned subsidiary of ServicePower Business Solutions Ltd. 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.

The registered offices of the subsidiary undertakings are:

ServicePower Business Solutions Ltd – Petersgate House, 64 St Petersgate, Stockport, Cheshire, SK1 1HE  
ServicePower Incorporated and ServiceNetwork LLC - 8180 Greensboro Drive, Suite 600, McLean, VA 22102

**ServicePower Technologies Ltd (formerly ServicePower Technologies Plc)**

**Notes to the company financial statements for the year ended 31 December 2016 (continued)**

**4 Debtors**

	2016	2015
	£'000	£'000
<b>Amounts falling due within one year</b>		
Amounts owed by group undertakings	7,261	6,489
Prepayments	-	6
	<u>7,261</u>	<u>6,495</u>

**5 Creditors**

	2016	2015
	£'000	£'000
<b>Amounts falling due within one year</b>		
Other creditors	18	37
Loan	1,072	-
	<u>1,090</u>	<u>37</u>

In 2016 accrued interest using the effective interest rate was £71,890 (2015: £108,197) and was expensed in the income statement.

**6 Share capital**

Existing capital structure is as disclosed in note 15 of the group financial statements.

**7 Share based payments**

The share based payment disclosures are shown in note 18 of the group financial statements, all share based payments in the group relate to the company.

**8 Related party transactions**

At 31 December 2016 the company had an outstanding loan balance due to Herald Investment Trust Plc, a shareholder whilst the company was listed. The balance owing was £1,000,000, as well as £71,980 of accrued interest. The loan was repaid in full 27 January 2017. There was no such balance in 2015.

**9 Controlling party**

From 7 February 2017 the immediate controlling party is Diversis Capital UK Ltd. The ultimate controlling party is Diversis Capital LLC.