SERVISION PLC
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

Company Number: 05143241

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CHAIRMAN'S STATEMENT

The Board today announces SerVision's consolidated group financial statement for the year ended 31 December 2015. The group's annual revenue for this period was a modest $2,154,000, representing a 49.1 per cent. decrease compared to the same period ending 31 December 2014. I attribute the low turnover and the increased loss to the initial challenges the company has faced in our transition to a new business model in the UK and the delayed release of our new High Definition mobile NVR, the IVG400-N. I am happy to report that these challenges are now behind us and I can confirm that SerVision's new recurring revenue model in the UK is starting to generate a steady income stream for the Company, and that we are beginning to receive positive market feedback on some important IVG400-N trials that began in H2 of 2015 and have continued into H1 of 2016.

Sales and Marketing

While SerVision's sales performance in 2015 was lower than anticipated, we achieved some notable contract wins for bus projects in Kazakhstan, Israel and Portugal, and received orders for new cash-in-transit and construction site monitoring projects in South Africa and the Netherlands respectively. These successes were unfortunately counterbalanced by lacklustre sales in China that, as previously noted, were held back by the late release of the IVG. Although the new mobile NVR is now available, a number of large commercial opportunities in China, including a large-scale bus project in ChongQing and an underground train project in Beijing, are still on hold while we work with our partners to localise our hardware and software interface for the Chinese market. We hope to have more promising news to share on these opportunities later in the year.

In May 2015 we announced a new order from Egged Israel Transport Cooperative Society Ltd ("Egged"), Israeli's largest transportation operator. Egged had informed SerVision at the time of the initial order that they intended to deploy, by 31 December 2016, mobile DVR units across their entire fleet of buses in Israel and 1,700 buses in Poland and Netherlands. Unfortunately the delays in the roll-out of the IVG-400-N have resulted in the further deployment of units on Egged buses stalling. Egged is also currently waiting on the passing of legislation that would subsidise the deployment of camera systems on public buses in Israel. At this stage Servision has not been given any indication of when any further units will be deployed.

In addition unfortunately our partnership agreement with Sectrans in Brazil, announced in April 2015, has failed to deliver further orders in the period under review over and above the 400 MVG400 units announced at that time. Due to the economic recession in Brazil, which affects all government agencies, including the public transportation sector, Sectrans is not able to commit to any further orders at this time.

SerVision market penetration in the UK began gaining momentum in H2 of 2015 due to new cooperation with several telematics companies, Gatwick Airport and a new high-value transport project with DHL. However, recurring monthly revenue has only recently accrued in a meaningful way. Our revenue stream from the UK has now stabilised and, since last year it has been further bolstered by recently announced co-operations with companies such as Maple Fleet Services, Verilocation, Stobart Rail, and Up Front Car Holdings Limited. The income derived from offering installation service, support and monthly data is growing as more customers are identified and brought on board. Concurrent with our UK operations, in conjunction with Handsfree, an existing UK partner and customer with branches in North America, we are currently experimenting with a similar business model for select projects in the US.

In addition following on from the product launches of the IVG400-N at the SEECAT show in Japan in November 2015, followed by the Security Transport show in the UK in December, IVG trials for a range of projects and market applications are currently underway in the US, the Netherlands, Belgium, UK, South Africa, Chile, China, Singapore and Israel. So far the new technology has been very well received. In particular, customers have noted a dramatic improvement in video quality for both live and recorded streams, and they are very pleased to know that we have maintained all the other useful features that were supported in previous generation devices. We hope to start seeing a larger volume of sales for the IVG product during H2 of this year as many of the pilots that began at the end of 2015 and in early 2016 are only now coming to a close.

Research and Development

Over the course of 2015, SerVision's R&D team was heavily focused on further development of the next generation IVG400-N, along with a new client software application called SVCentral. The IVG's feature set grew significantly in H2 2015 and the system today supports a broad range of functions including, *inter alia,* full HD recording, live streaming (using SerVision's proprietary transmission protocol), GPS tracking, audio, WiFi, sensors and email notifications. The new SVCentral platform enables live monitoring of HD quality video from the IVG, is compatible with older SerVision

devices, and supports a range of new features including virtual desktops and full integration with a new cloud-based backup solution scheduled for rollout later this year.

In addition to starting work on a new cloud-based backup server which can automatically detect and store sensor-triggered video events as they occur on a vehicle or site, our R&D team also began integration with Mobileye's aftermarket solutions during H2 2015. Mobileye is the global leader in Advanced Driver Assistance Systems (ADAS) and when installed with the IVG400-N, Mobileye's collision avoidance technology is transformed into a real-time video monitoring platform that enables fleet managers to easily identify problematic driving behaviour. SerVision has just completed the integration and is currently preparing to roll this solution out to SerVision and Mobileye customers.

Financials

- Revenues for this period were $2,154,000 compared to $4,236,000 for the same period in 2014.
- Operating loss for the period was $2,416,000 compared to an operating loss of $665,000 for the same period in 2014.
- Net loss for the period was $2,570,000 compared to a loss of $794,000 for the same period in 2014.

In February 2016, the Company entered into an agreement with Gabriel Sassoon, an existing shareholder in the Company, to provide the Company with an unsecured working capital loan facility of $1.0 million. The Loan facility was put in place to provide additional working capital facilities for the Company and supplement the Company's existing cash resources. At the date of the announcement the Company has drawn down US $900,000 of the loan facility.

In addition, as detailed in note 18 to the financial statements, in August 2015 a further £292,500 (net of costs) was drawn down by the Company under the existing loan facility with YA Global Master SPV Ltd to provide further working capital for SerVision. The Company has been making regular repayments under an agreed repayment schedule and, as at the date of this announcement, a total of £55,356 is outstanding under the facility. In connection with the further draw down, it was agreed that the Company would grant to Yorkville a further 1,210,653 warrants to subscribe for new ordinary shares of 1 pence each in the Company at a subscription price of 10.74 pence per Ordinary Share and with a three year exercise period.

Conclusion

Our final results for the year ended 31 December 2015 are underwhelming and a disappointing outcome for all shareholders. However the board takes confidence in the future prospects from our new business model in the UK which is beginning to gain increased traction, and I do anticipate significant, more consistent revenue growth in this important market going forward. In addition, we are excited and optimistic about the release of an entirely new hardware and software platform which we are confident has significant commercial potential worldwide, and by our new integration with Mobileye which is enabling us to enter a new vertical market for smart/safe driving applications.

I remain very grateful to our shareholders for their ongoing support, and to our staff for their hard work and commitment to the Company's success.

Gideon Tahan
Chairman and CEO

Date: _____________

Business Model, Strategy and Future Developments

SerVision develops and manufactures IP-based video monitoring solutions for the global security market. The Group's product range is comprised of professional video gateway systems (Digital Video Recorders/Video Transmitters) that enable live, remote video surveillance of any type of site – fixed or moving. It also includes a proprietary proxy server and video distributor, and a software-based control centre platform for centralized video management. SerVision's core technology is based on a proprietary video compression algorithm that is uniquely optimised for streaming high quality live/recorded video over any type of cabled, wireless or cellular network, regardless of bandwidth constraints.

The Group's revenues are principally derived from the sale of video gateways systems, software server licenses and occasionally from non-recurring engineering fees for the development of new features and functionality. In the UK, the Company also derives monthly recurring revenue for 24 or 36 month periods by offering service, support and cellular data. SerVision sells its solutions through a network of channel partners comprised of distributors and system integrators. The Group has, however, recently established an installation team for select projects in Israel and our new UK office has begun selling directly to end customers. Bidding on projects directly, as opposed to offering our solutions through integrators and other third parties, is a clear strategic objective of the Group going forward.

SerVision operates in a competitive environment that is increasingly moving from analogue to IP camera solutions. In response to this shift, the Group has developed a new, highly professional mobile NVR solution, the IVG400-N which supports IP cameras and full HD recording. The unique market advantage which SerVision currently maintains – outstanding video processing for low bit rate streaming over cellular and other bandwidth limited networks – will carry over into the new product line. The primary differentiators between our new platform and the existing solutions will be the ability to record in HD and to support a much more extensive range of cameras. This capability will provide customers with the highest available recording quality, therefore giving them a maximum level of choice when selecting cameras, together with the ability to stream high-quality live video over any type of cellular networks using our optimized video transmission protocol, without creating a bandwidth bottleneck.

Another emerging trend in the field of video surveillance entails a shift to cloud-based solutions. In response to this, SerVision has is developing a cloud-based backup solution that is highly scalable and easy for customers to deploy, with minimum maintenance requirements on their part. Going forward, the company will be focused on re-designing its enterprise level control-centre solution based on the new SVCentral monitoring software which is fully compliant with the new IVG400-N platform and the new cloud-based backup solution.

Another strategic objective that SerVision is actively pursuing includes wider co-operation with telematics solution providers to offer fully-integrated fleet management platforms with live video monitoring capabilities. Partnering with telematics companies who have an established customer base that are keen to see live video of their vehicles/drivers/cargo on top of more traditional fleet management parameters has broadened the Company's reach into the transportation market. More recently, SerVision has undertaken to integrate with Mobileye, the global leader in Advanced Driver Assistance Systems (ADAS). The integration essentially converts Mobileye's collision avoidance technology into a real-time video monitoring platform that enables fleet managers to easily identify problematic driving behaviour. This co-operation will further broaden the Company's market appeal as the combined solution is suitable for both mobile security and fleet safety applications.

Financial Risk Management

Foreign exchange risks

Most of the Group's sales and income are denominated in US Dollars which is the currency that the Group reports in. The Group's expenses however are divided between the US Dollar and the Israeli Shekel. The cost of goods (components) are paid in dollars and part of the operational costs such as rent and other service providers quote their fees in dollars. Labour costs are paid in Israeli Shekels. The Group has therefore a partial currency risk in the event the Israeli Shekel strengthens against the US Dollar which could influence the bottom line of the Group's financial results. Recently, since the establishment of our UK office, our revenues and costs in GBP are increasing which will give the

Group exposure to sterling exchange rate risk. Following the recent significant sterling exchange rate fluctuation following the UK's EU referendum these risks will increase.

The Group subscribes to a weekly circular from the two main Israeli banks regarding the main financial institutions expectations for foreign currency changes. The management reviews them carefully and will consider with the Board whether it should purchase financial instruments sold by local banks, to protect itself from this foreign exchange risk. There are no financial instruments in use at the date of this report.

Interest Rate Risks

The Group is exposed to interest risks as it uses credit lines and loans from its banks. Changes in the effective "prime" interest rate published monthly by the bank of Israel can influence the financing costs of the Group. The Group has attempted to diversify its credit lines in order to minimise its exposures to interest rate fluctuations by dividing its sources of finance into three categories:

(a) Variable interest rate facilities (which are exposed to interest rate fluctuations).
(b) Fixed rate facilities (which are not exposed to interest rate fluctuations).
(c) Shekel-dollar facilities (which are not exposed to interest rate fluctuations).

Credit Risk

The Group is exposed to credit risks if its customers fail to pay for goods supplied by the Group. In recent years, the Group has experienced a high level of bad-debt in comparison with revenue. The Directors examined the Group's credit risk policies in an effort to reduce bad-debt levels dramatically and have drawn some conclusions from this internal review process. They include:

(a) In the UK, and in other locations (when possible), the Group will reduce reliance on integrators and distributors by selling direct to End-Customers. Direct sales to end-customers result in more control over the deployment and success of the project, and give us direct knowledge about the project's status and customer's budget.
(b) Seeking to sell to respectable integrators and distributors only after having undergone an intense due-diligence investigation to confirm the company's stability.
(c) Orders from customers in certain regions are shipped only after an approved letter of credit is received by the Group's bank.
(d) Ongoing customers must pay 50% - 100% before shipping.
(e) Only customers with high rated credit scores receive credit from the Group.

During the year a bad debt expense of $531,000 has been recognised, however $461,000 of this was in respect of sales made before the revised credit control procedures highlighted above.

Capital Risk Management

The Directors are highly aware of the significant losses that the company has incurred in recent years. They are closely monitoring the cash position of the Group in order to ensure the Company's ability to continue as a going concern. As a result, the Group conducted share placements and a debt conversion with Yorkville totalling GBP2,311,046 during 2015. And in February 2016, the Company entered into an agreement with Gabriel Sassoon, an existing shareholder in the Company, to provide the Company with an unsecured working capital loan facility of US$1.0 million. The Loan, of which US$900,000 has been drawn down, is to be used to provide additional working capital facilities for the Company and supplement the Company's existing cash resources. The Directors are pleased that its largest shareholder has demonstrated such confidence in the company's future. Since the Company has not yet reached profitability, the Directors will continue to carefully examine the Company's cash position and take measures accordingly.

Environmental Matters

SerVision is conscious of its responsibility as a provider of electronics equipment that it has a specific duty to minimise its environmental impact. This requires the Group to be fully compliant with a range of national, regional and international guidelines on safety, EMC emissions and energy efficiency.

Employment Matters

Employment polices

SerVision places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through both formal and informal meetings.

The Group gives full and fair consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities meet the requirements of the job. In the event of any staff becoming disabled while with the Group, every effort will be made to ensure that their employment by the Group continues and that appropriate adjustments are made to their work environment.

SerVision is a responsible employer, that seeks to provide and pleasant and professional working environment in all locations. Management seek to ensure that the group is compliant with all relevant human resources and health and safety regulations, while the Group strives to offer competitive employment packages with opportunities for personal and professional development.

Regular updates on performance are provided in staff meetings and through internal communications. Clear and transparent company objectives are set each year which, in turn, are reflected in team and individual objectives.

Diversity

The Group does not discriminate on the grounds of age, race, sex, sexual orientation or disability.

The table below shows the number of persons of each sex who were directors, key management and employees of the Group.

Company Level	**Number of Female Employees**	**Number of Male Employees**	**Total**
Board	-	3	3
Key Management	-	4	4
Employees	4	28	32

Human Rights

Through careful selection and vetting of the supply chain – and strict code of conduct – SerVision is committed to ensuring manufacturing processes are fully compliant to international and local environmental and labour regulations.

Other matters

The Business Review of the Group, its results and other developments in the year, together with Key Performance Indicators (Revenue, Operating Result and Net Result) are included within the Chairman's Statement and are not repeated within this Strategic Report.

ON BEHALF OF THE BOARD

G TAHAN
30 June 2016

Chairman

Quadrant House,
55-58 Pall Mall,
London,
SW1Y 5JH

The Directors present the annual report together with the financial statements and auditors' report for the year ended 31 December 2015. The Company is incorporated in the UK but its principal place of business is in Israel.

PRINCIPAL ACTIVITIES

The Group's principal activity is the development and sale of video surveillance equipment. Further information on the results of, and risks facing the Group can be found in the Chairman's Statement on pages 1-3 and the Group Strategic Report on pages 4-7.

ACCOUNTS PRODUCTION

The financial statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

DIVIDENDS

The directors do not propose a final dividend (2014: £nil).

DIRECTORS

The directors who served during the year were:

G Tahan	(*Chairman)*
C Levy	(*Director)*
E T Yanuv	(*Chief Financial Officer)*

FUTURE DEVELOPMENTS

SerVision's new generation of video gateways with support for full HD (1080P) recording was released in H2 of 2015. The IVG400-N utilises SerVision's advanced video processing technology for real-time streaming of incidents using minimal bandwidth, while simultaneously recording in high resolution to produce the best available footage for post-event investigations. The system is powerful enough to run other applications beyond video encoding, and the Company has plans to integrate mobile advertising and analytics solutions into the IVG's platform in the future. With a built-in 3G/4G modem and a strong feature set that includes all the functionality supported in the company's current range of mobile DVRs, the Company sees strong potential for this product and we have many SerVsion customers who are eager to get the new unit included in their product portfolio and out into their local markets. In parallel to the release of the IVG400, SerVision has also recently introduced new client PC software called SVCentral that supports HD video playback and expanded monitoring functionality.

In addition to the recent launch of the IVG400-N, SerVision hopes to continue to capitalize on its cooperation with telematics solution providers who are now able to offer fully-integrated fleet management platforms with SerVision's live video monitoring capabilities, as well as on the recent integration with Mobileye, the global leader in Advanced Driver Assistance Systems (ADAS). Going forward, the company will be focused on re-designing its enterprise level control-centre solution based on the new SVCentral monitoring software which is fully compliant with the new IVG400-N platform and the new cloud-based backup solution.

POST BALANCE SHEET EVENTS

In February 2016, the Company entered into an agreement with Gabriel Sassoon, an existing shareholder in the Company, to provide the Company with an unsecured working capital loan facility of US $1.0 million. The Loan is being used to provide additional working capital facilities for the Company and supplement the Company's existing cash resources.

CORPORATE GOVERNANCE

Under the AIM Rules the Group is not obliged to implement the provisions of the UK Corporate Governance Code. However, the Group is committed to applying the principles of good governance contained in the UK Corporate Governance Code as appropriate to a Group of this size. The Board will continue to review compliance with the UK Corporate Governance Code at regular intervals.

In common with other organisations of a similar size, the Executive Directors are heavily involved in the day to day running of the business and meet regularly on an informal basis as well as at board meetings. The Board of Directors meets regularly and is responsible for formulating strategy, monitoring financial performance and approving major items of capital expenditure.

CHARITABLE AND POLITICAL DONATIONS

The Group did not make any charitable or political contributions during the year (2014: $nil).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable laws and regulations. Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law the directors are required to prepare the Group and parent Company financial statements in accordance with International Financial Reporting Standards ("IFRS").

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent Company and of the profit and loss of the Group for that period.

In preparing each of the Group and parent Company financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU subject to any material departures disclosed and explained in the parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and parent Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They have general responsibility for taking such steps as are reasonably open to safeguard the assets of the Group and parent Company and to prevent and detect fraud and other irregularities. Under applicable law and regulations the directors are also responsible for preparing a Directors' Report to comply with that law and those regulations. In determining how amounts are presented within terms in the income statement and balance sheet the directors have had regard to the substance of the reported transaction or arrangement in accordance with generally accepted accounting principles or practice.

So far as each of the directors is aware at the time the report is approved:

- There is no relevant audit information of which the Company's auditors are unaware; and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

GOING CONCERN

The Directors have prepared and reviewed sales forecasts and budgets for the next twelve months and are optimistic that the Group will make significant progress towards these targets. Having considered these forecast cash flows together with the availability of other potential financing sources, including equity finance and potential sources of debt finance if required, the directors have concluded that the Group will have access to sufficient resources to meet its working capital and financing commitments for at least the next twelve months from the date of this report.

The directors believe that due to the aforementioned post year end developments, including the loan from the Company's major shareholder, that the Group is a going concern. However, the future of the Group is dependent on it substantially achieving its trading projections and on it being successful in securing further funding as and when required.

Therefore, subject to the success of future developments as disclosed above, the Directors' review of sales and cash flow forecasts and having made further relevant enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

SUPPLIER PAYMENT POLICY

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them. Trade creditors at the year-end amount to 134 days (2014: 144 days) of average supplies for the year.

CREST

The Company's ordinary shares are eligible for settlement through CREST, the system for securities to be held and transferred in uncertificated electronic form rather than in certified form. Shareholders are not obliged to use CREST and can continue to hold and transfer shares in paper without loss of rights.

AUDITORS

A resolution reappointing haysmacintyre will be proposed at the AGM in accordance with S485 of the Companies Act 2006.

ELECTRONIC COMMUNICATIONS

The Company may deliver shareholder information including Annual and Interim Reports, Forms of Proxy and Notices of General Meetings in an electronic format to shareholders.

If you would like to receive shareholder information in electronic format, please register your request on the Company's Registrar's electronic database at www.capitaregistrars.com. You will initially need your unique 'investor code' which you will find at the top of your share certificate. There is no charge for this service. If you wish to subsequently change your mind, you may do so by contacting the Company's Registrars by post or through their website.

If you elect to receive shareholder information electronically, please note that it is the shareholder's responsibility to notify the Company of any change to their name, address, email address or other contact details. Shareholders should also note that, with electronic communication, the Company's obligations will be satisfied when it transmits the notification of availability of information or such other document as may be involved to the electronic address it has on file. The Company cannot be held responsible for any failure in transmission beyond its control any more than it can for postal failure. In the event of the Company becoming aware that an electronic notification is not successfully transmitted, a further two attempts will be made. In the event that the transmission is still unsuccessful a hard copy of the notification will be mailed to the shareholder. In the event that specific software is required to access information placed on the Company's website it will be available via the website without charge. Before electing for electronic communications shareholders should ensure that they have the appropriate equipment and computer capabilities sufficient for the purpose. The Company takes all reasonable precautions to ensure no viruses are present in any communication it sends out but cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company that is found to contain any virus will not be accepted.

Shareholders wishing to receive shareholder information in the conventional printed form will continue to do so and need take no further action.

Should you have any further questions on this, please contact the Company's Registrars, Capita Registrars on 0871 664 0300.

ON BEHALF OF THE BOARD

G TAHAN
30 June 2016

Chairman
Executive Director

Quadrant House, 55-58 Pall Mall, London, SW1Y 5JH

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERVISION PLC

We have audited the financial statements of SerVision PLC for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

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 2015 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 IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Emphasis of matter – Going concern

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made within note 1 of the accounting policies concerning the group's and the parent company's ability to continue as a going concern. The group incurred a net loss of $2,572,000 during the year ended 31 December 2015 and had net current liabilities of $305,000 as at that date. This, along with the other matters explained within note 1 of the accounting policies indicate the existence of a material uncertainty which may cast a significant doubt about the group and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Ian Daniels (Senior statutory auditor)
for and on behalf of haysmacintyre, Statutory Auditors
30 June 2016

26 Red Lion Square
London
WCIR 4AG

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 $'000	2014 $'000
Revenue	2	2,154	4,236
Cost of sales	3	(1,260)	(1,843)
GROSS PROFIT		894	2,393
Administrative expenses		(2,536)	(2,592)
Depreciation and amortisation		(661)	(604)
Exchange rate differences		(113)	138
OPERATING LOSS	4	(2,416)	(665)
Interest payable	5	(154)	(129)
LOSS ON ORDINARY ACTIVITIES BEFORE INCOME TAX		(2,570)	(794)
Tax on ordinary activities	6	(2)	(1)
NET LOSS FOR THE YEAR		(2,572)	(795)
Translation difference arising from translating into presentation currency		(329)	66
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,901)	(729)
LOSS PER SHARE			
BASIC	8	(3.18)c	(1.16)c
DILUTED	8	(3.18)c	(1.16)c

All activities arose from continuing activities.

The notes on pages 18 to 36 are an integral part of these consolidated financial statements

SERVISION PLC
CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2015

Company number: 05143241

	Notes	2015 $'000	2014 $'000
ASSETS			
Non-current assets			
Intangible assets	9	4,818	4,691
Investment	10	118	-
Deferred tax asset	6	80	82
Property, plant and equipment	11	56	70
		5,072	4,843
Current assets			
Inventories	13	702	597
Trade and other receivables	14	982	1,853
Cash and cash equivalents		78	101
		1,762	2,551
		6,834	7,394
EQUITY			
Capital and reserves attributable to the Group's Equity shareholders			
Called up share capital	15	2,090	1,224
Share premium account		16,127	13,588
Merger reserve		1,979	1,979
Other reserve		66	66
Retained earnings and translation reserves		(16,029)	(13,128)
TOTAL EQUITY		4,233	3,729
LIABILITIES			
Non-current liabilities			
Loans and borrowings	18	255	443
Loan from the office of the chief scientist	1	-	11
Post employment benefits	20	279	287
		534	741
Current liabilities			
Loans and borrowings	18	1,039	1,042
Loan from the office of the chief scientist	1	173	161
Trade and other payables	17	855	1,721
		2,067	2,924
TOTAL LIABILITIES		2,601	3,665
TOTAL EQUITY AND LIABILITIES		6,834	7,394

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

G Tahan
Chairman
30 June 2016

E T Yanuv
Chief Financial Officer
30 June 2016

The notes on pages 18 to 36 are an integral part of these consolidated financial statements

SERVISION PLC
PARENT COMPANY BALANCE SHEET
AT 31 DECEMBER 2015

Company number: 05143241

	Notes	2015 $'000	2014 $'000
ASSETS			
Non-current assets			
Investments	12	200	200
Trade and other receivables	14	321	554
		521	754
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	15	2,090	1,224
Share premium account		16,127	13,588
Other reserve		66	66
Retained earnings and translation reserves		(18,143)	(14,975)
TOTAL EQUITY		140	(97)
LIABILITIES			
Current liabilities			
Loan and borrowings	18	321	554
Trade and other payables	17	60	297
		381	851
TOTAL EQUITY AND LIABILITIES		521	754

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

G Tahan
Chairman
30 June 2016

E T Yanuv
Chief Financial Officer
30 June 2016

The notes on pages 18 to 36 are an integral part of these consolidated financial statements

SERVISION PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Loss before taxation		(2,570)	(794)
Adjustments for:			
Net finance expenditure	5	154	129
Depreciation and amortisation		668	604
Provision for bad debts		531	1,088
Movement in trade and other receivables		340	(1,402)
Movement in inventories		(105)	(33)
Movement in post-retirement benefits		(8)	(125)
Movement in trade and other payables		(866)	139
Net cash used in operating activities		(1,850)	(394)
Cash flow from investing activities			
Purchase of property, plant and equipment and intangibles		(781)	(626)
Investment in available for sale assets		(118)	-
Net cash used in investing activities		(899)	(626)
Cash flows from financing activities			
Receipts from issue of shares (net of issue costs)		3,405	1,189
Net finance costs		(154)	(129)
Net loans undertaken less repayments		(658)	155
Cash generated from financing activities		2,593	1,215
Cash and cash equivalents at beginning of period		101	(94)
Net cash (used)/generated from all activities		(162)	195
Cash and cash equivalents at end of period		(61)	101
Cash and cash equivalents comprise:			
Cash and cash equivalents		78	101
Overdrafts		(139)	-
		(61)	101

The notes on pages 18 to 36 are an integral part of these consolidated financial statements

SERVISION PLC
PARENT COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 $'000	2014 $'000
Cash flows from operating activities		
Loss before taxation	(3,169)	(1,427)
Adjustments for:		
Movement in trade and other payables	1	(4)
Net cash used in operating activities	(3,168)	(1,431)
Cash flows used in investing activities		
Loan to subsidiary	233	(215)
Cash flows from financing activities		
Loans (repaid)/undertaken	(472)	454
Issue of shares (net of issue costs)	3,407	1,192
Cash generated from financing activities	2,935	1,646
Cash and cash equivalents at beginning of period		
Net cash used in all activities	-	-
Cash and cash equivalents at end of period	-	-

The notes on pages 18 to 36 are an integral part of these consolidated financial statements

SERVISION PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital $'000	Share Premium $'000	Merger Reserve $'000	Other Reserve $'000	Retained Earnings $'000	Translation Reserve $'000	Total $'000
At 1 January 2014	984	12,639	1,979	62	(12,495)	96	3,265
Issue of shares	240	949	-	-	-	-	1,189
Total comprehensive loss for the year	-	-	-	-	(795)	66	(729)
Share option charge	-	-	-	4	-	-	4
At 31 December 2014	1,224	13,588	1,979	66	(13,290)	162	3,729
Issue of shares	866	2,539	-	-	-	-	3,405
Total comprehensive loss for the year	-	-	-	-	(2,572)	(329)	(2,901)
At 31 December 2015	2,090	16,127	1,979	66	(15,862)	(167)	4,233

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Share Capital $'000	Share Premium $'000	Other Reserve $'000	Retained Earnings $'000	Translation Reserve $'000	Total $'000
At 1 January 2014	984	12,639	62	(13,675)	128	138
Issue of shares (net of issue costs)	240	949	--	--	--	1,189
Total comprehensive loss for the year	-	-	-	(1,350)	(78)	(1,428)
Share option charge	-	-	4	-	-	4
At 31 December 2014	1,224	13,588	66	(15,025)	50	(97)
Issue of shares (net of issue costs)	866	2,539	-	-	-	3,405
Total comprehensive loss for the year	-	-	-	(3,171)	3	(3,168)
At 31 December 2015	2,090	16,127	66	(18,196)	53	140

The notes on pages 16 to 33 are an integral part of these consolidated financial statements

1. ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (June 2016) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention and a summary of the more important accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Going concern

The directors have prepared and reviewed sales forecasts & budgets for the next twelve months and are optimistic that the group will make significant progress towards these targets. Having considered these forecast cash flows together with the availability of other potential financing sources, including equity finance and potential sources of debt finance if required, the directors have concluded that the group will have access to sufficient resources to meet its working capital and financing commitments for at least the next twelve months from the date of this report.

The directors believe that due to the post year end developments, including the loan of US$1.0 million that was provided by the major shareholder and the facilities that the directors consider are likely to be available, that the Group is a going concern. However, the future of the Group is dependent on it substantially achieving its trading projections and on the directors being successful in their bid to secure new funding as and when required.

Therefore, subject to the developments disclosed above, the directors review of sales and cash flow forecasts and having made further relevant enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The financial statements do not include any adjustments that would be necessary should this basis not be appropriate.

Basis of Consolidation

The Group financial statements consolidate the financial statements of Servision plc and its subsidiaries (the “Group”) for the years ended 31 December 2014 and 2015.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

No separate income statement is presented for the company as provided by section 408, Companies Act 2006.

1. ACCOUNTING POLICIES (Continued)

Revenue recognition

Sale of systems

The subsidiaries generate revenues mainly from sales of systems. The subsidiaries sell their products directly through the group's distribution networks worldwide.

Revenues from systems sales are recognised upon delivery of the system or upon installation at the customer site, where applicable, provided that the system fee is fixed or determinable and persuasive evidence of an arrangement exists.

Sale of products

Revenues from the sale of purchased products are recognised upon delivery of the products to the customers where the group has fulfilled any related performance obligations.

Warranty costs

The Group generally offers a one year warranty for all its products. The Group includes in its statements of operations an allowance for warranty claims totalling 1.5% of annual sales at the time revenues are recognised, for estimated material costs during the warranty period.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is calculated to write down the cost of all tangible fixed assets by equal monthly instalments over their estimated useful lives at the following rates:-

Leasehold improvements	10% per annum
Office furniture and equipment	6-15% per annum
Computer equipment	20-33% per annum
Vehicles	15% per annum

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. The presentational currency of the Group is the United States Dollar. The functional currency of the parent company is sterling because the parent company is based in the United Kingdom and has all its transactions in that currency.

1. ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currency of the subsidiaries is the US Dollar as the majority of revenues are generated in this currency and the majority of costs are incurred in dollars. For this reason the group uses the dollar as its presentational currency.

The exchange rate used at 31 December 2015 was £1 = US$1.48231 (2014: £1 = US$1.55916).

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income statement as incurred.

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice value less an allowance for any credit losses. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Investments

Investments in subsidiary undertakings are stated at cost less provisions for impairment.

The available for sale financial asset represents the Group's investment in a company in China. It is carried at fair value with changes in fair value recognised in other comprehensive income and the available for sale reserve. Where there is a significant or prolonged decline in the fair value of an available for sale asset which constitutes evidence of impairment, the full amount of the impairment including any amount previously recognised in other comprehensive income is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within bank loans and overdrafts in current liabilities on the balance sheet.

Inventories

Inventories represent raw materials, work in progress and goods for resale and stated at the lower of cost and net realisable value.

Research and development

Expenditure for research activities are recognised as an expense in the period in which it is incurred.

Expenditure for the development activities of technology used in the production of systems sold by the Company are capitalised and presented as an intangible asset in the balance sheet only if all of the following conditions are met:

- Development costs of the technology are identifiable and separable.
- It is probable that the developed technology will generate future economic benefits.
- The development costs of the technology can be measured reliably.

Development costs meeting these criteria are capitalised and amortised on a straight-line basis over their useful economic lives (currently six years) once the related technology is available for use.

1. ACCOUNTING POLICIES (Continued)

Software

Intangible assets purchased separately, such as software licenses that do not form an integral part of related hardware, are capitalised at cost and amortised over their useful economic life.

Impairment of tangible and intangible assets

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.

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 been adjusted.

Post retirement benefits

The Servision Ltd subsidiary operates defined benefit plans for the payment of severance pay in accordance with the Severance Pay Law of Israel at the termination of employment of employee services for the subsidiary. According to the law in Israel employees are entitled to receive severance pay in the event that they are fired or if they retire. The severance is calculated according to the last month's salary of the employee at the termination period of services multiplied by the number of years of service at the subsidiary.

The subsidiary deposits funds for its obligations towards severance pay for a part of its employees in an ongoing manner to pension funds and insurance companies and to a general fund deposited in a banking institution (hereafter the "Plan Assets").

The calculation of the liabilities, prepared by an authorised actuary, was established by the use of techniques of an actuarial estimate which includes established assumptions which include among other items the capitalisation rate, the expected rate of return on plan assets, the rate of increase to salaries, and the rate of employee turnover. There exist material uncertainties for these estimates since the plan is long-term.

Liabilities for post employment benefits recorded in the balance sheets represent the present value of the defined benefit plans according to the fair value of plan assets. Assets derived from this calculation are limited to the prior cost of services provided in addition to the present value of available funds and less future amounts to be deposited to the plans.

Changes in the post employment liabilities were attributed, according to the actuarial report, to salaries and interest expenses in the profit and loss statement and to actuarial gains or losses in a separate statement of recognised income and expenses.

Grants from the Office of the Chief Scientist

Grants received from the Office of the Chief Scientist ("OCS") in the past to finance research and development costs of the subsidiary were presented as a long-term loan at the date of receipt. The loan will be repaid by the payment of royalties to the Chief Scientist and is calculated as a percentage of sales of the subsidiary.

Group management reassess the balance repayable at each reporting date according to their estimates of future sales of products funded by the OCS funding. These estimates of future sales are based on demand for, and past sales of, the funded products.

1. ACCOUNTING POLICIES (Continued)

Share-based payments

The Group grants options to employees and third party suppliers on a discretionary basis. The cost of granting share options and other share-based remuneration is recognised through the income statement with a corresponding increase in other reserves in equity. The Group uses a Bi-nominal option valuation model.

Deferred tax

Deferred tax assets are recognised in respect of losses only where the group considers it probable that taxable profits will be available against which the losses can be utilised.

Critical accounting estimates and judgments

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are explained below:

Intangible assets – as noted above, the group recognises Intangible Assets in respect of development assets. This recognition requires the use of estimates, judgements and assumptions.

Development costs are capitalised when management consider the chances that a project will be successful, both commercially and technologically are more than probable. Should the chances of success vary, this judgement would require reassessment.

Share options – as noted in above, the group fair values equity settled share based payments transactions using the Black Scholes model. The use of the model involves judgements and estimates including an assessment of whether the shares will vest. Should actual future outcomes differ from these assessments the amounts recognised on a straight line basis would vary from those currently recognised.

Warranty costs – as noted above, the group provides for the costs of meeting warranty claim costs. The allowance is based on historical experience and currently calculated at 1.5% of sales in a year. Should actual rates of claims change the required allowance would need to be increased or decreased accordingly.

2. BUSINESS SEGMENT ANALYSIS

In identifying its operating segments, management generally follows the Group's geographical regions, which represent the main way segments are analysed in the Group.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements. Segment assets and liabilities are not reported internally by management to the Board.

The Group's revenue from external customers are divided into the following geographical areas, by location of operation.

	2015 $'000	2014 $'000
Europe	604	1,026
Far & Middle East	736	1,013
North America	702	986
Rest of the world	112	1,211
	2,154	4,236

Sales of systems and purchase products	2,122	4,056
Sale of software and other income	32	180
	2,154	4,236

All of the Group's non-current assets are held in Israel.

The Group has four customers that accounted for more than 37% of revenue in 2015 (2014: 25%) one of which is based in North America, two from Europe and one from the Middle East.

3. COST OF SALES

	2015 $'000	2014 $'000
Materials and parts	980	1,395
Employee benefit expense	222	358
Other costs	58	90
	1,260	1,843

4. OPERATING LOSS

	2015 $'000	2014 $'000
The operating loss is stated after charging/(crediting):		
Employee benefit expense (see below)	1,040	963
Exchange rate differences	113	(138)
Depreciation and amortisation	668	588
Provision for credit losses	531	1,088
Travel abroad	213	265
Trade shows – local and abroad	174	7
Operating lease rentals	77	59
Auditors' remuneration		
- statutory audit services	15	15
- audit-related assurance services	5	5

Employee benefit expense (including directors)

	2015 $'000	2014 $'000
Salaries and wages	987	993
Social security	60	58
Post retirement benefits	(8)	(88)
	1,039	963

	No.	No.
The average number of persons (including directors) employed by the Group during the year was as follows:	39	37

Directors remuneration	$'000	$'000
G Tahan	208	216
C Levy	10	10
E T Yanuv	30	30

E T Yanuv has been granted 30,000 shares in the company under long term share option incentive schemes. These shares hav

5. INTEREST PAYABLE

	2015 $'000	2014 $'000
Interest payable and similar charges on bank loans and overdrafts	154	129
	154	129

6. TAXATION

The Group is controlled and managed by its Board in Israel. Accordingly, the interaction of UK domestic tax rules and the taxation agreement entered into between the U.K. and Israel operate so as to treat the Company as solely resident for tax purposes in Israel. Servision PLC undertakes no business activity in the UK such as might result in a Permanent Establishment for tax purposes and accordingly has no liability to UK corporation tax.

		2015 $'000	2014 $'000
(a)	**The taxation credit charge:**		
	Deferred tax	2	1
(b)	**Factors affecting tax charge for the period**		
	The tax assessed for the period is different than the standard rate of corporation tax. The differences are explained below:		
	Loss on ordinary activities before taxation	(2,570)	(794)
	Multiplied by the standard rate of corporation tax of 20.25% (2014: 21.49%)	520	171
	Effects of:		
	Tax losses generated	(518)	(170)
	Current year tax charge	2	1

(c) Factors affecting future tax charges

The directors believe that the future tax charge will be reduced by the use of tax losses carried forward which can be used against the profits made from the trading activity in the Israeli subsidiary. Tax losses carried forward in the Group at 31 December 2015 are $14,091,000 (2014: $12,083,000). The deferred tax asset on these losses is not recognised on the grounds of uncertain recoverability.

(d) Deferred tax

A deferred tax asset is recognised in respect of United States tax losses carried forward on the basis that the subsidiary in the United States is forecast to generate profits in future periods.

	2015 $'000	2014 $'000
At 1 January 2015	82	83
Credited to the income statement	(2)	(1)
At 31 December 2015	80	82

7. LOSS FOR THE FINANCIAL YEAR

The parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company loss for the year ended 31 December 2015 was US$ 3,168,000 (2014: loss US $1,428,000).

8. LOSS PER SHARE

Basic loss per share is calculated by reference to the loss on ordinary activities after taxation of $2,901,321 (2014: loss $728,802) and on the weighted average of 91,233,375 (2014: 62,901,799) shares in issue. The calculation of diluted loss per share is based on the loss on ordinary activities after taxation and the diluted weighted average of 91,233,375 (2014: 62,923,706) shares calculated as follows:

	Number of shares	
	31 December 2015	**31 December 2014**
Basic weighted average number of shares	91,233,375	62,901,799
Dilutive potential ordinary shares: Share options	-	21,907
Diluted weighted average number of shares	91,233,375	62,923,706

9. INTANGIBLE FIXED ASSETS

Group	**Development expenditure $'000**
Cost or valuation	
At 1 January 2014	12,349
Additions	626
At 31 December 2014	12,975
Additions	779
At 31 December 2015	13,754
Amortisation	
At 1 January 2014	7,696
Charge in the year	588
At 31 December 2014	8,284
Charge in the year	652
At 31 December 2015	8,936
Net Book Value	
At 31 December 2015	4,818
At 31 December 2014	4,691

10. INVESTMENT IN OTHER COMPANY

During the year Servision Plc made an investment of 19% ownership in a company in China (hereafter "the Other Company in China") which distributes the Subsidiary's products in China. The Subsidiary and the Other Company in China intend for the Other Company in China in due course to be an integrator in China and to establish an R&D center in China in order to adapt new products of the Subsidiary for production and marketing in China. The Other Company is treated as an available for sale financial asset. Due to the close proximity to the year end the Directors consider that the cost reflects fair value at 31 December 2015.

11. TANGIBLE FIXED ASSETS

Group	Leasehold improvements $'000	Office furniture and equipment $'000	Vehicles $'000	Total $'000
Cost				
At 1 January 2014	41	216	66	323
Additions	-	-	-	-
At 31 December 2014	41	216	66	323
Additions	-	5	-	5
At 31 December 2015	41	221	66	328
Depreciation				
At 1 January 2014	34	187	16	237
Charge in the year	3	4	9	16
At 31 December 2014	37	191	25	253
Charge in the year	3	6	10	19
At 31 December 2015	40	197	35	272
Net book value				
At 31 December 2015	1	24	31	56
At 31 December 2014	4	25	41	70

12. INVESTMENTS

	$'000
Company	
At 31 December 2015 and 31 December 2014	200

At 31 December 2015 the group held 20% or more of a class of the allotted share capital of the following:

	Country of Incorporation	Class of Share Capital	Proportion Held by Servision Plc	Proportion Held by Group	Nature of Business
Servision Ltd.	Israel	Ordinary	100%	100%	Video Surveillance Equipment
Servision Inc.	USA	Ordinary	-	100%	Video Surveillance Equipment
Servision UK.	UK	Ordinary	100%	100%	Video Surveillance Equipment

13. INVENTORIES

	2015 $'000	2014 $'000
Group		
Raw materials	215	446
Work in progress	185	92
Finished goods	302	59
	702	597

14. TRADE AND OTHER RECEIVABLES

	2015		2014	
	Group $'000	Company $'000	Group $'000	Company $'000
Trade receivables	899	-	1,543	-
Due from subsidiary	-	321	-	554
Other receivables	83	-	310	-
	982	321	1,853	554

15. CALLED UP SHARE CAPITAL

	2015 $'000	2014 $'000
Allotted, called up and fully paid:		
126,801,751 (2014: 70,690,963) ordinary shares of £0.01 each	2,090	1,224
384,615 deferred shares of £0.001 each	-	-
	2,090	1,224

During the year 56,110,788 Ordinary shares of £0.01 each were issued at average of 4.2 pence per share. Total proceeds of $3,574,000 were raised before issue costs of $169,000.

16. SHARE OPTIONS

Share options are granted to employees and certain third party service providers. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The options are valued using the Binominal Model option pricing model and no performance conditions were included in the fair value calculations.

During the year the Group had the following share options in issue:

	Number of share options					
At 1 January 2015	Expired	Granted	Exercised	At 31 December 2015	Exercise Price (pence)	Exercise Date
817,500	-	-	-	817,500	7	10 years from 11 Sept. 2011

16. SHARE OPTIONS (continued)

The primary assumptions which have been used in the calculations of the fair value of the Options are:

(a) Value of the Parent Company's ordinary share of 4.75p
(b) Variable standard deviation of 66% to 135%
(c) Average risk free rate of interest of 0.3%
(d) Annual dividend yield 0%

17. TRADE AND OTHER PAYABLES

	2015		2014	
	Group $'000	Company $'000	Group $'000	Company $'000
Trade payables	362	-	699	-
Other taxes and social security	19	-	257	-
Other payables	310	-	540	238
Accruals and deferred income	164	60	225	59
	855	60	1,721	297

18. LOANS AND BORROWINGS

	2015 $'000	2014 $'000
Group		
Bank overdraft	139	-
Other loan	526	554
Bank loans: amounts due within one year	374	488
Current liability	1,039	1,042
Non current liabilities: Other loan, due within 2 to 5 years	108	99
Non current liabilities: Bank loans, due within 2 to 5 years	147	344
Non current liabilities	255	443
Total bank loans and overdrafts	1,294	1,485

Company	2015 $'000	2014 $'000
Other loan	321	554

The other loan included in current liabilities was received in 2014 and 2015, and stated net of transaction costs. The total available facility under the loan agreement is up to £1m as detailed in the announcement released by the Company on 1 September 2014.

The lender originally had the right to convert the loan into Ordinary shares, by giving appropriate notice, at a price equal to 70% of the trading price at the end of the day of conversion.

On 18 August 2014, the Company and the lender entered into in a deed of amendment date (the "Deed of Amendment"), whereby the parties agreed to restructure the repayments under the loan agreement via the issue of 750,000 new ordinary shares in the Company.

The new repayment schedule agreed pursuant to the Deed of Amendment requires that, with effect from 15 November 2014, the outstanding principal of the loan bears interest of 12% per annum and was repayable in 9 instalments to July 2015.

18. LOANS AND BORROWINGS (continued)

As announced by the Company on 20 July 2015, the outstanding principal and interest under the facility at that time was £43,640.97.

On 13 August 2015, a further £292,500 (net of costs) was drawn down under the existing loan agreement with the proceeds from this draw down being used to immediately repay the outstanding amount of £43,642 from previous tranches. Following this further draw down and subsequent repayment an amount equal to £292,500 was left outstanding under the facility which is being repaid in six bi-monthly instalments through to August 2016.

The state guaranteed bank loan that the Group's Israeli subsidiary received from a banking institution is repayable in 55 equal monthly instalments to December 2018, bears interest at prime plus 1.8% (prime rate as of 31 December 2015 – 1.6%) and is guaranteed by the Parent Company. The loan is due as follows:

Year	$'000
2017	108
2018	39
	147

Included within Non current liabilities is a loan of US $108,000 (2014: $96,000) from G. Tahan, a director. The loan is unsecured and is due in more than one year.

Included within current liabilities is a short term loan of US $205,000 (2014: $207,000) from G. Tahan. The loan is unsecured and due within one year.

Total interest on both loans of $11,318 (2014: $8,160) was accrued during the year.

19. OPERATING LEASES

The Group leases business premises in Israel, USA and UK under operating lease agreements. The lease expenditure charged to the income statement during the year is disclosed in note 4.

	2015 $'000	2014 $'000
The future aggregate minimum lease payments under operating leases are as follows:-		
No later than 1 year	140	108

20. POST EMPLOYMENT BENEFITS

Labour laws and severance laws in Israel obligate the Company to pay severance pay to employees in the event that they are fired or if they retire. The severance is calculated for employee benefits according to valid employment contracts and upon the salary of the employees which according to management creates the entitlement to receive severance. Plan assets include funds deposited to managers' insurance policies and to a central severance fund deposited in a banking institution.

20. POST EMPLOYMENT BENEFITS (continued)

	2 0 1 5 $'000	2 0 1 4 $'000
Net obligations	279	287
Expenses for defined benefits plan:		
Cost of current service fees	57	62
Interest expense for obligations	15	16
Expected return on plan assets	(5)	(2)
Severance paid	(89)	(116)
Actuarial loss, net	9	(85)
Total expenses included in statement of operations	(13)	(125)
Activities at fair value for defined benefits plan:		
Balance at beginning of year	287	412
Interest expense	15	14
Cost of current service fees	57	62
Severance paid	(89)	(116)
Actuarial loss, net	9	(85)
Balance at end of year	279	287

	2 0 1 5 $'000	2 0 1 4 $'000
Primary assumptions in establishing obligations		
Capitalisation rate of obligations	3.91%	3.76%
Expected real rate of return for plan assets	2.11%	1.68%
Expected real rate of salary increase	2.0%	2.0%

21. FINANCIAL RISK MANAGEMENT

The Group's activities give rise to a number of financial risks: market risk, credit risk and liquidity risk. Market risk includes foreign exchange risk, liquidity risk, and fair value interest rate risk. The Group has in place risk management policies that seek to limit the adverse effects on the financial performance.

Foreign exchange risk

Most of the Group's sales and income are in US dollars; however the expenses are divided between the US dollar and the Israeli Shekel. The cost of goods (components) are paid in dollars and part of the operational costs such as rent and other service providers quote their fees in dollars. Labour costs however are paid in Israeli Shekels. The Group has therefore a partial currency risk in the event the Israeli shekel is strengthened against the US dollar that could influence the bottom line of the Group's financial results.

The Group is subscribed to a weekly circular from the two Israeli main banks regarding the main financial institutions expectations for foreign currency changes. The management reviews them carefully and will consider with the board weather it should purchase financial instruments sold by local banks, to protect itself from this foreign exchange risk.

21. FINANCIAL RISK MANAGEMENT (continued)

Financial Risk Management Objectives

The Group's management 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, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

(a) Liquidity risk

The Group manages its liquid resources so as to obtain the best available rates of return on cash investments, whilst retaining access to those resources. Cash that is not needed for short term requirements is deposited for periods of one month (or more), based on the Directors' assessment of prevailing interest rate trends, the interest rates available and the liquid resource requirements of the Group. In addition, cash is placed on instant access deposit with the Group's bankers, which is available for shorter-term requirements.

The following table sets out the contractual maturities of financial liabilities:

	Total	Less than 2 months	2 to 3 months	3 to 12 months	More than 1 year
$'000 - 2015					
Trade and other payables	855	855	-	-	-
Loans from the office of the chief scientist	173	-	-	173	-
Loans and overdrafts	1,294	170	62	807	255
Post employment benefits	279	-	-	-	279
Total	**2,601**	**1,025**	**62**	**980**	**534**
$'000 – 2014					
Trade and other payables	1,721	1,721	-	-	-
Loans from the office of the chief scientist	172	-	-	161	11
Loans and overdrafts	1,485	358	130	554	443
Post employment benefits	287	-	-	-	287
Total	**3,665**	**2,079**	**130**	**715**	**741**

(b) Interest rate risk

The Company, nor any of its subsidiaries, has any debt subject to rate indexation. Hence there is no major impact on our finances from potential rate variations.

(c) Currency risk

The Company has not implemented a specific policy to protect against currency fluctuations. The fact that the Group is trading in the three main international currencies could have a negative impact. The Group subscribes to a weekly circular from the two Israeli main banks regarding the main financial institutions expectations for foreign currency changes. The management reviews them carefully and will consider with the board whether it should purchase financial instruments sold by local banks, to protect itself from this foreign exchange risk.

21. FINANCIAL RISK MANAGEMENT (continued)

(d) Credit risk management

The Group is exposed to credit risks if its customers fail to pay for goods supplied by the Group. In order to minimise this risk the Company has a policy of:

- Selling only to respectable integrators and distributors.
- Orders from customers in certain regions are shipped only after an approved letter of credit is received by the group's bank.
- Ongoing customers must pay 50% before shipping.
- Only high rated customers receive credit from the group

The group's maximum exposure to credit risk is $982,000 (2014: $1,853,000) represented by Trade and other receivables.

The table below analyses by age the group's trade receivables which are past due as at the end of the reporting date but are not impaired

$'000	Total	Current	30 days past due	60 days past due	90 days past due
2014	1,543	750	70	242	481
2015	982	553	84	93	252

At the year end the group made provisions of $531,000 (2014: $1,088,000) for possible credit losses. These balances are not included in the analysis above.

Financial instruments

The Group does not use derivative financial instruments but has bank loans. The Group finances its operations simply using bank balances, plus debtors and creditors. The cash flow is regularly monitored.

Capital risk management

The Group manages its cash carefully. In order to reduce its risk, the Group may take measurements to reduce its labour costs if performance is below the Group's expectations.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

21. FINANCIAL RISK MANAGEMENT (Cont.)

Significant accounting policies (continued)
Accounting policies for financial instruments are applied on the following Balance Sheet items:

All of the Group's liabilities have been classified as other financial liabilities. The Group does not have assets or liabilities which are classified as 'Assets or Liabilities at Fair value through profit and loss'.

Fair value of financial instruments

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market price.

The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The Group applied the following methods and assumptions during the estimation of fair value of financial instruments:

Receivables and deposits at banks
For assets which mature within 3 months, carrying value is similar to fair value due to shortness of these instruments. For longer-term assets, contracted interest rates do not significantly defer from current market interest rates, and due to that their fair value is similar to its carrying value.

Loan liabilities
Fair value of short term liabilities is similar to its carrying value due to the short term nature of these instruments. For long term liabilities, contracted interest rates do not significantly differ from current market interest rates, and due to that their fair value is similar to their carrying value.

Other financial instruments
Financial instruments of the Group which are not valued at fair value are trade accounts receivable, other receivables, trade accounts payable and other payables. Historic carrying value of assets and liabilities, including the provisions, which are in accordance with the usual business conditions, is similar to their fair value.

22. CAPITAL MANAGEMENT

As part of its capital management process group management monitor "adjusted capital" which comprises all components of equity (i.e. share capital, share premium, share options, other reserves, and retained earnings) and debt finance.

Management objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern;
- To provide sufficient working capital to meet trading needs;
- To allow the group to structure itself in order to position itself for future growth and therefore to take advantage of strategic opportunities as they arise so the group can generate future returns for shareholders and benefits for other stakeholders.

22. CAPITAL MANAGEMENT (continued)

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to optimise, maintain or adjust the capital structure, the Group may obtain new or repay existing debt instruments, issue new shares, or sell assets to reduce debt.

There have been no changes to the Group's capital management processes in the year under review

23. ULTIMATE CONTROLLING PARTY

The Directors do not believe there to be an ultimate controlling party.

24. RELATED PARTY TRANSACTIONS

Included within Non current liabilities is a loan of US $108,000 (2014: $96,000) from G. Tahan, a director. The loan is unsecured and is due in more than one year. Total interest on the loan of $11,318 (2014: $8,160) was accrued during the year.

Included within current liabilities is a short term loan of US $205,000 (2014: $207,000) from G. Tahan. The loan is unsecured and due within one year.

25. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the company's financial statements are listed below. This listing is of standards and interpretations issued, which the company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective. The company does not expect the impact of such changes on the financial statements to be material.

- IFRS 9 Financial Instruments (effective from 1 January 2015).
- IFRS 14 Regulatory Deferral Accounts (effective from 1 January 2016).
- IFRS 15 Revenue Recognition (effective from 1 January 2018).
- IFRS 16 Leases (effective from 1 January 2019).

The remaining standards in issue but not yet effective are not deemed to have a material impact on the group.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

26. RESERVES

Details of movements in reserves are set out in the consolidated statement of changes in equity (p16).

The following describes the nature and purpose of each reserve in equity:

- Share premium – Amounts subscribed for share capital in excess of nominal value
- Merger Reserve – Difference between the cost of investment and nominal value of Share Capital under Merger accounting
- Other reserve – Amount relating to equity based share options
- Retained Earnings – Cumulative net gains and losses recognised in the income statement
- Translation reserve – Gains and losses from the retranslation of net assets of overseas operations into US dollars.

27. POST YEAR END EVENTS

In February 2016, the Company entered into an agreement with Gabriel Sassoon, an existing shareholder in the Company, to provide the Company with an unsecured working capital loan facility of US$1.0 million. The Loan will be used to provide additional working capital facilities for the Company and supplement the Company's existing cash resources.