SERVISION PLC
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

Company Number: 05143241

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CHAIRMAN’S STATEMENT

The Board today announces SerVision's consolidated group financial statements for the year ended 31 December 2016. The Group's annual revenue for this period was $2,145,000 and our net loss was $3,050,000 compared with a revenue of $2,154,000 and a net loss of $2,572,000 for the previous year. Though the Group experienced disappointing results in 2016, and an increased loss, I am pleased to report that some new strategic partnerships in the transportation sector, coupled with many important enhancements to the IVG platform achieved during this period, have created many new commercial opportunities going forward.

Sales and Marketing

SerVision UK is making significant progress in the UK bus sector not only due to superior technology but also the first class local service provided. Initial orders in the bus sector came from Cardiff Bus and Skills but we are in constant contact and negotiations with leading names in the industry.

The high security sector has also seen steady growth with initial orders from Cardtronics (Cash in Transit) and PrimlineVNE in conjunction with Japan Tobacco International. The solutions designed for these clients are unique to the industry and provide the highest level of cutting edge technology.

In the US, the Group had a successful year of cooperation with Convoy Technologies. In an effort to grow the cooperation and to keep their end-customers’ costs down, we have recently begun working with Convoy under a new type of business model where SerVision will supply its video gateway products direct to fleet customers and Convoy will provide their integrated fleet management software platform. Other projects with leading cash-in-transit and private transport companies in the US resulted in several significant first orders and pilots.

We also experienced further growth in the Dutch construction sector where SerVision’s video gateways are deployed on mobile trailers for use by construction companies. Tedas Security, SerVision’s local partner integrator in the Netherlands, has been vigorously testing the IVG platform and supporting it in their management software, and it plans to use the IVG in a new generation of trailers intended for leasing to construction companies outside of Holland. We also began cultivating new ties with integrators in Japan, Poland and Colombia over the course of 2016, and in recent months we have begun IVG pilots for a number of bus and other fleet projects in these territories, and in several countries in Africa.

Outside of the UK, and apart from the projects and opportunities mentioned above, SerVision had a disappointing year overall. We did not achieve the results we had hoped for in China due to some delays in business development with Beijing Sivi Technologies (BST), in which SerVision has a 19% stake. This resulted in no income for the Group in China. Following this poor return the group has fully impaired its 19% stake in BST previously carried at $118,000.

Research and Development

SerVision’s R&D team had some significant achievements in 2016 that are currently enabling us to increase strategic cooperation with other leading technology companies in the global transportation sector. Full-scale integration with Mobileye has transformed the IVG into a remote management platform for driver safety and transport security. The integrated solution allows operators to receive alerts when a high number of Mobileye warnings occur, to generate driver performance reports, and to have on-demand access to recorded video clips of Mobileye alerts. SerVision is currently working with Mobileye on a sales plan for the US market, and is in the process of integrating with Ituran, a leading telematics company and Mobileye partner. The Group also successfully added support for a passenger counting solution for fleets during 2016. The integrated solution IVG-passenger counting system is in high demand by bus operators who want live video access to their fleet along with real time data on bus occupancy at any given time.

Enhancements made to the IVG during 2016 have significantly increased the system’s performance and market value, particularly in the UK bus market. One key optimization includes bi-directional audio support enabling the system to be used as standalone audio/video communication platform for drivers and fleet operators. Another noteworthy enhancement includes a built-in failover solution for IVGs equipped with large capacity Hard Disk Drives (HDDs). Redundant recording on a USB Solid State Disk (SSD) which also stores the IVG’s Operating System, has made the system more robust and more cost-effective for customers who require local storage of HD quality video from eight or more cameras for extended periods of time.

On the software side, SerVision’s R&D team has been working on an entirely new API which will be easier for partners to support, provide enhanced stability for third party client applications, and enable live video streaming on any web

Research and Development (Cont.)

browser platform. This is significant for fleet management companies who are keen to offer the IVG as an add-on but also require video monitoring to be conducted in a web browser of the customer's choosing. The capabilities of SVCentral, SerVision's own fleet tracking video platform, were expanded to include support for important modules such as the SVDownloader for off-site video backup and the SVMonitor for real-time management of IVG system health checks across multiple fleets.

Our R&D team is continuing to improve and expand the company's suite of software solutions by creating a new multi-browser web client and a new API for the SVDownloader that will enable third party fleet management developers to support on-demand playback of recorded video in web browsers.

Financials - Profit & Loss

- Revenues for this period were $2,145,000 compared to $2,154,000 for the same period in 2015.

- Gross profit for the year was $557,000 compared with $894,000 for the same period in 2015.

The reduction in gross profit is as a result of lower selling prices to customers in order to penetrate the UK public transportation market. We hope that this will be compensated in the future as we will earn recurring revenues on part of those systems sales in the UK.

- Operating loss for the period was $2,886,000 compared to an operating loss of $2,416,000 for the same period in 2015.

  In 2016 the administrative expenses of the new UK office increased to $471,000 compared with $155,000 in 2015 since it was opened in the middle of 2015. The loss was also impacted by our write off of investment in the company in China as explained below..

- Net loss for the period was $3,050,000 compared to a loss of $2,572,000 for the same period in 2015.

The Group had previously stated that they were cautiously optimistic of an improved result for the 12 months ended 31 December 2016 when compared to the comparative period in 2015. A number of sales that had been anticipated for the end of the calendar year, some of which the Group had received pre-payments for, have not been recognised in 2016 and slipped into 2017. However, costs had already been incurred by the Group against their expected delivery. In addition, the Group has incurred a number of non-cash accounting adjustments. The result of reduced sales and increased costs meant that the Group is reporting a total comprehensive loss for the year that is worse than 2015. Overall, revenues for 2016 ended up being slightly behind 2015 and slippages of orders into early 2017, a lower gross margin and the higher costs referred to above have led to the increased loss.

The Balance Sheet

- Trade receivables – a significant drop in trade receivables to $286,000 (compared with $899,000 in 2015) indicates an improvement of our ability to collect debts from our customers.

- Cash and Cash equivalents – the amount at the end of the period was $8,000 (compared with $78,000 in 2015). In order to maintain and finance the group operations the group successfully raised $2,000,000 (at a significant premium to the Company share price) from Cascade SVP, LLC, a US fund, in February 2017 and May 2017. This investment demonstrates a strong belief in the Group's vision and future.

- Non-current liabilities – long term loans increased to $1,240,000 compared with $255,000 in 2015. This increase is due to a loan from Gabriel Sassoon, an existing shareholder in the group that was announced in February 2016.

- We did not achieve the results we had hoped for in China due to some delays in business development with Beijing Sivi Technologies (BST), in which SerVision has a 19% stake. Due to the uncertainty of our cooperation, the Board decided to write off an investment in BST that was valued at $118,000 in 2015.

Outlook

Sales for the first half of 2017 have been behind our internal expectations. On a more positive note, the Group has been asked to tender for a number of new projects, many of which would hopefully fall into the second half with several being quite substantial in size. At the time of the announcement of the Cascade subscription in February 2017, the Board was confident that the improved balance sheet position coupled with improved trading during 2017 meant that the Group should have sufficient working capital for the foreseeable future. Our working capital position is tighter than we anticipated, not least with the requirement to invest in these tenders.

As at the date of the announcement a total of US$475,000 is owed to YA II PN Ltd under the loan arrangements entered into between the group and YA II PN Ltd. This balance is due to be repaid on 6 July 2017. As a result of the cash requirements in respect of tenders currently underway, the Group intends to engage with YA II PN Ltd to discuss revising the payment schedule for the outstanding loan.

Conclusion

Despite the lacklustre results for 2016, I am cautiously optimistic about the future. My positive outlook is bolstered by the growing confidence in our solution that is evident in the UK bus market, and by our expansion of strategic partnerships with leading telematics companies and safe driving solution providers such as Mobileye. As always, I am grateful for the confidence and support of our shareholders, and to all of our staff for their ongoing commitment to the success of the Group.

G Tahan
Chairman
30 June 2017

Business Model, Strategy and Future Developments

SerVision develops and manufactures IP-based video monitoring solutions for the global security market and for transport security applications. 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, video distributor and downloader, as well as 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, and software server licenses. Outside of the UK and Israel, SerVision sells its solutions through a network of channel partners comprised of distributors and system integrators. In the UK and Israel, the Group earns monthly recurring revenue for 24 or 36 month periods by offering installation service, support and cellular data. The Group has 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, particularly in the United States.

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 – has carried over into the new product line. The primary differentiators between our new platform and the existing solutions include the ability to record in HD and to support a much more extensive range of camera models. This capability provides customers with the highest available recording quality and gives them maximum flexibility when selecting cameras. Our technology is also desirable for customers who require the ability to stream high-quality live video over any type of cellular networks using our optimized video transmission protocol.

Other strategic goals of the Group include hardware integration with third party devices and software platforms to create a more cohesive security/safety solution for transportation fleets. To this end, SerVision has provided telematics solution providers with a brand new API that enables the display of live video in any web browser – a key requirement for partner companies who offer web-based fleet management platforms. The Group is currently working on a new API for its backup solution (SVDownloader) to accommodate fleet managers who want to access recorded/archived video in their existing web client.

In terms of hardware integration, SerVision's IVG is now fully compatible with Mobileye, the global leader in Advanced Driver Assistance Systems (ADAS). The integrated solution 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 has further broadened the Group's market appeal as the combined solution is suitable for both transportation security and driver safety applications. The IVG also now supports a passenger counting solution that is ideal for public transit companies who want the benefit of live video access for their fleet and real time updates about the number of passengers on board at any given time.

Financial Risk Management

Business risks

Government Policy

In territories where the group has significant commercial activity, sales could be affected by government policy as it relates to the purchase or subsidy of security technologies. This risk, however, is tempered by a global trend in favour of adopting a greater use of technology to increase public safety and security. As a result of Brexit, from a business perspective, there was no immediate effect, and the board believes it will not impact the company save for its impact on the GBP/USD exchange rate. The company mitigates this risk by establishing cooperation with companies with large distribution capacity such as Mobileye, and by targeting costumers in a variety geographical territory.

Economic slowdown
Sales could be adversely affected by a recession in the UK or in any other large market where SerVision operates.

Delayed Delivery of Product Development

Unanticipated delays in the release of new products (such as new web client) that are currently under development could result in the delay or cancellation of orders. There is also a risk that competitors will introduce to the market new technologies that would be of interest to the Group's potential customers. The Group is attempting to mitigate these risks by continuing to invest in R&D initiatives with an eye toward remaining ahead of the competition.

Dependency on Sales to Distribut0rs/integrators – the Group's revenues are largely dependent on sales to Distributors and Integrators, no end users. A failure of payment by the end user to the Distributer/Integrator may affect the Group's ability to collect debt. The group is mitigating this by attempting to offer direct sales to end users when possible, and to lower the exposure to Distributers.

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 a portion 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 that 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 and this 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 changes in foreign currency. 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 designed to manage foreign exchange risks 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 exposure to interest rate fluctuations by dividing its sources of finance into two 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).

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 and now operate the following policies to mitigate the credit risk:

(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 their financial solvency.

(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 products are shipped.

(e) Only customers with high rating credit scores receive credit from the Group.

Credit Risk (Cont.)

As a result of revised credit control measures adopted in 2015, there were no significant bad debt expenses during 2016, compared to a bad debt expense of $531,000 in the previous year ($461,000 of this expense had accrued prior to the implementation of the revised credit control procedures).

Capital Liquidity Risk Management

The Directors are highly aware of the significant losses that the Group has incurred in recent years and the low level of available cash of the Group. They are closely monitoring the cash position of the Group in order to ensure the Group's ability to continue as a going concern. As a result, in February 2017, the Group conducted a share Subscription to a private US Investment fund in the amount of US$2 million. In addition, the fund has been granted an option to invest a further US$4 million in two equal tranches. The first option period runs until 20 October 2017, and the second option period runs until 29 September 2018. For the full terms of the options please see the Post Balance Sheet Events section in the Director's Report (pages 8 & 9 of the financial statements).

In February 2016, the Group entered into an agreement with Gabriel Sassoon, an existing shareholder in the Group, to provide the Group with an unsecured working capital loan facility of US$1 million. The Loan, which has been drawn down in full, was used to provide additional working capital facilities for the Group and supplement the Group's existing cash resources. The Directors are pleased that its largest shareholder has demonstrated such confidence in the Group's future. Since the Group has not yet reached profitability, the risk of its ability to continue as a going concern still exists and may need further funding. A failure of achieving further funding may affect the Group's ability to operate.

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 a pleasant and professional working environment in all locations. Group 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	-	4	4
Key Management	-	4	4
Employees	5	30	35

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 with 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
Date: 30 June 2017
Chairman

Commonwealth 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 2016. 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 Business Review including results of the group, and risks facing the Group can be found in the Chairman's Statement on pages 1-2 and the Group Strategic Report on pages 3-6.

ACCOUNTS PRODUCTION

The financial statements for the year ended 31 December 2016 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 (2015: £nil).

DIRECTORS

The directors who served during the year were:

G Tahan	(*Chairman)*
C Levy	(*Non Executive Director)*
E T Yanuv	(*Chief Financial Officer)*
A Legge	(*Non-Executive Director*, appointed at 01.08.2016)

FUTURE DEVELOPMENTS

SerVision's R&D team will continue to integrate with other leading technology companies in the global transportation sector. Among other things, our cooperation with Mobileye and leading telematics companies (Matrix, Ituran, Gurtan, etc) has enabled us to:

- Become more competitive in terms of system performance and functionality
- Learn about and pursue new commercial opportunities
- Reach new potential customers who are looking for a fully integrated solution (as opposed to our stand-alone solution)

We will continue to expand our cooperation with new technology partners by adding support for other third party solutions that are relevant to fleet operators. As noted above, we have recently integrated with a passenger counting system for bus applications, and we are now beginning to investigate support for a geo-based mobile advertising system. In parallel, the company's R&D team is investing considerable resources in building the necessary infrastructure to enable a web-based monitoring platform for customers who wish to use our solution as a stand-alone platform, and in creating a user-friendly API for technology partners who wish to integrate SerVision's protocol into their software.

POST BALANCE SHEET EVENTS

In February 2017, the Group secured $2 million of new capital from Cascade SVP, LLC, a US based investment fund. Cascade agreed to subscribe for 14,089,084 ordinary shares of 1p each in the capital of the Group at a price of approximately 11.4 pence per Subscription Share, which was a significant premium to the closing mid-market price on 21 February 2017 and valued the Group at approximately £14.4 million.

The proceeds of the Subscription have been used to provide working capital to finance the increasing number of global opportunities for selling the IVG40-N product, particularly into the bus and coach market, as well as to reduce its debt position.

POST BALANCE SHEET EVENTS (Cont.)

In addition to the $2 million subscription, Cascade have been granted an option to invest up to a further $4 million, in two equal tranches, at the same Group valuation. The first option period runs until 20 October 2017, with an option price per share of approximately 10.2p per share, and the second option period runs until 29 September 2018, with an option price per share of approximately 9.3p per share.

A condition of the Subscription is that if the Group's shares are not listed on either the Main Market of the London Stock Exchange or on Nasdaq, or if the Company has not been sold for a price higher than the Issue Price, before 21 February 2019, then any new capital raised by the Company thereafter must first be used to buy back the Subscription Shares, together with any new ordinary shares issued pursuant to the Options, that are still held by Cascade at the same price(s) as they were issued. Such a buy back would require the Company to have sufficient distributable reserves, which may involve a capital reduction, and would also require shareholder approval.

The Company announced on 25 May 2017 that it intends to apply for a Standard Listing on the Market of the LSE during the first half of 2018. In order to apply for admission to the Standard segment of the LSE, the Company must meet certain eligibility criteria and the Company intends to apply to the Financial Conduct Authority in this respect in the next few months.

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 convenes 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 (2015: $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 the year.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Cont.)

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 US $2 million investment from Cascade 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 96 days (2015: 134 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.

ELECTRONIC COMMUNICATIONS (Cont.)

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
Date: 30 June 2017

Chairman

Commonwealth 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 2016 which comprise the Consolidated Comprehensive 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 pages 9 and 10, 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 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 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 $3,050,000 during the year ended 31 December 2016 and had net current liabilities of $2,114,000 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, based on the work undertaken in the course of the audit:

• The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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
Date : 30 June 2017

26 Red Lion Square
London WCIR 4AG

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 $'000	2015 $'000
Revenue	2	2,145	2,154
Cost of sales	3	(1,588)	(1,260)
GROSS PROFIT		557	894
Administrative expenses		(2,632)	(2,536)
Depreciation and amortisation		(704)	(661)
Exchange rate differences		(107)	(113)
OPERATING LOSS	4	(2,886)	(2,416)
Interest payable	5	(167)	(154)
LOSS ON ORDINARY ACTIVITIES BEFORE INCOME TAX		(3,053)	(2,570)
Tax on ordinary activities	6	3	(2)
NET LOSS FOR THE YEAR		(3,050)	(2,572)
Translation difference arising from translating into presentation currency		128	(329)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,922)	(2,901)
LOSS PER SHARE			
BASIC	8	(2.30)c	(3.18)c
DILUTED	8	(2.30)c	(3.18)c

All activities arose from continuing activities.

The notes on pages 19 to 39 are an integral part of these consolidated financial statements

SERVISION PLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2016 **Company number: 05143241**

	Notes	2016 $'000	2015 $'000
ASSETS			
Non-current assets			
Intangible assets	9	4,830	4,818
Investment	10	--	118
Deferred tax asset	6	83	80
Property, plant and equipment	11	45	56
		4,958	5,072
Current assets			
Inventories	13	504	702
Trade and other receivables	14	336	982
Cash and cash equivalents		8	78
		848	1,762
		5,806	6,834
EQUITY			
Capital and reserves attributable to the Group's Equity shareholders			
Called up share capital	15	2,090	2,090
Share premium account		16,127	16,127
Merger reserve		1,979	1,979
Other reserve		66	66
Retained earnings and translation reserves		(18,951)	(16,029)
TOTAL EQUITY		1,311	4,233
LIABILITIES			
Non-current liabilities			
Loans and borrowings	18	1,240	255
Post-employment benefits	20	293	279
		1,533	534
Current liabilities			
Loans and borrowings	18	1,504	1,039
Loan from the office of the chief scientist	1	173	173
Trade and other payables	17	1,285	855
		2,962	2,067
TOTAL LIABILITIES		4,495	2,601
TOTAL EQUITY AND LIABILITIES		5,806	6,834

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

E T Yanuv
Date: 30 June 2017

The notes on pages 19 to 39 are an integral part of these consolidated financial statements

SERVISION PLC
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2016 **Company number: 05143241**

	Notes	2016 $'000	2015 $'000
ASSETS			
Non-current assets			
Investments	12	200	200
Trade and other receivables	14	666	321
		866	521
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	15	2,090	2,090
Share premium account		16,127	16,127
Other reserve		66	66
Retained earnings and translation reserves		(18,156)	(18,143)
TOTAL EQUITY		127	140
LIABILITIES			
Current liabilities			
Loan and borrowings	18	666	321
Trade and other payables	17	73	60
		739	381
TOTAL EQUITY AND LIABILITIES		866	521

The parent company loss for the year was $23,000 (2015: loss of $3,171,000).

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

E T Yanuv
Date: 30 June 2017

SERVISION PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Net loss for the year		(3,050)	(2,572)
Adjustments for:			
Net finance expenditure	5	167	154
Depreciation and amortisation		704	668
Impairment of available for sale assets		118	-
Taxation		(3)	2
Provision for bad debts		--	531
Movement in trade and other receivables		646	340
Movement in inventories		198	(105)
Movement in post-retirement benefits		14	(8)
Movement in trade and other payables		430	(866)
Net cash used in operating activities		(776)	(1,856)
Cash flow from investing activities			
Purchase of property, plant and equipment and intangibles		(705)	(781)
Investment in available for sale assets		-	(118)
Net cash used in investing activities		(705)	(899)
Cash flows from financing activities			
Receipts from issue of shares (net of issue costs)		--	3,405
Net finance costs		(167)	(154)
Net loans undertaken less repayments		1,244	(658)
Cash generated from financing activities		1,077	2,593
Cash and cash equivalents at beginning of period		(61)	101
Net cash used in all activities		(404)	(162)
Translation differences on translation to presentation currency		128	-
Cash and cash equivalents at end of period		(337)	(61)
Cash and cash equivalents comprise:			
Cash and cash equivalents		8	78
Overdrafts		(345)	(139)
		(337)	(61)

The notes on pages 19 to 39 are an integral part of these consolidated financial statements

SERVISION PLC
PARENT COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 $'000	2015 $'000
Cash flows from operating activities		
Loss before taxation	(13)	(3,169)
Adjustments for:		
Movement in trade and other payables	13	1
Net cash used in operating activities	-	(3,168)
Cash flows used in investing activities		
Loan (provided to)/received from subsidiary	(345)	233
Cash generated from investing activities	(345)	233
Cash flows from financing activities		
Loans received/(repaid)	345	(472)
Issue of shares (net of issue costs)	-	3,407
Cash (used in)/generated from financing activities	345	2,935
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 19 to 39 are an integral part of these consolidated financial statements

SERVISION PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital $'000	Share Premium $'000	Merger Reserve $'000	Other Reserve $'000	Retained Earnings $'000	Translation Reserve $'000	Total $'000
At 1 January 2015	1,224	13,588	1,979	62	(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
Total comprehensive loss for the year	-	-	-	-	(3,050)	128	(2,922)
At 31 December 2016	2,090	16,127	1,979	66	(18,912)	(39)	1,311

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 2015	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
Total comprehensive loss for the year	-	-	-	(23)	10	(13)
At 31 December 2016	2,090	16,127	66	(18,219)	63	127

The notes on pages 19 to 39 are an integral part of these consolidated financial statements

1. ACCOUNTING POLICIES & COMPANY INFORMATION

Company information

Servision PLC is a public limited company, incorporated in England & Wales and listed on the AIM market of the London Stock Exchange. The company's registered office address is Commonwealth House, 55-58 Pall Mall, London, England, SW1Y 5JH and registered number 05143241. The group's principal activity is the development and manufacture of IP-based video monitoring solutions for the global security market.

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 2017) 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.

In particular the directors believe that due to the post year end developments, including the receipt of US$2.0 million that was secured from a US based investment fund and other 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 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 2015 and 2016.

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

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and the provision of associated services in the ordinary course of the subsidiaries activities.

When the subsidiaries bears the risks and rewards resulting from the transaction, revenues are presented on a gross basis, distinguishing the revenue from the related expenses.

The subsidiaries recognize revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the subsidiaries and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on past experience, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue recognition

The group generates revenues mainly from sales of systems and one-off software licenses. The group sells its products directly, through its subsidiaries and through its distribution networks worldwide.

Sale of video gateways systems and software server licenses to Distributors/Integrators

Sales of goods are recognized when the products are delivered to the customer. The criteria for delivery are satisfied when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

Sales are recorded based on the price specified in the sales contract, net of estimated volume discounts at the time of sale. At present all sales are made on normal credit terms, consistent with the local market conditions, such that there is no element of financing included in the sales price.

The responsibility of installation and Service to the end user rests solely on the distributor/integrator.

Sale of video gateways systems and one-off software server licenses Directly to End Users

Sales of goods are recognized upon the completion of the installation of the units at the customer's premises and acceptance of the goods by the customer.

Sale of Non-Recurring Engineering (NRE) services

The group occasionally charges customers for the development of new software features upon special request. In these cases, the revenue is recognized after the software has been delivered to the customer and it has received their approval.

Sale of Support and Cellular Data (UK and Israel Only)

The group also generates monthly recurring revenue for providing monthly support and maintenance, as well for the supply of cellular data to enable live video streaming. Revenue for such services is recognised over the period to which the support and maintenance services are supplied.

1. ACCOUNTING POLICIES (Continued)

Sale of Support and Cellular Data (UK and Israel Only) – cont.

Invoices for service, maintenance and cellular data are submitted to customers on a monthly basis. At the end of the month the subsidiaries issues an invoice for the service that was provided

Cost of sales

Cost of sales includes costs of materials, wages and related benefits, depreciation, and subcontracted work which are specifically identifiable for products in progress. Other indirect costs have been proportionately allocated between the various departments of the Company.

Warranty costs

The Group generally offers a one year warranty for all its products. The Group recognises a provision 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. 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 2016 was £1 = US$1.233 (2015: £1 = US$1.476).

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less allowance for doubtful accounts. If collection is expected in one year or less, they are classified as current assets, if not, they are presented as non-current assets.

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 was 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. During the reporting year, the Group wrote off its investment in the company in China.

1. ACCOUNTING POLICIES (Continued)

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 are stated at the lower of cost or market value.

Cost is determined as follows:

Raw materials, parts and supplies – using the "First in- First out" method.

Work in process, finished products: including raw material, direct labour, subcontracting costs, other direct costs and overhead costs– on the basis of actual manufacturing costs.

Inventory of customers who have consented to postpone delivery are not included as inventory of the Company at the balance sheet date.

Research and development

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 eight years) once the related technology is available for use.

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.

1. ACCOUNTING POLICIES (Continued)

Borrowings

Borrowings (including loans, debentures and convertible debentures) are recognized initially at fair value, net of transaction costs incurred. The difference, if any, between the proceeds (net of transaction costs) and the maturity amount is recognized in the income statements over the period of the borrowings using the effective interest method.

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.

Vacation and recreation benefits

Every employee is legally entitled to vacation and recreation benefits, both computed on an annual basis. This entitlement is based on the terms of employment. The Group records a liability and expense for vacation and recreation pay, based on the benefits that have been accumulated for each employee.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at present value according to management's best estimate of the expenditure required to settle the obligation at the statement of financial position date.

1. ACCOUNTING POLICIES (Continued)

Grants from the Office of the Chief Scientist

Grants were 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.

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 Black Scholes model 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 as it recognises balances and transactions in the course of the preparation of the financial statements. Estimates and judgements are recognised and then 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. Development costs are capitalised when management consider the chances that a project will be successful, and both commercially and, technologically the chances of success are more than probable. Should the chances of success vary, this judgement would require reassessment. The director's use their best estimates of the likely future conditions and were was also assisted by an independent expert who prepared a report on the company's R&D valuation. The period of amortisation for the development costs requires the directors to exercise their judgement as to the period which will benefit from their profitable exploitation.

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.

Income Recognition – the directors examined the group's income recognition policies in 2016 to assess their appropriateness. In particular the directors examined those elements of revenue recognition policies which may require judgements or estimates. In assessing the amount of income to recognise in the financial statements, the directors make judgements in some cases as to the point at which customers have accepted delivery, either explicitly or implicitly by their actions, the likelihood of any return and, where products and services are bundled together the fair value of each revenue stream.

Bad Debts – the directors are required to examine the trade receivable balances and exercise their judgement as to the likelihood of a bad debts arising if settlement has not been made at the time of approval of the financial statements. In cases of significant uncertainty on the ability of the Group to collect the debt a provision is made.

1. ACCOUNTING POLICIES (Continued)

Critical accounting estimates and judgments (Con.)

Investments – In determining the carrying value of non-listed investments the directors are required to make assessments regarding their value in use and net realisable value, both of which involve making assessments and judgements on the future which may not prove to be borne out by future events

Post-employment Benefits – the directors examined the assumptions and findings included in a report issued by an actuary, and found them to be appropriate and reasonable.

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. The directors regard this as the best estimate of the costs that will be incurred in fulfilling warranty claims based on historical experience. 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 is divided into the following geographical areas, by location of operation.

	2016 $'000	2015 $'000
Europe	1,214	604
Far & Middle East	136	736
North America	530	702
Rest of the world	265	112
	2,145	2,154
Sales of systems and products	2,113	2,122
Sale of software and other income	32	32
	2,145	2,154

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

The Group has four customers that accounted for more than 35% of revenue in 2016 (2015: 37%) one of which is based in North America, two from Europe and one from the Middle East.

3. COST OF SALES

	2016 $'000	2015 $'000
Materials and parts	1,299	980
Employee benefit expense	232	222
Other costs	57	58
	1,588	1,260

4. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2016 $'000	2015 $'000
Employee benefit expense (see below)	1,186	1,039
Exchange rate differences	107	113
Writing-off of investment in the company in China	118	-
Depreciation and amortisation	704	668
Provision for credit losses	2	531
Operating lease rentals	91	77
Auditors' remuneration		
- statutory audit services	22	15
- audit-related assurance services	10	5

Employee benefit expense (including directors)

	2016 $'000	2015 $'000
Salaries and wages	1,099	987
Social security	73	60
Post-retirement benefits	14	(8)
	1,186	1,039

	No.	No.
The average number of persons (including directors) employed by the Group during the year was as follows:	43	39

Director's remuneration

	$'000	$'000
G Tahan	216	208
C Levy	10	10
E T Yanuv	30	30
A Legge	9	-
	265	248

E T Yanuv has been granted 30,000 shares in the company under long term share option incentive schemes. These shares have a term of ten years and an exercise price of 7p. These remain outstanding at the year end. The charge to the income statement in the year is $0 due to the full charge being recognised in prior years.

5. INTEREST PAYABLE

	2016 $'000	2015 $'000
Interest payable and similar charges on bank loans and overdrafts	167	154
	167	154

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.

	2016 $'000	2015 $'000
(a) The taxation credit charge:		
Deferred tax	(3)	2

(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:

	2016 $'000	2015 $'000
Loss on ordinary activities before taxation	(3,050)	(2,570)
Multiplied by the standard rate of corporation tax of 20% (2015: 20.25%)	601	520
Effects of:		
Tax losses generated	(604)	(518)
Current year tax (credit)/charge	(3)	2

(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 2016 are $16,782,000 (2015: $14,340,000). 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.

	2016 $'000	2015 $'000
At 1 January 2016	80	82
Credited/(charged) to the income statement	3	(2)
At 31 December 2016	83	80

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 2016 was US$ 23,000 (2015: loss US $3,171,000).

8. LOSS PER SHARE

Basic loss per share is calculated by reference to the loss on ordinary activities after taxation of $2,942,471 (2015: loss $2,901,321) and on the weighted average of 126,801,754 (2015: 91,233,375) 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 126,801,754 (2015: 91,233,375) shares calculated as follows:

	Number of shares	
	31 December 2016	**31 December 2015**
Basic weighted average number of shares	126,801,754	91,233,375
Dilutive potential ordinary shares: Share options	-	-
Diluted weighted average number of shares	126,801,754	91,233,375

9. INTANGIBLE FIXED ASSETS

Group	**Development expenditure $'000**
Cost or valuation	
At 1 January 2015	12,975
Additions	779
At 31 December 2015	13,754
Additions	702
At 31 December 2016	14,456
Amortisation	
At 1 January 2015	8,284
Charge in the year	652
At 31 December 2015	8,936
Charge in the year	690
At 31 December 2016	9,626
Net Book Value	
At 31 December 2016	4,830
At 31 December 2015	4,818

The useful economic life is estimated at 8 years.

10. INVESTMENT IN OTHER COMPANY

The group previously held an investment of 19% ownership in a company in China (hereafter “the Other Company in China”) which distributed the Subsidiary’s products in China.

During the year the Group recognised an impairment charge of $118,000 to provide in full against this investment.

11. TANGIBLE FIXED ASSETS

Group	Leasehold improvements $’000	Office furniture and equipment $’000	Vehicles $'000	Total $’000
Cost				
At 1 January 2015	41	216	66	323
Additions	-	5	-	5
At 31 December 2015	41	221	66	328
Additions	3	-	-	3
At 31 December 2016	44	221	66	331
Depreciation				
At 1 January 2015	37	191	25	253
Charge in the year	3	6	10	19
At 31 December 2015	40	197	35	272
Charge in the year	-	4	10	14
At 31 December 2016	40	201	45	286
Net book value				
At 31 December 2016	4	20	21	45
At 31 December 2015	1	24	31	56

12. INVESTMENTS

	$'000
Company	
At 31 December 2016 and 31 December 2015	200

At 31 December 2016 the group held 20% or more of a class of the allotted share capital of the following:

Subsidiary	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

Registered office: 11 Hartom St, Har-Hotzvim Industrial Park, Jerusalem, Israel, 9777511

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

Registered office: Suite #203, 2100 E. Hallandale Beach Blvd, Miami, FL 33009

Subsidiary	Country of Incorporation	Class of Share Capital	Proportion Held by Servision Plc	Proportion Held by Group	Nature of Business
Servision UK Limited	UK	Ordinary	100%	100%	Video Surveillance Equipment

Registered office: 3000 Aviator Way, Manchester, England, M22 5TG

13. INVENTORIES

Group	2016 $'000	2015 $'000
Raw materials	156	215
Work in progress	132	185
Finished goods	216	302
	504	702

14. TRADE AND OTHER RECEIVABLES

	2016		2015	
	Group $'000	Company $'000	Group $'000	Company $'000
Trade receivables	286	-	899	-
Due from subsidiary	-	666	-	321
Other receivables	50	-	83	-
	336	666	982	321

15. CALLED UP SHARE CAPITAL

	2016 $'000	2015 $'000
Allotted, called up and fully paid:		
126,801,754 (2015: 126,801,754) ordinary shares of £0.01 each	2,090	2,090
384,615 deferred shares of £0.001 each	-	-
	2,090	2,090

16. SHARE OPTIONS AND WARRANTS

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:

At 1 January 2016	Number of share options Expired	Granted	Exercised	At 31 December 2016	Exercise Price (pence)	Exercise Date
817,500	-	-	-	817,500	7	31.12.21 - 31.12.24
1,210,653	-	-	-	1,210,653	10.74	13.08.2018
2,078,197	-	-	-	2,078,197	4.81	08.04.2017
6,346,154	-	-	-	6,346,154	10.4	01.05.2017
1,139,549	-	-	-	1,139,549	3.5	13.10.2020
1,910,828	1,910,828	-	-	-	0.523	11.08.2016
13,502,881	1,910,828	-	-	11,592,053		

8,424,351 of the options expired after the balance sheet date.

1,139,549 were exercised after the balance date, at an exercise price of 3.5 pence per share.
The proceeds realisable by the Company from this warrant exercise are £39,884 and have been received by the Company.

In addition, YA II PN Ltd has an outstanding loan with the Company, further details which were most recently announced on 8 July 2016. The amount outstanding in relation to the loan is currently $475,000 and the current repayment schedule envisages the balance being paid in full by July 2017. As previously announced on 8 July 2016 the loan is capable of conversion into new ordinary shares in the Company at a conversion price of no less than 3 pence. The Company and YA II PN Ltd have agreed that, save in the circumstances whereby the Company fails to meet its repayment obligations under the loan agreement, YA II PN Ltd will not exercise its conversion rights under the loan agreement.

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

	2016		2015	
	Group $'000	Company $'000	Group $'000	Company $'000
Trade payables	419	-	362	-
Other taxes and social security	32	-	19	-
Other payables	607	-	310	-
Accruals and deferred income	227	73	164	60
	1,285	73	855	60

18. LOANS AND BORROWINGS

	2016 $'000	2015 $'000
Group		
Bank overdraft	345	139
Other loan	909	526
Bank loans: amounts due within one year	250	374
Current liability	1,504	1,039
Non-current liabilities: Other loan, due within 2 to 5 years	1,233	108
Non-current liabilities: Bank loans, due within 2 to 5 years	7	147
Noncurrent liabilities	1,240	255
Total bank loans and overdrafts	2,744	1,294

18. LOANS AND BORROWINGS (continued)

Company	2016 $'000	2015 $'000
Other loan	666	321

The other loan included in current liabilities was received in 2015 and 2016, and stated net of transaction costs. The total available facility under the loan agreement is up to £3m as detailed in the announcement released by the Company on 8 July 2016.

The lender originally has the right to convert the loan into Ordinary shares, by giving appropriate notice, at a price equal to 80% of the trading price at the end of the day of conversion.

On 8 July 2016, the Company and the lender entered into in a deed of amendment (the "Deed of Amendment"), whereby the lender agreed to lend to the Company up to a maximum aggregated amount of £3m.

In addition the agreement was amended to extend the commitment period by one year to 11 November 2017.

The interest rate payable on the outstanding amount of the loan is 12% per annum.

The new repayment schedule for the principal amount drawn down on July 2016 under the loan agreement is 12 monthly instalments together with accrued interest until July 2017.

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
2018	7
	7

Included within Non-current liabilities is a loan of US $104,000 (2015: $108,000) from G. Tahan, a director. The loan is unsecured and is due in more than one year.

Included within Non-current liabilities is a loan of US $1,188,000 from G. Sassoon, 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 $222,750 from CSS ALPHA. The loan is due within one year.

Included within current liabilities is a short term loan of US $206,000 (2015: $205,000) from G. Tahan. The loan is unsecured and due within one 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.

	2016 $'000	2015 $'000
The future aggregate minimum lease payments under operating leases are as follows:-		
No later than 1 year	127	140

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.

	2016 $'000	2015 $'000
Net obligations	293	279
Expenses for defined benefits plan:		
Cost of current service fees	61	57
Interest expense for obligations	17	15
Expected return on plan assets	(7)	(5)
Severance paid	(72)	(89)
Actuarial loss, net	6	9
Total expenses included in statement of operations	5	(13)
Activities at fair value for defined benefits plan:		
Balance at beginning of year	280	287
Interest expense	17	15
Cost of current service fees	62	57
Severance paid	(72)	(89)
Actuarial loss, net	6	9
Balance at end of year	293	279

	2016 $'000	2015 $'000
Primary assumptions in establishing obligations		
Capitalisation rate of obligations	3,80%	3.91%
Expected real rate of return for plan assets	2,46%	2.11%
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.

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 - 2016					
Trade and other payables	1,285	1,285	-	-	-
Loans from the office of the chief scientist	173	-	-	173	-
Loans and overdrafts	2,744	498	36	1,654	556
Post-employment benefits	293	-	-	-	293
Total	**4,495**	**1,783**	**36**	**1,827**	**849**
$'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**

21. FINANCIAL RISK MANAGEMENT (Continued)

(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.

(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 $336,000 (2015: $982,000) 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
2015	982	553	84	93	252
2016	336	188	29	32	87

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.

21. FINANCIAL RISK MANAGEMENT (Continued)

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.

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 $104,000 (2015: $108,000) from G. Tahan, a director. The loan is unsecured and is due in more than one year.

Included within Non-current liabilities is a loan of US $1,188,000 from G. Sassoon, a director. The loan is unsecured and is due in more than one year and attracts interest at 6%.

Included within current liabilities is a short term loan of US $206,000 (2015: $205,000) 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 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 2017, the company secured $2 million of new capital from Cascade SVP, LLC, a US based investment fund. Cascade agreed to subscribe for 14,089,084 ordinary shares of 1p each in the capital of the Company at a price of approximately 11.4 pence per Subscription Share, which was a significant premium to the closing mid-market price on 21 February 2017 and which values the Company at approximately £14.4 million.

The proceeds of the Subscription, which were received in February 2017 and May 2017, have been used to provide working capital to finance the increasing number of global opportunities for selling the IVG40-N product, particularly into the bus and coach market, as well as to reduce its debt position.

In addition to the $2 million subscription, Cascade have been granted an option to invest up to a further $4 million, in two equal tranches, at the same Company valuation. The first option period runs until 20 October 2017, with an option price per share of approximately 10.2p per share, and the second option period runs until 29 September 2018, with an option price per share of approximately 9.3p per share.

A condition of the Subscription is that if the Company's shares are not listed on either the Main Market of the London Stock Exchange or on Nasdaq, or if the Company has not been sold for a price higher than the Issue Price, before 21 February 2019, then any new capital raised by the Company thereafter must first be used to buy back the Subscription Shares, together with any new ordinary shares issued pursuant to the Options, that are still held by Cascade at the same price(s) as they were issued. Such a buy back would require the Company to have sufficient distributable reserves, which may involve a capital reduction, and would also require shareholder approval.