

SERVISION PLC

CONDENSED GROUP FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

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<u>CONTENTS</u>	<u>Page</u>
Chairman's statement	1
Group income statement	2
Group balance sheet	3
Group statement of changes in equity	4
Group cash flow statement	5
Notes to the financial statements	6 - 7
Independent review report	8

SERVISION PLC

CHAIRMAN'S STATEMENT CONDENSED GROUP FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

I am pleased to announce SerVision's consolidated group interim report for the six months ended 30 June, 2011. Our sales revenue during this period was \$2.2m and our net profit was \$0.5m, both slightly lower than the comparable period in 2010, due to the additional income booked from the sale of manufacturing rights in China during H1 2010.

Sales and Marketing

SerVision announced two significant distribution agreements in the UK and the Republic of Mexico in July 2011. Cobra UK Limited, part of Cobra Automotive Technologies S.p.A. and a leading supplier of security and telematics solutions for the automotive industry, signed an OEM agreement with SerVision where SerVision's MVG and CVG-M will be white labeled and sold under the Global Live brand name. This strategic partnership will enhance SerVision's presence in the UK, where its MVG solutions are already in wide use by UK-based Cash-in-Transit companies including G4S and Loomis. Cashfin Sa De CV, based in Mexico, will be distributing SerVision's entire product range and has already placed a first order for 500 products valued at \$300,000. The total contract with Cashfin is for 4,000 units over a period of two years.

Subsequent to announcing the two agreements mentioned above, SerVision signed a two year Distribution Agreement, on 29 July 2011, with Graphic Image Technologies (Pty) Ltd, a leading distributor of CCTV solutions in South Africa. The agreement will generate \$2m of revenue for the Company with orders of \$1m due before June 2012. SerVision has already received and supplied an initial order valued at \$150,000.

During the period under review, SerVision received orders for a number of ongoing and new projects around the globe. Notably, the Company supplied products for three bus companies in Brazil, school buses in San Antonio, Texas, remotely located construction sites in Holland, and ATM machines in India. SerVision is also supplying solutions for new police projects in both Argentina and Singapore, and it recently began an important pilot for tobacco transport in the UK which, if successful, could extend throughout all of Europe.

In May 2010 the Company announced a manufacturing rights agreement with Rich Wonder Technology Limited to manufacture all of SerVision's narrow band-width video gateway products to be sold in China and other authorised territories. As previously detailed \$1.4m of the consideration payable was to be settled through the supply of 3,730 of SerVision's MVG 400 units. A production line has successfully been established in China and SerVision received, during the period under review, 293 MVG 400 units with a value of \$0.14 million. A further 300 units have been delivered since the period end.

Research and Development

SerVision's newly launched Control Center application (SVControl Center) designed for enterprise-level projects was released to market this summer and has already been deployed for a bus project in Brazil. The new control center solution enables the monitoring of a significant number of vehicles and locations at one time. It supports connectivity with up to 5,000 SerVision gateways, and it offers a suite of advanced features designed to help operators group and sort gateways by customer, manage alarms, monitor real-time video, audio and GPS data, and wirelessly back up video. The software-based solution opens new opportunities for SerVision as it enables the Company to compete for large projects that require monitoring of thousands of sites.

In addition to the new Control Center Product, SerVision launched a new client app for Android OS that can be installed on any smart phone using the Android platform. We are also developing an update to the iPhone app that will expand functionality, including event playback and audio support.

SerVision's R&D teams are working on a new sensor box adapter which will facilitate the Company's further penetration of the fleet management market. This sensor box can interface with a vehicle's CAN bus and will use the MVG or CVG-M to transmit vital vehicle information along with live video, audio and GPS coordinates to the Control Center. Other features recently added to SerVision's line of mobile gateways (the MVG and CVG-M), including integrated G-Force, geo-fencing/route-deviation and speed alerts, are also helping us make inroads in the fleet management market.

SERVISION PLC

CHAIRMAN'S STATEMENT CONDENSED GROUP FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

Financials

- Revenues decreased by 21% to \$2,152,000 for this period compared to \$2,727,000 for the same period in 2010. Revenues for the period ending June 30, 2010, included income from the sale of manufacturing rights to a company in China in exchange for \$1.4 million, therefore, excluding this item comparable revenue from sales of products increased by 62% (\$2,152,000 for this period compared to \$1,327,000 for the same period in 2010).
- Operating profit for the period was \$576,000 compared to an operating profit of \$769,000 for the same period in 2010.
- Net profit for the period was \$539,000 compared to a profit of \$729,000 for the same period in 2010.

The net profit for the period under review includes a one-off positive revaluation of £0.76 million on a liability owed to the Office of Chief Scientist. This is due to a re-evaluation of expected royalties due to the Office of Chief Scientist between now and December 2013.

Conclusion

We remain more optimistic about the second half of this year. Our pipeline for the remainder of 2011 and into next year is significant, and I am confident that the Company will continue to expand and grow. The Board is confident that its results for the full year will be in line with market expectations, although acknowledges that this will be dependent on the receipt of a purchase order from one of its distribution partners that is expected in the coming weeks.

As always, I want to thank our shareholders for their continued support and I'd like to express my gratitude to all SerVision personnel for their contribution to the Company's ongoing success.

Gidon Tahan
Chairman and Chief Executive Officer

26 September 2011

SERVISION PLC

CONDENSED GROUP COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011

	<u>Note</u>	<u>Six months to 30 June 2011 \$'000 Unaudited</u>	<u>Six months to 30 June 2010 \$'000 Unaudited</u>	<u>Year to 31 December 2010 \$'000 Audited</u>
TURNOVER	3,7	2,152	2,727	5,301
Cost of sales		<u>(1,127)</u>	<u>(775)</u>	<u>(1,991)</u>
GROSS PROFIT		1,025	1,952	3,310
Administrative expenses		(1,210)	(1,164)	(2,601)
Other Income, net	6	<u>761</u>	<u>(19)</u>	<u>-</u>
OPERATING PROFIT		576	769	709
Net finance expense		<u>(37)</u>	<u>(40)</u>	<u>(68)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		539	729	641
Tax on profit on ordinary activities	4	<u>-</u>	<u>-</u>	<u>-</u>
NET PROFIT FOR THE YEAR		539	729	641
Translation difference arising from translating into presentation currency		<u>7</u>	<u>(4)</u>	<u>-</u>
TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD		<u>546</u>	<u>725</u>	<u>641</u>
Profit per share				
Basic and diluted	5	<u>1.13c</u>	<u>1.74c</u>	<u>1.53c</u>

SERVISION PLC

CONDENSED GROUP BALANCE SHEET AT 30 JUNE 2011

	<u>As at 30 June</u> <u>2011</u> <u>\$'000</u> <u>Unaudited</u>	<u>As at 30 June</u> <u>2010</u> <u>\$'000</u> <u>Unaudited</u>	<u>As at 31</u> <u>December 2010</u> <u>\$'000</u> <u>Audited</u>
ASSETS			
Non-current assets			
Intangible assets	4,576	4,277	4,397
Property, plant and equipment	<u>50</u>	<u>57</u>	<u>55</u>
	4,626	4,334	4,452
Current assets			
Inventories	316	452	283
Trade and other receivables	3,384	2,849	3,296
Cash and cash equivalents	<u>155</u>	<u>172</u>	<u>197</u>
	<u>3,855</u>	<u>3,473</u>	<u>3,776</u>
Total assets	<u><u>8,481</u></u>	<u><u>7,807</u></u>	<u><u>8,228</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	897	755	755
Share premium account	12,207	11,423	11,383
Merger reserve	1,979	1,979	1,979
Other reserve	40	24	40
Retained earnings and translation reserves	<u>(8,712)</u>	<u>(9,174)</u>	<u>(9,258)</u>
Total equity	<u>6,411</u>	<u>5,007</u>	<u>4,899</u>
LIABILITIES			
Current liabilities			
Short term credit from banking institutions	434	385	364
Loan from the office of the chief scientist	164	126	154
Trade and other payables	<u>1,104</u>	<u>984</u>	<u>1,465</u>
	1,702	1,495	1,983
Non-current liabilities			
Long term loan from bank institution	-	216	217
Loan from Office of the Chief Scientist	11	794	782
Post employment benefits	<u>357</u>	<u>295</u>	<u>347</u>
	368	1,305	1,346
Total liabilities	<u>2,070</u>	<u>2,800</u>	<u>3,329</u>
Total equity and liabilities	<u><u>8,481</u></u>	<u><u>7,807</u></u>	<u><u>8,228</u></u>

SERVISION PLC

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2011

	<u>Share Capital \$'000</u>	<u>Share Premium \$'000</u>	<u>Merger Reserve \$'000</u>	<u>Other Reserve \$'000</u>	<u>Retained Earnings \$'000</u>	<u>Translation Reserve \$'000</u>	<u>Total \$'000</u>
As at 1 January 2010	711	10,920	1,979	24	(10,064)	165	3,735
Total recognised income and expense	-	-	-	-	729	(4)	725
Issue of shares (net of costs)	<u>44</u>	<u>503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>547</u>
As at 30 June 2010	<u>755</u>	<u>11,423</u>	<u>1,979</u>	<u>24</u>	<u>(9,335)</u>	<u>161</u>	<u>5,007</u>
As at 31 December 2010	755	11,383	1,979	40	(9,383)	125	4,899
Total recognised income and expense	-	-	-	-	539	7	546
Issue of shares (net of costs)	<u>142</u>	<u>824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>966</u>
At 30 June 2011	<u>897</u>	<u>12,207</u>	<u>1,979</u>	<u>40</u>	<u>(8,844)</u>	<u>132</u>	<u>6,411</u>

SERVISION PLC

CONDENSED GROUP CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

	<u>Six months to</u> <u>30 June 2011</u> <u>\$'000</u> <u>Unaudited</u>	<u>Six months to</u> <u>30 June 2010</u> <u>\$'000</u> <u>Unaudited</u>	<u>Year to 31</u> <u>December 2010</u> <u>\$'000</u> <u>Audited</u>
Cash flows from operating activities			
Profit before taxation	539	729	641
Adjustments for:			
Net finance expense	37	40	68
Depreciation and amortisation	359	305	632
Movement in trade and other receivables	(88)	(627)	(1,073)
Movement in inventories	33	(256)	(87)
Movement in post retirement benefits	10	28	80
Movement in trade and other payables	(292)	(479)	2
Revaluation of loan from Chief Scientist	<u>(761)</u>	<u>-</u>	<u>-</u>
Net cash inflow/(outflow) from operating activities	(267)	(260)	263
Cash flow from investing activities			
Purchase of property, plant and equipment and intangibles	(533)	568	(1,013)
Net interest paid	8	40	(10)
Deposit for leasing vehicles	<u>-</u>	<u>-</u>	<u>(6)</u>
Net cash outflow from investing activities	(525)	608	(1,029)
Cash flows from financing activities			
Issue of shares	966	547	523
Net loans (repaid)/received	(216)	(30)	26
	<u>-</u>	<u>-</u>	<u>-</u>
Cash inflow from financing activities	750	517	549
Cash and cash equivalents at beginning of period	197	304	304
Net cash outflow from all activities	(42)	(351)	(217)
Non-cash movement arising on foreign currency translation	<u>-</u>	<u>41</u>	<u>-</u>
Cash and cash equivalents at end of period	<u>155</u>	<u>(51)</u>	<u>87</u>
Cash and cash equivalents comprise			
Cash (excluding overdrafts) and cash equivalents	155	172	197
Overdrafts	<u>-</u>	<u>(223)</u>	<u>(110)</u>
	<u>155</u>	<u>(51)</u>	<u>87</u>

SERVISION PLC

NOTES TO THE REPORT AND CONDENSED GROUP FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

The interim consolidated financial statements are for the six months ended 30 June 2011. They have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as endorsed for use by Companies listed on an EU regulated market and in accordance with IAS34 – “Interim Financial Reporting”. The same accounting policies, presentation and methods of computation have been followed in the preparation of these results as were applied in the Group’s latest annual audited financial statements. It is not expected that there will be any changes or additions to these in the 2011 annual financial statements.

This statement does not comprise statutory accounts as defined in Section 434 of the Companies Act 2006 and the results for the six months ended 30 June 2011 and for the six months ended 30 June 2010 are unaudited.

The financial information for the year ended 31 December 2010 is an extract from the latest group accounts.

Statutory financial statements for the year ended 31 December 2010, prepared in accordance with IFRS, on which the auditors gave an unqualified opinion, have been filed with the Registrar of Companies.

These consolidated interim group financial statements are presented in US Dollars and all values are rounded to the nearest thousand dollars (\$’000) except when otherwise indicated.

2. RAISING OF CAPITAL

During February 2011, the Company issued 9 million new ordinary shares at a price of 8 pence per share in exchange for 725 thousand pounds. The net proceeds have been used for additional working capital for the subsidiary.

3. BUSINESS SEGMENT ANALYSIS

Class of business

The turnover, loss on ordinary activities before taxation and net assets of the Group are attributable to one class of business, that of developing and selling video surveillance equipment.

Geographical areas

	Turnover by location of customer		
	<u>Six months to</u>	<u>Six months to</u>	<u>Year to 31</u>
	<u>30 June 2011</u>	<u>30 June 2010</u>	<u>December 2010</u>
	<u>\$’000</u>	<u>\$’000</u>	<u>\$’000</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
UK and Continental Europe	675	711	1,566
North America	189	123	673
Latin America	583	177	296
Asia and Middle East	270	1,638	2,426
Africa	<u>435</u>	<u>78</u>	<u>340</u>
	<u>2,152</u>	<u>2,727</u>	<u>5,301</u>

SERVISION PLC

NOTES TO THE REPORT AND CONDENSED GROUP FINANCIAL STATEMENTS (continued) FOR THE SIX MONTHS ENDED 30 JUNE 2011

4. TAXATION

The Company 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. The Company 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.

5. PROFIT PER SHARE

The profit per share of 1.13 (31 December 2010 1.53c; 30 June 2010: 1.74c) has been calculated on the weighted average number of share in issue during the year namely 48,167,769 (31 December 2010: 41,897,768; 30 June 2010: 41,669,435) and profit of US\$ 545,690 (31 December 2010: US\$ 641,000; 30 June 2010: US\$ 724,853).

Due to the immaterial number of options in issue there is no material difference between the diluted and basic loss per share.

6. CHANGE IN ACCOUNTING ESTIMATE

During 2002 – 2005 the subsidiary company received grants totalling \$864 thousand from the Office of the Chief Scientist which financed a portion of the research and development expenses of the SVG system ("the System") previously developed by the subsidiary company.

Repayment of the grants is dependent on sales of the System and is carried out through the payment of royalties to the Chief Scientist, based on a percentage of the sales of the System.

Through December 31, 2010, subsidiary company management considered that it would market the System for a number of years and accordingly recorded the liability to the Chief Scientist, including interest at the LIBOR rate, of \$936 thousand.

Following development of new systems with more advanced technology and in light of the significant reduction in demand for the System, during the current period, the subsidiary company management decided to market the System only until the end of 2013 ("the Change in Estimate") and accordingly the remainder of the royalties which the subsidiary company will have to pay, including the expected sales through and including 2013, amounts to \$175 thousand.

As a result of the Change in Estimate, as of June 30, 2011 the subsidiary company reduced the balance of the liability to the Chief Scientist by an amount of \$761 thousand, presented as other income in the Statement of Comprehensive Income.

As a result of the Change in Estimate the subsidiary company's net profit during the reporting period increased by an amount of \$761 thousand.

7. REVENUES

Revenues for the period ending June 30, 2010, include income from the sale of manufacturing rights to a company in China ("the Chinese Company") in exchange for \$1.4 million, to be paid by the production of 3,750 systems by the Chinese Company for the Company at no consideration.

During the reporting period the subsidiary Company received 293 systems with a value of \$140 thousand from the Chinese Company, with the remainder of the systems to be supplied at the subsidiary Company's request and in coordination with the Chinese Company.

INDEPENDENT REVIEW REPORT TO SERVISION PLC

Introduction

We have been engaged by the company to review the condensed set of group financial statements in the interim report for the six months ended 30 June 2011 which comprises the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and related explanatory notes 1 to 7. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. As disclosed in note 1, the annual financial statements of Servision Plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of group financial statements in the interim report based on our review.

Our report has been prepared in accordance with the terms of our engagement and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of group financial statements in the interim report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union.

haysmacintyre
Chartered Accountants
Registered Auditors

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