

SERVISION PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

SERVISION PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

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SERVISION PLC

CHAIRMAN'S STATEMENT

REPORT AND FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

I am pleased to announce the Company's Interim results for the first six months of 2007.

Turnover for the year period increased to US\$2.5 million compared to US\$1.56 Million for the same period last year. Gross profit improved to US\$1.165 million compared with US\$600,000 for the same period last year and US\$1.3 million for the whole year of 2006. As a result of cost cutting measures, gross profit margins have increased to 45% compared with 37% for 2006.

During the period and since my last chairman's statement three months ago we have signed a distribution agreement in South Africa and our recently announced contracts are starting to bear fruit. The distribution agreements that we signed in the period are bedding down effectively and the Company is receiving orders from all our new distributors that were signed during the first half of the year.

Our R&D team has continued to improve our HVG (Home Video Gateway) series. This enhanced professional cost effective product, will now have four video channels and a new and exciting bidirectional audio feature. The fact that we have managed to develop this very professional product and sell it with a competitive price tag, has allowed us to enter the lucrative SME and retail markets through a distribution scheme with Orange II and Hashmira group (G4S Israel). Our HVG systems will be offered to all of Orange Israel business cellular customers. An ongoing training program for the Orange sales team is in progress and the Company expects the first sales through this distribution channel to be delivered in the near future,

In addition to our increased geographical reach into South Africa France, Brazil and Mexico, we are continuing to widen our presence in the USA. Exclusive agreements with key distributors are enabling the Company to enter into additional territories on which we expect to update the market in greater detail in the upcoming weeks.

The Board is pleased that the Company continues to make steady progress towards achieving its goals and we look forward to the future with confidence. On a personal note, I would like to thank all of our dedicated staff for their loyalty and hard work throughout the period that was essential for our significant progress and growth.

Gidon Tahan

Chairman and Chief Executive Officer

28 September 2007

SERVISION PLC**GROUP INCOME STATEMENT****FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Note	Six months to 30 June 2007 \$'000	Six months to 30 June 2006 \$'000	Year to 31 December 2006 \$'000
TURNOVER	2	2,540	1,559	3,534
Cost of sales		(1,375)	(959)	(2,236)
GROSS PROFIT		1,165	600	1,298
Administrative expenses		(1,664)	(1,615)	(3,843)
OPERATING LOSS		(499)	(1,015)	(2,545)
Net finance expense		(13)	(29)	(75)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(512)	(1,044)	(2,620)
Tax on loss on ordinary activities	3	-	-	-
RETAINED LOSS		(512)	(1,044)	(2,620)
Loss per share				
Basic and diluted	4	(2.23c)	(5.45c)	(13.39c)

SERVISION PLC

GROUP BALANCE SHEET

AT 30 JUNE 2007

	Notes	As at 30 June 2007 \$'000	As at 30 June 2006 \$'000	As at 31 December 2006 \$'000
ASSETS				
Non-current assets				
Intangible assets		3,488	3,251	3,236
Property, plant and equipment		96	154	131
		<u>3,584</u>	<u>3,405</u>	<u>3,367</u>
Current assets				
Inventories		187	315	323
Trade and other receivables		1,400	714	989
Cash and cash equivalents		24	1,211	17
		<u>1,611</u>	<u>2,240</u>	<u>1,329</u>
Total assets		<u><u>5,195</u></u>	<u><u>5,645</u></u>	<u><u>4,696</u></u>
EQUITY				
Capital and reserves attributable to the Company's equity shareholders				
Called up share capital	5	429	426	429
Share premium account	5	7,101	7,046	7,101
Retained earnings and translation reserves	5	(7,901)	(6,418)	(7,520)
Merger reserve	5	1,979	1,979	1,979
		<u>1,608</u>	<u>3,033</u>	<u>1,989</u>
Total equity		<u><u>1,608</u></u>	<u><u>3,033</u></u>	<u><u>1,989</u></u>
LIABILITIES				
Current liabilities				
Short term credit from banking institutions		464	653	256
Trade and other payables		1,713	670	1,107
		<u>2,177</u>	<u>1,323</u>	<u>1,363</u>
Non-current liabilities				
Long term loan from bank institution		266	292	279
Loan from Office of the Chief Scientist		941	893	917
Post employment benefits		203	104	148
		<u>3,587</u>	<u>2,612</u>	<u>2,707</u>
Total liabilities		<u><u>3,587</u></u>	<u><u>2,612</u></u>	<u><u>2,707</u></u>
Total equity and liabilities		<u><u>5,195</u></u>	<u><u>5,645</u></u>	<u><u>4,696</u></u>

SERVISION PLC

GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Six months to 30 June 2007 \$'000	Six months to 30 June 2006 \$'000	Year to 31 December 2006 \$'000
Cash flows from operating activities			
Loss before taxation	(512)	(1,044)	(2,620)
Adjustments for:			
Net finance expense	13	29	75
Net interest paid	(13)	(29)	(75)
Depreciation and amortisation	614	615	1,367
Movement in trade and other receivables	(411)	(13)	(288)
Movement in inventories	136	286	278
Movement in grant from chief scientist	24	24	48
Movement in post retirement benefits	55	38	82
Movement in trade and other payables	606	(122)	315
Net cash inflow/(outflow) from operating activities	<u>512</u>	<u>(216)</u>	<u>(818)</u>
Cash flow from investing activities			
Purchase of property, plant and equipment and intangibles	(831)	(890)	(1,604)
Net cash outflow from investing activities	<u>(831)</u>	<u>(890)</u>	<u>(1,604)</u>
Cash flows from financing activities			
Issue of shares in Servision Plc	-	1,892	1,950
Net loans (repaid)/received	(13)	13	-
Cash inflow from financing activities	<u>(13)</u>	<u>1,905</u>	<u>1,950</u>
Cash and cash equivalents at beginning of period	(239)	(621)	(621)
Net cash outflow from all activities	(332)	799	(472)
Non-cash movement arising on foreign currency translation	131	380	854
Cash and cash equivalents at end of period	<u>(440)</u>	<u>558</u>	<u>(239)</u>
Cash and cash equivalents comprise			
Cash (excluding overdrafts) and cash equivalents	24	1,211	17
Overdrafts	(464)	(653)	(256)
	<u>(440)</u>	<u>558</u>	<u>(239)</u>

SERVISION PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. ACCOUNTING POLICIES

The accounting policies, applied on a consistent basis in the preparation of the financial information, are as follows:

(a) Basis of Preparation

These half year 2007 interim consolidated financial statements of Servision Plc are for the six months ended 30 June 2007. The information included within this document has been prepared on the basis of the recognition and measurement requirements of IFRS standards, IAS standards and IFRIC interpretations in issue that are endorsed by the European Commission and effective at 27 September 2007.

In preparing these consolidated interim financial statements, management has amended certain accounting and valuation methods applied in the 2006 report and financial statements to comply with IFRS.

The Group accounting policies as set out in the 2006 report and financial statements have been revised where applicable to conform to IFRS. The restated accounting policies as set out on pages 14 to 15 of this report, together with the remaining Group accounting policies detailed in the 2006 report and financial statements, comprise the Group's complete accounting policies under IFRS. These policies have been consistently applied to all years presented. The adopted IFRS that will be effective in the annual financial statements for the year ended 31 December 2007 are still subject to the possibility of change and to additional interpretations. As a result of such changes the accounting policies cannot be determined with certainty and therefore may require updating when the annual financial statements are prepared for the year ending 31 December 2007.

The comparative figures in respect of 2006 have been restated to reflect these adjustments. Reconciliations and descriptions of the effect of the transition of UK GAAP to IFRS are provided in note 7.

2. 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		
	Six months to 30 June 2007 \$'000	Six months to 30 June 2006 \$'000	Year to 31 December 2006 \$'000
UK and Continental Europe	1,163	841	1,569
North America	277	233	325
Latin America	625	112	867
Asia and Middle East	225	339	694
Africa	250	34	79
	<u>2,540</u>	<u>1,559</u>	<u>3,534</u>

3. 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.

SERVISION PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

4. LOSS PER SHARE

The loss per share of 2.23c (31 December 2006: 13.39c; 30 June 2006: 5.45c) has been calculated on the weighted average number of share in issue during the year namely 22,890,304 (31 December 2006: 19,568,894; 30 June 2006: 19,168,196) and losses of US\$512,202 (31 December 2006: US\$2,620,785; 30 June 2006: US\$1,044,566).

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

5. RECONCILIATION OF CLOSING EQUITY

	Share Capital \$'000	Share Premium \$'000	Merger Reserve \$'000	Retained earnings \$'000	Translation reserve \$'000	Total \$'000
As at 31 December 2005	339	5,241	1,979	(7,723)	-	(164)
IFRS transition adjustments	-	-	-	2,592	(623)	1,969
As at 1 January 2006	339	5,241	1,979	(5,131)	(623)	1,805
Total recognised income and expense	-	-	-	(1,044)	380	(664)
Share issued in the period	87	1,805	-	-	-	1,892
As at 30 June 2006	426	7,046	1,979	(6,175)	(243)	3,033
As at 31 December 2006	429	7,101	1,979	(7,751)	231	1,989
Total recognised income and expense	-	-	-	(512)	131	(381)
At 30 June 2007	429	7,101	1,979	(8,263)	362	1,608

6. RELATIONSHIP TO STATUTORY ACCOUNTS AND AUDIT STATUS

The financial information included in this document is unaudited and does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The comparative figures for the financial year ended 31 December 2006 are not the Group's statutory accounts for that financial year. Those accounts, which were produced under UK Generally Accepted Accounting Practices, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

7. COMPARATIVE DATA RESTATED IN ACCORDANCE WITH THE TRANSITION TO IFRS

From 1 January 2007, the Group has been reporting its results in accordance with International Financial Reporting Standards ("IFRS").

To comply with the requirements of reporting the first set of interim results following transition to IFRS, a reconciliation of the loss under UK GAAP for the six months to June 2006 to the expenses under IFRS for the six months to 30 June 2006 is set out on pages 7 to 8. A detailed analysis of these adjustments and a summary of the differences between UK GAAP and IFRS that led to the adjustments are given on pages 7 to 8 of this report.

A reconciliation is also required between the loss under UK GAAP for the year ended 31 December 2006 to the profit under IFRS for the year ended 31 December 2006. This is shown on pages 11 to 12 of this report.

IFRS also requires a reconciliation of equity under UK GAAP at 30 June 2006 to equity under IFRS at 30 June 2006. This is set out on page 9 of this report.

A reconciliation is also required between the equity at 1 January 2006 under UK GAAP to 1 January 2006 under IFRS, which is shown above and a reconciliation between the equity at 31 December 2006 under UK GAAP to 31 December 2006 under IFRS, which is shown on page 13 of this report.

SERVISION PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

7. COMPARATIVE DATA RESTATED IN ACCORDANCE WITH THE TRANSITION TO IFRS (continued)

Group income statement for the first half 2006

	UK GAAP Six months to 30 June 2006 \$'000	Total IFRS Adjustments \$'000	IFRS Six months to 30 June 2006 \$'000
TURNOVER	1,559	-	1,559
Cost of sales	(967)	8	(959)
GROSS PROFIT	592	8	600
Administrative expenses	(1,956)	341	(1,615)
OPERATING LOSS	(1,364)	349	(1,015)
Net finance expense	(48)	19	(29)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(1,412)	368	(1,044)
Tax on loss on ordinary activities	-	-	-
RETAINED LOSS	(1,412)	368	(1,044)
Loss per share			
Basic and diluted	7	(7.37c)	(1.92c)
		(5.45c)	

A summary of the principal differences between UK GAAP and IFRS as applicable to Servision Plc is as follows:-

a) Employee benefits

Under UK GAAP, liabilities for severance pay for employees employed in the State of Israel were accounted for under FRS 12 "Provisions, contingent liabilities and assets". Under IFRS, the Group is required to account for such liabilities using an actuarial valuation in accordance with IAS 19 "Employee benefits".

b) Development costs

Under UK GAAP, development costs incurred by the group were written off to the profit and loss account as allowed by SSAP 13 "Accounting for research and development costs". Under IFRS, the Group is required to capitalise such expenditure and amortise the costs over the useful economic life in accordance with IAS 38 "Intangible Assets".

c) Grants

Under UK GAAP, grants from the Office of the Chief Scientist in Israel were accounting for under FRS 12 "Provisions, contingent liabilities and assets". Under IFRS, the Group is required to account for the full liability of such grants, as and when they are received in accordance with IAS 19, "Accounting for Government Grants and Disclosure of Government Assistance".

d) Software

Under UK GAAP, software was capitalised as a tangible fixed assets in accordance with FRS 15 "Tangible fixed assets". Under IFRS, the Group is required to account for such expenditure as a Intangible Assets in order to comply with IAS 38 "Intangible Assets".

SERVISION PLC**NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)****FOR THE SIX MONTHS ENDED 30 JUNE 2007****Analysis of IFRS adjustments to the Group income statement for the first half of 2006**

	Employee benefits \$'000	Capitalisation of development costs \$'000	Amortisation of development costs \$'000	Grants \$'000	Total IFRS Adjustments \$'000
TURNOVER	-	-	-	-	-
Cost of sales	8	-	-	-	8
GROSS PROFIT	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8</u>
Administrative expenses	68	842	(555)	(14)	341
OPERATING LOSS	<u>76</u>	<u>842</u>	<u>(555)</u>	<u>(14)</u>	<u>349</u>
Net finance expense	-	19	-	-	19
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>76</u>	<u>861</u>	<u>(555)</u>	<u>(14)</u>	<u>368</u>
Tax on loss on ordinary activities	-	-	-	-	-
RETAINED LOSS	<u><u>76</u></u>	<u><u>861</u></u>	<u><u>(555)</u></u>	<u><u>(14)</u></u>	<u><u>368</u></u>

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NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

7. COMPARATIVE DATA RESTATED IN ACCORDANCE WITH THE TRANSITION TO IFRS (continued)

Group balance sheet as at 30 June 2006

	Under UK GAAP As at 30 June 2006 \$'000	Total IFRS adjustments \$'000	Under IFRS As at 30 June 2006 \$'000
ASSETS			
Non-current assets			
Intangible assets	-	3,251	3,251
Property, plant and equipment	169	(15)	154
	<u>169</u>	<u>3,236</u>	<u>3,405</u>
Current assets			
Inventories	315	-	315
Trade and other receivables	714	-	714
Cash and cash equivalents	1,211	-	1,211
	<u>2,240</u>	<u>-</u>	<u>2,240</u>
Total assets	<u><u>2,409</u></u>	<u><u>3,236</u></u>	<u><u>5,645</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	426	-	426
Share premium account	7,046	-	7,046
Retained earnings and translation reserves	(8,838)	2,420	(6,418)
Merger reserve	1,979	-	1,979
Total equity	<u>613</u>	<u>2,420</u>	<u>3,033</u>
LIABILITIES			
Current liabilities			
Trade and other payables	1,504	(181)	1,323
Non-current liabilities			
Other creditors	292	997	1,289
Total liabilities	<u>1,796</u>	<u>816</u>	<u>2,612</u>
	<u><u>2,409</u></u>	<u><u>3,236</u></u>	<u><u>5,645</u></u>

SERVISION PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

7. COMPARATIVE DATA RESTATED IN ACCORDANCE WITH THE TRANSITION TO IFRS (continued)

Analysis of IFRS adjustments to the Group Balance Sheet as at 30 June 2006

	Employee benefits \$'000	Capitalisation of development costs \$'000	Amortisation of development costs \$'000	Grants \$'000	Reclassification \$'000	Total \$'000
ASSETS						
Non-current assets						
Intangible assets	-	3,791	(555)	-	15	3,251
Property, plant and equipment	-	-	-	-	(15)	(15)
	<u>-</u>	<u>3,791</u>	<u>(555)</u>	<u>-</u>	<u>0</u>	<u>3,236</u>
Current assets						
Inventories	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>-</u>	<u>3,791</u>	<u>(555)</u>	<u>-</u>	<u>-</u>	<u>3,236</u>
EQUITY						
Capital and reserves attributable to the Company's equity shareholders						
Called up share capital	-	-	-	-	-	-
Share premium account	-	-	-	-	-	-
Retained earnings and translation reserves	76	3,791	(555)	(893)	1	2,420
Merger reserve	-	-	-	-	-	-
	<u>76</u>	<u>3,791</u>	<u>(555)</u>	<u>(893)</u>	<u>1</u>	<u>2,420</u>
Total equity	<u>76</u>	<u>3,791</u>	<u>(555)</u>	<u>(893)</u>	<u>1</u>	<u>2,420</u>
LIABILITIES						
Current liabilities						
Trade and other payables	(76)	-	-	-	(105)	(181)
Non-current liabilities						
Other creditors	-	-	-	893	104	997
	<u>(76)</u>	<u>-</u>	<u>-</u>	<u>893</u>	<u>(1)</u>	<u>816</u>
Total liabilities	<u>(76)</u>	<u>-</u>	<u>-</u>	<u>893</u>	<u>(1)</u>	<u>816</u>
Total equity and liabilities	<u>-</u>	<u>3,791</u>	<u>(555)</u>	<u>-</u>	<u>-</u>	<u>3,236</u>

SERVISION PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

7. COMPARATIVE DATA RESTATED IN ACCORDANCE WITH THE TRANSITION TO IFRS (continued)

Group income statement for the year ended 31 December 2006

	UK GAAP Year to 31 December 2006 \$'000	Total IFRS adjustments \$'000	IFRS Year to 31 December 2006 \$'000
TURNOVER	3,534	-	3,534
Cost of sales	(2,240)	4	(2,236)
GROSS PROFIT	1,294	4	1,298
Administrative expenses	(4,019)	176	(3,843)
OPERATING LOSS	(2,725)	180	(2,545)
Net finance expense	(77)	2	(75)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(2,802)	182	(2,620)
Tax on loss on ordinary activities	-	-	-
RETAINED LOSS	(2,802)	182	(2,620)
Loss per share			
Basic and diluted	7 (14.32c)	(0.93c)	(13.39c)

SERVISION PLC**NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)****FOR THE SIX MONTHS ENDED 30 JUNE 2007****Analysis of IFRS adjustments to the Group income statement for the year ended 31 December 2006**

	Employee benefits \$'000	Capitalisation of development costs \$'000	Amortisation of development costs \$'000	Grants \$'000	Total IFRS Adjustments \$'000
TURNOVER	-	-	-	-	-
Cost of sales	4	-	-	-	4
GROSS PROFIT	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Administrative expenses	55	1,581	(1,309)	(151)	176
OPERATING LOSS	<u>59</u>	<u>1,581</u>	<u>(1,309)</u>	<u>(151)</u>	<u>180</u>
Net finance expense	-	2	-	-	2
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>59</u>	<u>1,583</u>	<u>(1,309)</u>	<u>(151)</u>	<u>182</u>
Tax on loss on ordinary activities	-	-	-	-	-
RETAINED LOSS	<u><u>59</u></u>	<u><u>1,583</u></u>	<u><u>(1,309)</u></u>	<u><u>(151)</u></u>	<u><u>182</u></u>

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NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

7. COMPARATIVE DATA RESTATED IN ACCORDANCE WITH THE TRANSITION TO IFRS (continued)

Group balance sheet as at 31 December 2006

	Under UK GAAP As at 31 December 2006 \$'000	Total IFRS adjustments \$'000	Under IFRS As at 31 December 2006 \$'000
ASSETS			
Non-current assets			
Intangible assets	-	3,236	3,236
Property, plant and equipment	147	(16)	131
	<u>147</u>	<u>3,220</u>	<u>3,367</u>
Current assets			
Inventories	323	-	323
Trade and other receivables	989	-	989
Cash and cash equivalents	371	(354)	17
	<u>1,683</u>	<u>(354)</u>	<u>1,329</u>
Total assets	<u><u>1,830</u></u>	<u><u>2,866</u></u>	<u><u>4,696</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	429	-	429
Share premium account	7,101	-	7,101
Retained earnings and translation reserves	(9,882)	2,362	(7,520)
Merger reserve	1,979	-	1,979
Total equity	<u>(373)</u>	<u>2,362</u>	<u>1,989</u>
LIABILITIES			
Current liabilities			
Trade and other payables	1,924	(561)	1,363
Non-current liabilities			
Other creditors	279	1,065	1,344
Total liabilities	<u>2,203</u>	<u>504</u>	<u>2,707</u>
Total equity and liabilities	<u><u>1,830</u></u>	<u><u>2,866</u></u>	<u><u>4,696</u></u>

SERVISION PLC

NOTES TO THE REPORT AND FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

7. COMPARATIVE DATA RESTATED IN ACCORDANCE WITH THE TRANSITION TO IFRS (continued)

Analysis of IFRS adjustments to the Group Balance Sheet as at 31 December 2006

	Employee benefits \$'000	Capitalisation of development costs \$'000	Amortisation of development costs \$'000	Grants \$'000	Reclassification \$'000	Total \$'000
ASSETS						
Non-current assets						
Intangible assets	-	4,529	(1,309)	-	16	3,236
Property, plant and equipment	-	-	-	-	(16)	(16)
	-	4,529	(1,309)	-	-	3,220
Current assets						
Inventories	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	(354)	(354)
	-	-	-	-	(354)	-
Total assets	-	4,529	(1,309)	-	(354)	2,866
EQUITY						
Capital and reserves attributable to the Company's equity shareholders						
Called up share capital	-	-	-	-	-	-
Share premium account	-	-	-	-	-	-
Retained earnings and translation reserves	59	4,529	(1,309)	(917)	-	2,362
Merger reserve	-	-	-	-	-	-
Total equity	-	4,529	(1,309)	(917)	-	2,362
LIABILITIES						
Current liabilities						
Trade and other payables	(59)	-	-	-	(502)	(561)
Non-current liabilities						
Other creditors	-	-	-	917	148	1,065
Total liabilities	(59)	-	-	917	(354)	504
Total equity and liabilities	-	4,529	(1,309)	-	(354)	2,866

8. IFRS RESTATED ACCOUNTING POLICIES

These half year 2007 interim consolidated financial statements of Servision Plc are for the six months ended 30 June 2007. The information included within this document has been prepared on the basis of the recognition and measurement requirements of IFRS standards, IAS standards and IFRIC interpretations in issue that are endorsed by the European Commission and effective at 27 September 2007.

The adopted IFRS that will be effective in the annual financial statements for the year ended 31 December 2007 are still subject to the possibility of change and to additional interpretations. As a result of such changes the accounting policies cannot be determined with certainty and therefore may require updating then the annual financial statements are prepared for the year ending 31 December 2007.

The following paragraphs describes the main accounting policies that have been revised on transition to IFRS and hence supersede the previous accounting policy detailed in the 2006 report and financial statements

Employee benefits

The group accounts for pensions and similar benefits under IAS 19 (revised) "Employee Benefits". The Group's net obligation in respect of the defined benefit plans is calculated by independent, qualified actuaries and updated at least annually. Additional updates are performed when one-time events or market fluctuations indicate that the benefit obligation and pension assets differ significantly from the most recent valuation.

Obligations are measured at discount present value whilst plan assets are recorded at fair value. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of the employees and financing costs are recognised in the period in which they arise.

8. IFRS RESTATED ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Actuarial gains and losses are recognised in full in the period in which they occur and presented in the statement of recognised income and expense.

Research and development

Research expenditure is charged to income in the year in which it is incurred.

Development expenditure is charged to income in the year in which it is incurred unless it meets the recognition criteria of IAS 38 "Intangible Assets". Regulatory and other uncertainties generally mean that such criteria are not met. Such intangible assets, if capitalised are amortised on a straight line basis over the period of the expected benefit and reviewed for impairment at each balance sheet.

INDEPENDENT REVIEW REPORT TO SERVISION PLC

We have been instructed by the company to review the financial information for the six months ended 30 June 2007, which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow statement and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Respective responsibilities of directors

The interim report, including the financial statements 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 AIM Rules of the London Stock Exchange which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied and adequately disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

haysmacintyre
Chartered Accountants
Registered Auditors

28 September 2007

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