

Company SerVision plc
TIDM SEV
Headline Half Yearly Report
Released 07:00 27-Sep-2011
Number 9674007

RNS Number : 96740
SerVision plc
27 September 2011

26 September 2011

SerVision PLC
("SerVision" or the "Company")

Interim Results
For the Six Months Ended 30 June 2011

SerVision (AIM: SEV), the AIM listed leading developer and manufacturer of an award winning range of digital security systems, is pleased to announce its unaudited interim results for the six month period ended 30 June 2011. SerVision has developed and patented a video compression technology, which allows high quality, real-time CCTV transmissions to be streamed across mobile phone networks and is currently being used by bus, taxi and cash-in-transit fleets, ATM providers, vehicle tracking and remote location facilities.

HIGHLIGHTS:

- Revenue reduced by 21% to \$2.15m (H1 2010: \$2.72m); due to one-off additional income booked in H1 2010 from sale of manufacturing rights to Rich Wonder into China
- Operating profit was therefore lower at \$576,000*, (H1 2010: \$769,000)
- Net profit for the period was therefore lower at \$539,000* (H1 2010: \$729,000)
- Two significant new Distribution Agreements signed:
 - Cobra UK Limited - the European leader of stolen vehicle tracking systems
 - Cashfin - 4,000 units across SerVision's product range in Mexico
- New Fleet Management Services:
 - SVControl Centre - allows monitoring of up to 5,000 vehicles/locations at one time
 - Integrated alert systems for route-deviation, speeding, erratic driving and stability
- Post period end: Significant \$2m order with Graphic Image Technologies of South Africa

**Includes a one-off revaluation of £761,000 in the period on a loan owed to the Office of Chief Scientist*

Gidon Tahan, Chairman and Chief Executive Officer of SerVision, commented, "SerVision continues to supply its market leading security video systems into new markets and sectors. We have integrated innovative features to our mobile systems such as speed and route deviation alerts, which are vital for fleet management companies. We have also launched our Android OS client app, which along with our existing iPhone application, penetrates over 80% of the smartphone market, allowing customers to view their sites and vehicles away from the office.

"Finally, we have launched our fleet management SVControl Centre, which enables the monitoring of a substantial number of vehicles and locations at one time. 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."

For further information:

SerVision plc
Eitan Yanuv, Finance Director

+972 2535 0015

Allenby Capital Limited (Nominated Adviser/ Broker)
Nick Athanas / James Reeve

+44 (0)20 3328 5656

Leander (Financial PR)
Christian Taylor-Wilkinson

+44 (0)7795 168 157

CHAIRMAN'S STATEMENT

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 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.

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

SERVISION PLC

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

		<u>Six months to</u> <u>30 June 2011</u>	<u>Six months to</u> <u>30 June 2010</u>	<u>Year to 31</u> <u>Dec 2010</u>
	<u>Note</u>	<u>\$'000</u> <u>Unaudited</u>	<u>\$'000</u> <u>Unaudited</u>	<u>\$'000</u> <u>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 PERIOD		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>As at 30 June</u>	<u>As at 31</u>
	<u>2011</u>	<u>2010</u>	<u>December 2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
	<u>Unaudited</u>	<u>Unaudited</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 8,481 7,807 8,228

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 6,411 5,007 4,899

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 2,070 2,800 3,329

Total equity and liabilities 8,481 7,807 8,228

SERVISION PLC

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

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Merger Reserve</u>	<u>Other Reserve</u>	<u>Retained Earnings</u>	<u>Translation Reserve</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'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 30 June 2011</u>	<u>Six months to 30 June 2010</u>	<u>Year to 31 December 2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
	<u>Unaudited</u>	<u>Unaudited</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	967	547	523
Net loans (repaid)/received	(217)	(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>

SERVISION PLC

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

1. BASIS OF PREPARATION

The condensed group financial statements 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.

The condensed 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 725,000 GBP. 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 30 June 2011</u>	<u>Six months to 30 June 2010</u>	<u>Year to 31 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>

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 1.13c (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 totaling \$864,000 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 \$936,000.

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 to and including 2013, amounts to \$175,000.

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 \$761,000, 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 \$761,000.

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 \$140,000 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.

8. AVAILABILITY OF INTERIM ACCOUNTS

The interim financial statement will be, in accordance with AIM Rule 26 of the AIM Rules for Companies, available shortly on SerVision's website (www.servision.net).

-ends-

This information is provided by RNS
The company news service from the London Stock Exchange

END

IR UNAURARAKUUR

CLOSE

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.

©2009 London Stock Exchange plc. All rights reserved

Regulatory

