Company	SerVision plc
TIDM	SEV
Headline	Final Results
Released	07:00 30-Jun-2010
Number	4785O07

RNS Number : 4785O
SerVision plc
30 June 2010

30 June 2010

SerVision plc
("SerVision" or the "Company")

Final Results

SerVision (AIM:SEV), the AIM listed leading developer and manufacturer of digital security systems, announces its full year audited results for the financial year ended 31 December 2009

Highlights:

- Revenues increased by 13% ($5,367,000 for this period compared to $4,732,000 for the same period in 2008)
- Operating profit for the period was $285,000 compared to an operating loss of $857,000 for the same period in 2008
- Net profits for the period was $193,000 compared to a loss of $1,064,000 for the same period in 2008
- Strong second half for the year where SerVision reached a net profit of $477,000 compared with a net loss of $316,000 for the same period last year

Contacts:

SerVision plc Eitan Yanuv, Finance Director	+972 2535 0015
Allenby Capital Limited Nick Athanas/James Reeve	+44 (0)20 3328 5656
Old Park Lane Capital plc Forbes Cutler	+44 (0)20 7518 2603

CHAIRMAN'S STATEMENT

I am pleased to announce SerVision's consolidated financial statements for the twelve months ended 31 December 2009, and I am very happy to report that despite setbacks resulting from the global financial crisis, SerVision

surpassed break-even point, closing the year with a profit, and appeared on "Deloittes Technology Fast 50" list for Israel 2009.

In addition to reaching the important milestones noted above, during the period SerVision was awarded contracts to deliver nearly seven hundred video systems to the police in Bogata, and to supply the first 150 systems for G4S-operated Cash-in-Transit vehicles throughout the UK (total fleet size of 2,000). Our mobile systems are also currently being piloted by Loomis in the UK. These high-profile projects which are expected to grow considerably during 2010, coupled with new distribution contracts in Asia and Latin America, played a significant role in strengthening our market position in the mobile video surveillance sector. Our newest "Compact Video Gateway- Mobile" (CVG-M), formally released in Q1 of 2010, has opened new vertical market opportunities for SerVision, particularly among taxi companies searching for low-cost remote monitoring solutions for vehicles, and major cellular operators looking to offer private customers remote monitoring solutions for home safety applications.

Operating Review

In Q4 of 2009, Hong Kong-based Rich Wonder Technology purchased the manufacturing rights to locally manufacture SerVision products for the Chinese market. The $2m agreement, of which $600,000 has been recognised in these accounts, came into effect in May and we have now selected a qualified manufacturing company to assume responsibility of local production in China. Once the manufacturing process is fully underway, I anticipate a considerable reduction in production costs and greater flexibility to compete in markets where end-customer pricing is often the deciding factor for moving forward.

During the financial year the Company announced equity capital raisings totalling approximately £1.1 million which has provided the Company with additional working capital to allow the Company to execute on its strategy and assist in the growth of the business across its market segments.

Sales and Marketing

Towards the end of last year and in recent months, SerVision has made some significant inroads with a number of cellular operators who have expressed interest in marketing the new CVG-M to private customers for home safety applications. The CVG-M, bundled with cameras and a data plan that supports live video transmission over cellular, offers a low-cost solution to private users looking for video access to their homes and vehicles while on-the-go. Orange has already begun promoting the CVG-M throughout its branches in Israel, and we are currently in discussions with T-Mobile in Germany and Verizon in the US to replicate the Orange-SerVision business model. Partnering with either of these major companies to penetrate the private market will certainly bring SerVision to a new level.

In addition to the ongoing UK Cash-in-Transit projects mentioned above, SerVision has begun pilots with a number of other cash service and bus companies around the world. Over 200 MVGs are already deployed on buses in Israel and two more local companies with a total fleet size of 1,000 vehicles have recently begun pilots.

SerVision has recently increased the market value of our award-winning MVG and the newly launched CVG-M by adding functionality which enables local playback of commercial video/audio content on a local TV monitor connected to the units. When installed in a public vehicle, the MVG and CVG-M can be used both for remote monitoring security applications and as an advertising medium. We have received very favourable feedback on this feature from a number of taxi and bus companies that are currently using our systems, and anticipate further market penetration in the public transportation sector as a result.

Financials

- Revenues, including other income from the Manufacturing Rights Agreement in China, increased by 13% ($5,367,000 for this period compared to $4,732,000 for the same period in 2008).
- Operating profit for the period was $285,000 compared to an operating loss of $857,000 for the same period in 2008.
- Net profits for the period was $193,000 compared to a loss of $1,064,000 for the same period in 2008.This represents a very strong second half for the year where SerVision reached a net profit of $477,000 compared with a net loss of $316,000 for the same period last year.

Conclusion

I am happy to report that SerVision was profitable in 2009, and am especially pleased that we were able to achieve this success during a year of considerable economic strife. I am grateful to our entire staff for their commitment and hard work, as well as to our shareholders for their continued support.

So far in 2010 we have secured important new distribution agreements and also entered into the manufacturing rights agreement with Rich Wonder Technology. We remain hopeful of maintaining our progress through the remainder of 2010.

Gideon Tahan
Chairman and Chief Executive Officer

SERVISION PLC

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 $'000	**2008 $'000**
Sales of goods and services	4,767	4,732
Franchise income	600	-
TOTAL REVENUES	5,367	4,732
Cost of sales	(2,725)	(2,505)
GROSS PROFIT	2,642	2,227
Administrative expenses	(1,538)	(2,040)
Depreciation and amortisation	(881)	(1,142)
Exchange rate differences	62	98
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX AND FINANCE COSTS	285	(857)
Net finance expenditure	(92)	(207)
PROFIT/(LOSS) ON ORDINARY BEFORE INCOME TAX	193	(1,064)
Tax on ordinary activities	-	-
NET PROFIT/(LOSS) FOR THE YEAR	193	(1,064)
Translation difference arising from translating into presentation currency	(32)	(430)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR	161	(1,494)
PROFIT/(LOSS) PER SHARE		
BASIC	0.61c	(4.12)c
DILUTED	0.61c	(4.12)c

All activities arose from continuing activities.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2009

	2009 $'000	2008 $'000
ASSETS		
Non-current assets		
Intangible assets	4,016	3,860
Property, plant and equipment	54	66
	4,070	3,926
Current assets		
Inventories	196	563
Trade and other receivables	2,223	1,455
Cash and cash equivalents	436	136
	2,855	2,154
	6,925	6,080
EQUITY		
Capital and reserves attributable to the Company's equity shareholders		
Called up share capital	711	556
Share premium account	10,920	9,776
Merger reserve	1,979	1,979
Other reserve	24	-
Retained earnings and translation reserves	(9,899)	(10,060)
TOTAL EQUITY	3,735	2,251
LIABILITIES		
Non-current liabilities		
Bank loans	291	428
Loan from the office of the chief scientist	789	882
Post employment benefits	267	194
	1,347	1,504
Current liabilities		
Bank loans and overdrafts	264	558
Loan from the office of the chief scientist	116	109
Trade and other payables	1,463	1,658
	1,843	2,325
TOTAL LIABILITIES	3,190	3,829
TOTAL EQUITY AND LIABILITIES	6,925	6,080

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 $'000	2008 $'000
Cash flows from operating activities		
Profit/(loss) before taxation	193	(1,064)
Adjustments for:		
Net finance expenditure	92	207
Depreciation and amortisation	881	1,140
Capital loss	-	9
Movement in trade and other receivables	(846)	(305)

Movement in inventories	367	(6)
Movement in post retirement benefits	73	(62)
Movement in trade and other payables	(194)	567
Net cash generated from operating activities	566	486
Cash flow from investing activities		
Purchase of property, plant and equipment and intangibles	(1,026)	(1,523)
Net interest paid	(92)	(207)
Net cash used in investing activities	(1,118)	(1,730)
Cash flows from financing activities		
Receipts from issue of shares (net of issue costs)	1,401	1,650
Net loans undertaken less repayments	(551)	149
Cash generated from financing activities	850	1,799
Cash and cash equivalents at beginning of period	38	(87)
Net cash generated from all activities	298	555
Non-cash movement arising on foreign currency translation	(32)	(430)
Cash and cash equivalents at end of period	304	38
Cash and cash equivalents comprise		
Cash (excluding overdrafts) and cash equivalents	436	136
Overdrafts	(132)	(98)
	304	38

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital $'000	Share Premium $'000	Merger Reserve $'000	Other Reserve $'000	Retained Earnings $'000	Translation Reserve $'000	Total $'000
At 1 January 2008	467	8,075	1,979	-	(9,153)	587	1,955
Total comprehensive income for the year	-	-	-	-	(1,064)	(430)	(1,494)
Issue of shares (net of costs)	89	1,701	-	-	-	-	1,790
At 31 December 2008	556	9,776	1,979	-	(10,217)	157	2,251
Total comprehensive income for the year	-	-	-	-	193	(32)	161
Issue of shares (net of costs)	155	1,144	-	24	-	-	1,323
At 31 December 2009	711	10,920	1,979	24	(10,064)	165	3,735

The financial information in this announcement, which was approved by the Board on 29 June 2010, does not

comprise statutory accounts for the purpose of Section 435 of the Companies Act 2006 for the years ended 31 December 2008 or 2009. It has been extracted from the Company's consolidated accounts for the period to 31 December 2009.

The statutory accounts for the year ended 31 December 2008 have been delivered to the Registrar of Companies and included an audit report which was unqualified and did not contain statements under s237(2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 31 December 2009 will be delivered to the Registrar of Companies in due course.

Whilst the information in this announcement has been prepared in accordance with recognition and measurement criteria of International Financial Reporting Standards (IFRSs) this announcement in itself does not give sufficient information to comply with IFRSs.

EXTRACT FROM THE NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1. ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (June 2010) 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.

This year the Group adopted IFRS 8 "Operating Segments", which replaces IAS 14 Segment Reporting. The standard is applied retrospectively. The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief executive officer. In contrast, IAS 14 required the Group to identify two sets of segments (business and geographical) based on risks and rewards of the operating segments. The Company has one business segment that of developing and selling video surveillance equipment. Segmental reporting is produced on a geographical basis by place of sale. This change has resulted in the UK and Israel being identified as separate operating segments for the Group. Note 2 contains further information about the Group's segment reporting accounting policies and new format under IFRS 8. The Group adopted IAS 1 Revised 'Presentation of Financial Statements' during the year.

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

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 2008 and 2009.

The accounts 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.

Revenue recognition

Sale of systems

The subsidiary generates revenues mainly from sales of systems. The subsidiary sells its products directly through its distribution networks worldwide.

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

evidence of an arrangement exists.

For transactions of the "charged and held" type, for which delivery of inventory was postponed until after the balance sheet date, revenue is recorded upon completion of the system only upon the condition that the customer confirms in writing the terms of the postponed delivery.

Sale of products

Revenues from the sale of purchased products are recognised upon delivery of the products to the customers.

Franchise income

Revenues from franchises are recognised in line with the agreed terms of the franchise agreement.

Warranty costs

The subsidiary generally offers a one year warranty for all its products. The subsidiary includes in its statements of operations an allowance for warranty claims totalling 2% 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
Motor vehicles	15% per annum
Office furniture and equipment	6-15% per annum
Computer equipment	20-33% 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 US Dollar. The functional currency of the parent company is sterling because the parent company is based in the UK 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.

The exchange rate used at 31 December 2009 was £1 = US$1.619.

Operating lease agreements

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

Trade and other receivables

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

Investments

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

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 borrowings in current liabilities on the balance sheet.

Inventories

Inventories represent work in progress and goods for resale and stated at the lower of cost and net realisable

value.

Research and development

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

Expenditure for the development activities of technology used in the production of systems sold by the Company, are capitalised and presented as an asset in the balance sheets 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 lives 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.

Post retirement benefits

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

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

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

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

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

Grants from the Office of the Chief Scientist

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

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 share premium as a cost of raising equity with a corresponding increase in other reserves in equity or in the income statement if the award relates to the remuneration of employees. The Group uses a Black-Scholes option valuation model.

2. GEOGRAPHICAL SEGMENT ANALYSIS

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

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

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

	2009 $'000	2008 $'000
Europe	924	2,044
Middle East	918	561
North America	570	833
Rest of the world	2,955	1,294
	5,367	4,732

All of the Groups non-current assets are held in Israel.

The Group has 2 customers that accounted for more than 10% of revenue in 2009 both of which are in the segment Rest of the world.

3. COST OF SALES

	2009 $'000	2008 $'000
Materials and parts	2,296	1,966
Employee benefit expense	257	325
Other costs	172	214
	2,725	2,505

4. CALLED UP SHARE CAPITAL

	2009 $'000	2008 $'000
Allotted, called up and fully paid:		
39,386,102 (2008: 29,881,490) ordinary shares of £0.01 each	711	556
384,615 deferred shares of £0.001 each	-	-
	711	556

During the year the Company issued 9,504,612 ordinary £0.01 shares for a total consideration of £855,416.

5. TRADE AND OTHER PAYABLES

	2009		2008	
	Group $'000	Company $'000	Group $'000	Company $'000
Trade payables	839	-	423	-
Other taxes and social security	298	-	911	-
Other payables	137	-	167	-

Accruals and deferred income	189	51	157	112
	1,463	51	1,658	112

6. BANK LOANS AND OVERDRAFTS

	2009 $'000	2008 $'000
Group		
Bank overdraft	132	98
Bank loans: amounts due within one year	132	460
Current liability	264	558
Bank loans: amounts due within two to five years	291	224
Bank loans: amounts due after five years	-	204
Total bank loans and overdrafts	555	986

The Group has four loans. The first loan is with Bank Leumi for $4,000 and is repayable in monthly instalments until February 2010. The second loan is with Bank Otzar for US$261,000 and is repayable in monthly instalments until November 2011. The third loan is with Bank Mizrahi for US$73,000 and is renewable every two months. The fourth loan is with Bank Hapoalim for US$86,000 and is repayable in monthly instalments until January 2012.

7. PROFIT/(LOSS) PER SHARE

Basic earnings per share is calculated by reference to the profit on ordinary activities after taxation of $193,000 (2008: loss $1,064,000) and on the weighted average of 31,717,721 (2008: 25,865,120) shares in issue. The calculation of diluted earnings per share is based on the profit on ordinary activities after taxation and the diluted weighted average of 31,731,020 (2008: 25,865,120) shares calculated as follows:

	Number of shares	
	31 December 2009	31 December 2008
Basic weighted average number of shares	31,717,721	25,865,120
Dilutive potential ordinary shares: Share options	13,299	-
Diluted weighted average number of shares	31,731,020	25,865,120

30,000 (2008: Nil) share options could potentially dilute the basic earnings per share in the future, but have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.

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

END

FR DBGDLGUDBGGC

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