

SERVISION PLC
CONDENSED GROUP FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

SERVISION PLC

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FOR THE SIX MONTHS ENDED 30 JUNE 2008

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SERVISION PLC

CHAIRMAN'S STATEMENT

CONDENSED GROUP FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

I am pleased to announce SerVision's condensed group financial statements for the six months ending 30 June 2008. This period has seen some tough trading conditions for Servision. Whilst the revenue figure has fallen this is due, in part to revenues for orders received in this half being recognised in the coming half of the year. Additionally, whilst we are pleased that gross margins for the period increased to 51% (30 June 2007: 46%) a provision for bad debts and increased finance expense, due to the falling value of the US\$ against the Israeli Shekel, has hit the bottom line.

Despite this, we have still improved upon our performance when compared with the final six months of 2007, and given the many exciting projects, and tenders for contracts which Servision has in the market, we are optimistic of further improvement during the second half of the year.

Financial Overview

- Revenues for the period were \$2,383,000 compared with \$2,540,000 in the six months to 30 June 2007.
- Gross profits rose to \$1,224,000 (six months to 30 June 2007: \$1,165,000)
- Loss before taxation was \$1,113,000 (six months to 30 June 2007: \$512,000)
- Loss per share was 4.49 cents (six months to 30 June 2007: 2.23 cents)

Operating Review

During the period, SerVision has continued to penetrate new markets including Greece, Slovakia and India which show exciting growth prospects for our products. The group is currently in negotiations with a view to signing a distribution contract in China. The group's products are involved in tenders around the globe, and we hope to win several large projects which would provide a significant boost to sales. We will provide a further update as and when significant new contracts are signed.

The group has started to pre market demo units of its SVNetcam IP Camera (details of which are provided below). The camera is currently being tested by a large Israeli corporation. We are confident of a successful trial period and hope to generate revenues in the first half of next year once the camera becomes fully commercialised.

DHL, the international express and logistics company, have ordered 15 of our MVG units on a trial basis, and we remain optimistic that they will see the value of our product and place further orders.

Finance

Whilst revenues were depressed in the first half of this year we are encouraged to see an increase in gross margins compared to the first six months of 2007, and this is despite the fall of the US\$ against the Israeli Shekel.

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CHAIRMAN'S STATEMENT (continued)

CONDENSED GROUP FINANCIAL STATEMENTS

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Research and Development

SerVision's research and development team efforts were focused on two major products:

The IP Camera

SerVision is developing the SVNetcam, an IP camera that is based on the same quality of transmission which makes SerVision's video transmission technology the best in the world. In addition to streaming live video, the SVNetcam is capable of recording video to a flash drive – a feature which does not exist in the majority of competing IP cameras.

The MVG Series

The MVG has been installed in a number of successful projects all over the world. SerVision is currently upgrading the system with new features that will be particularly useful for police applications. More specifically, we are integrating advanced analytics and license plate recognition so that the MVG can also assist police in recovering stolen vehicles. SerVision is also in advanced stages of developing a control centre application that will be used for large projects which require the monitoring of thousands of sites and advanced event management features.

Conclusion

I believe that SerVision could be a leader in the CCTV market with a specific focus on the mobile market. Our products include added advantages to alternative products and with a competitive pricing structure. We believe that our target markets are beginning to realise this, albeit not as rapidly as we might have hoped. Nevertheless we are quietly and cautiously confident in the future of the group.

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

Gidon Tahan

Chairman and Chief Executive Officer

29 September 2008

SERVISION PLC**CONDENSED GROUP INCOME STATEMENT****FOR THE SIX MONTHS ENDED 30 JUNE 2008**

	Note	Six months to 30 June 2008 \$'000 <u>Unaudited</u>	Six months to 30 June 2007 \$'000 <u>Unaudited</u>	Year to 31 December 2007 \$'000 <u>Audited</u>
TURNOVER	2	2,383	2,540	4,097
Cost of sales		(1,159)	(1,375)	(2,182)
GROSS PROFIT		1,224	1,165	1,915
Administrative expenses		(2,181)	(1,664)	(3,265)
OPERATING LOSS		(957)	(499)	(1,350)
Net finance expense		(156)	(13)	(129)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,113)	(512)	(1,479)
Tax on loss on ordinary activities	3	-	-	-
RETAINED LOSS		(1,113)	(512)	(1,479)
Loss per share				
Basic and diluted	4	(4.49c)	(2.23c)	(6.21c)

SERVISION PLC

CONDENSED GROUP BALANCE SHEET

AT 30 JUNE 2008

	As at 30 June 2008 \$'000 <u>Unaudited</u>	As at 30 June 2007 \$'000 <u>Unaudited</u>	As at 31 December 2007 \$'000 <u>Audited</u>
ASSETS			
Non-current assets			
Intangible assets	3,464	3,488	3,456
Property, plant and equipment	80	96	96
	<u>3,544</u>	<u>3,584</u>	<u>3,552</u>
Current assets			
Inventories	629	187	557
Trade and other receivables	963	1,400	1,010
Cash and cash equivalents	36	24	-
	<u>1,628</u>	<u>1,611</u>	<u>1,567</u>
Total assets	<u><u>5,172</u></u>	<u><u>5,195</u></u>	<u><u>5,119</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	467	429	467
Share premium account	8,075	7,101	8,075
Retained earnings and translation reserves	(9,744)	(7,901)	(8,566)
Merger reserve	1,979	1,979	1,979
Total equity	<u>777</u>	<u>1,608</u>	<u>1,955</u>
LIABILITIES			
Current liabilities			
Short term credit from banking institutions	511	464	433
Loan from the office of the chief scientist	126	-	104
Trade and other payables	2,285	1,713	1,091
	<u>2,922</u>	<u>2,177</u>	<u>1,628</u>
Non-current liabilities			
Long term loan from bank institution	283	266	415
Loan from Office of the Chief Scientist	836	941	865
Post employment benefits	354	203	256
	<u>1,473</u>	<u>1,410</u>	<u>1,536</u>
Total liabilities	<u>4,395</u>	<u>3,587</u>	<u>3,164</u>
Total equity and liabilities	<u><u>5,172</u></u>	<u><u>5,195</u></u>	<u><u>5,119</u></u>

SERVISION PLC**CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY****FOR THE SIX MONTHS ENDED 30 JUNE 2008**

	Share Capital \$'000	Share Premium \$'000	Merger Reserve \$'000	Retained earnings \$'000	Translation reserve \$'000	Total \$'000
As at 1 January 2007	429	7,101	1,979	(7,751)	231	1,989
Total recognised income and expense	-	-	-	(512)	131	(381)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2007	429	7,101	1,979	(8,263)	362	1,608
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2007	467	8,075	1,979	(9,153)	587	1,955
Total recognised income and expense	-	-	-	(1,113)	(65)	(1,178)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2008	467	8,075	1,979	(10,266)	522	777
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

SERVISION PLC

CONDENSED GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months to 30 June 2008 \$'000 <u>Unaudited</u>	Six months to 30 June 2007 \$'000 <u>Unaudited</u>	Year to 31 December 2007 \$'000 <u>Audited</u>
Cash flows from operating activities			
Loss before taxation	(1,113)	(512)	(1,479)
Adjustments for:			
Net finance expense	156	13	129
Net interest paid	(156)	(13)	(129)
Depreciation and amortisation	891	614	1,327
Movement in trade and other receivables	47	(411)	(21)
Movement in inventories	(72)	136	(234)
Movement in grant from chief scientist	30	24	52
Movement in post retirement benefits	98	55	108
Movement in trade and other payables	1,281	606	(16)
Net cash inflow/(outflow) from operating activities	<u>1,162</u>	<u>512</u>	<u>(263)</u>
Cash flow from investing activities			
Purchase of property, plant and equipment and intangibles	(883)	(831)	(1,512)
Net cash outflow from investing activities	<u>(883)</u>	<u>(831)</u>	<u>(1,512)</u>
Cash flows from financing activities			
Issue of shares in Servision Plc	-	-	1,012
Net loans (repaid)/received	(565)	(13)	166
Loan from chief scientist repaid	(37)	-	-
Cash (outflow)/inflow from financing activities	<u>(602)</u>	<u>(13)</u>	<u>1,178</u>
Cash and cash equivalents at beginning of period	(87)	(239)	77
Net cash outflow from all activities	(323)	(332)	(597)
Non-cash movement arising on foreign currency translation	(65)	131	433
Cash and cash equivalents at end of period	<u>(475)</u>	<u>(440)</u>	<u>(87)</u>
Cash and cash equivalents comprise			
Cash (excluding overdrafts) and cash equivalents	36	24	381
Overdrafts	(511)	(464)	(468)
	<u>(475)</u>	<u>(440)</u>	<u>(87)</u>

NOTES TO THE REPORT AND CONDENSED GROUP FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 2008 annual financial statements.

This statement does not comprise statutory accounts as defined in Section 240 of the Companies Act 1985 and the results for the six months ended 30 June 2008 and for the six months ended 30 June 2007 are unaudited.

The financial information for the year ended 31 December 2007 is an extract from the latest group accounts. Statutory financial statements for the year ended 31 December 2007, prepared in accordance with IFRS, on which the auditors gave an unqualified opinion, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not include a statement under section 237(2) or (3) of the Companies Act 1985, 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. 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 2008 \$’000 <u>Unaudited</u>	Six months to 30 June 2007 \$’000 <u>Unaudited</u>	Year to 31 December 2007 \$’000 <u>Audited</u>
UK and Continental Europe	1,326	1,163	2,037
North America	462	277	509
Latin America	310	625	877
Asia and Middle East	210	225	476
Africa	75	250	198
	<u>2,383</u>	<u>2,540</u>	<u>4,097</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 CONDENSED GROUP FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2008

4. LOSS PER SHARE

The loss per share of 4.49c (31 December 2007: 6.21c; 30 June 2007: 2.23c) has been calculated on the weighted average number of share in issue during the year namely 24,773,637 (31 December 2007: 23,831,197; 30 June 2007: 22,890,304) and losses of US\$1,112,336 (31 December 2007: US\$1,478,953; 30 June 2007: US\$512,202).

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

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 2008 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 4.

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 which require that the interim report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

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 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

haysmacintyre
Chartered Accountants
Registered Auditors

29 September 2008

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