

SERVISION PLC
CONDENSED GROUP FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

SERVISION PLC

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FOR THE SIX MONTHS ENDED 30 JUNE 2009

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SERVISION PLC

CHAIRMAN'S STATEMENT

CONDENSED GROUP FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

I am pleased to announce SerVision's consolidated group financial statements for the six months ending 30 June 2009. Losses before taxes for this period were reduced by 72% when compared with the same period from last year (\$316,000 for this period compared with \$1,113,000 for the six month period through 30 June 2008). Revenues during this period, however, were below expectations partly due to the ongoing global financial crisis and also because a number of anticipated orders were put on hold until the second half of the year. Having said that, I am confident that our performance will improve in the second half of 2009. Indeed, since June 2009 we have signed a new distribution agreement with a Singaporean based company, and we have secured a large police project in Bogota, Colombia. I remain optimistic about our current pipeline and we are hopeful that revenues will improve in the second half of the year.

Sales and Marketing

During the period we have widened our distribution network and territorial reach considerably, particularly in the Far East. Earlier this year, we announced major distribution contracts in China and India, and more recently in Singapore, Indonesia, Malaysia and Thailand. We also recently announced that SerVision was awarded a tender by the Colombian police force in Bogota which we expect to sign in the very near future. Since being awarded the tender, I have been informed by our local partner in Bogota that the police are now contemplating increasing the quantity of required MVG 400s from 465 to 665 systems.

Research and development

The Company's research and development team is hard at work on a mobile, light-weight two-channel video transmitter called the CVG-M. This unit is ideal for body-worn applications. Markets all over the world, particularly among police forces and militaries that are already familiar with the MVG 400 for vehicle applications, have responded very favourably to prototypes of this system. Taxi companies have also expressed significant interest in this unit due to its low cost, cellular video transmission capabilities, and its ability to locally capture and store high quality video on the system's flash drive. If internal timetables are met, this new technology is expected to be fully commercialized in the fourth quarter of the current financial year.

In addition, the Company has recently added new functionality to the MVG 400/800 mobile video gateways. In addition to providing live video, GPS and bidirectional audio to meet the transportation market's security needs, these units are now able to broadcast advertising content supplied by local merchants and businesses. MVGs installed on buses, trains, and other forms of public transportation, are now able to generate income from local advertisers. This functionality is in high demand among our partners as it will help them demonstrate that our solution provides ultimate security, and it will pay for itself over a matter of months.

Financials

- Loss before taxation was reduced by 72% (\$316,000 for this period compared with \$1,113,000 for the six month period through 30 June 2008).
- Loss per share was reduced by 76% (1.06 cents for this period compared with 4.49 cents for the six month period through 30 June 2008).
- Revenues for the period decreased by 11% (\$2,113,000 for this period compared with \$2,383,000 for the six month period through 30 June 2008).
- Gross profits for the period decreased by 17% (\$1,014,000 for this period compared with \$1,224,000 for the six month period through 30 June 2008).

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CHAIRMAN'S STATEMENT (continued)

CONDENSED GROUP FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

Conclusion

SerVision remains competitive and is pursuing larger contracts and agreements than in previous years. It maintains a healthy indicative order book for the second half of 2009. I sense that in the last couple of months, confidence is returning to our market and we remain well-positioned to capitalise on new opportunities in the mobile surveillance market.

Again, I am pleased that SerVision's commercial prospects appear to be healthy and strong for the remainder of this year and we continue to be optimistic about the future. I am grateful to our shareholders for their continued support, as well as to our dedicated staff for their invaluable contribution to the success of the company.

Gidon Tahan
Chairman and Chief Executive Officer

30 September 2009

SERVISION PLC

CONDENSED GROUP INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Note	Six months to 30 June 2009 \$'000 <u>Unaudited</u>	Six months to 30 June 2008 \$'000 <u>Unaudited</u>	Year to 31 December 2008 \$'000 <u>Audited</u>
TURNOVER	3	2,113	2,383	4,732
Cost of sales		(1,099)	(1,159)	(2,505)
GROSS PROFIT		1,014	1,224	2,227
Administrative expenses		(1,307)	(2,181)	(3,084)
OPERATING LOSS		(293)	(957)	(857)
Net finance expense		(23)	(156)	(207)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(316)	(1,113)	(1,064)
Tax on loss on ordinary activities	4	-	-	-
RETAINED LOSS		<u>(316)</u>	<u>(1,113)</u>	<u>(1,064)</u>
Loss per share Basic and diluted	5	<u>(1.06c)</u>	<u>(4.49c)</u>	<u>(4.12c)</u>

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CONDENSED GROUP BALANCE SHEET

AT 30 JUNE 2009

	As at 30 June 2009 \$'000 <u>Unaudited</u>	As at 30 June 2008 \$'000 <u>Unaudited</u>	As at 31 December 2008 \$'000 <u>Audited</u>
ASSETS			
Non-current assets			
Intangible assets	3,584	3,464	3,860
Property, plant and equipment	58	80	66
	<u>3,642</u>	<u>3,544</u>	<u>3,926</u>
Current assets			
Inventories	417	629	563
Trade and other receivables	1,335	963	1,455
Cash and cash equivalents	125	36	136
	<u>1,877</u>	<u>1,628</u>	<u>2,154</u>
Total assets	<u><u>5,519</u></u>	<u><u>5,172</u></u>	<u><u>6,080</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	556	467	556
Share premium account	9,776	8,075	9,776
Merger reserve	1,979	1,979	1,979
Retained earnings and translation reserves	(10,376)	(9,744)	(10,060)
Total equity	<u>1,935</u>	<u>777</u>	<u>2,251</u>
LIABILITIES			
Current liabilities			
Short term credit from banking institutions	658	511	558
Loan from the office of the chief scientist	109	126	109
Trade and other payables	1,431	2,285	1,658
	<u>2,198</u>	<u>2,922</u>	<u>2,325</u>
Non-current liabilities			
Long term loan from bank institution	360	283	428
Loan from Office of the Chief Scientist	798	836	882
Post employment benefits	228	354	194
	<u>1,386</u>	<u>1,473</u>	<u>1,504</u>
Total liabilities	<u>3,584</u>	<u>4,395</u>	<u>3,829</u>
Total equity and liabilities	<u><u>5,519</u></u>	<u><u>5,172</u></u>	<u><u>6,080</u></u>

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CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Share Capital \$'000	Share Premium \$'000	Merger Reserve \$'000	Retained earnings \$'000	Translation reserve \$'000	Total \$'000
As at 1 January 2008	467	8,075	1,979	(9,153)	587	1,955
Total recognised income and expense	-	-	-	(1,113)	(65)	(1,178)
As at 30 June 2008	<u>467</u>	<u>8,075</u>	<u>1,979</u>	<u>(10,266)</u>	<u>522</u>	<u>777</u>
As at 31 December 2008	556	9,776	1,979	(10,217)	157	2,251
Total recognised income and expense	-	-	-	(316)	-	(316)
At 30 June 2009	<u>556</u>	<u>9,776</u>	<u>1,979</u>	<u>(10,533)</u>	<u>157</u>	<u>1,935</u>

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CONDENSED GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Six months to 30 June 2009 \$'000 <u>Unaudited</u>	Six months to 30 June 2008 \$'000 <u>Unaudited</u>	Year to 31 December 2008 \$'000 <u>Audited</u>
Cash flows from operating activities			
Loss before taxation	(316)	(1,113)	(1,064)
Adjustments for:			
Net finance expense	30	156	207
Net interest paid	(30)	(156)	(207)
Depreciation and amortisation	733	891	1,140
Loss on disposal of fixed assets	-	-	9
Movement in trade and other receivables	341	47	(305)
Movement in inventories	146	(72)	(6)
Movement in grant from chief scientist	-	30	22
Movement in post retirement benefits	34	98	(62)
Movement in trade and other payables	(227)	1,281	567
Net cash inflow/(outflow) from operating activities	<u>711</u>	<u>1,162</u>	<u>(301)</u>
Cash flow from investing activities			
Purchase of property, plant and equipment and intangibles	(449)	(883)	(1,523)
Net cash outflow from investing activities	<u>(449)</u>	<u>(883)</u>	<u>(1,523)</u>
Cash flows from financing activities			
Issue of shares in Servision Plc	-	-	1,650
Net loans (repaid)/received	(196)	(565)	127
Loan from chief scientist repaid	(84)	(37)	-
Cash (outflow)/inflow from financing activities	<u>(280)</u>	<u>(602)</u>	<u>1,777</u>
Cash and cash equivalents at beginning of period	38	(87)	(87)
Net cash outflow from all activities	(18)	(323)	555
Non-cash movement arising on foreign currency translation	(221)	(65)	430
Cash and cash equivalents at end of period	<u><u>(201)</u></u>	<u><u>(475)</u></u>	<u><u>38</u></u>
Cash and cash equivalents comprise			
Cash (excluding overdrafts) and cash equivalents	125	36	136
Overdrafts	(326)	(511)	(98)
	<u><u>(201)</u></u>	<u><u>(475)</u></u>	<u><u>38</u></u>

NOTES TO THE REPORT AND CONDENSED GROUP FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 2009 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 2009 and for the six months ended 30 June 2008 are unaudited.

The financial information for the year ended 31 December 2008 is an extract from the latest group accounts. Statutory financial statements for the year ended 31 December 2008, prepared in accordance with IFRS, on which the auditors gave an unqualified opinion but did include reference to matters to which the auditors drew attention by way of emphasis without qualifying their report.

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 August 2009, the Company issued 3,333,333 million new ordinary shares at a price of 9 pence per share, raising £300,000. The net proceeds will be 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		
	Six months to 30 June 2009 \$’000 <u>Unaudited</u>	Six months to 30 June 2008 \$’000 <u>Unaudited</u>	Year to 31 December 2008 \$’000 <u>Audited</u>
UK and Continental Europe	712	1,326	2,044
North America	274	462	833
Latin America	109	310	940
Asia and Middle East	970	210	744
Africa	48	75	171
	<u>2,113</u>	<u>2,383</u>	<u>4,732</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. LOSS PER SHARE

The loss per share of 1.06c (31 December 2008: 4.12c; 30 June 2008: 4.49c) has been calculated on the weighted average number of shares in issue during the year namely 29,881,490 (31 December 2008: 25,825,242; 30 June 2008: 24,773,637) and losses of US\$316,861 (31 December 2008: US\$1,063,900; 30 June 2008: US\$1,112,336).

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 2009 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 5.

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 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 AIM rules. 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.

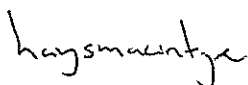
Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this 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 2009 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

30 September 2009

Fairfax House
15 Fulwood Place
London
WC1V 6AY