

**SERVISION PLC**  
**INTERIM REPORT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**SERVISION PLC**

**INTERIM REPORT**

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## **SERVISION PLC**

### **CHAIRMAN'S STATEMENT**

#### **FOR THE SIX MONTHS ENDED 30 JUNE 2010**

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I am pleased to announce SerVision's consolidated group interim report for the six months ended 30 June 2010. Our net profit for this period was \$729,000 compared to a loss of \$316,000 for the same period in 2009.

#### **Sales and Marketing**

During this period SerVision announced a new distribution agreement with Vision Techniques, a leading UK-based supplier of mobile security solutions to cash-in-transit companies, police and fire departments and public transport organisations. Ongoing UK-based projects with G4S and a new partnership with Loomis, are expected to progress during the coming months.

The Company also announced in May 2010 a manufacturing rights agreement with Rich Wonder Technology Limited to manufacture all of SerVision's narrow band-width video gateway products. Under the terms of the agreement, the consideration payable to SerVision was \$2.0 million of which \$600,000 was payable in cash. The balance of \$300,000 of the cash consideration is expected to be received by the Company by the end of October 2010. The remaining \$1,400,000 will be satisfied by the provision of 3,730 MVG400 units of stock to the Company.

SerVision recently supplied 250 UVG gateways to a new Bank/ATM project in Singapore, and our new Compact Video Gateway – Mobile ("CVG-M"), ideal for body-worn applications, was recently selected for an airport security project in Guangzhou China in advance of the 2010 Asian Games being held in November. SerVision's MVG 400 mobile video solution was selected for an 800 vehicle school bus project in San Antonio, Texas and the first 150 units have already been supplied.

The Company is currently shortlisted for two very promising large-scale government projects in Nigeria and South Africa and the Directors hope to have positive results from these discussions in the coming months. With regards to our revolutionary mobile video systems (MVG and CVG-M), we remain in regular contact with a leading German telecoms provider to formalise a framework for cooperation in the German market, whereby SerVision would supply its products, through the mobile operator to their subscribers via a monthly contract fee. SerVision's partner in China has recently begun discussions with China Mobile, the country's largest cellular operator, and we are also now in the process of exploring opportunities with the largest cellular operator in Mexico. The Directors believe that the potential in the market for a portable, cost effective, live-streaming home security video system which can be viewed on a mobile device is significant and it is hoped that one or all of these discussions will result in a new supply agreement for the Company.

#### **Research and Development**

SerVision's newly launched CVG-M has begun to make inroads in the global security market and is currently being piloted for a number of large-scale mobile projects. The two channel unit with bi-directional audio and integrated GSM and GPS modules now has full support for recording to a removable micro SD card. The system is available for deployment for a range of applications including the remote monitoring of individual persons, vehicles and remote sites. SerVision's CVG-M and MVG mobile solutions both support an integrated G-Force sensor that detects sudden changes in acceleration and irregular movement, offering bus companies and other fleet operators the ability to monitor and record roadside accidents, negligent driving and in the case of cash-in-transit vehicles, illegal interference.

During the first half of this year, SerVision released new client software for the iPhone and completed software support for video TV-walls commonly used in large control centres. SerVision's software team is now in the final stage of releasing a new control centre/backup solution that is designed and optimised to manage simultaneous connectivity with thousands of video gateways.

#### **Financials**

- Revenues, including manufacturing rights, increased by 29% to \$2,727,000 for this period compared to \$2,113,000 for the same period in 2009.
- Operating profit for the period was \$769,000 compared to an operating loss of \$293,000 for the same period in 2009.
- Net profit for the period was \$729,000 compared to a loss of \$316,000 for the same period in 2009 and a profit of \$509,000 for the second half of 2009.
- Cash at the end of the period was \$172,000, compared to \$125,000 as at 30 June 2009.

**SERVISION PLC**

**CHAIRMAN'S STATEMENT (continued)**

**FOR THE SIX MONTHS ENDED 30 JUNE 2010**

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**Conclusion**

We are very excited by the significant increase in the Company's performance, as highlighted by these results, and by the strong pipeline of opportunities currently under discussion with our business partners. We anticipate further penetration of the mobile surveillance market as our new CVG-M takes hold and I remain hopeful about the Company's ability to continue to grow in the future. We view the second half of the financial year with cautious optimism.

I would like to express gratitude to our shareholders for their ongoing support, and to all SerVision personnel for their dedication and commitment to the Company's future and success.

**Gidon Tahan**  
**Chairman and Chief Executive Officer**

29 September 2010

## SERVISION PLC

## CONSOLIDATED GROUP COMPREHENSIVE INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Six months to 30 June 2010 \$'000 Unaudited	Six months to 30 June 2009 \$'000 Unaudited	Year to 31 December 2009 \$'000 Audited
<b>TURNOVER</b>	3	2,727	2,113	5,367
Cost of sales		(775)	(1,099)	(2,725)
<b>GROSS PROFIT</b>		1,952	1,014	2,642
Administrative expenses		(1,164)	(1,307)	(2,394)
Other Income, net		(19)	-	37
<b>OPERATING PROFIT/(LOSS)</b>		769	(293)	285
Net finance expense		(40)	(23)	(92)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		729	(316)	193
Tax on loss on ordinary activities	4	-	-	-
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		729	(316)	193
Translation difference arising from translating into presentation currency		(4)	-	(32)
<b>TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR</b>		725	(316)	161
<b>Profit/(loss) per share</b>				
Basic and diluted	5	1.74	(1.06c )	0.61c

## SERVISION PLC

## CONSOLIDATED GROUP BALANCE SHEET

AT 30 JUNE 2010

	As at 30 June 2010 \$'000 Unaudited	As at 30 June 2009 \$'000 Unaudited	As at 31 December 2009 \$'000 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	4,277	3,584	4,016
Property, plant and equipment	57	58	54
	<u>4,334</u>	<u>3,642</u>	<u>4,070</u>
<b>Current assets</b>			
Inventories	452	417	196
Trade and other receivables	2,849	1,335	2,223
Cash and cash equivalents	172	125	436
	<u>3,473</u>	<u>1,877</u>	<u>2,855</u>
<b>Total assets</b>	<u><u>7,807</u></u>	<u><u>5,519</u></u>	<u><u>6,925</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity shareholders</b>			
Called up share capital	755	556	711
Share premium account	11,423	9,776	10,920
Merger reserve	1,979	1,979	1,979
Other reserve	24	--	24
Retained earnings and translation reserves	(9,174)	(10,376)	(9,899)
<b>Total equity</b>	<u>5,007</u>	<u>1,935</u>	<u>3,735</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term credit from banking institutions	385	658	264
Loan from the office of the chief scientist	126	109	116
Trade and other payables	984	1,431	1,463
	<u>1,495</u>	<u>2,198</u>	<u>1,843</u>
<b>Non-current liabilities</b>			
Long term loan from bank institution	216	360	291
Loan from Office of the Chief Scientist	794	798	789
Post employment benefits	295	228	267
	<u>1,305</u>	<u>1,386</u>	<u>1,347</u>
<b>Total liabilities</b>	<u>2,800</u>	<u>3,584</u>	<u>3,190</u>
<b>Total equity and liabilities</b>	<u><u>7,807</u></u>	<u><u>5,519</u></u>	<u><u>6,925</u></u>

**SERVISION PLC**

**CONSOLIDATED GROUP STATEMENT OF CHANGES IN EQUITY**

**FOR THE SIX MONTHS ENDED 30 JUNE 2010**

	<b>Share Capital \$'000</b>	<b>Share Premium \$'000</b>	<b>Merger Reserve \$'000</b>	<b>Other reserve \$'000</b>	<b>Retained earnings \$'000</b>	<b>Translation reserve \$'000</b>	<b>Total \$'000</b>
As at 1 January 2009	556	9,776	1,979	-	(10,217)	157	2,251
Total comprehensive loss	-	-	-	-	(316)	-	(316)
As at 30 June 2009	556	9,776	1,979	-	(10,533)	157	1,935
Total comprehensive profit	-	-	-	-	469	8	477
Issue of shares (net of costs)	155	1,144	-	24	-	-	1,323
As at 31 December 2009	711	10,920	1,979	24	(10,064)	165	3,735
Total comprehensive profit	-	-	-	-	729	(4)	725
Issue of shares (net of costs)	44	503	-	-	-	-	547
At 30 June 2010	755	11,423	1,979	24	(9,335)	161	5,007

## SERVISION PLC

## CONSOLIDATED GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months to 30 June 2010 \$'000 Unaudited	Six months to 30 June 2009 \$'000 Unaudited	Year to 31 December 2009 \$'000 Audited
<b>Cash flows from operating activities</b>			
Profit/(loss) before taxation	729	(316)	193
Adjustments for:			
Net finance expense	40	30	92
Depreciation and amortisation	305	733	881
Movement in trade and other receivables	(627)	341	(846)
Movement in inventories	(256)	146	367
Movement in post retirement benefits	28	34	73
Movement in trade and other payables	(479)	(227)	(194)
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(260)</u>	<u>741</u>	<u>566</u>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment and intangibles	(568)	(449)	(1,026)
Net interest paid	(40)	(30)	(92)
<b>Net cash outflow from investing activities</b>	<u>(608)</u>	<u>(479)</u>	<u>(1,118)</u>
<b>Cash flows from financing activities</b>			
Issue of shares	547	-	1,401
Net loans repaid	(30)	(196)	(551)
Loan from chief scientist repaid	-	(84)	-
<b>Cash inflow/(outflow) from financing activities</b>	<u>517</u>	<u>(280)</u>	<u>850</u>
<b>Cash and cash equivalents at beginning of period</b>	304	38	38
Net cash outflow from all activities	(351)	(18)	298
Non-cash movement arising on foreign currency translation	(4)	(221)	(32)
<b>Cash and cash equivalents at end of period</b>	<u><u>(51)</u></u>	<u><u>(201)</u></u>	<u><u>304</u></u>
Cash and cash equivalents comprise			
Cash (excluding overdrafts) and cash equivalents	172	125	436
Overdrafts	(223)	(326)	(132)
	<u><u>(51)</u></u>	<u><u>(201)</u></u>	<u><u>304</u></u>



**1. BASIS OF PREPARATION**

These interim consolidated financial statements are for the six months ended 30 June 2010. They have been prepared in accordance with IAS, Interim Financial Reporting. These interim financial statements have been prepared in accordance with IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at time of preparing these statements (September 2010). The IFRS standards and IFRIC interpretations that will be applicable at 31 December 2010, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements. The policies set out below have been consistently applied to all the years presented.

These consolidated financial statements have been prepared under the historical cost convention.

The information set out in this interim report for the six months ended 30 June 2010 does not constitute statutory accounts as defined by section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2009, incorporating an unqualified auditors' report, 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 January 2010, the Company issued 2.7 million new ordinary shares at a price of 12.5 pence per share in raising £342,000. The net proceeds will be used for additional working capital for the subsidiary.

**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.

**4. PROFIT/(LOSS) PER SHARE**

The profit per share of 1.74c (31 December 2009: 0.61c; 30 June 2009: (1.06c)) has been calculated on the weighted average number of shares in issue during the year namely 41,669,435 (31 December 2009: 32,131,199; 30 June 2009: 29,881,490) and profit of US\$ 724,853 (31 December 2009: US\$161,000; 30 June 2009: US\$ (316,861)).

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

## **INDEPENDENT REVIEW REPORT TO SERVISION PLC**

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We have been engaged by the Company to review the condensed set of financial statements in the interim report for the six months ended 30 June 2010 which comprises the consolidated income statement, consolidated interim balance sheet, consolidated interim statement of changes in shareholders' equity, consolidated interim cash flow statement, and 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 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 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 Company a conclusion on the condensed set of 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 on 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 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 financial statements in the interim report for the six months ended 30 June 2010 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**

29 September 2010

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