SERVISION PLC

CONDENSED GROUP FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

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CHAIRMAN'S STATEMENT
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I am pleased to announce SerVision's consolidated group interim report for the six months ended 30 June, 2012. Our sales revenue during this period was $2,234,000 and our net loss was $612,100.

Sales and Marketing

Despite a relatively modest performance over the first six months of 2012, SerVision's mobile solutions were selected for a range of high-profile projects around the globe. During this period, SerVision's MVG and CVG-M units were purchased for installation in police vehicles in Mexico and Honduras, as well as for delivery trucks carrying high-value assets in South Africa. Multiple ongoing bus projects in Brazil and a recent Safe City project in Buenos Aires also contributed to sales during the period. These projects and others are expected to further bolster sales revenues during the second half of this year. Pilots for a range of vertical markets including trains, tobacco transport, petrochemical vehicles and oil tankers are also expected to yield significant commercial results.

In addition to renewing its strategic partnerships with Guvision in Brazil and Cobra in the UK, SerVision has recently resumed high-level negotiations with Deutsche Telekom for cooperation on homeland security projects. I am also pleased to announce that SerVision is now a partner in a newly launched US-based company called Compass Traffic Safety Solutions. Compass will be delivering SerVision's mobile solutions to school districts to help ensure the safety of children while travelling to and from schools, by reducing traffic violations that occur in the vicinity of school buses. The live, on-board video solution is fully integrated with local municipality databases and automatically generates tickets when negligent driving is detected. Revenue from the tickets will be divided between the local government and Compass.

Research and Development

During the period, SerVision made some significant hardware modifications to its flagship mobile product, the MVG 400, to enable faster data transmission and built-in WiFi support. The built-in WiFi enables automated wireless backup of video to SerVision's SVControlCenter database. In the future, the MVG will be able to be used as an access point to offer to WiFi to passengers. The new four channel version was released to market in June and a new two channel version of the MVG, also with built-in WiFi, is nearly ready for release, with mass production anticipated to commence by the end of Q4. R&D also implemented many new features and optimizations to SerVision's Video Distributor and the enterprise-level SVControlCenter, expanding the capabilities and efficiency of both solutions. The SV monitoring center can support up to 5,000 systems and the Directors believe it will enable SerVision to win larger contracts and give the Company the opportunity to receive recurring revenues from customers using the system.

In parallel to continuously improving SerVision's existing portfolio, progress is being made on development of a new range of products operating on a more advanced hardware platform. The new line of DVRs, stated for release in 2013, will offer all of the existing features of the existing mobile solutions but with more efficient processing of video and enhanced recording quality. Development has also begun on a new, highly ruggedized and compact personal video transmitter device for carry-on-body security applications.

Financials

- Revenues for this period were $2,234,000 compared to $2,152,000 for the same period in 2011.
- Operating loss for the period was $452,000 compared to an operating profit of $576,000 for the same period in 2011. The operating profit from 2011 resulted from a Change in Estimate of a liability to the Chief Scientist. As a result, the Company's net profit for last year's period increased by an amount of $761,000.
- Net loss for the period was $612,000 compared to a profit of $539,000 for the same period in 2011.

Conclusion

Despite the slow start to this year, I am optimistic about our overall performance for 2012 and anticipate a significant improvement in the second half of the year. However results for the full year 2012 are likely to be behind market expectations. Notwithstanding this, our pipeline for new and existing projects is very promising and I remain confident that the future prospects of the Company are positive.

As always, I want to thank our shareholders for their support and I'd like to convey my gratitude to all SerVision personnel for their hard work and contribution to the company's success.

Gidon Tahan,
Chairman and CEO

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CONDENSED GROUP COMPREHENSIVE INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note	Six months to 30 June 2012 $'000 Unaudited	Six months to 30 June 2011 $'000 Unaudited	Year to 31 December 2011 $'000 Audited
TURNOVER	3	2,234	2,152	6,214
Cost of sales		(1,165)	(1,127)	(3,367)
GROSS PROFIT		1,069	1,025	2,847
Administrative expenses		(1,521)	(1,210)	(2,418)
Other Income, net		--	761	766
OPERATING (LOSS)/PROFIT		(452)	576	1,195
Net finance expense		(148)	(37)	(39)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(600)	539	1,156
Tax on profit on ordinary activities	4	(12)	--	122
NET (LOSS)/PROFIT FOR THE PERIOD		(612)	539	1,278
Translation difference arising from translating into presentation currency		-	7	--
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD		(612)	546	1,278
(Loss)/Profit per share				
Basic and diluted	5	(1.20)c	1.13c	2,57c

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CONDENSED GROUP BALANCE SHEET
AT 30 JUNE 2012

	As at 30 June 2012 $'000 Unaudited	As at 30 June 2011 $'000 Unaudited	As at 31 December 2011 $'000 Audited
ASSETS			
Non-current assets			
Intangible assets	4,758	4,576	4,666
Deferred tax asset	112	-	122
Property, plant and equipment	93	50	109
	4,963	4,626	4,897
Current assets			
Inventories	519	316	211
Trade and other receivables	3,635	3,384	5,020
Cash and cash equivalents	139	155	94
	4,293	3,855	5,325
Total assets	9,256	8,481	10,222
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	898	898	898
Share premium account	12,206	12,206	12,206
Merger reserve	1,979	1,979	1,979
Other reserve	52	40	48
Retained earnings and translation reserves	(8,592)	(8,712)	(7,980)
Total equity	6,543	6,411	7,151
LIABILITIES			
Current liabilities			
Short term credit from banking institutions	394	434	692
Overdrafts	114	-	368
Loan from the office of the chief scientist	161	164	158
Trade and other payables	1,544	1,104	1,496
	2,213	1,702	2,714
Non-current liabilities			
Long term loan from bank institution without current maturity	118	--	--
Loan from Office of the Chief Scientist	16	11	17
Post employment benefits	366	357	340
	500	368	357
Total liabilities	2,713	2,070	3,071
Total equity and liabilities	9,256	8,481	10,222

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CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Share Capital $'000	Share Premium $'000	Merger Reserve $'000	Other Reserve $'000	Retained Earnings $'000	Translation Reserve $'000	Total $'000
As at 1 January 2011	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)	143	823	-	-	-	-	966
As at 30 June 2011	898	12,206	1,979	40	(8,844)	132	6,411
Total recognised income and expense	-	-	-	-	739	(7)	732
Share option charge	-	-	-	8	-	-	8
As at 31 December 2011	898	12,206	1,979	48	(8,105)	125	7,151
Total recognised income and expense	-	-	-	-	(612)	-	(612)
Share option charge	-	-	-	4	-	-	4
At 30 June 2012	898	12,206	1,979	52	(8,717)	125	6,543

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CONDENSED GROUP CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months to 30 June 2012 $'000 Unaudited	Six months to 30 June 2011 $'000 Unaudited	Year to 31 December 2011 $'000 Audited
Cash flows from operating activities			
(Loss)/Profit before taxation	(600)	539	1,156
Adjustments for:			
Net finance expense	148	37	39
Depreciation and amortisation	447	359	757
Movement in trade and other receivables	1,284	(88)	(1,725)
Movement in inventories	(308)	33	72
Movement in post retirement benefits	26	10	(7)
Movement in trade and other payables	49	(292)	399
Revaluation of loan from Chief Scientist	-	(761)	(761)
Share-based payments	4	-	-
Net cash inflow/(outflow) from operating activities	1,050	(267)	70
Cash flow from investing activities			
Purchase of property, plant and equipment and intangibles	(524)	(533)	(1,080)
Net interest paid	(50)	8	-
Deposit for leasing vehicles	1	-	(4)
Net cash outflow from investing activities	(573)	(525)	(1,076)
Cash flows from financing activities			
Issue of shares	-	967	974
Net loans repaid	(178)	(217)	(189)
Cash inflow from financing activities	(178)	750	785
Cash and cash equivalents at beginning of period	(274)	197	87
Net cash outflow from all activities	299	(42)	(361)
Cash and cash equivalents at end of period	25	155	(274)
Cash and cash equivalents comprise			
Cash (excluding overdrafts) and cash equivalents	139	155	94
Overdrafts	(114)	-	(368)
	25	155	(274)

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 2012 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 2012 and for the six months ended 30 June 2011 are unaudited.

The financial information for the year ended 31 December 2011 is an extract from the latest group accounts.

Statutory financial statements for the year ended 31 December 2011, prepared in accordance with IFRS, on which the auditors gave an unqualified opinion, have been filed with the Registrar of Companies.

These consolidated interim group financial statements are presented in US Dollars and all values are rounded to the nearest thousand dollars ($'000) except when otherwise indicated.

2. GOING CONCERN

The directors have prepared and reviewed sales forecasts and budgets for the next twelve months and having considered these cash flows and the availability of other financing sources, have concluded that the group will remain a going concern. In particular as noted in Note 7 the group has put in place payment plans with customers in order to secure cash flows and reduce the outstanding trade receivables balances. Additionally If and when necessary, the Directors may seek additional equity investment.

Having completed these processes and having made further relevant enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

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 2012 $'000 Unaudited	Six months to 30 June 2011 $'000 Unaudited	Year to 31 December 2011 $'000 Audited
UK and Continental Europe	614	675	1,523
North America	367	189	977
Asia and Middle East	207	270	1,969
Rest of the world	1,046	1,018	1,745
	2,234	2,152	6,214

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 profit (loss) per share of (1.20c) (31 December 2011: profit 2.57c; 30 June 2011: profit 1.13c) has been calculated on the weighted average number of shares in issue during the year namely 51,188,602 (31 December 2011: 49,678,185; 30 June 2011: 48,167,769) and loss of US$ 612,200 (31 December 2011: profit US$ 1,278,000; 30 June 2011: profit US$ 545,690).

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 totalling $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 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 that reporting period increased by an amount of $761,000. The balance of the liability was reduced by a further $5,000in the period from 1 July 2011 to 31 December 2011.

7. ARRANGMENT FOR LONG-TERM RECEIVABLE

Due to financing difficulties of four customers of the subsidiary company (the "Customers") who were unable to pay their debts to the Company at the agreed dates, the company agreed to extend the dates of payment of the debts to the Company for a period of 24 months from September 2012. The Company has agreed not to charge interest on the outstanding balances.

Trade receivables from the Customers for prior year sales are presented with trade receivables at the present value of the outstanding balance as at the Balance Sheet date. The differences between the balances recorded in two consecutive Balance Sheets are recorded as financing expenses in the Comprehensive Income Statement.

INDEPENDENT REVIEW REPORT TO SERVISION PLC

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 2012 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 7. 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. 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 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.

Emphasis of matter – going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made within the accounting policies concerning the Group's ability to continue as a going concern. The Group incurred a net loss of $612,000 during the six months ended 30 June 2012. This along with other matters disclosed in note 2 may indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result of the Group was unable to continue as a going concern.

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 2012 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

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