SERVISION PLC

CONDENSED GROUP FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

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The Board today announces SerVision's consolidated group interim report for the six months ended 30 June 2013. Sales revenue from this period was a modest $1,260,000 and our net loss was $1,040,000, but in light of the trading in Q3 I am confident of an improved performance in the second half of the year.

Sales and Marketing

SerVision entered into three significant partnership agreements in the first half of 2013. On the back of having signed an exclusive distribution agreement with APS, a major security company in India, and a new OEM distribution agreement with CDsMedia in Angola, and after having successfully collaborated on projects in the Russian railway and oil transport sectors, SerVision announced in August that it has signed a distribution agreement with Russian-based Transport Online LLC (soon to be renamed IVO Systems). In addition to these new partnerships, SerVision was recently informed by its distributor in South Africa that the UVG400 has been selected to be installed at over 8,000 base stations operated by cellular operator Vodacom. In addition, I am pleased to announce that the rollout for tobacco transport projects across the UK has recently begun. Last month, SerVision supplied 140 MVG200 units to its UK partner, Cobra, for use in new projects involving the transport of high-value assets. The MVG200 has also been successfully deployed on delivery trucks operated by Shueersal, Israel's largest supermarket chain. In parallel to our ongoing project with Shufersal, we've identified a potentially significant market demand for our mobile video technology among other consumer goods companies worldwide.

I am further encouraged by the fact that SerVision's four channel MVGs are under consideration for a bus project in Delhi, where the fleet size is over 12,000, and they have been short-listed for bus projects in both Barranquilla and Bogota in Colombia where there is a combined fleet of over 5,000 vehicles. New pilots for public transportation projects in Mexico and the US are also currently underway and we are continuing to explore new commercial opportunities with our German partner Deutsche Telekom. Additionally, distribution agreements for a number of markets including Nigeria, Kenya, Colombia and France have either recently been signed or are in negotiation. We are confident that growing our network of channel partners will further bolster sales, create new market opportunities and help us grow significantly in the coming months and years.

Research and Development

During the first half of 2013, SerVision released its new MVG200 to the market. I believe the MVG200 is a considerable improvement over the earlier generation two-channel CVG-M as it has a more robust design, built-in WiFi and can achieve faster data speeds than its predecessor. In addition to readying the MVG200 for launching in the market, SerVision's R&D team spent much of this year further expanding the functionality and feature set of the SVControlCenter professional monitoring platform. They are also busy working on the next generation of DVRs which, despite some setbacks, we hope will be ready in the first half of 2014. The new line of encoders employ a modular design which can support two, four or eight channels. It will also support both IP and analogue cameras, and it will be capable of HD recording and a broad range of additional functionality that may eventually include some advanced analytics features.

In addition to these tasks, our R&D teams are working with WISOL, our Singaporean partner, to develop a new handheld personal video transmitter for police officers. This project is partially financed by a grant from SIIRD, the Singaporean Industrial Research and Development Foundation, that was awarded in March 2013. A number of global partners have conveyed interest in offering the personal video transmitter to their customers and we are confident that there is a large market opportunity for handheld devices, which would utilise SerVision's proven video compression technology.

Financials

- Revenues for this period were $1,260,000 compared to $2,234,000 for the same period in 2012.

- Operating loss for the period was $1,002,000 compared to an operating loss of $452,000 for the same period in 2012.

- Net loss for the period was $1,040,000 compared to a loss of $612,000 for the same period in 2012.

- Cash and cash equivalents at 30 June 2013 of $13,000 (at 30 June 2012: $139,000)

Conclusion

Despite difficult market conditions and a sluggish start to 2013, I remain optimistic that the second half of the year will see an improvement on H1, and that we will continue to see a steady upturn in sales within the transportation security sector. Our next generation of products currently in development offer further assurance that SerVision will remain competitive in our market as a cost-effective solution provider for fleet tracking applications in the years to come.

As always I would like to express my sincere gratitude to our shareholders for their continued support and to thank SerVision staff for their commitment and outstanding work.

Gideon Tahan
Chairman and CEO

30 September 2013

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CONDENSED GROUP COMPREHENSIVE INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Note	Six months to 30 June 2013 $'000 Unaudited	Six months to 30 June 2012 $'000 Unaudited	Year to 31 December 2012 $'000 Audited
TURNOVER	3	1,260	2,234	4,023
Cost of sales		(722)	(1,165)	(2,146)
GROSS PROFIT		538	1,069	1,877
Administrative expenses		(1,540)	(1,521)	(3,361)
OPERATING LOSS		(1,002)	(452)	(1,484)
Net finance expense		(33)	(148)	(64)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,035)	(600)	(1,548)
Tax on profit on ordinary activities	4	(5)	(12)	(28)
NET LOSS FOR THE PERIOD		(1,040)	(612)	(1,576)
Translation difference arising from translating into presentation currency		(8)	-	13
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(1,048)	(612)	(1,563)
Loss per share				
BASIC	5	(2.03)c	(1.20)c	(3,05)c
DILUTED		(2.01)c	(1.20)c	(3,05)c

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CONDENSED GROUP BALANCE SHEET
AT 30 JUNE 2013

	As at 30 June 2013 $'000 Unaudited	As at 30 June 2012 $'000 Unaudited	As at 31 December 2012 $'000 Audited
ASSETS			
Non-current assets			
Intangible assets	4,776	4,758	4,583
Deferred tax asset	91	112	96
Property, plant and equipment	84	93	92
	4,951	4,963	4,771
Current assets			
Inventories	665	519	635
Trade and other receivables	2,462	3,635	3,596
Cash and cash equivalents	13	139	45
	3,140	4,293	4,276
Total assets	8,091	9,256	9,047
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	984	898	984
Share premium account	12,639	12,206	12,639
Merger reserve	1,979	1,979	1,979
Other reserve	58	52	55
Retained earnings and translation reserves	(10,591)	(8,592)	(9,543)
Total equity	5,069	6,543	6,114
LIABILITIES			
Current liabilities			
Short term credit from banking institutions	474	394	424
Overdrafts	292	114	163
Loan from the office of the chief scientist	161	161	161
Trade and other payables	1,335	1,544	1,432
	2,262	2,213	2,180
Non-current liabilities			
Long term loan from bank institution without current maturity	375	118	375
Loan from Office of the Chief Scientist	7	16	11
Post employment benefits	378	366	367
	760	500	753
Total liabilities	3,022	2,713	2,933
Total equity and liabilities	8,091	9,256	9,047

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CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Share Capital $'000	Share Premium $'000	Merger Reserve $'000	Other Reserve $'000	Retained Earnings $'000	Translation Reserve $'000	Total $'000
As at 1 January 2012	898	12,206	1,979	48	(8,105)	125	7,151
Total recognised income and expense	-	-	-	-	(612)	--	(612)
Issue of shares (net of costs)	-	-	-	4	-	-	4
As at 30 June 2012	898	12,206	1,979	52	(8,844)	125	6,543
Total recognised income and expense	-	-	-	-	(1,576)	13	(1,563)
Share option charge	–	–	–	7	–	–	7
Issue of shares (net of costs)	86	433	-	–	-	-	519
As at 31 December 2012	984	12,639	1,979	55	(9,681)	138	6,114
Total recognised income and expense	-	-	-	-	(1,040)	(8)	(1,048)
Share option charge	-	-	-	3	-	-	3
At 30 June 2013	984	12,639	1,979	58	(10,721)	130	5,069

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CONDENSED GROUP CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months to 30 June 2013 $’000 Unaudited	Six months to 30 June 2012 $’000 Unaudited	Year to 31 December 2012 $’000 Audited
Cash flows from operating activities			
(Loss)/Profit before taxation	(1,035)	(600)	(1,548)
Adjustments for:			
Net finance expense	33	148	64
Doubtful debts	444	-	663
Depreciation and amortisation	322	447	1,062
Movement in trade and other receivables	694	1,284	839
Movement in inventories	(30)	(308)	(424)
Movement in post retirement benefits	11	26	27
Movement in trade and other payables	(93)	49	(464)
Share-based payments	3	4	7
Net cash inflow/(outflow) from operating activities	349	1,050	226
Cash flow from investing activities			
Purchase of property, plant and equipment and intangibles	(507)	(524)	(962)
Net interest paid	(46)	(50)	--
Deposit for leasing vehicles	(4)	1	(2)
Net cash outflow from investing activities	(557)	(573)	(964)
Cash flows from financing activities			
Issue of shares	-	-	526
Net loans undertaken less repayments	47	(178)	375
Cash inflow from financing activities	47	(178)	901
Cash and cash equivalents at beginning of period	(118)	(274)	(274)
Net cash outflow from all activities	(161)	299	156
Cash and cash equivalents at end of period	(279)	25	(118)
Cash and cash equivalents comprise			
Cash (excluding overdrafts) and cash equivalents	13	139	45
Overdrafts	(292)	(114)	(163)
	(279)	25	(118)

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 2013 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 2013 and for the six months ended 30 June 2012 are unaudited.

The financial information for the year ended 31 December 2012 is an extract from the latest group accounts.

Statutory financial statements for the year ended 31 December 2013, 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 the group continues to work closely with customers to agree payment plans where necessary and agree other arrangements 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 and debt finance from a variety of sources.

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 2013 $'000 Unaudited	Six months to 30 June 2012 $'000 Unaudited	Year to 31 December 2012 $'000 Audited
UK and Continental Europe	467	614	1,096
North America	288	367	417
Asia and Middle East	181	207	1,852
Rest of the world	324	1,046	658
	1,260	2,234	4,023

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 (2.03c) (31 December 2012: (loss) (3.05c); 30 June 2012: (loss) (1.20c)) has been calculated on the weighted average number of shares in issue during the year namely 51,573,217 (31 December 2012: 51,632,795; 30 June 2012: 51,188,602) and loss of US$ 1,048,061 (31 December 2012: loss US$ 1,593,000; 30 June 2012: loss US$ 612,000).

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

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 2013 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 $1,040,000 during the six months ended 30 June 2013. 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 2013 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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