

SERVISION PLC

CONDENSED GROUP FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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CHAIRMAN'S STATEMENT CONDENSED GROUP FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Board today announces SerVision's consolidated group interim results for the six months ended 30 June 2014. I am pleased to report that the Company has witnessed a solid rebound from H1 2013, ending this year's first six month period with a 45% increase in sales. Total revenue from this period was \$1,842,000 (H1 2013: \$1,260,000) and the net loss was \$892,000 (H1 2013: net loss of \$1,040,000). I remain optimistic about SerVision's continued recovery as the Company remains on course for growth in H2.

Sales and Marketing

SerVision's performance during the first half of 2014 was bolstered by new distribution agreements in the US and China, with purchase orders valued at \$4m and \$2.5m respectively. In addition to these new partnerships, SerVision's MVG400 was selected for a large cash-in-transit project in South Africa, and we've received advance notification that our technology will be used for a sizeable police project in Kenya. The project is for the supply of up to 10,000 CVG-M-based body-worn kits and the rollout is expected to begin before the close of the current year. Other noteworthy developments include a successful trial on police vehicles in Panama which we are confident will result in new business in Central America, and equally successful bus pilots in Kazakhstan and Brazil. New strategic partnerships with the companies who managed these trials are expected later this year, while we are in discussions on new distribution agreements with companies from Indonesia, Europe and Africa. SerVision is also expected to move forward with an Alstom train project in Jerusalem to retrofit LRTs that were installed with an alternative DVR solution in the near future. This project has opened new doors to SerVision in the global railway market.

Apart from the successes noted above, SerVision spent considerable time during H1 laying the groundwork for a new revenue-share business model. Under this framework, SerVision intends to partner with select system integrators and other solution providers to bid directly on projects. All profits will be shared between SerVision and the partnering company and, as a result of this more direct level of cooperation, SerVision is aiming for a more consistent revenue stream that will be spread out on a monthly basis for a period of up to 36 months. SerVision, on average, expects to be earning between \$60 to \$100 per unit per month and under this model the Company would recover its costs within the first four to six months of the lease. The first project of this sort is a joint initiative between SerVision and GreenRoad, a leading US-based company that offers solutions for safe driving practices. The integrated SerVision-GreenRoad package is currently being piloted by the Ryder Truck Rental Company, and a number of joint pilots with similar commercial terms are also in place. In cooperation with GreenRoad and other partner companies like UK-based Vision Techniques, SerVision expects to begin leases for projects with fleet sizes of between five and ten thousand vehicles prior to the end of this year.

And finally, I am pleased to announce that SerVision has opened a new office for sales and marketing in New York in order to spearhead leased-based sales operations in the United States.

Research and Development

SerVision has, over the course of this year, invested considerable resources in the ongoing development of the next generation of mobile DVRs which will have support for IP cameras and HD recording. A prototype has already been installed on an Alstom train for the Jerusalem Light Rail Train project and we intend to have more units ready for demo installations by the end of this year. The feature set for the new line of DVRs is still being implemented as is the system configuration interface, and completing both of these tasks is the company's highest priority going forward. The Company has recently brought on two new senior developers and expanded its QA team to handle the additional workload. Another high priority item on the Company's roadmap entails transitioning to a web-based software platform that will further expand the remote monitoring capabilities of SerVision's DVRs by professional command and control centers. While the Company has begun tackling these new initiatives, veteran R&D members have been working to fine-tune and expand the capabilities of the currently available range of DVRs and our existing enterprise-level SVControlCenter solution.

Financials

- Revenues for this period were \$1,842,000 compared to \$1,260,000 for the same period in 2013.
- Operating loss for the period was \$814,000 compared to an operating loss of \$1,002,000 for the same period in 2013.

- Net loss for the period was \$892,000 compared to a loss of \$1,040,000 for the same period in 2013.
- Cash and cash equivalents at 30 June 2014 of \$173,000 (at 30 June 2013: \$13,000)

Conclusion

After a disappointing 2013, I firmly believe the company is back on course for a solid rebound and successful conclusion to 2014.

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

Gideon Tahan
Chairman and CEO

30 September 2014

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CONDENSED GROUP COMPREHENSIVE INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

	<u>Note</u>	<u>Six months to</u> <u>30 June 2014</u> <u>\$'000</u> <u>Unaudited</u>	<u>Six months to</u> <u>30 June 2013</u> <u>\$'000</u> <u>Unaudited</u>	<u>Year to 31</u> <u>December 2013</u> <u>\$'000</u> <u>Audited</u>
TURNOVER	3	1,842	1,260	3,512
Cost of sales		<u>(806)</u>	<u>(722)</u>	<u>(1,633)</u>
GROSS PROFIT		1,036	538	1,879
Administrative expenses		<u>(1,850)</u>	<u>(1,540)</u>	<u>(4,611)</u>
OPERATING LOSS		(814)	(1,002)	(2,732)
Net finance expense		<u>(77)</u>	<u>(33)</u>	<u>(75)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(891)	(1,035)	(2,807)
Tax on profit on ordinary activities	4	<u>(1)</u>	<u>(5)</u>	<u>(13)</u>
NET LOSS FOR THE PERIOD		(892)	(1,040)	(2,820)
Translation difference arising from translating into presentation currency		<u>(18)</u>	<u>(8)</u>	<u>(42)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(910)</u>	<u>(1,048)</u>	<u>(2,862)</u>
Loss per share				
BASIC	5	<u>(1.61)</u>	<u>(2.03)c</u>	<u>(5.06)c</u>
DILUTED		<u>(1.61)</u>	<u>(2.01)c</u>	<u>(5.06)c</u>

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CONDENSED GROUP BALANCE SHEET AT 30 JUNE 2014

	<u>As at 30 June</u> <u>2014</u> <u>\$'000</u> <u>Unaudited</u>	<u>As at 30 June</u> <u>2013</u> <u>\$'000</u> <u>Unaudited</u>	<u>As at 31</u> <u>December 2013</u> <u>\$'000</u> <u>Audited</u>
ASSETS			
Non-current assets			
Intangible assets	4,605	4,776	4,653
Deferred tax asset	84	91	83
Property, plant and equipment	<u>76</u>	<u>84</u>	<u>86</u>
	4,765	4,951	4,822
Current assets			
Inventories	585	665	564
Trade and other receivables	1,613	2,462	1,539
Cash and cash equivalents	<u>173</u>	<u>13</u>	<u>165</u>
	<u>2,371</u>	<u>3,140</u>	<u>2,268</u>
Total assets	<u><u>7,136</u></u>	<u><u>8,091</u></u>	<u><u>7,090</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	984	984	984
Share premium account	12,639	12,639	12,639
Merger reserve	1,979	1,979	1,979
Advance subscription	1,036	-	-
Other reserve	64	58	62
Retained earnings and translation reserves	<u>(13,309)</u>	<u>(10,591)</u>	<u>(12,399)</u>
Total equity	<u><u>3,393</u></u>	<u><u>5,069</u></u>	<u><u>3,265</u></u>
LIABILITIES			
Current liabilities			
Short term credit from banking institutions	1,144	474	868
Overdrafts	63	292	259
Loan from the office of the chief scientist	161	161	161
Trade and other payables	<u>1,292</u>	<u>1,335</u>	<u>1,582</u>
	2,660	2,262	2,870
Non-current liabilities			
Long term loan from bank institution without current maturity	656	375	532
Loan from Office of the Chief Scientist	11	7	11
Post employment benefits	<u>416</u>	<u>378</u>	<u>412</u>
	1,083	760	955
Total liabilities	<u><u>3,743</u></u>	<u><u>3,022</u></u>	<u><u>3,825</u></u>
Total equity and liabilities	<u><u>7,136</u></u>	<u><u>8,091</u></u>	<u><u>7,090</u></u>

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CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014

	<u>Share Capital</u> <u>\$'000</u>	<u>Share Premium</u> <u>\$'000</u>	<u>Merger Reserve</u> <u>\$'000</u>	<u>Other Reserve</u> <u>\$'000</u>	<u>Retained Earnings</u> <u>\$'000</u>	<u>Translation Reserve</u> <u>\$'000</u>	<u>Advance subscription</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
As at 1 January 2013	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
As at 30 June 2013	984	12,639	1,979	58	(10,721)	130	-	5,069
Total recognised expense	-	-	-	-	(1,781)	(34)	-	(1,815)
Share option charge	-	-	-	4	7	-	-	11
As at 31 December 2013	984	12,639	1,979	62	(12,495)	96	-	3,265
Total recognised expense	-	-	-	-	(892)	(18)	-	(910)
Advance subscription	-	-	-	-	-	-	1,036	1,036
Share option charge	-	-	-	2	-	-	-	2
At 30 June 2014	<u>984</u>	<u>12,639</u>	<u>1,979</u>	<u>64</u>	<u>(13,387)</u>	<u>78</u>	<u>1,036</u>	<u>3,393</u>

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CONDENSED GROUP CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

	<u>Six months to</u> <u>30 June 2014</u> <u>\$'000</u> <u>Unaudited</u>	<u>Six months to</u> <u>30 June 2013</u> <u>\$'000</u> <u>Unaudited</u>	<u>Year to 31</u> <u>December 2013</u> <u>\$'000</u> <u>Audited</u>
Cash flows from operating activities			
Loss before taxation	(891)	(1,035)	(2,807)
Adjustments for:			
Net finance expense	77	33	75
Doubtful debts	578	444	736
Depreciation and amortisation	387	322	1,820
Movement in trade and other receivables	(456)	694	249
Movement in inventories	(21)	(30)	71
Movement in post retirement benefits	4	11	45
Movement in trade and other payables	(245)	(93)	151
Share-based payments	<u>-</u>	<u>3</u>	<u>-</u>
Net cash inflow/(outflow) from operating activities	(567)	349	340
Cash flow from investing activities			
Purchase of property, plant and equipment and intangibles	(329)	(507)	(800)
Net interest paid	-	(46)	-
Deposit for leasing vehicles	<u>-</u>	<u>(4)</u>	<u>-</u>
Net cash outflow from investing activities	(329)	(557)	(800)
Cash flows from financing activities			
Advance subscription	1,036	-	-
Net finance costs	(77)	-	(75)
Net loans undertaken less repayments	<u>141</u>	<u>47</u>	<u>559</u>
Cash inflow from financing activities	1,100	47	484
Cash and cash equivalents at beginning of period	(94)	(118)	(118)
Net cash inflow/(outflow) from all activities	<u>204</u>	<u>(161)</u>	<u>24</u>
Cash and cash equivalents at end of period	<u>110</u>	<u>(279)</u>	<u>(94)</u>
Cash and cash equivalents comprise			
Cash (excluding overdrafts) and cash equivalents	173	13	165
Overdrafts	<u>(63)</u>	<u>(292)</u>	<u>(259)</u>
	<u>110</u>	<u>(279)</u>	<u>(94)</u>

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NOTES TO THE REPORT AND CONDENSED GROUP FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2014 and for the six months ended 30 June 2013 are unaudited.

The financial information for the year ended 31 December 2013 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

	<u>Turnover by location of customer</u>		
	<u>Six months to</u> <u>30 June 2014</u> <u>\$’000</u> <u>Unaudited</u>	<u>Six months to</u> <u>30 June 2013</u> <u>\$’000</u> <u>Unaudited</u>	<u>Year to 31</u> <u>December 2013</u> <u>\$’000</u> <u>Audited</u>
UK and Continental Europe	729	467	1,595
North America	514	288	771
Asia and Middle East	196	181	655
Rest of the world	<u>403</u>	<u>324</u>	<u>491</u>
	<u>1,842</u>	<u>1,260</u>	<u>3,512</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.

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NOTES TO THE REPORT AND CONDENSED GROUP FINANCIAL STATEMENTS (continued) FOR THE SIX MONTHS ENDED 30 JUNE 2014

5. LOSS PER SHARE

The loss per share of (1.61c) (31 December 2013: (loss) (5.06c); 30 June 2013: (loss) (2.03c)) has been calculated on the weighted average number of shares in issue during the year namely 56,616,482 (31 December 2013: 56,616,482; 30 June 2013: 51,573,217) and loss of US\$ 910,273 (31 December 2013: loss US\$ 2,862,000; 30 June 2013: loss US\$ 1,048,061).

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

6. ADVANCE SUBSCRIPTION ACCOUNT

Prior to the period end the group received subscription receipts from investors in advance of the formal completion of the share issues. As the receipts were in exchange for the issue of shares post period, the balance has been recognised as a reserve within equity. Subsequent to the period, upon completion of the share issue, the balance has been transferred to Called up share capital and Share premium.

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 2014 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 6. 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.

This report is made solely to the company 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 \$910,000 during the six months ended 30 June 2014. 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 2014 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 2014

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