THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document or as to the action you should take, you are recommended immediately to seek your own personal financial advice from a person authorised under the Financial Services and Markets Act 2000, who specialises in advising on the acquisition of Ordinary shares and other securities.

Copies of this Document will be available free of charge to the public during normal business hours on any business day at the registered office of the Company from the date of this Document until one month from the date of this document.

No person has been authorised to give any information or give any representations other than those contained in this Document and, if given or made, such information or representations must not be relied upon as having been so authorised. The delivery of this Document shall not under any circumstances create any implication that there has been no change in the affairs of the Company since the date of this Document or that the information in this Document is correct as of any time subsequent to the date of this Document.

The Directors of the Company, whose names appear on page 3 of this Document, accept responsibility for the information contained in this Document, including individual and collective responsibility for compliance with the rules of AIM published by London Stock Exchange plc. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the entire issued and to be issued ordinary share capital of Servision plc to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority ("Official List"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document. It is expected that trading in the Ordinary Shares will commence on AIM on 31 December 2004.

SERVISION PLC

(Registered in England and Wales with registered number 5143241)

Admission to trading on AIM

Nominated Adviser

numerica

Numerica Capital Markets Limited

Broker

Daniel Stewart & Company plc

Numerica Capital Markets Limited, which is regulated by the Financial Services Authority, is acting as nominated adviser to the Company, and Daniel Stewart & Company plc, which is regulated by the Financial Services Authority, is acting as broker to the Company, in connection with the proposed admission of the Ordinary Shares to trading on AIM. Their respective responsibilities as the Company's nominated adviser and broker under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person. No representation or warranty, express or implied, is made by Numerica Capital Markets Limited or Daniel Stewart & Company plc as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Numerica Capital Markets Limited and Daniel Stewart & Company plc will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document or for advising them on the contents of this document or any other matter.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Admission Document	15 December 2004
Admission effective and dealings expected to commence on AIM	31 December 2004

ADMISSION STATISTICS

Number of Ordinary Shares of 1p each in issue at Admission	17,846,990
Deferred Ordinary Shares of 0.1p in issue at Admission subject to conversion into Ordinary Shares	384,615
Options outstanding over Ordinary Shares of 1p each at Admission	210,087

DIRECTORS AND ADVISERS

Directors	Gidon Tahan, *Chairman and Chief Executive* Eitan Tzitz Yanuv, *Financial Director* Dr Kenneth Walter Gray, *Non-Executive Director* Chaim Levy, *Non-Executive Director* Nathan Anthony Steinberg, *Non-Executive Director*
Secretary and Registered Office	Nathan Steinberg 2nd Floor, Manfield House 1 Southampton Street London WC2R OLR
Nominated Adviser	Numerica Capital Markets Limited 66 Wigmore Street London W1U 2HQ
Broker	Daniel Stewart & Company plc 48 Bishopsgate London EC2N 4AJ
Financial Advisers	Charles Street Securities Inc 1 Wilton Crescent London SW1X 8RN
Auditors and Reporting Accounts	haysmacintyre Fairfax House 15 Fulwood Place London WCIV 6AY
Solicitors to the Company and to the Nominated Adviser	Forsters LLP 67 Grosvenor Street London WIK 3JN
Israeli Lawyers to the Company	Cohen Legal Partners 50 Basel Street Herzliya-Pituach 46646 Israel
Israeli Tax Lawyers to the Company	Ayal Shenhav & Co. Law Offices, 8 Abba Eban Blvd. Herzliya 46140 Israel
Registrars	Capita IRG Plc The Registry 34 Beckenham Rd Kent BR3 4TU
Bankers to Servision Limited	Mizrahi Bank Branch 403 - Business Center Jerusalem 29 Jaffa St Jerusalem Israel

DEFINITIONS

"Act"	The Companies Act 1985 (as amended)
"Acquisition Agreement"	The agreement dated 20 July 2004 between the Company and the shareholders of Servision whereby the entire share capital of Servision was acquired by the Company in a share for share exchange
"AIM"	A market operated by the London Stock Exchange
"AIM Rules"	The rules published by the London Stock Exchange governing the admission to and the operation of AIM
"Bridge Loan"	A secured bridge loan made to Servision in an amount of £300,000 made by CSS Bridge Partners LP - Series D1 and certain other shareholders in Servision on 28 May 2004
"Board" or "Directors"	The board of directors of the Company
"Company"	Servision Plc, incorporated on 2 June 2004
"Convertible Preference Shares"	Convertible preference shares of £0.01 each in the capital of the Company's capital
"CREST"	The computerised settlement system operated by CRESTCo which facilitates the transfer of title to shares in unregistered form
"CRESTCo"	CRESTCo Limited
"CSS"	Charles Street Securities, Inc
"CSS Agreement"	The agreement between Servision and CSS dated 4 April 2004 and described in Part VII of this Document
"Daniel Stewart"	Daniel Stewart & Company Plc
"Deferred Ordinary Shares"	Deferred ordinary shares of £0.001 each in the capital of the Company with the rights more fully described in Part VII
"Document"	This Admission Document
"Employee Share Option Plan" and "ESOP"	An employee share option plan that the Company proposes to establish to offer incentives to employees
"FSA"	The Financial Services Authority
"FSMA"	The Financial Services and Markets Act 2000 (as amended)
"Group"	The Company and its subsidiaries
"Investor"	A person who subscribes for Ordinary Shares in the Company
"Lock-Up Agreement"	The agreement dated 20 July 2004 pursuant to which certain shareholders have agreed to restrict their right to sell Ordinary Shares for a limited period of time and as more fully described in Part VII of this Document
"London Stock Exchange"	London Stock Exchange Plc
"Israeli Companies Law"	The Israeli Companies Law 5759 1999
"NIS"	New Israeli Shekels, the currency of the State of Israel.
"Non-Executive Directors"	The non-executive directors of the Company
"Numerica"	Numerica Capital Markets Limited
"Offer"	The offer for subscription dated 22 July 2004, under which 4,499,689 Ordinary Shares of £0.01 each were issued at £0.65 per Ordinary Share
"Ordinary Shares"	Ordinary shares of £0.01 each in the capital of the Company, and with the rights described more fully in Part VII.
"PBIT"	Profits before interest and taxes
"R&D"	Research and development
"Recognised Investment Exchange"	Has the meaning ascribed thereto in Section 285 of FSMA
"Regulations"	Public Offers of Securities Regulations 1995 (as amended)
"Servision"	Servision Ltd., a company registered in Israel on 21 December 2000 (registration number 513052324)
"Shares"	The Ordinary Shares, the Deferred Ordinary Shares and the Convertible Preference Shares
"Shareholder"	A holder of Ordinary Shares
"Subsidiary"	A body corporate which is at the relevant time a subsidiary (within the meaning of Section 736 of the Act) of the Company
"TCGA"	The Taxation of Chargeable Gains Act 1992 (as amended)
"US $" or "$"	The United States Dollar

GLOSSARY OF TECHNICAL TERMS

"2G", "2.5G", "3G"	See "Cellular Networks".
"3DES"	DES is an American standard for encoding data that uses a private key algorithm (it encodes data in a manner that is extremely difficult to crack). 3DES (or Triple DES) is a cryptographic algorithm for repeated DES operations that have the effect of increasing the security of the encrypted message.
"802.11"	See "Wifi"
"AC"	Alternating Current is an electric current that reverses its direction at regular intervals as supplied by electricity companies.
"ADSL"	Asymmetric Digital Subscriber Line technology enables rapid transfer of digital information through regular telephone cables (the line is asymmetrical because the connection is faster in one direction than the other).
"Bandwidth"	The maximum amount of data that can be transmitted in a fixed period of time. For digital devices, the bandwidth is usually expressed in bits per second (bps) or bytes per second.
"Bit rate"	The rate of transmission of data. Also refers to the quality of video in MPEG, by defining the stream for the encoder.
"CAGR"	Compound annual growth rate.
"CCTV"	Closed circuit television. It does not broadcast TV signals but transmits them over a closed circuit through electrically conducting cable or wireless transmitter and receiver.
"CDMA"	Code Division Multiple Access is a modulation technology for digital transmission of radio signals between, for example, a mobile telephone and a radio base station. In CDMA, a frequency is divided into a number of codes. This is mainly used in North America and Asia.
"CDPD"	Cellular Digital Packet Data is a specification for supporting wireless access to the Internet and other public packet-switched networks.
"CE"	Conformite Europeene, the European technical testing standard.
"Cellular networks"	Cellular networks are part of the global communications infrastructure and include analogue wireless systems which were the first generation (1G) cellular systems to be made available to the public. The second generation (2G) saw the introduction of digital technology in the form of standards such as GSM and CDMAone (IS95a). The success of texting and messaging and the growth of demand for online information via the Internet prompted the development of cellular wireless systems with improved data connectivity, which ultimately lead to the latest third generation (3G) systems.
"Central Station"	The control centre in the security industry designed to accept all signals from an organisation's intrusion detection systems, access control and video surveillance and which determines the nature of the threat and then issues an appropriate response.
"CPU"	Central Processing Unit is a microprocessor, the main chip in a computer.
"Cross-Platform"	The capability to run software on various hardware platforms and databases.
"CSD"	Circuit Switched Data, a communication standard for data transmission over GSM networks.
"DC"	Direct Current is an electric current that flows in one direction at regular intervals, as used in most computer internal circuits. (See also "AC").
"DSP"	Digital Signal Processor, a specialised processor chip, mainly used to process voice or video.
"DVR"	Digital Video Recorder: records video pictures digitally, usually on a hard drive.
"EN"	Relates to the CE certification standard. (See also "CE").
"FCC"	Federal Communications Commission of the US Government.
"FPS"	Frames per second.
"Gateway"	A device which can capture, compress encrypt and save video recordings

	as well as transmit them over wireless and wired networks upon demand to a web server and video imaging devices.
"GB"	GigaByte, a thousand million bytes.
"GPRS"	General Packet Radio Service. This represents the first implementation of packet switching within a GSM network. Rather than sending a continuous stream of data over a permanent connection, packet switching only utilises the network when there is data to be sent.
"GPS"	Global Position System, a worldwide radio-navigation system formed from a constellation of 24 satellites and their ground stations.
"GSM"	Global System for Mobile communications, the non-proprietary system for mobile communications in use in over 170 countries, including all of Europe.
"HSCSD"	High Speed Circuit Switched Data. A communication standard for "high speed" data transmission, over GSM networks.
"H264"	See "MPEG".
"iDEN"	Motorola Integrated Digital Enhanced Network. iDEN wireless handsets are utilised in a variety of commercial environments.
"ISDN"	Integrated Service Digital Network. A standard for digital transmission over ordinary telephone copper wire.
"ISO"	International Organization for Standardization, an organization which develops international standards for production and quality.
"IVG"	Servision's DVR product focused primarily on the transportation sector.
"IT"	Information technology.
"Linux"	A free and open source operating system for a Unix-type environment.
"Motion Detection"	Software that examines CCTV images and triggers when movement within the images exceeds a preset limit.
"MPEG"	Motion Pictures Expert Group. A family of standards for video compression. MPEG-4 is the latest defined standard. H264/MPEG 4 part 10 is the latest video compression technique of MPEG.
"MVG"	Servision's DVR product primarily focused on the domestic and small office environment.
"OEM"	Original equipment manufacturer.
"PCMCIA"	A format for credit card size extensions or accessories, such as modems, storage, etc and usually plugged into laptop PCs.
"PDA"	Personal digital assistant - a handheld, palm size computer.
"PSTN"	Public Switched Telephone Network, a telephone system which is based upon copper wires that carry analog voice signals.
"PTZ"	A feature for control of CCTV cameras referred to as Pan-Tilt-Zoom.
"SMS"	Short Message Service, a function on a mobile phone that enables short messages to be relayed from one mobile phone to another.
"SSL"	Secure Socket Layer, a protocol designed by Netscape that enables secure transmission of information over the World Wide Web.
"SVG"	Servision Video Gateway, the company's DVR product focused on security of fixed locations.
"TETRA"	Terrestrial Trunked Radio, an open digital trunked radio standard defined by the European Telecommunications Standardisation Institute (ETSI) to meet the needs of the most demanding professional mobile radio users.
"TI"	Texas Instruments Inc.
"UL"	Underwriters Laboratories, the US technical testing standard.
"Web Server"	A server providing connectivity between several one way accessible systems.
"Wi-Fi", "802.11a", "802.11b", "802.11g", "802.15"	Wi-Fi is a trade-group certified wireless networking standard. The 802.11a/802.11b/802.11g and 802.15 specifications allow for the wireless transmission of raw data at indoor distances from several dozen to several hundred feet and outdoor distances of several to tens of miles in unlicensed bands of 2.4 / 5.8 GHz.
"Wireless Networks"	Wireless networks for data communications, including wireless LAN.

PART I
EXECUTIVE SUMMARY

The following summary has been derived from this Document and must be read in the context of this entire Document and in particular Part IV entitled "Risk Factors and Investment Considerations".

Background

Servision was founded in December 2000 and is engaged in the development, manufacturing, marketing and selling of video surveillance products initially to the security industry through a network of distributors and system integrators.

Servision was initially financed by approximately $2.7 million of equity funds from the founder and other investors, which permitted the development of an advanced integrated solution for digital video recording and video transmission over wireless, phone, ethernet and cellular networks in a single product.

Servision has received a total of approximately $667,000 of grants from the Office of the Chief Scientist in Israel from inception to 30 June 2004. These grants were made in respect of certain research and development and are repayable from 3 to 3.5 per cent of gross sales revenues generated from the research and development.

Servision has also received approximately $70,000 in non-reimbursable grants from the Ministry of Industry and Trade in Israel for overseas marketing.

On 22 July 2004, the Company issued a document to raise money under the Offer, in order to:

- expand its sales and management team and develop senior Servision representation in the North American, Asian and European markets;
- complete the development of the next generation of products for mobile video surveillance solutions for the transportation sector including security vehicles, buses, trains, and metros and for the small site market including domestic;
- seek to maintain a leadership position in video compression and transmission over cellular networks;
- repay the Bridge Loan of £300,000.

£2,471,429 was raised net of expenses.

Market potential

The Directors believe that Servision has a technically superior product to any present competitor and that it will be able to grow its business rapidly in the coming years in the security industry. The Company also perceives an opportunity in the entertainment industry to stream full motion live video content onto mobile handsets. This latter market will be researched in 2005, if marketing resources permit.

Management team

Servision employs 39 people, with an established management team led by Gidon Tahan, the founder and chief executive officer, together with a Financial Director and three functional Vice Presidents. Gidon was previously chief executive of Gadline Ltd, a successful Israeli cable telephony company that he founded and managed for 9 years until he achieved a trade sale for approximately $94 million. An additional person is employed in the US by Servision, Inc., the subsidiary of Servision.

The Board has 3 non executive directors. Dr Kenneth Gray, previously with EMI and the UK Ministry of Defence, is a Non-Executive Director and is also a consultant to the Company advising on technology matters. Chaim Levy is involved in a real estate business in Mexico, thus providing commercial expertise to the Board. Nathan Steinberg, a chartered accountant and a director of two AIM companies, brings further financial and AIM experience to the Board.

The Company's strategy

Servision's mission is to be a global leader in the wireless video surveillance market for both fixed and mobile platforms.

The Group's strategy is to:

- Expand its sales and management team, and develop senior Servision representation in the American, Asian and European markets.

- Complete the development of the next generation of products for video surveillance solutions for the transportation sector including security vehicles, buses, trains and for the small site sector including domestic installations.

- Seek to maintain a leadership position in video compression and transmission over cellular networks.

Reasons for the Admission

Admission of the Ordinary Shares to trading on AIM is expected by the Directors to increase public awareness, to obtain trade recognition of the Group and its products and services and to raise the profile and status of the Group with customers and suppliers.

Summary historical information

Summary historical financial information, which should be read in conjunction with the Accountant's Report set out in Part V of this Document, on the business of the Company and its subsidiaries is shown below;

	Six months ended 30 June		**Year ended 31 December**	
	2004	**2003**	**2002**	**2001**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Sales	446	132	36	24
Loss for the period	(880)	(1,201)	(312)	(210)

PART II
INFORMATION ON THE COMPANY

Background to the Company

Servision was founded in December 2000, and incorporated as Servision Ltd. under the laws of the State of Israel. It is principally engaged in the development, manufacturing, marketing and selling of video surveillance products initially to the security industry through a network of distributors and system integrators.

Servision was initially financed by approximately $2.7 million of equity funds from the founder and other investors, which permitted the development of an advanced integrated solution for digital video recording and video transmission over wireless, phone, ethernet and cellular networks in a single product. Servision has also received a total of approximately $667,000 of grants from the Office of the Chief Scientist in Israel from inception to 30 June 2004, and has also received approximately $70,000 in non-reimbursable grants from the Ministry of Industry and Trade in Israel for overseas marketing. A Bridge Loan was advanced to Servision in early June 2004 for a term of 180 days, and has been repaid out of the proceeds of the offer, and its associated securities released.

The Company was incorporated as a limited company on 2 June 2004 (registration number 5143241) and re-registered as a Public Limited Company on 20 July 2004 (with the certificate of re-registration being dated 21 July 2004).

Under the terms of the Acquisition Agreement, the Company acquired its operating subsidiary, Servision, by way of a share exchange and became the parent company. Servision's main operating business is located in Israel.

Business of the Company

The Directors believe that Servision has developed a world leading, integrated, video surveillance platform that uses highly sophisticated video processing and state-of-the-art cellular and wired communications. The key technology that differentiates Servision's products from the competition is the high quality video streaming developed and optimized for low bandwidth cellular networks using proprietary MPEG-4 based video compression algorithms. Servision's technology also enables users to view live or recorded high quality video on their cellular phones, PDAs and personal computers and has the ability to pan, tilt and zoom cameras from their mobile handsets anywhere in the world.

Servision was a development company from its formation until the latter part of 2003 when sales commenced. Servision incurred operating losses of approximately $3.5 million before grants during the 3$^{1}/_{2}$ years to 30 June 2004, funded by equity capital and grants from the Office of the Chief Scientist in Israel.

Board of Directors

Gidon Tahan (46), Founder, Chairman and Chief Executive
Gidon founded Servision in 2000. Previously he was the President, founder and chief executive of Gadline Ltd, a pioneer in the field of telephone and internet over cable for over nine years. Gadline Ltd was sold in May 2000 to COM21 (Nasdaq: CMTO) for approximately $94 million. During the previous 10 years he was director of purchasing and finance at Phasecom, a manufacturer of wireless and telecommunications equipment, which became a public company VYYO (Nasdaq:VYYO). He studied accounting at the Hebrew University in 1981.

Eitan Yanuv (36), Financial Director
Eitan, the Company's Financial Director, spends at least two thirds of his time on the Company's business. He was the Chief Financial Officer of the Company from June 2004 until he was appointed to the Board of the Company in July 2004 as the Financial Director. He founded Implement Ltd, an Israeli financial consulting firm, in March 2002. From 2000 to 2002 he was the head of the consulting and investment banking at Ernst and Young in Israel. From 1997 to 2000 he was a senior consultant in Cardinal I.G working as interim chief executive and chief financial officer for clients, and from 1995 to 1997 he was CEO of the Reidman Group, a company with sales of NIS 30 million.

Dr Kenneth Gray (65), CBE FREng, Non-Executive Director
Kenneth joined the Company as a Non-Executive Director in July 2004. He was Chairman of Scipher Plc from 1996-2004 and Chairman of Safe Haven Ltd since 2003. From 1984 to 1996 he was with Thorn EMI Plc, (later EMI Group Plc), as Technical Director from 1986 to 1996, as Chief Executive of Thorn Software 1987 to 1989 and of Thorn Transaction from 1993 to 1996. He was with the Ministry of Defence from 1971 to 1984 and previously with Rockwell Inc in California, USA from 1965 to 1970. He was a non Executive Director of British Steel Plc from 1995 to 1999. He has a BSc in Physics (1960) and a PhD (1963) from the University of Wales, Bangor and is a Visiting Professor of Nottingham University.

Chaim Levy (50), Non-Executive Director
Chaim is a part-owner of Rahi (Fasaj Capital), a Mexican company engaged mainly in real estate. Chaim had previously been involved in the management of several businesses in real estate, textile manufacturing and distribution in Mexico.

Nathan Steinberg (51), Non-Executive Director
Nathan is a Chartered Accountant and a partner at accountancy firm Munslows. Nathan specialises is advising high net worth individuals on taxation and other financial matters and is currently on the Board of two AIM quoted companies, Golden Prospect plc and Pan African Resources plc. He also advises a number of other AIM companies.

Senior Management

Dmitry Kravtsov (27), VP of Research & Development
Dmitry joined Servision in early 2002, and is responsible for all the product development and integration activities. From 2001 to 2002 he was software development manager at HelloTech a company which developed M-commerce applications and advanced wireless monitoring systems. From 1999 to 2000 he was a team leader with Treeway Ltd, a provider of scalable web-based site-building solutions. For the previous 3 years he was a team leader and senior system programmer with UGCont. He holds a B.Sc. in Computer Science and Mathematics from Bar-Ilan University, Israel and is currently completing an M.Sc in Biotechnology from Bar-Ilan University.

Norma Levovitz (30), VP Sales & Marketing
Norma joined the company in 2002, and is responsible for all the sales and marketing activities worldwide. Prior to this she was responsible for marketing and public relations at Azimuth Ltd from 1998 to 2002. From 2001 to 2003 she was also sales manager for internet sales in Europe for Imaga Ltd. From 1990 to 1998 she managed 60 teachers and over 200 students in the orchestration and composition department at the Israeli School of Music Management.

Yoram Biton (35), VP Operations
Yoram joined the company in 2002, and is responsible for managing the production of Servision's products. From 2001 to 2002 he was the VP Operations and Business Manager for Cablecom Solutions Company (a spin off from COM21). For the previous 10 years he was Operations Manager for Rad Data Communications, and managed approximately 100 employees. Yoram obtained a BA in Business Management from Derby University in 1998, and a degree in Industrial Management from the Israel School of Management in 1996.

Corporate Governance

The Directors recognise the importance of sound corporate governance commensurate with the size of the Company and the interests of the Shareholders. So far as is practicable, taking into account the size and nature of the Company, the Directors will take steps to comply with the Combined Code. Accordingly, the Company has established an audit committee and a remuneration committee.

The audit committee, which will comprise Kenneth Gray and Nathan Steinberg and which will be chaired by Nathan Steinberg, will be responsible for ensuring that the financial performance, position and prospects of the Company are properly monitored and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls.

The remuneration committee, which will comprise Kenneth Gray, Nathan Steinberg and Chaim Levy and which will be chaired by Kenneth Gray, will review the performance of executive directors and set their remuneration.

The Company has adopted a model code for directors' dealings in securities of the Company which is appropriate for a Company quoted on AIM. The Directors will comply with Rule 19 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by the Company's "applicable employees" (as defined in the AIM Rules).

Products and Technology

The principal Servision products are "video gateways". These gateways link video sources such as CCTV cameras and the internet and also digitally record the video content of all cameras. The video content can be monitored with PDAs, mobile phones, or PCs by cellular, phone, ethernet or wireless networks.

Technology

Servision's technology consists of the following fundamental elements:

1. An optimised video algorithm that enables real time video streaming over existing cellular and wired networks producing high quality video performance
2. A single, integrated hardware and software solution with the ability to capture, compress, record, encrypt and transmit real time video at up to 15 frames per second over cellular networks and up to 30 frames per second over 802.11 and LAN networks.
3. Servision's technology permits simultaneous recording from all cameras in different specified video quality. Users can view live, as well as recorded, video.
4. Servision's proprietary streaming technology can be downloaded into many of the latest smartphones and PDAs which have network connectivity. Pan, tilt and zoom of individual remote CCTV cameras can be controlled from these mobile devices.
5. Servision's client software allows PC users to observe, video streams from up to 64 cameras at different locations, each with pan, tilt and zoom control from the PC.

The Directors believe that the design of Servision's products allow them to be sold at very competitive prices.

Products

Servision has two product series, one aimed primarily at the mainstream fixed sites market, and the other at the transportation market. It has a third product series that is under development aimed at the domestic security market:

1) **The SVG Series** for the fixed site market has two products:

   - The SVG 400 Series that supports 4 to 8 video cameras
   - The SVG 1000 Series that supports up to 16 cameras

2) **The IVG Series** supports four cameras and is aimed at the transportation market, although because of its extensive range of features, can be sold to the fixed site market too. It is a ruggedised gateway, incorporating a DVR, and requires low supply power. It has an optional GPS feature. This product will be released in January 2005, with the first sales expected in March 2005.

3) **The MVG Series** will support two analogue video camera inputs and include an optional GPS feature. It will be half the size of the IVG and consume even less power. This product is scheduled to be released in mid-2005, with the first sales expected in August 2005.

Detailed Product Features

The following features are common to all Servision products. They can:

- Connect to a number of CCTV cameras.
- Provide video output and camera control through all cellular transport protocols: GSM (GPRS, CSD, HSCSD), CDMA (CDPD) and iDEN, and phones through PSTN and ADSL etc.

- Adjust the video stream bit rates to support the wide range of network bandwidths.
- Encrypt the video streams to high level, 3DES with SSL protocol.
- Simultaneously record and play back video from the DVR. The user can select the exact date and time of a recording from a specific camera.
- Provide software-generated motion detection on each camera with adjustable threshold and region-of-interest.
- Be powered by 110/220V AC or, for products designed for mobile applications,12/24V DC.

They all have:

- A custom-built Linux-based operating system on their micro-processing chips.
- Varying number of external alerting sensor connections.
- Various PTZ camera control protocols to control cameras directly from the video monitor.
- Various numbers of automatic event-driven activation of sirens, door closing, etc.
- An event-driven user notification of alerts (SMS, email, phone call, etc.)
- High-quality DVR capabilities on all channels, with transcoding algorithms for adjustable lower bit rate recordings.

SVG series

SVG400
The SVG400 is a compact integrated gateway that takes input from four to eight video cameras. It has a continuous digital recording capability and is able to record from each of its cameras for up to one month using an 80 GB built-in hard drive. External storage is also available to enable expanded recording capacity. This device can record and transmit real-time video via phone or ethernet networks to the internet, to the central station, or to any mobile device over cellular networks (GSM, CDMA, iDEN and TETRA).

SVG1000
This is a rack mount system for central control locations and supports a larger number of cameras. The SVG1000 can scale up to 16 cameras. Its storage capacity is much larger than the SVG400 and it can support up to four hard drives of 120 GB each. An added feature of the SVG 1000 is that it allows for multiple viewers to simultaneously view the video images over cellular networks.

IVG series

This series of gateways with DVR is primarily aimed at the transportation security sector and includes more features than the SVG series.

IVG 400
The first product of the IVG series, the IVG-400, is to be launched in January 2005, with sales expected to start in March 2005. The IVG series is ruggedised to be suitable for the transportation market and it consumes significantly less power than the SVG series. The IVG-400 is equipped with four channels for video and audio surveillance input and has an option for GPS positional tracking.

The IVG series products have the capability of transmitting their video output to the internet by cellular networks as well as phone and ethernet networks.

MVG series

Further technical developments on the IVG Mobile DVR have resulted in a new product range, the MVG series. These are planned to have two channels for video and audio input, be even smaller and use even less power than the IVG.

The target markets for the MVG series are the transportation, small office and domestic security markets. The product will be launched in mid-2005 selling into the domestic market from retail outlets including those of the cellular operator.

Research and Development

The planned research and development programme is aimed at maintaining the present SVG, IVG and MVG security products at the leading edge, to include new features and to extend the technology to the entertainment industry.

Sales and Marketing

Market Sectors

The Security Market

Servision's products are currently being sold worldwide. Their products have been designed to address a rapidly growing niche in the security market.

Servision's products are designed for security applications in a wide range of applications:

- **Fixed locations**, such as retail stores, sensitive governmental buildings, financial institutions, airports and university campuses.

- **Transportation vehicles**, such as trains, planes, buses, trucks, and police and cash delivery vehicles.

- **Domestic applications**, such as monitoring children and elderly people and private home security.

The Entertainment Market

The Company perceives that Servision's ability to transmit high quality live video over cellular networks provides the possibility of developing applications for the entertainment market. Market research will be carried out to determine the opportunities open to the Company.

Sales Strategy

Servision is pursuing a multiple channel sales strategy for the security market through:

- Distributors and integrators
  - The intention is to appoint two distributors per territory, together with major local system integrators
- Local sales staff
  - The role of the local sales staff will be to concentrate on marketing and sales on large projects and to provide local support services to distributors and system integrators
- Original equipment manufacturers
  - Servision will negotiate with the Original Equipment Manufacturers from leading brands who have shown and who will show interest in Servision's products
- Cellular dealers network
  - The video gateway in Servision's products is attracting attention from cellular dealers networks as a data product, similar to the mobile phone, and primarily as a voice product
- Monitoring station companies serving the security industry
  - Video verification of alarms is increasingly demanded by the police before committing resources

Geographic coverage and distributors

Servision is building a network of distributors experienced in the security market. To date distributors have been appointed in Africa, Australia, Austria, Belgium, China, France, Germany, Greece, the Gulf States, Mexico, Thailand, Turkey and USA.

Software licence and service agreements

Servision's products currently integrate MPEG4 technology. The current terms for the licence of MPEG4 technology from MPEG LA, LLC provides for the use of up to 50,000 units per annum with no licence fee payable. Above this a $0.25 average royalty fee is to be paid for every additional unit integrated in Servision's products and sold in each year. This cost has been factored into Servision's cost structure.

Servision intends to use H.264 technology in future products. The current terms for the licence of H.264 technology from MPEG LA, LLC provide for the use of up to 100,000 units annually with no licence fee payable. Above this, a fee of $0.20 will be payable for every additional unit sold annually, and a fee of $0.10 will be payable for each unit above 5 million units per year.

Intellectual property, proprietary rights and licences

Gidon Tahan and Servision submitted three patent applications to the Israeli Patent Office in September 2003 for its dual recording architecture and methods used to stream high quality video over narrowband cellular networks. Pursuant to an agreement dated 28 May 2004 Gidon Tahan assigned his beneficial and legal interests in the above patents to Servision.

Servision further filed two PCT applications on 20 September 2004, claiming priority from the Israeli applications detailed above. Servision is entitled to file national applications in the countries which are members of the Patent Cooperation Treaty until 21 March 2006.

Sourcing of components, assembly and quality assurance

Servision's products typically require the assembly of approximately 110 individual components. A local third party sub-assembly house is utilised for the labour intensive and low value-added assembly work with final product integration and testing being completed in-house.

Servision conducts regular quality checks on all sourced components. The majority of the parts have multiple suppliers.

Two components are considered "key components": the DSP and the CPU. Servision has agreed with the distributors of these products that they will hold a three month supply of inventory based on Servision's projections. The Directors believe that, if necessary, substitute products or alternative suppliers could be found even for its key components.

Premises

Servision's headquarters are based in Jerusalem. The management team and production facility operate from a facility located in the Har Hotzvim Technology Park, a modern 650,000 square metre facility with over 8,000 hi-tech workers. Servision's premises are leased for a term of two years commencing July 2003 at an annual rent of approximately $52,000.

In the UK, an office located in Uxbridge, Middlesex is leased by the Company for a term of one year commencing on 25 October 2004 and automatically renewable unless terminated by a three-month prior written notice. The annual rent is approximately £10,000 (exc VAT); it has been agreed however that no rent would be payable on the first month of the lease period.

Regulations and compliance

Servision has attained the ISO 9001-2000 quality standard. This standard was granted to the Company's R&D, quality assurance, sales and marketing, production, operations and logistics departments.

Servision's products have been tested by a qualified laboratory for safety and electro-magnetic compliance standards and the initial tests indicated that Servision products are compliant with the UL standards. The SVG400 is approved to meet the FCC and CE (EN 60950-1:2001) standards.

PART III
INDUSTRY BACKGROUND AND GEOGRAPHIC BACKGROUND

New products in the security industry

The market for technologically advanced products in the security industry is large and growing in order to combat increased terrorist and criminal activity. The take-up of new products by the industry is relatively slow as the common initial reaction is to increase security staff to combat the perceived problem. The assessment of products and the creation of budgets to purchase new products takes time. The Directors believe that Servision is well placed as its products are very advanced and have been in the marketplace for over a year. Furthermore - and of much importance to this market - the price/performance ratio of its products is very competitive. Future products under development should further improve this market position. The Directors believe that the security market is poised to expand its use of CCTV by distributing the video surveillance of commercial and domestic buildings and also the monitoring of moving vehicles to PCs and mobile handsets. Servision products are designed to meet these market needs.

Servision's market position

The Directors believe that Servision is the first company to provide a highly integrated video surveillance gateway combining the essential security features found in most DVRs, and providing the highest quality streaming available over cellular networks. The Company's recording algorithms, coupled with Servision's ability to use its proprietary enhanced MPEG-4 compression, are what the Directors believe provide Servision with the ability to deliver high quality video streaming.

Barriers to entry

Providing a quality wireless security system with a robust solution has taken Servision over two years to develop and used approximately \$3 million of capital. While the Directors believe that the Company faces, and will continue to face, competition, they believe that Servision is well positioned to act now to seize its market advantage. The Company believes that the technical features of the Servision product range may have a twelve month lead time on the competition.

Competition

While there are many companies in the market offering some of the features of the Servision products and many well entrenched suppliers with stronger marketing positions but technically older products, Servision has identified two companies which provide strong competition, these are Sequent and TeleObserver. The main advantages of Servision's products over the products offered by these two competitors result from a better video quality streaming, the integration of GPS, video and audio into Servision's products, and competitive prices.

Israel

Israel has a population of approximately 6.1 million. It has the largest number of companies traded on US exchanges (predominantly NASDAQ) after the US itself and Canada. Relative to the size of its population, Israel has more engineers and has more scientific articles published than any other country in the world. Technology industries have taken a pre-eminent role in the economy. The country has been very successful in developing cutting edge technologies in computer software and communications. Leading international companies such as Microsoft, Intel and IBM maintain facilities in Israel.

European countries have been traditional trading partners due to their proximity. A free trade agreement with the European Union and a special trading status has further developed ties to Western Europe and during 2002, Israel became the United Kingdom's largest trading partner in the Middle East, moving ahead of Saudi Arabia for the first time. Israel has a close trade relationship with the United States, its leading trading partner. A free trade agreement has been in effect since 1985.

PART IV
RISK FACTORS AND INVESTMENT CONSIDERATIONS

Investment in the Ordinary Shares involves a high degree of risk. Any investor in the Ordinary Shares must have no need for any liquidity with respect to this investment and must be able to withstand a total loss of his investment. Each potential investor must carefully consider the risks described below and the other information set out in this Prospectus before deciding to invest in the Ordinary Shares.

An investment in the Ordinary Shares will involve, but not be limited to, the following risks:

Early-stage technology company

The Company was formed to acquire Servision. The business of Servision is not yet mature and is still in the very early stages of development. There is limited operating history upon which an evaluation of the business of the Group and its prospects can be based. The Company's business must also be considered in light of the risks, expenses and cash flow problems often encountered by early stage companies. Typically, a large majority of such companies fail to achieve their business plan and their projections, through a failure to estimate the speed of market penetration, and the cash costs associated with penetrating international markets. Such companies also often fail to provide and maintain adequate investment in product development and marketing and fail to provide adequate managerial, operational and financial resources. There can be no assurance that the Company will be successful in its business plan or that shareholder value will be created.

Product risks

Servision's products rely on software that was developed internally. Businesses based on software development are often characterised by rapid product innovation and are often followed by product obsolescence. Rapid growth of a business during a period of strong market acceptance is often followed by rapid market decline if new competition enters the market with superior products. There can be no assurance that Servision's products will maintain a competitive positioning or that the Company will have adequate financial and human resources to maintain the rate of product development required by the markets in which Servision operates.

Uncertainty of market acceptance

The Company is planning to develop sales of Servision's products and services in the worldwide security industry. There is no certainty that the Company's core products will gain market acceptance in its target market.

Speed of market acceptance

Companies with innovative products often overestimate the speed of market acceptance of their products. The rate of market penetration in markets dominated by larger corporate customers is often quite protracted as capital expenditure budgeting is generally conducted annually and smaller companies often find it difficult to gain recognition in the face of competition from larger companies.

Limited management capabilities

While the management team consists primarily of experienced professionals, there is no certainty that the Company will have sufficient managerial resources to execute its business plan.

Competition

The Company believes that it has identified limited competition at this time for its SVG DVR product. However competition is expected to develop rapidly. While the Directors have considered this, and while they believe that they have taken the steps necessary to manage the business in a competitive environment, there is no certainty that the competitive environment will not prove excessively challenging to the Company and prevent the realisation of its business plan.

Forward-looking statements

Certain statements in this Document may constitute forward-looking statements relating to such matters as projected financial performance, business prospects, new products and services and similar matters. As set out in this Part IV and throughout this Document, a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements.

Dividends

The Company does not expect to pay a dividend in the immediate future. There is no certainty that the Company will generate sufficient after tax profits to be able to pay a dividend.

Deferred Ordinary Shares, options, and Ordinary Shares authorised for Allotment

The Company intends to issue 472,500 options to subscribe for Ordinary Shares to certain employees pursuant to the Employee Share Option Plan. The Company has also issued 384,615 Deferred Ordinary Shares to CSS, options to subscribe for 50,000 Ordinary Shares to Kenneth Gray, options to subscribe for 130,087 Ordinary Shares to Yacob Nagar, options to subscribe for 30,000 Ordinary Shares to Nathan Steinberg, and options to subscribe for 30,000 Ordinary Shares to Eitan Yanuv. Exercise of such options, or conversion of Deferred Ordinary Shares into Ordinary Shares or the allotment of such Ordinary Shares would result in a dilution of the shareholdings of other investors.

Working capital requirements

The Company believes that the capital that was raised from the Offer will provide adequate development and working capital to implement its current business plan. However, no assurance can be given that the Company's predictions regarding its rate of use of cash will prove accurate. It may experience cash requirements above what has been budgeted and it may need to raise additional capital. Any additional equity financing may be dilutive to shareholders. If the Company is unable to obtain additional financing, it may be required to reduce the scope of its business or may be required to cease operations. Similarly if the Company experiences growth that is significantly faster than budgeted, it is likely that the Company will require additional capital.

Dependence on key personnel

The Company's ability to be a successful and profitable company depends to a significant extent on the continued service of its key employees and Directors. The loss of service of one or more of these key employees could materially and adversely affect the Company's business and prospects. The Company is also dependent upon a number of highly skilled engineers and software specialists. The Company believes that the growth and future success of its business will depend to a large extent on the Company's continued ability to attract, motivate and retain highly skilled personnel. The Company may not be successful in doing so, as the competition for qualified personnel in the Company's industry is intense.

Relations with CSS

CSS has a broad ranging relationship with the Company which may create conflicts of interest and potential risks for the Company. CSS acted as financial adviser to the Company in the structuring of the Offer and assisted in the preparation of the Offer Document pursuant to the CSS Agreement. CSS also acted as placing agent of the Offer pursuant to the same agreement. CSS maintains separate client agreements with private and intermediate clients who may have become subscribers to the Offer.

Influence of principal shareholders

On Admission, Gidon Tahan will own, directly or indirectly, approximately 35.53 per cent of the issued Ordinary Shares of the Company and Orfali Wireless LLC will own approximately 19.69 per cent of the issued Ordinary Shares of the Company. As a result, they may be in a position to control the Company and also to exert significant influence over the outcome of matters relating to the Company, including the appointment of the Company's Board of Directors and the approval of significant change-in-control transactions. In addition, this control may have the effect of making certain transactions more difficult without the support of the Directors and may have the effect of delaying or preventing an acquisition or other change in control of the Company.

Country risk

Servision's operations, as well as most of its senior management, are located principally in Israel. Israel has experienced a significant level of terrorist activity in recent years and is located in the Middle East which is considered to have a high risk of potential military activity. In the event of war, terrorism or other military activity Servision operations in Israel could be disrupted and Servision's insurance carriers do not typically insure such risks. Many of the employees in Israel are obligated to perform military reserve duty each year, and are subject to being called for active duty under emergency circumstances. In the event of a war in the region, economic activity in Israel may suffer and the Company may be adversely affected.

Taxation

It should be noted that the information contained in Part VII of this Document relating to taxation may be subject to legislative change.

To maintain qualification as an "Approved Enterprise" under Israeli tax law, Servision must continue to meet conditions set forth in Israeli law and regulations, including making specified investments in property and equipment and financing a percentage of its investments with share capital. If Servision fails to comply with these conditions in the future, the benefits could be cancelled or reduced. The Israeli Government may terminate these programs or modify the conditions for qualifications at any time. In addition, from time to time, as Servision increases activities outside of Israel, such increased activities may not be eligible for inclusion in Israeli tax benefit programs.

Exchange rate fluctuations

Servision operates its business in a number of currencies. Fluctuations in exchange rates with the US Dollar could have a material impact on the Group's results.

Suitability

An investment in the Ordinary Shares may not be suitable for all readers of this Document. Potential Investors are accordingly advised to consult an appropriate person authorised under the FSMA before making their decision.

Investment risk

Potential investors should be aware that the value of shares can go down as well as up and that an investment in a share which is to be traded on AIM may be less realisable and may carry a higher degree of risk than an investment in a share quoted on the Official List of the United Kingdom Listing Authority. The price which investors may realise for their holding of Ordinary Shares, and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Company and others of which are extraneous.

General

It may be difficult for investors to sell their Ordinary Shares and they may receive less than the amount paid by them. The Ordinary Shares may not be suitable for short-term investment. An investment in the Company is highly speculative.

PART V
ACCOUNTANTS' REPORT ON THE COMPANY AND SERVISION

haysmacintyre

vision through partnership

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The Directors
Numerica Capital Markets Limited
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15 December 2004

Dear Sirs

Servision Plc

We report on the financial information set out below. This financial information has been prepared for inclusion in the Admission Document dated 15 December 2004 of Servision Plc.

Basis of Preparation

The financial information set out below is based on the audited financial statements of Servision Limited for the three years ended 31 December 2001, 31 December 2002 and 31 December 2003 and the six months ended 30 June 2004, and has been prepared on the basis set out below after making such adjustments as we considered necessary.

On 20 July 2004, the Company purchased the entire issued share capital of Servision Limited, an Israeli registered Company by way of a share for share exchange resulting in the issue of 10,627,988 ordinary shares of £0.01 each and 1,732,583 convertible preference shares of £0.01 each in consideration. This has been accounted for under Financial Reporting Standard 6, whereby merger accounting has been adopted as the basis of consolidation.

The figures herein represent the consolidation of the parent Company, Servision Plc and its wholly owned subsidiaries, Servision Limited and Servision Inc.

Responsibility

The financial statements are the responsibility of the directors of Servision Limited who have approved their issue.

The directors of Servision Plc are responsible for the contents of the Admission Document dated 15 December 2004 in which this report is included.

It is our responsibility to compile the financial information, set out in our report from the financial statements to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information.

The evidence included that recorded by the auditors, Aboulafia Avital & Co, 42 Agrippas Street, Jerusalem who audited the financial statements of Servision Limited for the years ended 31 December 2001, 31 December 2002 and 31 December 2003 and for the six months ended 30 June 2004 underlying the financial information.

The evidence included that recorded by the auditors Steven I Falk, CPA, 778 Old Country Road, Plainview, New York 11803 who audited the financial statements of Servision Inc from the date of incorporation to 31 December 2003 and Philip A Capraro, CPA, 5 Sycamore Court, Highlands Mills, New York 10930 who audited the financial statements of Servision Inc for the six months ended 30 June 2004 underlying the financial information.

It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Admission Document dated 15 December 2004 a true and fair view of the state of affairs of the Group as at the dates stated and of the losses and cashflows for the periods then ended.

Consent

We consent to the inclusion in the Admission Document dated 15 December 2004 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Six months ended 30 June 2004 US$	Year ended 31 December 2003 US$	Year ended 31 December 2002 US$	Year ended 31 December 2001 US$
Turnover	445,871	131,787	35,928	23,952
Cost of sales	(360,123)	(67,963)	-	-
Gross profit	85,748	63,824	35,928	23,952
Research and development expenses (note 10)	(565,338)	(1,037,401)	(601,991)	(95,288)
Administrative and other expenses	(502,010)	(481,160)	(209,406)	(156,979)
Other income	195,323	280,980	468,339	25,042
Operating loss	(786,277)	(1,173,757)	(307,130)	(203,273)
Net interest payable	(93,630)	(26,769)	(4,995)	(6,237)
Retained loss	(879,907)	(1,200,526)	(312,125)	(209,510)

All turnover and operating losses are derived from continuing operations.

CONSOLIDATED BALANCE SHEETS

	Notes	30 June 2004 US$	31 December 2003 US$	31 December 2002 US$	31 December 2001 US$
Fixed Assets					
Tangible fixed assets	**2**	127,488	114,658	46,392	26,968
Current Assets					
Stock	**3**	146,741	77,275	-	-
Debtors	**4**	696,931	339,397	132,477	9,052
Cash		30,591	307,737	-	-
		874,263	724,409	132,477	9,052
Creditors: amounts falling due within one year	**5**	(1,392,099)	(332,095)	(336,867)	(109,637)
Net current (liabilities)/assets		(517,836)	392,314	(204,390)	(100,585)
Total assets less current liabilities		(390,348)	506,972	(157,998)	(73,617)
Creditors: amounts falling due after more than one year	**6**	(1,946)	(179,984)	(359,106)	(135,868)
		(392,294)	326,988	(517,104)	(209,485)
Capital and Reserves					
Share capital	**7**	231,023	231,021	231,021	231,021
Merger reserve	**8**	1,978,751	1,818,128	(226,490)	(230,996)
Profit and loss account		(2,602,068)	(1,722,161)	(521,635)	(209,510)
Shareholders' funds	**9**	(392,294)	326,988	(517,104)	(209,485)

CONSOLIDATED CASH FLOW STATEMENTS

	Six months ended 30 June 2004 US$	Year ended 31 December 2003 US$	Year ended 31 December 2002 US$	Year ended 31 December 2001 US$
Cash flow from operating activities				
Operating loss	(786,277)	(1,173,757)	(307,130)	(203,273)
Depreciation	15,549	17,452	5,484	3,983
Increase in stock	(69,466)	(77,275)	-	-
Increase in debtors	(457,534)	(81,920)	(123,425)	(9,052)
Increase in creditors	262,893	101,523	47,834	109,156
Net cash outflow from operating activities	(1,034,835)	(1,213,977)	(377,237)	(99,186)
Returns on investments and servicing of finance				
Interest paid	(93,630)	(26,769)	(4,995)	(6,237)
Net cash outflow from investments and servicing of finance	(93,630)	(26,769)	(4,995)	(6,237)
Capital expenditure				
Purchase of tangible fixed assets	(28,379)	(85,718)	(24,908)	(30,951)
Net cash outflow from capital expenditure	(28,379)	(85,718)	(24,908)	(30,951)
Net cash outflow before financing	(1,156,844)	(1,326,464)	(407,140)	(136,374)
Financing				
Issue of share capital in Servision Plc	2	-	-	-
Issue of share capital in Servision Limited	260,623	1,919,618	4,506	25
Net loans drawn/(repaid)	507,410	(138,213)	268,566	101,523
(Decrease)/increase in cash	(388,809)	454,941	(134,068)	(34,826)

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

The accounting policies, applied on a consistent basis in the preparation of the financial information, are as follows:

a. Basis of preparation

The financial statements are prepared on the historical cost basis and in accordance with applicable accounting standards. The financial statements are prepared under UK GAAP.

b. Basis of consolidation

Subsidiary undertakings are accounted for from the effective date of acquisition. The parent Company, Servision Plc was incorporated on 2 June 2004 and acquired Servision Limited (and its wholly owned subsidiary Servision Inc) on 20 July 2004 by way of a share for share exchange. Under Financial Reporting Standard 6, merger accounting has been adopted as the basis for consolidation.

c. Turnover

Turnover represents the value of goods and services supplied. All turnover prior to December 2003 relates to providing a consultancy service, whereas turnover after this date relates to unit sales and the sale of ancillary products.

d. Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset by equal monthly instalments over its expected useful life, as follows:-

Leasehold improvements	10% per annum
Motor vehicles	15% per annum
Office furniture and equipment	6-15% per annum
Computer equipment	20-33% per annum

e. Stock

Stock is valued at the lower of cost and net realisable value.

f. Other income

Grants receivable from the Israeli Government are recognised at the time the Company is entitled to such grants. These revenue grants are shown as other income. There are no other forms of other income.

g. Reporting currency

The majority of the Group's turnover is generated in US Dollars. For the purpose of reporting requirements, the financial information has been reported in US Dollars.

h. Research and development

All expenditure relating to research and development expenditure is expensed directly to the profit and loss account.

i. Foreign Currency

The results of the parent company are translated into US Dollars at the average rate of exchange for the year. The assets and liabilities of parent company are translated into US Dollars at the rate of exchange ruling at the year end. Currency translation adjustments on exchange are included in the profit and loss account.

2. Fixed Assets

Group

	Leasehold Premises US$	Computers, Office furniture & equipment US$	Motor vehicles US$	Total US$
Cost				
As at 1 January 2004	6,366	82,917	52,294	141,577
Additions	-	28,379	-	28,379
As at 30 June 2004	6,366	111,296	52,294	169,956
Accumulated depreciation				
As at 1 January 2004	1,621	20,376	4,922	26,919
Depreciation for the period	318	11,310	3,921	15,549
As at 30 June 2004	1,939	31,686	8,843	42,468
Net book value as at 30 June 2004	**4,427**	**79,610**	**43,451**	**127,488**
Net book value as at 31 December 2003	**4,745**	**62,541**	**47,372**	**114,658**
Net book value as at 31 December 2002	**5,274**	**41,118**	**-**	**46,392**
Net book value as at 31 December 2001	**5,628**	**21,340**	**-**	**26,968**

	Six months ended 30 June 2004 US$	Year ended 31 December 2003 US$	Year ended 31 December 2002 US$	Year ended 31 December 2001 US$
3. Stock				
Goods for resale	146,741	77,275	-	-
4. Debtors				
Trade debtors	249,417	12,589	-	-
Grants receivable	247,615	121,261	109,141	-
Other debtors	174,899	80,547	23,336	9,052
Share capital not paid	25,000	125,000	-	-
	696,931	339,397	132,477	9,052
5. Creditors: amounts falling due within one year				
Bank overdrafts	133,353	21,690	168,894	34,826
Bank loans	188,396	51,892	10,983	-
Other loans	548,944	-	-	-
Trade creditors	301,240	85,004	70,748	26,161
Other creditors	168,999	161,682	35,837	2,709
Accruals and deferred income	51,167	11,827	50,405	45,941
	1,392,099	332,095	336,867	109,637

The bank loan is in Israeli shekels at an interest rate of 2.3% above base and is payable by 31 December 2005 and is secured by way of a fixed and floating charge over the assets of the Company.

Other loans relate to a short term loan of £300,000 at an interest rate of 1% per month.

6. Creditors: Amounts falling due after one year				
Bank loans	1,946	9,364	-	-
Shareholder's loan	-	170,620	359,106	101,523
Other creditors	-	-	-	34,345
	1,946	179,984	359,106	135,868

7. Share capital

The authorised share capital consists of 30,000,000 ordinary shares of 1p each and 1,000,000 deferred ordinary shares of 0.1p each.

	Six months ended 30 June 2004 US$	**Year ended 31 December 2003 US$**	**Year ended 31 December 2002 US$**	**Year ended 31 December 2001 US$**
Issued and fully paid up				
12,360,771 ordinary shares of 1p each	231,023	231,021	231,021	231,021

8. Merger reserve

	US$
Issue of subscriber shares	25
Issue of 2,752,819 ordinary shares of NIS 0.01 each in Servision Limited	510,129
Issue of 571,428 A convertible preference shares of NIS 0.01 each in Servision Limited	1,000,000
Issue of 732,539 B convertible preference shares of NIS 0.01 each in Servision Limited	720,000
Less issue costs	(20,382)
Less Servision Plc's investment in Servision Limited	(231,021)
Balance at 30 June 2004	1,978,751

9. Reconciliation of movement in shareholders' funds

	Six months ended 30 June 2004 US$	**Year ended 31 December 2003 US$**	**Year ended 31 December 2002 US$**	**Year ended 31 December 2001 US$**
Loss for the financial period	(879,907)	(1,200,526)	(312,125)	(209,510)
Movement in the merger reserve	160,623	2,044,618	4,506	25
New share capital subscribed	2	-	-	-
Opening shareholders' funds	(719,282)	844,092	(307,619)	(209,485)
Closing shareholders' funds	326,988	(517,104)	(209,485)	-
	(392,294)	326,988	(517,104)	(209,485)

10. Research and development expenses

	Six months ended 30 June 2004 US$	Year ended 31 December 2003 US$	Year ended 31 December 2002 US$	Year ended 31 December 2001 US$
Wages and salaries	384,354	642,475	371,357	-
Materials and parts	72,163	112,901	55,139	-
Patents and licensing	-	-	4,135	23,457
Sub-contractors	29,283	17,976	86,144	8,086
Office maintenance	18,765	79,941	67,960	58,618
Motor expenses	36,797	73,023	12,379	3,808
Travel	19,605	102,993	-	-
Depreciation	4,371	8,092	4,877	1,319
	565,338	1,037,401	601,991	95,288

11. Contingent liabilities

Under the Company's research and development agreement with the Office of the Chief Scientist and pursuant to applicable laws, the Company is required to pay royalties at the rate of 3-3.5% of sales for products developed with funds provided by the Office of the Chief Scientist, up to an amount equal to 100% of the grant received plus interest based on the 12 month LIBOR rate applicable to dollar deposits. The Company is obligated to repay the Israel Government for the grants received only to the extent that there are sales for the funded products.

As at 30 June 2004, the Company had a contingent obligation to pay royalties of $757,000. This amount has not been provided for.

12. Post balance sheet events

On 20 July 2004, the Company purchased the entire issued share capital of Servision Limited, an Israeli registered Company by way of a share for share exchange resulting in the issue of 10,627,988 ordinary shares of £0.01 each and 1,732,583 convertible preference shares of £0.01 each in consideration. As mentioned in the accounting policies, this has been accounted for under Financial Reporting Standard 6, whereby merger accounting has been adopted as the basis of consolidation.

The convertible preference shares converted to ordinary shares on 16 August 2004 on the raising of the minimum subscription under the public offer.

On 20 July 2004, the Company issued the following options:-

Options over 909,607 £0.01 ordinary shares to Orfali Wireless LLC exercisable at a price of $0.46 per share which were exercised on 19 August 2004.

Options over 50,000 £0.01 ordinary shares to Dr Kenneth Gray, non-executive director, exercisable at a price of £0.30 per share until 20 July 2005.

The Company has also agreed to grant an option over 130,087 £0.01 ordinary shares to Yacob Nagar exercisable at a price of $0.58 per share until 31 August 2005.

On 21 July 2004, Charles Street Securities Inc. paid £384.61 for 384,615 deferred ordinary shares of £0.001 each. These shares can be converted to ordinary shares once the difference between £0.001 and £0.65 is paid.

On 22 July 2004, the Company made a public offer for subscription. This resulted in 4,499,689 ordinary shares of £0.01 each being issued at £0.65 per ordinary share and raising £2,471,429 net of expenses.

In December 2004, 76,923 £0.01 ordinary shares were issued at £0.65 each to Dr Kenneth Gray.

In December 2004 the company granted options over 30,000 £0.01 ordinary shares to Mr Nathan Steinberg, non-executive director. The options are exercisable in 2 tranches of 15,000 ordinary shares, the first from 30 June 2005 and the second from 31 March 2006, exercisable at a price of £0.65 per share.

In December 2004 the company granted options over 30,000 £0.01 ordinary shares to Mr Eitan Yanuv, the financial director. The options are exercisable in 3 tranches of 10,000 ordinary shares, the first in December 2005, the second in December 2006, and the third in December 2007, all exercisable at a price of £0.15 per share.

Yours faithfully

haysmacintyre

haysmacintyre

vision through partnership

Fairfax House, 15 Fulwood Place, London. WC1V 6AY
T 020 7969 5500 F 020 7969 5600

The Directors
Servision Plc
2nd Floor, Manfield House
1 Southampton Street
London WC2R 0LR

The Directors
Numerica Capital Markets Limited
66 Wigmore Street
London
W1U 2HQ

15 December 2004

Dear Sirs

Servision Plc

We have been instructed by the company to review the financial information for the nine months ended 30 September 2004, which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Cash Flow statement and the related notes.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Respective responsibilities of directors

The financial information is the responsibility of, and has been approved by the directors. The directors are responsible for preparing this information which requires that the accounting policies and presentation applied to the financial information should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied and adequately disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the nine months ended 30 September 2004.

haysmacintyre
Chartered Accountants
Registered Auditors

E service@haysmacintyre.com W www.haysmacintyre.com DX 1005 Chancery Lane London

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Nine months ended 30 September 2004 US$
Turnover	830,545
Cost of sales	(610,998)
Gross profit	219,547
Research and development expenses	(902,081)
Administrative and other expenses	(924,663)
Other income	239,334
Operating loss	(1,367,863)
Net interest payable	(185,775)
Retained loss	(1,553,638)

All turnover and operating loss are derived from continuing operations.

CONSOLIDATED BALANCE SHEET

	Notes	30 September 2004 US$
Fixed Assets		
Tangible fixed assets		151,453
Current Assets		
Stock		321,226
Debtors		933,892
Cash		2,431,766
		3,686,884
Creditors: amounts falling due within one year		(935,069)
Net current assets		2,751,815
Total assets less current liabilities		2,903,268
Capital and Reserves		
Share capital	**2**	315,208
Share premium	**3**	3,885,081
Merger reserve	**4**	1,978,778
Profit and loss account		(3,275,799)
Shareholders' funds		2,903,268

CONSOLIDATED CASH FLOW STATEMENT

	Nine months ended 30 September 2004 US$
Cash flow from operating activities	
Operating loss	(1,367,863)
Depreciation	18,373
Increase in stock	(243,951)
Increase in debtors	(531,994)
Increase in creditors	299,950
Net cash outflow from operating activities	(1,825,485)
Returns on investments and servicing of finance	
Interest paid	(185,775)
Net cash outflow from investments and servicing of finance	(185,775)
Capital expenditure	
Purchase of tangible fixed assets	(55,168)
Net cash outflow from capital expenditure	(55,168)
Net cash outflow before financing	(2,066,428)
Financing	
Issue of share capital in Servision Plc	3,906,767
Issue of share capital in Servision Limited	270,424
Net loans repaid	(153,087)
Increase in cash	1,957,676

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

The accounting policies, applied on a consistent basis in the preparation of the financial information, are as follows:

a. Basis of preparation

The financial statements are prepared on the historical cost basis and in accordance with applicable accounting standards. The financial statements are prepared under UK GAAP.

b. Basis of consolidation

Subsidiary undertakings are accounted for from the effective date of acquisition. The parent Company, Servision Plc was incorporated on 2 June 2004 and acquired Servision Limited (and its wholly owned subsidiary Servision Inc) on 20 July 2004 by way of a share for share exchange. Under Financial Reporting Standard 6, merger accounting has been adopted as the basis for consolidation.

c. Turnover

Turnover represents the value of goods and services supplied. All turnover prior to December 2003 relates to providing a consultancy service, whereas turnover after this date relates to unit sales and the sale of ancillary products.

d. Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset by equal monthly instalments over its expected useful life, as follows:-

Leasehold improvements	10% per annum
Motor vehicles	15% per annum
Office furniture and equipment	6-15% per annum
Computer equipment	20-33% per annum

e. Stock

Stock is valued at the lower of cost and net realisable value.

f. Other income

Grants receivable from the Israeli Government are recognised at the time the Company is entitled to such grants. These revenue grants are shown as other income. There are no other forms of other income.

g. Reporting currency

The majority of the Group's turnover is generated in US Dollars. For the purpose of reporting requirements, the financial information has been reported in US Dollars.

h. Research and development

All expenditure relating to research and development expenditure is expensed directly to the profit and loss account.

i. Foreign Currency

The results of the parent company are translated into US Dollars at the average rate of exchange for the year. The assets and liabilities of the parent company are translated into US Dollars at the rate of exchange ruling at the year end. Currency translation adjustments on exchange are included in the profit and loss account.

2. Share capital

The authorised share capital consists of 30,000,000 ordinary shares of £0.01 each and 1,000,000 deferred ordinary shares of £0.001 each.

Issued and fully paid up	**30 September 2004 US$**
17,000,837 ordinary shares of £0.01 each	314,515
384,615 deferred ordinary shares of £0.001 each	693
	315,208

On 20 July 2004, the Company purchased the entire issued share capital of Servision Limited, an Israeli registered Company by way of a share for share exchange resulting in the issue of 10,627,988 ordinary shares of £0.01 each and 1,732,583 convertible preference shares of £0.01 each in consideration. As mentioned in the accounting policies, this has been accounted for under Financial Reporting Standard 6, whereby merger accounting has been adopted as the basis of consolidation.

The convertible preference shares converted to ordinary shares on 16 August 2004 on the raising of the minimum subscription under the public offer.

On 20 July 2004, the Company issued the following options:-

> Options over 909,607 £0.01 ordinary shares to Orfali Wireless LLC exerciseable at a price of $0.46 per share which were exercised on 19 August 2004.
>
> Options over 50,000 £0.01 ordinary shares to Dr Kenneth Gray, non-executive director, exercisable at a price of £0.30 per share until 20 July 2005.
>
> The Company has also agreed to grant an option over 130,087 £0.01 ordinary shares to Yacob Nagar exercisable at a price of $0.58 per share until 31 August 2005.

On 21 July 2004, Charles Street Securities Inc. paid £384.61 for 384,615 deferred ordinary shares of £0.001 each. These shares can be converted to ordinary shares once the difference between £0.001 and £0.65 is paid.

On 22 July 2004, the Company made a public offer for subscription. This resulted in 3,730,459 ordinary shares of £0.01 each being issued at £0.65 per ordinary share raising £1,971,429 net of expenses.

On 22 October 2004, a further 769,230 £0.01 ordinary shares were issued at £0.65 to Orfali Wireless LLC.

In December 2004, 76,923 £0.01 ordinary shares were issued at £0.65 each to Dr Kenneth Gray.

In December 2004 the company granted options over 30,000 £0.01 ordinary shares to Mr Nathan Steinberg, non executive director. The options are exercisable in 2 tranches of 15,000 ordinary shares, the first from 30 June 2005 and the second from 31 March 2006 exercisable at a price of £0.65 per share.

In December 2004 the company granted options over 30,000 £0.01 ordinary shares to Mr Eitan Yanuv, the financial director. The options are exercisable in 3 tranches of 10,000 ordinary shares, the first in December 2005, the second in December 2006, and the third in December 2007, all exercisable at a price of £0.15 per share.

3. Share premium account

	30 September 2004 US$
As at 1 January 2004	-
Premium on issue of shares (net of issue costs)	3,885,081
At 30 September 2004	3,885,081

4. Merger reserve

	US$
Balance at 1 January 2004	1,818,128
Issue of 390,650 ordinary shares of NIS 0.01 each in Servision Limited	160,650
Balance at 30 September 2004	1,978,778

5. Contingent liabilities

Under the Company's research and development agreement with the Office of the Chief Scientist and pursuant to applicable laws, the Company is required to pay royalties at the rate of 3-3.5% of sales for products developed with funds provided by the Office of the Chief Scientist, up to an amount equal to 100% of the grant received plus interest based on the 12 month LIBOR rate applicable to dollar deposits. The Company is obligated to repay the Israel Government for the grants received only to the extent that there are sales for the funded products.

As at 30 September 2004, the Company had a contingent obligation to pay royalties of $757,000, which has not been provided for.

PART VII
ADDITIONAL INFORMATION

1. The Company

1.1 The Company was incorporated pursuant to the Act in England and Wales on 2 June 2004 as Forsters Shelfco 202 Limited. It changed its name to Servision (UK) Limited on 17 June 2004. Its registered number is 5143241.

1.2 The Company was re-registered as a PLC and changed its name to Servision Plc by special resolution of the members on 20 July 2004 (with the certificate of re-registration being dated 21 July 2004).

1.3 The Company operates under the Act and regulations made under it.

1.4 The registered office of the Company is at 2nd Floor, Manfield House, 1 Southampton Street, London WC2R OLR.

1.5 The liability of the members of the Company is limited.

2. Share capital

2.1 The authorised and issued paid up share capital of the Company as at the date of this Document is:

Authorised		**Issued and Paid Up**	
Amount	Number	Amount	Number
£300,000	30,000,000 Ordinary Shares of £0.01 each	£178,469.90	17,846,990 Ordinary Shares of £0.01 each
£1,000	1,000,000 Deferred Ordinary Shares of £0.001 each	£384.61	384,615 Deferred Ordinary Shares of £0.001 each

2.2 **Options and Deferred Ordinary Shares**

(a) The Company intends to establish the Employee Share Option Plan. It is intended that 819,913 options over Ordinary Shares will be allocated to the ESOP. It is further intended that 472,500 options over Ordinary Shares will be granted under the ESOP at an exercise price of £0.15 per Ordinary Share in accordance with promises previously made to employees of Servision.

(b) CSS has been issued 384,615 Deferred Ordinary Shares in connection with its services for corporate advice and sales in connection with this Offer. On conversion to Ordinary Shares in the circumstances described below, CSS will be required to pay the difference between the par value of such Deferred Ordinary Shares and £0.65 per share.

(c) The Company has granted Yacob Nagar an option over 130,087 Ordinary Shares, exercisable at a price of $0.58 per share until 31 August 2005.

(d) Kenneth Gray has been granted an option over 50,000 Ordinary Shares at an exercise price of £0.30 per share. The option has a one year vesting period.

(e) Nathan Steinberg has been granted an option over 30,000 Ordinary Shares at an exercise price of £0.65 per share. The option will vest as to 15,000 Ordinary Shares after 30 June 2005, and as to 15,000 Ordinary Shares after 31 March 2006.

3. Memorandum and Articles of Association

3.1 Memorandum

The Memorandum of Association of the Company provides that the Company's principal objects are to carry on the business of a general commercial company including the development and manufacture of video solutions for mobile networks.

The objects of the Company are set out in full in clause 3 of the Memorandum of Association. Set out below is a simplified overview of the Company's Articles of Association which will be in force at the time of the Offer. It must be read in conjunction with the full text of the Company's Articles of Association.

3.2 Articles of Association

(a) Share Capital

The authorised share capital is £301,000 divided into 30 million £0.01 Ordinary Shares, and 1,000,000 £0.001 Deferred Ordinary Shares. All authorised and issued Convertible Preference Shares in the capital of the Company have converted into Ordinary Shares.

(b) Rights attaching to shares

Deferred Ordinary Shares have no voting or financial participation rights attaching to them whatsoever save for the right to convert into Ordinary Shares in accordance with the terms of the Articles of Association, as follows: at any time before the date falling 5 years from the date of adoption of the Articles, being 20 July 2004, at the option of the holders of the Deferred Ordinary Shares, the Deferred Ordinary Shares may convert into Ordinary Shares. Holders of the Deferred Ordinary Shares shall pay the amounts set out in paragraph 2.2 (b) above of this Section VII at the time of conversion through the proceeds of any Sale or Listing, (each as defined in the Articles of Association) or personally.

(c) Voting Rights

Resolutions put to the vote at meetings are decided on a show of hands unless a poll is demanded. On a poll, each shareholder present (in person or by proxy) at the meeting has a vote for each of his Ordinary Shares.

(d) Dividends

Subject to the Companies Act 1985, the directors may specify any date on which the registered holders of Ordinary Shares shall be entitled to receive a dividend and the directors may declare interim dividends. The Directors may also offer any shareholder the right to receive Ordinary Shares instead of the whole or some part of any declared dividend. The Directors intend to commence the payment of dividends when it becomes commercially prudent to do so, subject to the availability of sufficient distributable profits, and will adopt a progressive dividend policy thereafter.

(e) Variation of rights

The rights attaching to any class of shares may only be varied if the holders of three-quarters in nominal value of the issued shares of that class consent in writing to the variation or an extraordinary resolution passed at a separate general meeting of the holders of that class sanctions the variation. The quorum for any such meeting is two persons at least holding or representing by proxy one-third of the issued shares of the relevant class.

(f) Issue of shares

There are pre-emption provisions for the issue of further shares. This means that a holder of shares is given the first chance to buy new shares in proportion to the number of shares of each class that he already owns. If he does not decide to buy them they can be issued to someone else. By written resolution, the shareholders approved the issue and allotment by the directors of the following shares without having to follow the pre-emption procedure:

(i) Shares to be allotted pursuant to options granted before the Offer (see above); and

(ii) Shares to be allotted pursuant to the Offer.

This authority will expire on the earlier of the conclusion of the next annual general meeting of the Company and the date falling 15 months after the date of the resolution.

(g) Transfer of shares

The shareholders of the Company prior to the Offer, together with CSS and CSS Bridge Partners LP, who in aggregate hold 74.13% of the issued Ordinary Share Capital, are prevented, by virtue of a Lock-Up Agreement to which they and the Company are parties, from transferring their shares for certain periods from the date upon which the Company's Ordinary Shares are listed on AIM, as follows:

- 3.83% are locked in for 6 months; and
- 70.30% are locked in for 12 months.

The directors may refuse to register a share transfer in certain circumstances more fully described in Article 7.3. Otherwise, all shareholders can transfer shares freely.

Application has been made to the London Stock Exchange for the issued and to be issued share capital of the Company to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on 31 December 2004.

The Directors have arranged with CRESTCo Limited for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant shareholders so wish. CREST is a paperless settlement procedure which allows securities to be evidenced without a certificate and transferred otherwise than by written instrument. The Company's Articles of Association permit the holding of Ordinary Shares under the CREST system.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

(h) General Meetings

Shareholder resolutions may be passed in general meetings or as written resolutions. The quorum for shareholder meetings is two Shareholders present in person or by proxy.

(i) Directors

There is a minimum number of three directors. The Articles currently provide for a maximum of seven directors.

There are two ways for directors to be appointed under the Articles of Association. Directors are appointed either by majority vote of the shareholders present at a general meeting or by a resolution of the directors. The directors will retire by rotation. A director will come off the board if he resigns or if he is disqualified or if he is removed by the members or is not re-appointed on retirement by rotation.

(j) Proceedings of Directors

Subject to the matters that are usually in the hands of shareholders, the business of the Company is run by the directors and the chairman has a second or casting vote. Directors' salaries are set by a remuneration committee consisting of all the non-executive directors. Directors are not allowed to approve matters in which they have an interest.

The Directors intend to develop appropriate measures (having regard to the current stage of development of the Company) to comply, so far as practicable, with the Principles of Good Governance and the Code of Best Practice prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel published in June 1998 (the "Combined Code").

(k) Rights as to capital

On a return of capital each share (regardless of its class) is entitled in the first instance to a return of the amount paid up on that share but not including any premium paid on subscription for that share. Then the remaining assets are shared equally between the Ordinary Shares after deducting any uncalled capital.

4. Directors and others' interests

4.1 Directors' Shareholdings

The interests of the Directors and their immediate families in the issued share capital of the Company, which are required to be entered in the register maintained under section 325 of the Act and to be notified by a Director to the Company pursuant to sections 324 and 328 of the Act, all of which are beneficial unless stated, are as shown below:

	Number Issued	**Number of options**	**Percentage issued**
Gidon Tahan	6,341,262	-	35.53%
Eitan Yanuv	-	30,000	-
Kenneth Gray	76,923	50,000	0.43%
Chaim Levy	30,320	-	0.17%
Nathan Steinberg	-	30,000	-

4.2 No outstanding loans or guarantees have been granted or provided by the Company to or for the benefit of any of the Directors.

4.3 Save as disclosed below, none of the Directors (nor any persons connected with them, within the meaning of section 346 of the Act) has any personal interest in any transaction which is significant to the business of the Company.

Director	**Contract in which a personal interest is held**
Gidon Tahan	Acquisition Agreement
	Patent assignment agreement
Chaim Levy	Acquisition Agreement

4.4 Save as disclosed in this Document, there are no service agreements or proposed service agreements between any of the Directors and the Company.

4.5 Save for their interests in Servision which the Company acquired pursuant to the Acquisition Agreement, no Director has, or has had, any direct or indirect interest in any asset which has been, or is proposed to be, acquired or disposed of by, or leased to, the Company.

4.6 In addition to directorships of the Company, the Directors currently hold or have held the following directorships of companies (in the UK or elsewhere) within the ten years prior to the date of this Document:

Director	**Current Directorships**	**Past Directorships**
Gidon Tahan	None	Gadline Limited
Eitan Yanuv	Implement Limited	None
Kenneth Gray	Scipher plc Microvue Limited Casic Limited MediaTag Limited QED IP Services Limited Scipher Property (No. 1) Limited Sensaura Limited Wavelength Digital Limited WSL Realisations Limited The Chancellery Residents Company Limited 18 St James Square Management Co. Limited Safe Haven Technologies Limited	British Steel plc Central Research Laboratories Limited CRL Opto Limited Monox Limited QED Intellectual Property Limited THORN Secure Science Limited
Chaim Levy	None	None
Nathan Steinberg	Golden Prospect plc Pan African Resources plc Great Portland Street Agents Limited BFAMI Events Limited Viking Internet Limited	JCBCR Events Limited

4.7 Save as disclosed below, no Director:

(a) has any unspent convictions in relation to indictable offences; or

(b) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or

(c) been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or

(d) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or

(e) has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or

(f) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

Kenneth Gray is a director of Scipher plc and of one of its subsidiaries, WSL Realisations Limited, both of which are in administrative receivership, and also of another partly-owned subsidiary, Microvue Limited, which entered into a voluntary liquidation in January 2004. Scipher plc was the largest creditor of Microvue Limited, and has since acquired the assets from the liquidator.

4.8 Save as disclosed above, and as set out below, the Directors are not aware of any person, directly or indirectly, jointly or severally, who exercises or could exercise control over the Company or who is interested in 3 per cent or more of the issued share capital of the Company as at the date of the publication of this document.

	Number Issued	Percentage Issued
Orfali Wireless LLC	3,514,024	19.69%
Moises Cohen Chaiyo	1,069,977	6.00%
Hanna and Shlomo Ankri	896,109	5.02%
CSS	545,000	3.05%

4.9 In addition 138,465 Ordinary Shares are held by CSS Bridge Partners LP, representing 0.78% of the Issued Share Capital.

4.10 Except as noted in this Document, there has been no dealing for value in Ordinary Shares by or on behalf of the Directors or persons connected with them (within the meaning of section 346 of the Act) in the 12 months immediately preceding the date of this document.

4.11 Except as noted in this Document, no subsidiary of the Company, no pension fund of the Company and no bank, financial or other professional adviser of the Company (including stock brokers, but excluding exempt market makers) or any person controlling, controlled by or under the same control as such bank, financial or other professional adviser or any person whose investments are managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company, owns or controls any Ordinary Shares and nor has any such person dealt for value in any Ordinary Shares in the 12 months preceding the date of this Document. CSS has transferred 50,000 Ordinary Shares to Eastlane Corporation Limited and 5,000 Ordinary Shares to Edwin Shuker.

4.12 Neither the Company nor any associate of the Company has any arrangement with any other person in relation to Ordinary Shares.

4.13 References in the preceding paragraphs to “Ordinary Shares” include other securities convertible into, rights to subscribe for, options (including trade options) in respect of and derivatives referenced to Ordinary Shares.

4.14 References in the preceding paragraphs to “associate” are to:

(a) subsidiaries and associated companies of the Company and companies of which any such subsidiaries and/or associated companies are associated companies;

(b) banks, financial and other professional advisers (including stock brokers) to the Company or a company covered in (a) above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;

(c) the Directors and the directors of any company covered in (a) above together in each case with their close relatives and related trusts);and

(d) any pension funds of the Company or a company covered in (a) above.

4.15 References in the preceding paragraphs to “arrangements” include indemnity or option arrangements and any agreement or understanding, formal or informal of whatever nature relating to Ordinary Shares which may be an inducement to deal or refrain from dealing.

4.16 **City Code on Takeovers and Mergers**

(a) Rule 9 of the City Code on Takeovers and Mergers (“City Code”) normally requires any person or group of persons acting in concert that acquires shares which, taken together with shares already held, carry 30 per cent. or more of the voting rights of a company to offer to acquire the balance of the equity share capital. Rule 9 of the City Code also normally requires any person who, together with persons acting in concert with him, holds between 30 per cent. and 50 per cent. of a company's voting rights and who acquires additional shares which increases his holding of voting rights to make such a mandatory offer.

(b) If following completion of the Admission, any person (or group of persons acting in concert) holds between 30 per cent. and 50 per cent. of the Company's voting rights, any further acquisition of shares or voting rights by such a person (or persons) will be subject to Rule 9 of the City Code. However, Investors should be aware that if a person (or group of persons acting in concert) holds 50 per cent. or more of the Company's voting rights following the Admission, that person (or persons) will be entitled to increase his holding of voting rights without incurring any further obligation under Rule 9 to make a mandatory offer.

4.17 **Directors' contracts**

(a) Gidon Tahan has a Service Agreement with the Company. Under this agreement, he is entitled to receive a monthly gross salary of US $10,000, in respect of his work as the Chief Executive of the Company. He has requested only to draw a monthly salary of US $5,000, and that the Company make a donation of US $5,000 to a charity of his choice. He is also entitled to a bonus at the discretion of the remuneration committee. He is further entitled to receive a cellular phone and a company car, and is entitled to an education fund (7.5% of his net salary is payable by Servision to such fund) and a managers' insurance fund (in total, 14.33% of his salary is payable by Servision to such fund). The Service Agreement imposes restrictive covenants on Mr Tahan post termination of his employment. The covenants last for a period of 12 months after such termination. His appointment is terminable on three months' notice.

(b) Eitan Yanuv was appointed a Director of the Company on 20 July 2004. His services to the Group are provided under two separate agreements with Implement Limited. His services as a director of the Company are provided under a letter of appointment dated 14 December 2004. His executive services are provided under a consultancy agreement between Servision and Implement Limited, for a fee of NIS 15,000 per month. He is not paid any further remuneration, but he will be paid his reasonable expenses incurred in connection with the fulfilment of his duties. His appointment is terminable on three months' notice. He has also been granted 30,000 options at £0.15 per share.

(c) Dr Kenneth Gray was appointed a Non-Executive Director of the Company on 20 July 2004 and will be paid the sum of £18,000 per year for two days work per month and an additional £750 for each extra day. He will be paid his reasonable expenses incurred in connection with the fulfilment of his duties. He has also been granted 50,000 options at £0.30 per share.

(d) Chaim Levy was appointed a Non-Executive Director of the Company on 20 July 2004 and will be paid the sum of £4,000 per year and he will be paid his reasonable expenses incurred in connection with the fulfilment of his duties.

(e) Nathan Steinberg was appointed a Non-Executive Director of the Company on 14 December 2004. His services will be provided by Munslows, which will be paid the sum of £10,000 per year. He will be paid his reasonable expenses incurred in connection with the fulfilment of his duties. He has also been granted 30,000 options at £0.65 per share. In addition, Munslows may provide professional services to the Group in the normal course of business and on normal commercial terms.

5. Material contracts

5.1 Since its incorporation, the Company has entered into the following contracts which are or may be material:

(a) Acquisition Agreement dated 20 July 2004

The Company entered into the Acquisition Agreement on 20 July 2004 pursuant to which it purchased the entire issued share capital of Servision Ltd, in consideration for the issue of 10,627,988 Ordinary Shares of the Company and 1,732,583 Convertible Preference Shares. Servision and its shareholders received a tax deferral from the Israeli Tax Authority with regards to the acquisition.

Servision Ltd agreed, pursuant to the Acquisition Agreement, to indemnify both Orfali Wireless LLC and Jacob Orfali personally against any tax liability arising from completion of the Acquisition Agreement, conversion of Convertible Preference Shares into Ordinary Shares of the Company, or exercise of the option granted to Orfali Wireless LLC over 909,607 Shares in the Company (as described elsewhere in this Document). The indemnity does not cover any tax liability arising as a result of profit made by either Orfali Wireless LLC or Jacob Orfali as a result of the disposition of the Convertible Preference Shares or the Ordinary Shares acquired pursuant to the Acquisition Agreement or as a result of the disposition of the option shares acquired pursuant to the option.

The Company took advice in the UK, US and Israel and does not believe at this time that it will face any material risks in this regard. In Israel the exchange of shares by Orfali Wireless LLC is a taxable transaction and would be taxable in Israel. However Servision has applied for, and received a tax ruling granting tax free treatment for the transaction, and thus the exchange of shares by Orfali Wireless LLC will not be taxable in Israel providing that the Company and Servision respect all the conditions of the tax ruling. The Company has been advised that the transactions in question would not be subject to UK taxation. The Company has also, on advice, drafted applicable agreements and taken certain other steps so that the share for share exchange under the Acquisition Agreement, the grant of the option to Orfali Wireless LLC, and the exercise of the option by Orfali Wireless LLC will not result in the recognition of taxable gain to Orfali Wireless LLC under U.S. income tax law, and, therefore, the Company believes it will not have any material liability under its indemnity.

(b) Appointment of Charles Street Securities

Servision and Gidon Tahan (acting for the Company) entered into an investment banking agreement and placement agreement with CSS (to which the Company became a party on 14 December 2004) which provided for: a) corporate finance fees of £20,000 + VAT for financial advisery work in connection with restructuring the operations and the financing of the business and a corporate finance fee of £20,000 + VAT for assistance in the preparation of a UK prospectus in respect of the Offer payable from the first proceeds of the Offer; b) a non-exclusive placement agreement which provides for the payment of sales commission of 10% of funds raised in respect of individual subscriptions of under £100,000 each and a sales commission of 8% in respect of individual subscriptions in excess of £100,000 of any funds; plus c) reimbursement of investor marketing costs, direct mailing costs and investor relations costs incurred in connection with the Offer such costs not to exceed 10% of the funds raised by CSS for individual subscriptions of £100,000 and under and not to be chargeable on any subscription in excess of £100,000; and d) a financial advisery retainer of £1,500 per quarter.

(c) Appointment of haysmacintyre

The Company entered into an agreement with haysmacintyre on 10 June 2004 which provides for haysmacintyre to a) prepare a short form accountants report on the Company, b) report on the working capital and projections prepared by the Company, and c) prepare a long form report in connection with the expected subsequent listing on AIM. A fee of £40,000 plus VAT and disbursements is payable pursuant to this agreement. haysmacintyre will also act as auditors of the Company.

(d) Appointment of Forsters

Servision entered into an agreement with Forsters and CSS on 19 April 2004 (to which the Company became a party on 14 December 2004) under which Forsters represented the Company and CSS in relation to the Acquisition Agreement and the Offer. The Company agreed to engage Forsters and pay legal fees charged by Forsters in connection with the Acquisition Agreement, the Offer and the proposed admission of the Company's Ordinary Shares to trading on AIM. Fees are expected to be approximately £40,000 plus disbursements.

(e) Appointment of Numerica Capital Markets

Servision entered into a nominated adviser agreement dated 14 December 2004 between the Company and Numerica as nominated adviser pursuant to which the Company has appointed Numerica to act as nominated adviser to the Company for the purposes of AIM for a period of 24 months commencing from the date of Admission. The Company has agreed to pay to Numerica a fee of £25,000 per annum, in addition to the fees in relation to this Admission.

(f) Appointment of Daniel Stewart & Co

The Company entered into a nominated broker agreement dated 14 December 2004 between the Company (1), and Daniel Stewart & Co Limited as broker (2) pursuant to which the Company has appointed Daniel Stewart & Co Limited to act as nominated broker to the Company for the purposes of AIM for a period of one year commencing on the date of the agreement. The Company has agreed to pay to Daniel Stewart & Co Limited a fee of £10,000 per annum, plus a corporate finance fee of £10,000.

(g) Appointment of Cohen Legal Partners

Servision and Gidon Tahan (acting for the Company) entered into an agreement dated 5 April 2004 with CSS and Cohen Legal Partners ("Cohen") (to which the Company became a party on 14 December 2004) under which Cohen will receive a fee of £15,000 for advising the Company and CSS on matters relating to the Offer and to an AIM listing of the Company provided that the work required towards the AIM listing is not substantially different from the work required in connection with the Offer.

(h) Arrangements with Eastlane Corporation Limited ("Eastlane")

The Company entered into a financial advisery agreement with Eastlane under which the sum of £30,000 would be paid at the completion of the Offer for financial services. In consideration of CSS transferring 50,000 Ordinary Shares to Eastlane, Eastlane has agreed that the sum outstanding to it shall be reduced to £15,000 and that it has no further rights to receive more than that amount, or any shares in the Company or Servision in consideration for these services. Eastlane has signed a Deed of Adherence in relation to the Lock-Up Agreement.

(i) Lock-Up Agreement

Certain shareholders and directors of the Company have agreed not to dispose of any interest in their Ordinary Shares in the Company for the period of 6 or 12 months (depending on the shareholder) after the date of listing on AIM (or such longer period as is required by the Israeli tax authorities).

(j) The Offer

On 22 July 2004, the Company made an offer to the public under which 4,499,689 Ordinary Shares of £0.01 each were issued at £0.65 per Ordinary Share raising £2,471,429 net of expenses. The Offer was fully subscribed.

(k) UK Rent

In the UK, an office located in Uxbridge, Middlesex is leased by the Company for a term of one year commencing on 25 October 2004 and automatically renewable unless terminated by a three-month prior written notice. The annual rent is approximately £10,000 (exc VAT).

6. Litigation

Neither the Company nor any of its subsidiaries is involved in, or knows of, any litigation.

7. Principal Activities

The Company is principally engaged in the business of the development and manufacture of video surveillance products.

8. Significant Developments

There are no significant developments other than as reported elsewhere in this Document.

9. The Admission

9.1 Persons Responsible for the Admission Document

(a) The directors of the Company as listed below are responsible for the Admission Document:

Gidon Tahan, Eitan Yanuv, Kenneth Gray, Chaim Levy and Nathan Steinberg, c/o Servision Plc of 2nd Floor, Manfield House, 1 Southampton Street, London WC2R OLR.

(b) To the best of their knowledge and belief, the information contained in this Document is in accordance with the facts and makes no omission likely to affect the import of such information.

10. Working Capital

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Group will, from the date of Admission, be sufficient for its present requirements, that is for at least the next twelve months.

11. Principal Subsidiary

11.1 Incorporation and Business

Servision was incorporated on 21 December 2000 and is registered in the State of Israel as a private limited company under the Companies Law 1999. The registered number of Servision is 513052324. Its registered address is 11 Prof. Hartom St., Jerusalem, Israel. The liability of its members is limited.

11.2 **Subsidiary undertakings**

Servision has a subsidiary undertaking, Servision, Inc., which is wholly owned and is incorporated in the State of California, USA, as a private limited company.

11.3 **Share Capital**

(a) The authorised and issued share capital of Servision at the date of this Document is as follows:

	Number	Amount (NIS)
Authorised	10,000,000	100,000.00
Issued and fully paid	4,076,786	40,767.86

(b) All the issued shares are fully paid up and rank pari passu in all respects

(c) Servision has not granted any option or agreed conditionally or unconditionally to grant any option over any share or loan capital of Servision save for options which have been either exercised or cancelled.

11.4 **Directors**

The Directors of Servision are Gidon Tahan and EitanYanuv.

11.5 **Material Contracts**

(a) Bridge Loan

On 28 May 2004, Servision entered into the Bridge Loan agreement with CSS Bridge Partners LP Series D1, Orfali Wireless LLC, Moises Cohen Chaiyo, and Hanna and Sholomo Ankri (the "Lenders") for a loan in the total amount of £300,000 (plus interest) which has been repaid. The Lenders were issued a total of 91,334 ordinary shares of Servision upon the closing of the Bridge Loan. CSS acted as an agent for all the Lenders under this agreement. Pursuant to an engagement letter dated 4 April 2004 between Servision and CSS for arranging the Bridge Loan, CSS received a corporate finance arrangement fee of £10,000 from Servision. Pursuant to an engagement letter dated 5 April 2004 between CSS, Servision and Cohen Legal Partners ("Cohen"), Cohen received a fee of £6,000 + VAT for legal services in connection with the Bridge Loan. Ayal Shenhav & Co., Law Offices charged a fee of $5,000 plus VAT for legal services for representing Servision in connection with the Bridge Loan.

(b) Grants received from the Office of the Chief Scientist of the Ministry of Industry and Trade of the State of Israel (the "OCS")

Servision has received grants from the OCS in the total amount of approximately US $667,000 from inception to 30 June 2004. As a condition to such grants, Servision must comply with the provisions of the Law for the Encouragement of Research and Development in Industry, 5744-1984, which require, inter alia, that the intellectual property of Servision remain under the control of an Israeli entity. Servision is further obligated to obtain approval of the OCS for changes in the shareholding of the company and any transfer of shareholding or of other means of control of the company (such as voting rights) must be first approved by the OCS. In consideration for such grants, Servision is responsible to pay royalties to the State of Israel at the rate of 3 to 3.5 per cent (a lower rate than usually required) of the income generated from the research and development in accordance with the Law for the Encouragement of Research and Development in Industry 5744-1984 and the regulations adopted under such law, until full repayment of the grants received by Servision plus interest. The OCS consented to the Acquisition Agreement and to the issuance of the Shares pursuant to the Offer in a letter dated 4 July 2004.

(c) Grants received from the Marketing Encouragement Fund of the Ministry of Industry and Trade of the State of Israel (the "MEF")

Servision has received grants from the MEF in the total amount of approximately US $70,000 (US $25,000 received in both 2001 and 2002, and US $20,000 received in 2004). Servision was granted the status of a hi-tech company and was therefore exempted from paying royalties on future sales.

(d) Appointment of Ayal Shenhav & Co., Law Offices

As of April 1, 2004, Servision has engaged Ayal Shenhav & Co., Law Offices on a monthly retainer basis for $1,000 per month plus VAT; Servision also engaged Ayal Shenhav & Co. Law Offices to assist the Company in the Bridge Loan, Acquisition Agreement and tax ruling relating to the Offer for a fee of $35,000 plus VAT. Ayal Shenhav & Co. is also entitled to receive $8,500 plus VAT with respect to the Tax Ruling.

(e) Appointment of Y. Aboulafia & Co.

Servision appointed Y. Aboulafia & Co. to represent the Company and Servision in matters relating to the Offer, including preparing and reviewing the financial statements of Servision in respect of which it has received a fee of US $15,000 plus VAT. In addition, it has received a fee of US $8,500 plus VAT in consideration for drafting and negotiating the tax deferral in respect of the transactions contemplated in the Acquisition Agreement.

(f) Premises

The following are the principal premises leased by Servision:

Address:	11 Prof. Hartom Street, Jerusalem
Tenure:	2 years with an option for an additional 2 years
Start date:	1 July 2003
Lease expiry date:	30 June 2005
Rent:	US$ 52,000 per annum (additional expenses and various charges are also paid by Servision addition to the annual rent)

(g) Intellectual Property

Servision has filed three patent applications pending in Israel as follows:

(i) Application No. 158024 filed on 21 September 2003 by Gidon Tahan and Servision for "deriving motion detection information from motion-vector-search based video encoders"

(ii) Application No. 158025 filed on 21 September 2003 by Gidon Tahan and Servision for "saving resources on a multiple source video encoder"

(iii) Application No. 158026 filed on 21 September 2003 by Gidon Tahan and Servision for "high quality low delay time video streaming on a dynamic random bandwidth environment"

Gidon Tahan's interest in these patent applications was assigned to Servision on 28 May 2004.

Servision has also filed PCT applications on 20 September 2004, as follows:

(i) PCT application PCT/IL 2004/000867 claming priority from Israel application IL 158024; and

(ii) PCT application PCT/IL 2004/000868 claming priority from Israel applications IL 158025 and IL 158026

Servision is entitled to file national applications in the countries which are members of the Patent Cooperation Treaty until 21 March 2006. As of 1 April 2002, there were 115 member countries of the PCT.

11.6 **Litigation**

Servision is not involved in any litigation.

12. Taxation and Dividends

12.1 **UK Taxation**

(a) Introduction

The following is a summary of advice received by the Company and is intended only as a general guide to certain aspects of United Kingdom law and Inland Revenue practice relating to the taxation of foreign source and United Kingdom source dividends at the date of this document. The taxation treatment of both foreign source and United Kingdom dividends is addressed below as it is possible the Company may choose or be subject to a change of tax residence. The Company is considered to be resident for tax purposes in Israel. Accordingly, dividends received by shareholders resident for tax purposes in the United Kingdom will be characterised as foreign source dividends for United Kingdom tax purposes. On a change of tax residence to the United Kingdom these dividends will become United Kingdom source dividends when received by shareholders resident for tax purposes in the United Kingdom.

(b) Tax residence of Servision Plc

The Company will be controlled and managed by its Board from Israel. Accordingly, it is considered that the taxation agreement entered into between the United Kingdom and Israel, will operate so as to treat the Company as solely tax resident in Israel (notwithstanding the fact that the Company is incorporated in the United Kingdom). Furthermore, under the tax ruling received on 30 August 2004 in connection with the Acquisition Agreement, the Company is not allowed to move its management and control outside of Israel and will in any event be considered as an Israeli resident for tax purposes.

(c) Dividend withholding taxes in Israel

As a company resident for tax purposes in Israel, dividends paid to investors resident for tax purposes in the United Kingdom will be subject to a withholding tax of 15% in Israel under and subject to the tax treaty between Israel and the United Kingdom. For most United Kingdom investors this withholding tax will be credited against and thereby reduce, their United Kingdom tax liability in respect of any dividend income received.

(d) Foreign dividend income

Dividends paid by the Company while it is or remains resident for tax purposes in Israel will constitute "equivalent foreign income" for United Kingdom income tax purposes when received by individuals or trustees of a discretionary trust who are tax resident in the United Kingdom. Such dividends received by a United Kingdom tax resident corporate investor will form part of that company's profits chargeable to corporation tax.

Individuals

Individuals resident for tax purposes in the United Kingdom will be taxed on the aggregate of the net dividend received together with any withholding tax deducted in Israel. This income will be regarded as the top slice of the individual's income and will be subject to tax at a rate of 32.5% where the individual is liable at the higher rate or 10% where liable at other rates (the starting, lower or basic rate). Any withholding tax deducted on payment of the dividend will be credited against the resulting United Kingdom income tax liability. Accordingly a higher rate taxpayer will pay an additional 17.5% of the gross dividend (net dividend plus withholding tax) received. Individuals liable at other rates will have no further United Kingdom income tax liability as a result of the offset of the withholding tax credit. Unutilised withholding tax is not repayable. Accordingly, those individuals liable at other than the higher rate will incur an effective tax charge of 15% referable to the withholding tax deducted in Israel.

Trustees

United Kingdom resident trustees of a discretionary trust are liable to income tax at 32.5% of the gross dividend. The withholding tax deducted will be credited against this liability resulting in a net income tax liability equivalent to 17.5% of the gross dividend.

Companies

A Company resident for tax purposes in the United Kingdom will be subject to corporation tax on the gross dividend received at its relevant rate of corporation tax. The full rate of corporation tax is currently 30%. Lower rates of corporation tax may apply dependant upon the level of chargeable profits of the recipient company in the accounting period in which the dividend is received. Credit will be given against this corporation tax liability for any withholding tax deducted on payment of the dividend. Any unutilised withholding tax credit is not recoverable by repayment.

Non-residents

Non-residents should consult their own advisers concerning their tax liabilities on dividends received.

(e) Assumption of United Kingdom tax residence

It is possible that the "effective management" (as that term is understood under the terms of the United Kingdom: Israel Double Taxation Agreement) of the Company may at some future date be undertaken from the United Kingdom. The timing and circumstances under which this may result are uncertain and will depend on the manner in which the Company's business is developed and structured.

In the event that effective management is assumed in the United Kingdom the company will become resident for tax purposes in the United Kingdom. As a consequence dividends paid by the Company will no longer be subject to a withholding tax in Israel and will, thereafter, constitute United Kingdom dividend income when received by investors resident for tax purposes in the United Kingdom.

(f) Taxation of United Kingdom dividend income

The taxation of a dividend paid by a United Kingdom resident company and received by an investor also resident for tax purposes in the United Kingdom is summarised below. The principal difference in the tax treatment of a United Kingdom dividend (as compared to a foreign source dividend) is that both individuals and trustees benefit from a tax credit and corporate shareholders from an effective exemption from corporation tax.

Individual

An individual tax resident in the United Kingdom is entitled to a tax credit in respect of any dividend received from a United Kingdom resident company. The credit equates to 10% of the gross dividend (dividend plus the associated tax credit). The gross dividend is subject to income tax as the top slice of the individual's income and is taxed at the relevant marginal rate. The tax credit is available to set against the resulting liability (if any) to income tax.

An individual liable to tax at other than the higher rate will be liable to tax on the dividend received at a rate of 10%. Accordingly the tax credit will satisfy the income tax liability of such an individual.

Individuals liable to income tax at the higher rate will pay tax on the dividend at a rate of 32.5%. After taking into account the tax credit of 10% a higher rate taxpayer will be liable to additional income tax of 22.5% of the gross dividend, which equates to 25% of the net dividend.

Trustees

United Kingdom resident trustees of discretionary trusts are liable to income tax on United Kingdom company dividends at a rate of 32.5% of the gross dividends. After giving effect to the tax credit of 10%, the trustees will be liable to additional income tax of 22.5% of the gross dividend, which equates to 25% of the net dividend.

Companies

A company which is resident for tax purposes in the United Kingdom will not normally be liable for corporation tax on any dividends received from a United Kingdom resident company. Nor can it reclaim from the Inland Revenue any tax credits attaching to the dividend received.

Non-residents

Non-residents should consult their own advisers concerning their tax liabilities on dividends received.

(g) Capital Gains Tax and Taper Relief

Individuals and trustees

Shares in the Company are anticipated to qualify as business assets for the purposes of Taper Relief where the shares are held by individuals or trustees resident in the United Kingdom. Under current rules 75% of any gain is excluded from charge on a disposal where full business asset Taper Relief has accrued. Full business asset Taper Relief is available once the asset has been owned for two full years. Gains benefiting from full business asset Taper Relief are subject to capital gains tax at an effective rate of 10% when realised by an individual taxed at the higher rate or the trustees of a trust.

Companies

Companies are not entitled to the benefit of Taper Relief. In general gains of companies, as reduced by indexation relief (which increases the cost of the asset by reference to the movement in the RPI index over the period of ownership) are subject to corporation tax at the company's relevant rate.

12.2 **Tax Assessment**

Whilst the Israeli taxation authorities generally have the right to retrospectively reassess any of Servision's tax filing during the three years following the end of the tax year in which such tax report was filed or during four years following the end of the tax year in which such tax report was filed by special authorization of the income tax commissioner, Servision is not aware of any intention of the taxation authorities to do this.

12.3 **Israeli Taxation**

Introduction

The following is a summary of the certain Israeli income tax considerations relating to the purchase, ownership and disposition of Ordinary Shares by persons who are not residents of the State of Israel. It is not, however, a complete analysis of all the potential tax considerations that may be applicable to all potential investors. Investors considering the purchase of the Ordinary Shares should consult their own tax advisors with respect to the application of Israeli income tax laws to their particular situations as well as any tax consequences arising under any non-Israeli taxing jurisdiction or under any applicable tax treaty.

General Corporate Tax Structure

Generally, Israeli companies are subject to corporate tax on taxable income. The corporate tax rate was reduced in July 2004, from 36% to 35% for the 2004 tax year, 34% for the 2005 tax year, 32% for the 2006 tax year and 30% for the 2007 tax year and thereafter.

Servision has been granted approved enterprise status in Israel under the Law for the Encouragement of Capital Investments, 1959 (the "ECIL"), for its investment program. The Company has elected the alternative benefits track and as a result of this status, provided that Servision complies with the investment program and the requirements of the ECIL, Servision will be entitled, subject to certain limitations, to an exemption from Israeli corporate taxes on undistributed income derived from the approved investment program.

Income Taxes on Dividends Distributed by the Company to Non-Israeli Residents

On the distribution of dividends from the Company, income tax at the rate of 25% is generally withheld at source, unless a different rate is provided in a tax treaty between Israel and the shareholder's country of residence. Under the tax treaty between Israel and the United Kingdom, there will be withholding tax at the rate of 15 per cent, subject to various conditions. Such dividends may be subject to additional taxation in the country of residence of the shareholder.

A non-resident of Israel who has dividend income derived from or accrued in Israel, from which tax was withheld at the source, is generally exempt from the duty to file tax returns in Israel in respect of such income, provided such income was not derived from a business conducted in Israel by the taxpayer.

Distribution of income derived during the ECIL benefits period as dividends from Servision to the Company will be subject to a dividend withholding tax of 15% according to the ECIL and to corporate level tax on Servision (the rate of such corporate tax will equal the tax that is applicable to companies which did not elect the alternative benefits track).

Capital Gains and Income Taxes Applicable to Non-Israeli Stockholders

Israeli law generally imposes a capital gains tax on the sale of securities and any other capital asset. However, under Israeli law, capital gains from the sale by non Israeli shareholders of shares of companies which qualify as Research and Development Companies are generally exempt from Israeli capital gains tax. In addition, tax treaties may provide additional exemptions.

Tax Ruling

On August 30, 2004 Servision and certain shareholders received a special tax ruling (the "Tax Ruling") in connection the Acquisition Agreement. The Tax Ruling provides that the share exchange pursuant to the Acquisition Agreement does not constitute a taxable event. In addition the Tax Ruling imposes certain restrictions with respect to among others (i) transactions between the Company and Servision, (ii) change of management and control of Company, (iii) limitations on sales by Israeli shareholders of Servision prior to the Acquisition Agreement.

13. Documents available for inspection at the Registered Office of the Company by prior appointment

13.1 Memorandum and Articles of Association;

13.2 The Accountant's Report set out in Part V of this Document;

13.3 Directors' service contracts and the Non-executive Director appointment letters;

13.4 The material contracts noted above and the consent letters referred to below;

13.5 The Bridge Loan Agreement dated 28 May 2004;

13.6 This Document.

14. Consents

14.1 CSS has given, and not withdrawn, its written consent to the inclusion in this Document of references to its name in the form and context in which they appear.

14.2 Haysmacintyre has given, and not withdrawn, its written consent to the inclusion in this Document of their report and interim accounts, the references thereto and the references to its name in the form and context in which they appear and accepts responsibility for such report and interim accounts in accordance with paragraph 45(8)(b) or 45(1)(b)(iii), as appropriate, of Schedule 1 to the Regulations.

14.3 Forsters has given and not withdrawn its written consent to the inclusion in this Document of references to its name in the form and context in which they appear.

14.4 Numerica Capital Markets Limited has given and not withdrawn its written consent to the inclusion in this Document of references to its name in the form and context in which they appear.

14.5 Daniel Stewart & Company plc has given and not withdrawn its written consent to the inclusion in this Document of references to its name in the form and context in which they appear.

15. General

15.1 Save as disclosed in this Document, there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

15.2 Save as disclosed in this Document, there are no exceptional factors which have influenced the activities of the Company.

15.3 The Company's accounting reference date is 31 December.

15.4 The financial information relating to the Company and set out in Part V and VI of this Document do not constitute statutory accounts within the meaning of section 240 of the Act.

15.5 The auditors and reporting accountants for the purposes of the Admission are haysmacintyre. No person (excluding professional advisers disclosed in this Document and trade suppliers) has received, directly or indirectly, from the Company within twelve months preceding the date of this Document or entered into contractual arrangements (save as otherwise disclosed in this Document) to receive, directly or indirectly, from the Company on or after the Closing Date fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, or any other benefit with a value of £10,000 or more at the Closing Date.

15.6 Save as disclosed in this Document there are no significant investments by the Company under active consideration.

15.7 Save as disclosed in this Document, the Directors are not aware of any material changes to the financial or trading position or prospects of the Company since 30 June 2004, the date of the last published audited results which are contained in the Accountant's Report of the Company set out in this Document.

15.8 Each of the Directors is, or may be deemed to be, a promoter of the Company.

15.9 Copies of this Document will be available to the public free of charge at the registered office of the Company during normal office hours, Saturdays and Sundays and Public Holidays excepted, from the date of this Document until one month after Admission.