

# **SERVISION PLC**

**CONDENSED GROUP FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED 30 JUNE 2015**

# SERVISION PLC

## CONDENSED GROUP FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

---

<u>CONTENTS</u>	<u>Page</u>
Chairman's statement	1 -2
Group income statement	3
Group balance sheet	4
Group statement of changes in equity	5
Group cash flow statement	6
Notes to the financial statements	7 - 8
Independent review report	9

# **SERVISION PLC**

## **REPORT AND FINANCIAL STATEMENTS**

### **FOR THE SIX MONTHS ENDED 30 JUNE 2015**

#### **CHAIRMAN'S STATEMENT**

---

The Board today announces SerVision's consolidated group interim results for the six months ended 30 June 2015. Revenue during this period amounted to a modest \$1,242,000 and our net loss was \$1,445,000. While on the surface these numbers appear low (relative to last year's revenue of \$1,842,000 and net loss of \$892,000 for the same period), I can assure investors that the current results are an inevitable outcome of our transition to a new recurring revenue business model. With this new commercial framework in place we are generating less revenue initially, but the Directors anticipate these will lead to more significant revenues of a recurring nature in the long term. In addition, a number of significant opportunities, particularly in China, were put on hold in H1 as customers have been reluctant to issue further purchase orders until our new IP-based IVG400-N is ready for market. I am pleased to say that we have a healthy pipeline for H2 and I expect better results going forward, as our new IVG is slated for release in the coming weeks and we are poised to start collecting recurring monthly revenue from a number of existing projects and customers.

#### **Sales and Marketing**

SerVision's most significant accomplishment over the course of 2015 has been the opening of a UK office in Manchester that is now making direct sales to customers and offering full turn-key solutions for customers, including services and technical support. We have already secured our first project with Gatwick Airport and has been approved as a supplier by the airport. During H1, two major fleet and driver management companies, Matrix and GreenRoad, integrated SerVision's video streaming protocol into their platform, and they initiated a number of UK-based pilots which we believe have strong sales potential. For all of these opportunities and contract wins, SerVision's UK office will be providing stand-alone and integrated systems, installation service, technical support, and cellular data packages that will be paid in monthly installments over a 24 or 36 month period. The UK office has just hired a new support engineer and is currently operating with a staff of five.

During H1, SerVision supplied over seven hundred and fifty MVG400 units, aggregately valued at \$915,000, for bus projects in Brazil and Kazakhstan, and it received new orders from cash-in-transit companies in South Africa as well as from Israel's largest bus operator, Egged. Also, during this period, we began pilots for a range of new bus and cash-in-transit fleet projects in Nigeria, Tanzania, and Mexico. We also recently completed the homologation process for SerVision's mobile DVRs in Peru, paving the way for new market penetration in that country. In the United States we have been invited to participate in a pilot for Manhattan City School Buses (where the fleet size is 7,000), and we've recently submitted bids with four local police counties to supply a wearable CCTV solution based on the CVG-M. Earlier this month, after an extensive testing period, the Company learned that it has been short-listed for a project to supply up to 1,000 HVGs for deployment at select US traffic junctions nationwide. We also have a significant opportunity on the horizon for a bus project in the Chinese Municipality of ChongQuing (an existing SerVision customer) but, as mentioned above, the customer has delayed plans to begin this project until the new IVG400-N is available. I anticipate further progress to be made in the Chinese marketplace once the new product has been launched.

#### **Research and Development**

Our R&D team's primary focus during H1 (and subsequently) has been to get the new IVG400-N ready for market. The Directors believe that the system's support for IP cameras and High Definition (HD) recording give it a considerable advantage over the current range of mobile DVR solutions on the market (which only support analog cameras and standard definition recording). The IVG has a built-in 3G/4G modem and it supports advanced streaming/transcoding capabilities that are optimised for live transmission over low bit-rate networks. In addition, like the MVG series, it has built-in support for WiFi, GPS, Audio and G-Force, as well as a range of virtual sensors to detect motion, ignition status, geo-fencing violations, speed thresholds and more. A small quantity of IVGs have already been reserved for select customers with high sales potential, and we expect to be able to showcase the IVG400-N during the SEECAT Anti-Terrorism exhibition in Tokyo, Japan in October 2015. The Directors expect that the product will be in mass production shortly thereafter.

While our server team has been busy developing the IVG platform, our software team has been focused on developing a new client software application which will support HD streams and our new optimized H.264 streaming codec. The new client is named "SVCentral," and it will be compatible with the IVG400 as well as the existing range of SerVision products. It will be launched together with the IVG400-N. Another high priority R&D initiative we undertook during H1 entailed adding support for a video streaming platform that enables customers to view live video streams from SerVision DVRs in any web-browser. Prior to this, our SDK was only compatible with Internet Explorer so web client applications developed by third-parties could only access our systems from within this particular browser. With newly added support for the NGNIX platform, video streaming web clients for SerVision products are now possible in Google's Chrome, Mozilla's Firefox and Apple's Safari.

**SERVISION PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2015**  
**CHAIRMAN'S STATEMENT**

---

**Financials**

- Revenues for this period were \$1,242,000 compared to \$1,842,000 for the same period in 2014.
- Operating loss for the period was \$1,436,000 compared to an operating loss of \$814,000 for the same period in 2014.
- Net loss for the period was \$1,445,000 compared to a loss of \$892,000 for the same period in 2014.

In May 2015, the Company announced a subscription to raise £911,927 through a subscription for new ordinary shares with existing shareholders and new investors. The net proceeds of the subscription are being utilised to satisfy the Company's existing order book and for general working capital purposes.

Since the period end the Company announced, on 25 September 2015, a placing to raise a further £800,000 at a price of 3.5 per share with existing shareholders and new investors. The Placing was arranged by Beaufort Securities as the Company's joint broker.

**Conclusion**

Although we achieved modest results for H1 2015, I believe that our new recurring revenue business model is the correct long-term strategy for SerVision, and I am currently exploring this commercial model for South Africa where we already have a strong reputation and solid market presence. I am very excited about our new product release and look forward to sharing better results in the future as we grow our market share in the UK, and begin introducing the IVG400-N into global markets.

As always, I am grateful to our shareholders for their confidence and support, and also to the SerVision team for their dedication, commitment and outstanding work.

Gideon Tahan  
Chairman and CEO

30 September 2015

# SERVISION PLC

## CONDENSED GROUP COMPREHENSIVE INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

	<u>Note</u>	<u>Six months to 30 June 2015</u> \$'000 <u>Unaudited</u>	<u>Six months to 30 June 2014</u> \$'000 <u>Unaudited</u>	<u>Year to 31 December 2014</u> \$'000 <u>Audited</u>
<b>REVENUE</b>	3	1,242	1,842	4,236
Cost of sales		<u>(752)</u>	<u>(806)</u>	<u>(1,843)</u>
<b>GROSS PROFIT</b>		490	1,036	2,393
Administrative expenses		<u>(1,926)</u>	<u>(1,850)</u>	<u>(3,058)</u>
<b>OPERATING LOSS</b>		(1,436)	(814)	(665)
Net finance expense		<u>(22)</u>	<u>(77)</u>	<u>(129)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,458)	(891)	(794)
Tax on loss on ordinary activities	4	<u>13</u>	<u>(1)</u>	<u>(1)</u>
<b>NET LOSS FOR THE PERIOD</b>		(1,445)	(892)	(795)
Translation difference arising from translating into presentation currency		<u>(99)</u>	<u>(18)</u>	<u>66</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<u>(1,544)</u>	<u>(910)</u>	<u>(729)</u>
<b>Loss per share</b>				
<b>BASIC</b>	5	<u>(1.75)c</u>	<u>(1.61)c</u>	<u>(1.16)c</u>
<b>DILUTED</b>		<u>(1.75)c</u>	<u>(1.61)c</u>	<u>(1.16)c</u>

# SERVISION PLC

## CONDENSED GROUP BALANCE SHEET AT 30 JUNE 2015

	<u>As at 30 June</u> <u>2015</u> <u>\$'000</u> <u>Unaudited</u>	<u>As at 30 June</u> <u>2014</u> <u>\$'000</u> <u>Unaudited</u>	<u>As at 31</u> <u>December 2014</u> <u>\$'000</u> <u>Audited</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	4,749	4,605	4,691
Deferred tax asset	96	83	82
Property, plant and equipment	<u>63</u>	<u>77</u>	<u>70</u>
	4,908	4,765	4,843
<b>Current assets</b>			
Inventories	670	585	597
Trade and other receivables	1,341	1,613	1,853
Cash and cash equivalents	<u>24</u>	<u>173</u>	<u>101</u>
	<u>2,035</u>	<u>2,371</u>	<u>2,551</u>
<b>Total assets</b>	<u>6,943</u>	<u>7,136</u>	<u>7,394</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity shareholders</b>			
Called up share capital	1,498	984	1,224
Share premium account	14,671	12,639	13,588
Merger reserve	1,979	1,979	1,979
Advance subscription	-	1,036	-
Other reserve	66	64	66
Retained earnings and translation reserves	<u>(14,672)</u>	<u>(13,309)</u>	<u>(13,128)</u>
<b>Total equity</b>	3,542	3,393	3,729
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term credit from banking institutions	873	1,144	1,042
Overdrafts	--	63	--
Loan from the office of the chief scientist	161	161	161
Trade and other payables	<u>1,635</u>	<u>1,292</u>	<u>1,721</u>
	2,669	2,660	2,924
<b>Non-current liabilities</b>			
Long term loan from bank institution without current maturity	434	656	443
Loan from Office of the Chief Scientist	11	11	11
Post employment benefits	<u>287</u>	<u>416</u>	<u>287</u>
	732	1,083	741
<b>Total liabilities</b>	<u>3,401</u>	<u>3,743</u>	<u>3,665</u>
<b>Total equity and liabilities</b>	<u>6,943</u>	<u>7,136</u>	<u>7,394</u>

# SERVISION PLC

## CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015

	<u>Share Capital</u> <u>\$'000</u>	<u>Share Premium</u> <u>\$'000</u>	<u>Merger Reserve</u> <u>\$'000</u>	<u>Other Reserve</u> <u>\$'000</u>	<u>Retained Earnings</u> <u>\$'000</u>	<u>Translation Reserve</u> <u>\$'000</u>	<u>Advance subscription</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
As at 1 January 2014	984	12,639	1,979	62	(12,495)	96	-	3,265
Total recognised expense	-	-	-	-	(892)	(18)	-	(910)
Advance subscription	-	-	-	-	-	-	1,036	1,036
Share option charge	-	-	-	2	-	-	-	2
<b>At 30 June 2014</b>	<b>984</b>	<b>12,639</b>	<b>1,979</b>	<b>64</b>	<b>(13,387)</b>	<b>78</b>	<b>1,036</b>	<b>3,393</b>
Total recognised expense	-	-	-	-	259	84	-	181
Issue of shares	240	949	-	-	-	-	(1,036)	153
Share option charge	-	-	-	2	-	-	-	2
<b>As at 31 December 2014</b>	<b><u>1,224</u></b>	<b><u>13,588</u></b>	<b><u>1,979</u></b>	<b><u>66</u></b>	<b><u>(13,290)</u></b>	<b><u>162</u></b>	<b><u>-</u></b>	<b><u>3,729</u></b>
Issue of shares	274	1,083	-	-	-	-	-	1,357
Total recognised expense	-	-	-	-	(1,445)	(99)	-	(1,544)
Share option charge	-	-	-	-	-	-	-	-
<b>At 30 June 2015</b>	<b><u>1,498</u></b>	<b><u>14,671</u></b>	<b><u>1,979</u></b>	<b><u>66</u></b>	<b><u>(14,735)</u></b>	<b><u>63</u></b>	<b><u>-</u></b>	<b><u>3,542</u></b>

# SERVISION PLC

## CONDENSED GROUP CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

	<u>Six months to</u> <u>30 June 2015</u> <u>\$'000</u> <u>Unaudited</u>	<u>Six months to</u> <u>30 June 2014</u> <u>\$'000</u> <u>Unaudited</u>	<u>Year to 31</u> <u>December 2014</u> <u>\$'000</u> <u>Audited</u>
<b>Cash flows from operating activities</b>			
Loss before taxation	(1,458)	(891)	(794)
Adjustments for:			
Net finance expense	22	77	129
Doubtful debts	462	578	604
Depreciation and amortisation	333	387	1,088
Movement in trade and other receivables	73	(456)	(1,402)
Movement in tax assets	(13)	-	1
Movement in inventories	(74)	(21)	(33)
Movement in post retirement benefits	(1)	4	(125)
Movement in trade and other payables	<u>(86)</u>	<u>(245)</u>	<u>138</u>
<b>Net cash outflow from operating activities</b>	<b>(742)</b>	<b>(567)</b>	<b>(394)</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment and intangibles	(384)	(329)	(626)
Deposit for leasing vehicles	<u>(35)</u>	<u>-</u>	<u>-</u>
<b>Net cash outflow from investing activities</b>	<b>(419)</b>	<b>(329)</b>	<b>(626)</b>
<b>Cash flows from financing activities</b>			
Issue of shares	1,357	-	1,189
Advance subscription	-	1,036	-
Net finance costs	(22)	(77)	(129)
Net loans undertaken less repayments	<u>(251)</u>	<u>141</u>	<u>155</u>
<b>Cash inflow from financing activities</b>	<b>1,084</b>	<b>1,100</b>	<b>1,215</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>101</b>	<b>(94)</b>	<b>(94)</b>
Net cash inflow/(outflow) from all activities	<u>(77)</u>	<u>204</u>	<u>195</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>24</u></b>	<b><u>110</u></b>	<b><u>101</u></b>
Cash and cash equivalents comprise			
Cash (excluding overdrafts) and cash equivalents	24	173	101
Overdrafts	<u>-</u>	<u>(63)</u>	<u>-</u>
	<u>24</u>	<u>110</u>	<u>101</u>



# SERVISION PLC

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

---

### 1. BASIS OF PREPARATION

These consolidated interim group financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as endorsed for use by Companies listed on an EU regulated market and in accordance with IAS34 – “Interim Financial Reporting”. The same accounting policies, presentation and methods of computation have been followed in the preparation of these results as were applied in the Group’s latest annual audited financial statements. It is not expected that there will be any changes or additions to these in the 2015 annual financial statements.

This statement does not comprise statutory accounts as defined in Section 434 of the Companies Act 2006 and the results for the six months ended 30 June 2015 and for the six months ended 30 June 2014 are unaudited.

The financial information for the year ended 31 December 2014 is an extract from the latest group financial statements. The statutory group financial statements for the year ended 31 December 2014, prepared in accordance with IFRS, on which the auditors gave an unqualified opinion, have been filed with the Registrar of Companies. The audit report contained an emphasis of matter paragraph drawing the attention of the reader to material uncertainty regarding the group’s ability to continue as a going concern.

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

### 2. GOING CONCERN

The directors have prepared and reviewed sales forecasts, budgets and cash flow projections for the next twelve months and having considered these cash flows and the availability of other financing sources, have concluded that the group will remain a going concern for at least twelve months from the date on which these interim financial statements were approved.

As disclosed in note 7 and the Chairman’s statement, the group has raised further equity funding subsequent to the period end. The directors have included the proceeds of this fund raising round into their cash flow forecasts and consider it to be sufficient for the group’s immediate working capital needs. Should circumstances change or trading results fail to meet targets the directors, may as in previous periods, seek additional equity investment and debt finance from a variety of sources. If the directors are unsuccessful when seeking any necessary additional investment and finance the group may cease to be a going concern.

However having completed their review of sales forecasts, budgets and cash flow projections and having made further relevant enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### 3. BUSINESS SEGMENT ANALYSIS

#### **Class of business**

The turnover, loss on ordinary activities before taxation and net assets of the Group are attributable to one class of business, that of developing and selling video surveillance equipment.

<b>Geographical areas</b>	<b>Turnover by location of customer</b>		
	<b><u>Six months to</u></b>	<b><u>Six months to</u></b>	<b><u>Year to 31</u></b>
	<b><u>30 June 2015</u></b>	<b><u>30 June 2014</u></b>	<b><u>December 2014</u></b>
	<b><u>\$’000</u></b>	<b><u>\$’000</u></b>	<b><u>\$’000</u></b>
	<b><u>Unaudited</u></b>	<b><u>Unaudited</u></b>	<b><u>Audited</u></b>
UK and Continental Europe	226	729	1,026
North America	383	514	986
Asia and Middle East	563	196	1,013
Rest of the world	<u>70</u>	<u>403</u>	<u>1,211</u>
	<u>1,242</u>	<u>1,842</u>	<u>4,236</u>

## SERVISION PLC

### NOTES TO THE REPORT AND CONDENSED GROUP FINANCIAL STATEMENTS (continued) FOR THE SIX MONTHS ENDED 30 JUNE 2015

---

#### 4. TAXATION

The Company is controlled and managed by its Board in Israel. Accordingly, the interaction of UK domestic tax rules and the taxation agreement entered into between the U.K. and Israel operate so as to treat the Company as solely resident for tax purposes in Israel. The Company undertakes no business activity in the UK such as might result in a Permanent Establishment for tax purposes and accordingly has no liability to UK corporation tax.

#### 5. LOSS PER SHARE

The loss per share of (1.75c) (31 December 2014: (loss) (1.16c); 30 June 2014: (loss) (1.61c)) has been calculated on the weighted average number of shares in issue during the year namely 88,130,461 (31 December 2014: 70,690,963; 30 June 2014: 56,518,921) and loss of US\$ 1,544,553 (31 December 2014: loss US\$ 728,802; 30 June 2014: loss US\$ 910,273).

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

#### 6. SIGNIFICANT ACCOUNTING POLICIES

##### Inventories:

Inventory of customers who have consented to postpone delivery are not included as inventory of the Company at the balance sheet date.

##### Revenue recognition:

For transactions of the "charged and held" type, for which delivery of inventory was postponed until after the balance sheet date, revenue is recorded upon completion of the system only upon the condition that the customer confirms in writing the terms of the postponed delivery.

#### 7. POST BALANCE SHEET DATE EVENTS

Subsequent to the period end the group conditionally raised approximately £800,000 (before expenses) through the issue of 22,790,972 new ordinary shares of 1p each in the company with existing investors and new shareholders, at a price of 3.5 pence per Placing Share. The net proceeds of the share issue, amounting to approximately £733,000, will be used to satisfy the group's existing order book and for general working capital purposes.

# INDEPENDENT REVIEW REPORT TO SERVISION PLC

---

## **Introduction**

We have been engaged by the company to review the condensed set of group financial statements in the interim report for the six months ended 30 June 2015 which comprises the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and related explanatory notes 1 to 7. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. As disclosed in note 1, the annual financial statements of Servision Plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

## **Our responsibility**

Our responsibility is to express to the Group a conclusion on the condensed set of group financial statements in the interim report based on our review.

This report is made solely to the company in accordance with the terms of our engagement and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

## **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of group financial statements in the interim report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union.

## **Emphasis of matter – going concern**

In forming our conclusion, which is not qualified, we have considered the adequacy of the disclosures made within the accounting policies concerning the Group's ability to continue as a going concern. The Group incurred a net loss of \$1,544,000 during the six months ended 30 June 2015. This along with other matters disclosed in note 2 may indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result of the Group was unable to continue as a going concern.

**haysmacintyre**  
**Chartered Accountants**  
**Registered Auditors**  
**30 September 2015**

**26 Red Lion Square**  
**London**  
**WC1R 4AG**