

**MEDIVISION MEDICAL IMAGING LTD.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT 31 MARCH 2011**

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**Report on review of interim condensed consolidated financial statements to the shareholders of Medivision Medical Imaging Ltd.**

**Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of Medivision Medical Imaging Ltd. and its subsidiaries (the company) as at 31 March 2011, comprising of the interim consolidated statement of financial position as at 31 March 2011 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flow for three – month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, 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. Consequently, it does not enable us to obtain assurance that 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ramat-Gan, Israel  
23 May, 2011



Haklai & Co  
Certified Public Accountants

MEDIVISION MEDICAL IMAGING LTD.

Interim consolidated statement of financial position


As at 31 March 2011

	31 March 2011 unaudited \$000	31 December 2010 audited \$000
<b>Assets</b>		
<b>Current assets</b>		
Cash	11	65
Trade and other receivables	11	65
<b>Non-current assets</b>		
Investments in an associate	1,315	1,638
<b>Total assets</b>	<b>1,326</b>	<b>1,903</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Credit from banks and shareholders	15	1,892
Trade and other payables	157	178
	172	2,070
<b>Non-current liabilities</b>		
Convertible loan from shareholders		65
Employee benefit liability		2,135
<b>Total liabilities</b>	<b>172</b>	<b>2,135</b>
<b>Equity</b>		
Issued capital	379	215
Share premium	10,781	9,302
Capital reserve	(311)	(311)
Retained deficit	(9,695)	(9,438)
<b>Total equity</b>	<b>1,154</b>	<b>(232)</b>
<b>Total equity and liabilities</b>	<b>1,326</b>	<b>1,903</b>

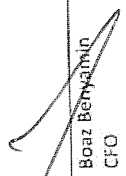
The accompanying notes are an integral part of the consolidated financial statements.

23 May, 2011

Date of approval of the  
financial statements

  
Yigal Berman  
Chairman of the Board

  
Noam Allon  
CEO

  
Boaz Benyamini  
CFO

## Interim consolidated statement of income

For the three months ended 31 March 2011

	2011	2010
	\$000	\$000
	unaudited	
Sales		-
Cost of sales		-
<b>Gross profit</b>		-
Other income (loss)	225	211
Selling and marketing expenses	-	-
General and administrative expenses	(13)	(54)
Research and development costs, net	-	-
<b>Operating profit (loss)</b>	<b>212</b>	<b>157</b>
Financial income	-	-
Financial expenses	(37)	(56)
share of loss of an associate	(432)	* (515)
<b>loss before tax</b>	<b>(257)</b>	<b>(414)</b>
Income tax expenses	-	-
<b>Loss for the year</b>	<b>(257)</b>	<b>(414)</b>
attributable to:		
Equity holders of the parent	(257)	* (414)
Minority interests	-	-
	<b>(257)</b>	<b>(414)</b>
Earnings per share		
Basic, loss for the year attributable to ordinary equity holders of the parent	(0.03)	* (0.048)

\* Restated

The accompanying notes are an integral part of the consolidated financial statements.

**MEDIVISION MEDICAL IMAGING LTD.**

**Interim consolidated statement of comprehensive income**

**For the three months ended 31 March 2011**

	<b>2011</b>	<b>2010</b>
	<b>unaudited</b>	
	\$000	\$000
<b>Loss for the year</b>	<b>(257)</b>	<b>(414)</b>
<b>Other comprehensive income</b>		
Exchange differences on translating foreign operations	-	-
<b>Total comprehensive loss</b>	<b>(257)</b>	<b>(414)</b>
attributable to:		
Equity holders of the parent	(257)	* (414)
Minority interests	-	-
	<b>(257)</b>	<b>(414)</b>
Earnings per share		
Basic, loss for the year attributable to ordinary equity holders of the parent	(0.03)	(0.048)

\* Restated

The accompanying notes are an integral part of the consolidated financial statements.

For the three months ended 31 March 2011

Share capital	Share premium	Capital reserve	Retained deficit	Total
\$215	\$9,302	\$(311)	\$(9,438)	\$(232)
164	1,479	-	(257)	1,643
379	10,781	(311)	(9,695)	1,154

As at 31 March 2011 (unaudited)

As at 1 January 2011  
Total comprehensive loss  
Conversion of convertible loans

For the three months ended 31 March 2010

Share capital	Share premium	Capital reserve	Retained deficit	Total
\$215	\$9,302	(311)	(9,223)	(17)
-	-	-	(414)	(414)
215	9,302	(311)	(9,637)	(431)

As at 31 March 2010 (unaudited)

As at 1 January 2010  
Total comprehensive loss

The accompanying notes are an integral part of the consolidated financial statements.

## Interim consolidated statement of cash flows

For the three months ended 31 March 2011

	2011	2010
	unaudited	
	\$000	\$000
<b>Operating activities</b>		
Loss for the period	(257)	* (414)
Non-cash Adjustments to reconcile loss to net cash flows	-	-
Depreciation of Property and equipment and Intangible assets	(235)	(124)
Gain from Decrease of holding in subsidiary	-	(68)
Loss from sale of investments in subsidiary	432	515
Company's share of loss of associate	37	56
Financial costs		
Other		
Working capital adjustments		
Decrease in trade and other receivables	54	52
Decrease employee benefit liability	(65)	-
Decrease in trade and other payables	(27)	(119)
Interest Paid	<b>(61)</b>	<b>(102)</b>
<b>Net cash used in operating activities</b>	<b>(5)</b>	<b>(21)</b>
	<b>(66)</b>	<b>(123)</b>
<b>Investing activities</b>		
Purchase of Property and equipment	-	-
Proceeds from sale of investments in subsidiary	326	105
Additions to intangible assets	-	-
<b>Net cash from (used in) investing activities</b>	<b>326</b>	<b>105</b>
<b>Financing activities</b>		
Receipt of convertible loan from shareholders	-	-
Short-term credit from banks	(260)	-
Repayment of long-term loans	-	-
<b>Net cash used in financing activities</b>	<b>(260)</b>	<b>-</b>
Net decrease in cash and cash equivalents	-	(18)
Exchange differences on balances of cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	-	27
<b>Cash and cash equivalents at 31 December</b>	<b>-</b>	<b>9</b>

\* Restated

The accompanying notes are an integral part of the consolidated financial statements.

**Notes to the consolidated financial statements**

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**1. Corporate information**

The interim condensed consolidated financial statements of the company for the three month ended in 31 March 2011 were authorized for issue in accordance with a resolution of the Board of Directors on 23 May 2011.

Medivision Medical Imaging Limited is limited company incorporated and domiciled in Israel whose shares are publicly traded in Belgium.

**2. Basis of preparation and accounting policies**

**2.1 Basis of preparation**

The interim condensed financial statements for the three month ended 31 March 2011 have been prepared in accordance with IAS 34.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2010.

**2.2 Significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2011.

**2.3 Restatement**

The Company restated its financial statements for the year ended 31 March 2010, in order to retroactively reflect the effect of changes in the accounting treatment of the following issues:

OIS restate its financial statements as at 31 March 2010 and 2011 financial statements to correct errors related to its accounting treatment for warrants issued in 2007, 2009, and 2010. These warrants contain ratchet provisions which require the warrants to be classified as liabilities and fair valued each reporting period rather than equity instruments.

As a result of the accounting policy change, the following adjustments made to the financial statements:

Statement of financial position

As at 31 March 2010:

- ▶ Decrease in investment in an associate: \$ 681 thousands.
- ▶ Increase in retained deficit: \$ 681 thousands.

Statement of income

For the period of three months ended 31 March 2010:

- ▶ Increase in share of loss of an associate: \$ 214 thousands.
- ▶ Increase in loss for the year: \$ 214 thousands.

The effect on loss per share related to the restatement of income for the period of three months ended 31 March 2010 was an increase loss per share of \$0.025.

**Notes to the consolidated financial statements**

**3. Investments in an associate**

The company has 28.48% in Ophthalmic Imaging Systems, which is involved in the business of designing, developing, manufacturing and marketing digital imaging systems and informatics solutions.

Ophthalmic Imaging Systems is a company incorporated in Sacramento, California, USA, whose shares are traded over the counter on the NASDAQ.

The company holds 8,631,311 shares of OIS common stock which their market value as at 31 March 2010 is 7 million US dollars.

**Condensed information on financial position as at 31 March 2011**

	<b>31 March 2011 unaudited</b>	<b>31 December 2010 audited</b>	\$000
Current assets	8,615	10,109	
Non-current assets	2,307	2,510	
Total assets	<u>10,922</u>	<u>12,619</u>	
Current liabilities	7,450	8,218	
Non-current liabilities	2,061	1,553	
Total liabilities	<u>9,511</u>	<u>9,771</u>	
Equity attributable to equity holders of the parent	<u>1,004</u>	<u>2,431</u>	
Equity attributable to Minority	<u>407</u>	<u>417</u>	

**Condensed information on statements of income for the three months ended 31 March 2011**

	<b>2011</b>	<b>2010</b>	\$000
	<b>unaudited</b>		
Revenues	3,464	4,133	
Gross profit	1,392	2,267	
Operating loss	(1,793)	(639)	
Loss for the period	(1,542)	(1,495)	
Total comprehensive loss	<u>(1,515)</u>	<u>(1,515)</u>	
attributable to:			
Equity holders of the parent	(1,552)	(1,506)	
Minority interests	10	11	
	<u>(1,542)</u>	<u>(1,495)</u>	

**Notes to the consolidated financial statements**

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**4. Significant events during the reporting period**

**4.1** During the reporting period the company has realized OIS shares in consideration of 326 thousand dollars. Following the realization, the company's holdings in OIS shares and voting rights decreased to 28.48%. The capital gain derived from the realization of the shares was 235 thousand dollars and is included in other income.

**4.2** On 22 March 2011 the Board of Directors decided to recommend to the General meeting of share holders on voluntary dissolution of the company due to the fact that the company has no more business activity other than holding OIS shares. The intention of the company is to distribute the balance of OIS shares to the shareholders after paying all of the obligations by realizing part of OIS shares as describes above.

**4.3** Convertible loans and accumulated interest due thereon were converted into 5,703,270 ordinary shares of the Company at 31 March 2011, at a conversion price equal to the lower between (1) the Company's average share price on the Belgium EuroNext Stock Exchange during the 30 days prior the date of an agreement from August 2008 between certain majority shareholders; and (2) the Company's average share price on the Belgium EuroNext Stock Exchange during the 30 days prior the Conversion, and in each case subject to a discount at the rate of 20% of the Company's average share price on the Belgium EuroNext Stock Exchange at the applicable dates. The Company has 14,188,142 ordinary shares at 31 March 2011.

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