

**MEDIVISION MEDICAL IMAGING LTD.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT 30 SEPTEMBER 2011**

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

**Introduction**

We have reviewed the accompanying interim condensed financial statements of Medivision Medical Imaging Ltd. ("the Company") as at 30 September 2011, comprising of the interim statements of financial position as at 30 September 2011 and the related interim statements of income, comprehensive income, changes in equity and cash flow for nine and three months period then ended.

**Management's responsibility for the financial statements**

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.

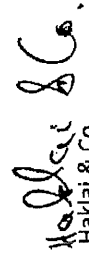
**Scope of review**

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 and the review of the other auditors, 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.

Without qualifying our conclusion, we draw attention to Note 2.3 to the financial statements. The Company restated its financial statements for the period of six and three months ended 30 September 2010, in order to retroactively reflect the effect of changes in the accounting treatment.



Haklai & Co.  
Certified Public Accountants

Ramat-Gan, Israel  
October 9, 2011

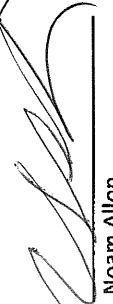

**MEDIVISION MEDICAL IMAGING LTD.**

**Interim consolidated statement of financial position**

**As at 30 September 2011**

	<b>30 September 2011</b>	<b>2010</b>	<b>31 December 2010</b>
	<b>Unaudited</b>		<b>audited</b>
	<b>\$'000</b>		
<b>Assets</b>			
<b>Current assets</b>			
Cash	6,294	1	-
Marketable securities	1,992	-	-
Trade and other receivables	1,074	58	65
	9,360	59	65
<b>Non-current assets</b>			
Investments in an associate	-	2,070	1,838
<b>Total assets</b>	<b>9,360</b>	<b>2,129</b>	<b>1,903</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Credit from banks and shareholders	-	236	1,892
Trade and other payables	925	439	178
	925	675	2,070
<b>Non-current liabilities</b>			
Convertible loan from shareholders	-	1,267	-
Employee benefit liability	-	61	65
	-	1,328	65
<b>Total liabilities</b>	<b>925</b>	<b>2,003</b>	<b>2,135</b>
<b>Equity</b>			
Issued capital	379	215	215
Share premium	10,781	9,302	9,302
Capital reserve	(311)	(311)	(311)
Retained deficit	(2,414)	(9,080)	(9,438)
<b>Total equity</b>	<b>8,435</b>	<b>126</b>	<b>(232)</b>
<b>Total equity and liabilities</b>	<b>9,360</b>	<b>2,129</b>	<b>1,903</b>

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

		
October 9, 2011	Noam Allon	Boaz Benyamini
Date of approval of the financial statements	CEO	CFO
		
	Yigal Berman	
	Chairman of the Board	

Interim consolidated statement of income

For the nine months ended 30 September 2011

	Period of nine months ended		Period of three months ended		Year ended December 31
	September 30		September 30		
	2011	2010	2011	2010	
	Unaudited		Unaudited		audited
	\$000				
Other income (loss)	8,846	955	8,616	(109)	1,006
General and administrative expenses	(857)	(141)	(790)	(43)	(166)
<b>Operating profit (loss)</b>	<b>7,989</b>	<b>814</b>	<b>7,826</b>	<b>(152)</b>	<b>840</b>
Financial income	-	-	11	-	-
Financial expenses	(64)	(126)	-	(44)	(246)
share in loss of an associate	(901)	(545)	-	15	* (809)
<b>loss before tax</b>	<b>7,024</b>	<b>143</b>	<b>7,837</b>	<b>(181)</b>	<b>(215)</b>
Income tax expenses	-	-	-	-	-
<b>Loss for the year</b>	<b>7,024</b>	<b>143</b>	<b>7,837</b>	<b>(181)</b>	<b>(215)</b>
attributable to:					
Equity holders of the parent	-	-	-	-	(215)
Minority interests	-	-	-	-	-
	<b>7,024</b>	<b>143</b>	<b>7,837</b>	<b>(181)</b>	<b>(215)</b>
Earnings per share					
Basic, loss for the year attributable to ordinary equity holders of the parent	0.784	0.016	0.792	(0.021)	(0.02)

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

**Interim consolidated statement of comprehensive income**

For the nine months ended 30 September 2011

	Period of nine months ended		Period of three months ended		Year ended December 31 2010 audited
	September 30		September 30		
	2011	2010	2011	2010	
	Unaudited				
	\$000				
<b>Profit (loss) for the period</b>	<u>7,024</u>	<u>143</u>	<u>7,837</u>	<u>(181)</u>	<u>(215)</u>
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations	-	-	-	-	-
<b>Total comprehensive loss</b>	<u>7,024</u>	<u>143</u>	<u>7,837</u>	<u>(181)</u>	<u>(215)</u>
attributable to:					
Equity holders of the parent	7,024	143	7,837	(181)	* (215)
Minority interests	-	-	-	-	-
<b>Earnings per share</b>	<u>7,024</u>	<u>143</u>	<u>7,837</u>	<u>(181)</u>	<u>(215)</u>
Basic, loss for the year attributable to ordinary equity holders of the parent	0.784	0.016	0.792	(0.021)	(0.02)

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

Interim consolidated statement of changes in equity

For the nine months ended 30 September 2011

	Attributable to equity holders of the Parent			
	Share capital \$000	Share premium \$000	Capital reserve \$000	Retained deficit \$000
<b>As at 1 January 2011</b>	215	9,302	(311)	(9,438)
Conversion of convertible note	164	1,479	-	7,024
Total comprehensive loss	-	-	-	-
<b>As at 30 September 2011 (unaudited)</b>	<b>379</b>	<b>10,781</b>	<b>(311)</b>	<b>(2,414)</b>
				<b>8,435</b>

<b>As at 1 January 2010</b>	215	9,302	(311)	(9,223)
Total comprehensive loss	-	-	-	143
<b>As at 30 September 2010 (unaudited)</b>	<b>215</b>	<b>9,302</b>	<b>(311)</b>	<b>(9,080)</b>
				<b>126</b>

	Attributable to equity holders of the Parent			
	Share capital \$000	Share premium \$000	Capital reserve \$000	Retained deficit \$000
<b>As at 1 July 2011</b>	379	10,781	(311)	(10,251)
Total comprehensive loss	-	-	-	7,837
<b>As at 30 September 2011 (unaudited)</b>	<b>379</b>	<b>10,781</b>	<b>(311)</b>	<b>(2,414)</b>
				<b>8,435</b>

<b>As at 1 July 2010</b>	215	9,302	(311)	(8,899)
Total comprehensive profit	-	-	-	(181)
<b>As at 30 September 2010 (unaudited)</b>	<b>215</b>	<b>9,302</b>	<b>(311)</b>	<b>(9,080)</b>
				<b>126</b>

<b>As at 1 January 2010</b>	215	9,302	(311)	(9,223)
Total comprehensive loss	-	-	-	(215)
<b>As at 31 December 2010</b>	<b>215</b>	<b>9,302</b>	<b>(311)</b>	<b>(9,438)</b>
				<b>(232)</b>

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

Interim consolidated statement of cash flows

For the nine months ended 30 September 2011

	Period of nine months ended		Period of three months ended		Year ended December 31
	September 30		September 30		
	2011	2010	2011	2010	
	Unaudited		Unaudited		audited
	\$000				
<b>Operating activities</b>					
Profit (loss) for the period	7,024	143	7,837	(181)	* (215)
Non-cash Adjustments to reconcile loss to net cash flows					
Gain from Decrease of holding in subsidiary	(234)	(638)	1	110	(638)
Gain (loss) from sale of investments in subsidiary	(8,561)	(148)	(8,561)	-	(208)
Gain from readjustment of short term investment	(60)	-	(60)	-	809
Company's share of loss of associate	901	545	-	(15)	245
Financial costs	64	126	(11)	44	
Deferred taxes	-	-	-	-	
Working capital adjustments					
Decrease in trade and other receivables	(1,007)	117	(1,069)	3	110
Decrease in employee benefit liability	(65)	-	-	-	(804)
Decrease in trade and other payables	747	(559)	793	(9)	(701)
Interest Paid	(1,191)	(414)	(1,070)	(48)	(44)
<b>Net cash used in operating activities</b>	(20)	(23)	(13)	(5)	(745)
	(1,211)	(437)	(1,083)	(53)	
<b>Investing activities</b>					
Proceeds from sale of investments in subsidiary	7,801	217	7,475	-	246
<b>Net cash from investing activities</b>	7,801	217	7,475	-	246
<b>Financing activities</b>					
Receipt of convertible loan from shareholders	-	-	-	-	284
Short-term credit from banks	(296)	194	(98)	54	188
<b>Net cash from (used in) financing activities</b>	(296)	194	(98)	54	472
Net decrease in cash and cash equivalents	6,294	(26)	6,294	1	(27)
Cash and cash equivalents at 1 January	-	27	-	-	27
<b>Cash and cash equivalents at 31 September</b>	<b>6,294</b>	<b>1</b>	<b>6,294</b>	<b>1</b>	

(\*) Reclassified

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

## Notes to the consolidated financial statements

### **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 nine month ended 30 September 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 nine months ended 30 September 2010, in order to retroactively reflect the effect of changes in the accounting treatment of the following issues:

OIS restated its financial statements as at 30 September 2010 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 30 September 2010:

- ▶ Decrease in investment in an associate: \$ 407 thousands.
- ▶ Increase in retained deficit: \$ 407 thousands.

#### **Statement of income**

For the period of three months ended 30 September 2010:

- ▶ Increase in share of loss of an associate: \$ 161 thousands.
- ▶ Decrease in loss for the year: \$ 161 thousands.

For the period of nine months ended 30 September 2010:

- ▶ Increase in share of loss of an associate: \$ 60 thousands.
- ▶ Increase in loss for the year: \$ 60 thousands

The effect on loss per share related to the restatement of income for the period of nine months ended 30 September 2010 was an increased loss per share of \$0.007.

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**Notes to the consolidated financial statements****3. Short term investment**

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

The company held 8,631,311 shares of OIS common stock. At August 4, 2011 the Shareholders meeting approved Share purchase agreement with Merge Healthcare Incorporated. According to the share purchase agreement with Merge Healthcare Incorporated, the shares of OIS were converted into Merge Healthcare Incorporated shares in the ratio of 0.1693. The company sold until the financial statement date 1,134,000 shares of Merge Healthcare and still holds 327,101 shares.

The market value as at 30 September 2011 is 1.992 million US Dollars which is presented as short term investment held to sell.

**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. Regarding the sale of the complete company's investment in OIS pls. see note 3 above.

**4.2** At March 31 2011 the company received demands to convert the Convertible loans and accumulated interest. Since the company did not have the required amount of authorized shares the company called for a shareholders meeting that took place at August 4, 2011 and approved the required increase of the authorized shares. The actual conversion took place at August 5, 2011 due thereon were converted into 4,235,718 ordinary shares of the Company. at 5 August 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 the company; 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 12,720,590 ordinary shares as at August 5 2011.

**5. Significant events after the reporting period**

**5.1** The board of directors has decided on October 9, 2011 to distribute an interim Dividend for the year 2011 in the amount of 0.53 US Dollars per share that will be paid on October 28, 2011. The record date is October 27, 2011. The Ex-Date October 25.