

**MEDIVISION - MEDICAL IMAGING LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2000**

# **MEDIVISION - MEDICAL IMAGING LTD.**

## **FINANCIAL STATEMENTS AS OF DECEMBER 31, 2000**

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**AUDITORS' REPORT**  
**TO THE MEMBERS OF**  
**MEDIVISION - MEDICAL IMAGING LTD.**

We have audited the accompanying consolidated balance sheets of Medivision - Medical Imaging Ltd. and its subsidiaries (the "Group") as of December 31, 2000 and 1999, and the related consolidated statements of operations, cash flows and changes in deficiency and for each of the two years in the period ended December 31, 2000. These consolidated financial statements are the responsibility of the management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We did not audit the financial statements of Ophthalmic Imaging Systems Inc. ("OIS"), a U.S. subsidiary, whose statements reflect total assets constituting 14% as of December 31, 2000 and total revenues constituting 58% of the related consolidated totals for the year ended December 31, 2000. These statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it refers to data included for OIS, is based solely on the report of the other auditor.

We conducted our audits in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditor, the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2000 and 1999, and the results of its operations, changes in shareholders' deficiency and its cash flows for two the years in the period ended December 31, 2000, in accordance with International Accounting Standards.

Without qualifying our opinion we draw attention to note 1b in the financial statements. The Group incurred a net loss of \$2,821 during the year ended December 31, 2000 and, as of that date, the Group's current liabilities exceeded its current assets by \$4,538 and the Group has accumulated a deficit of \$6,596. The auditor of OIS, without qualifying his opinion, drew attention to the fact that there is substantial doubt regarding OIS's ability to continue as a going concern (see Note 1b). These conditions raise substantial doubt about the group's ability to continue as a going concern.

Also without qualifying our opinion we draw attention to note 11b to the financial statements, regarding evaluation to exposure for the collection of taxes on sales to customers located in other states. Management believes that the probability of assessment by state tax authorities is remote, and accordingly a liability has not been recorded in the accompanying financial statements.

**KOST FORER & GABBAY**  
A member of Ernst & Young International

Haifa, Israel  
March 26, 2001

**MEDIVISION - MEDICAL IMAGING LTD.****CONSOLIDATED BALANCE SHEETS**

U.S. Dollars in thousands

	<u>Note</u>	<u>December 31,</u>	
		<u>2000</u>	<u>1999</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		303	11
Trade receivables	3a	679	383
Other accounts receivable and prepaid expenses	3b	125	57
Inventories	4	<u>725</u>	<u>416</u>
<b>Total current assets</b>		1,832	867
<b>PROPERTY AND EQUIPMENT</b>			
Cost	5	1,579	292
Less – accumulated depreciation		<u>1,293</u>	<u>182</u>
<b>Property and equipment, net</b>		286	110
<b>OTHER ASSETS</b>			
Goodwill, net of accumulated amortization	6b	4,739	-
Other assets		<u>10</u>	<u>-</u>
		4,749	-
<b>Total assets</b>		<u><u>6,867</u></u>	<u><u>977</u></u>

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

**MEDIVISION - MEDICAL IMAGING LTD.**

**CONSOLIDATED BALANCE SHEETS**

**U.S. Dollars in thousands**

	<b>Note</b>	<b>December 31,</b>	
		<b>2000</b>	<b>1999</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term bank credit	7	2,743	1,011
Trade payables	8a	827	205
Other accounts payable and deferred revenue	8b	2,800	452
<b>Total current liabilities</b>		6,370	1,668
<b>LONG-TERM LIABILITIES</b>			
Long-term loans, net of current maturities	9	598	1,068
Accrued severance pay	10	154	45
<b>Total long-term liabilities</b>		752	1,113
<b>CONTINGENT LIABILITIES, LIENS AND COMMITMENTS</b>			
	11		
<b>Total liabilities</b>		7,122	2,781
<b>SHAREHOLDERS' DEFICIENCY</b>			
	12		
Share capital		136	6
Additional paid-in capital		6,516	2,098
Capital reserve		(311)	(311)
Receipts on account of shares		-	178
Accumulated deficit		(6,596)	(3,775)
<b>Total shareholders' deficiency</b>		(255)	(1,804)
<b>Total liabilities and shareholders' deficiency</b>		6,867	977

**March 26, 2001**

*Date of Approval*

*Ariel Shenhar  
Director and  
Vice-President Finance*

*Noam Allon  
Director and  
Chief Executive Officer*

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

**MEDIVISION - MEDICAL IMAGING LTD.****CONSOLIDATED STATEMENTS OF OPERATIONS**

U.S. Dollars in thousands (except per share amounts)

	<u>Note</u>	<u>Year ended December 31,</u>	
		<u>2000</u>	<u>1999</u>
Sales	13a	2,068	1,440
Cost of sales	13b	<u>1,307</u>	<u>721</u>
Gross profit		761	719
<b>Operating expenses:</b>			
Research expenses - net	13c	533	277
Selling and marketing expenses, net	13d	1,273	369
General and administrative expenses	13e	<u>1,164</u>	<u>401</u>
Total operating expenses		2,970	1,047
Operating loss		2,209	328
Financial expenses, net	13f	<u>216</u>	<u>214</u>
Other expenses, net	13g	<u>396</u>	<u>-</u>
Loss for the year		<u><u>2,821</u></u>	<u><u>542</u></u>
Basic and diluted loss per share (in Dollars)	13h	<u><u>0.608</u></u>	<u><u>0.163</u></u>

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

**MEDIVISION - MEDICAL IMAGING LTD.**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY**

**U.S. Dollars in thousands**

	<u>Share Capital</u>	<u>Additional Paid-in Capital</u>	<u>Capital Reserve</u>	<u>Receipts on account of shares</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity</u>
Balances as of January 1, 1999	4	853	-	-	(3,233)	(2,376)
Issuance of shares, upon conversion of long-term loans	2	1,245	-	-	-	1,247
Receipts on account of shares upon Conversion of long-term loans	-	-	-	178	-	178
Loss from transfer of liabilities in excess of assets of a Company under common Control which has been acquired by the Company	-	-	(311)	-	-	(311)
Loss for the year	-	-	-	-	(542)	(542)
Balance as of December 31, 1999	6	2,098	(311)	178	(3,775)	(1,804)
Issuance of shares, net*	37	4,511	-	(178)	-	4,370
Issuance of bonus shares	93	(93)	-	-	-	-
Loss for the year	-	-	-	-	(2,821)	(2,821)
Balance as of December 31, 2000	<u>136</u>	<u>6,516</u>	<u>(311)</u>	<u>-</u>	<u>(6,596)</u>	<u>(255)</u>

\* Net of issue costs of \$741

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

**MEDIVISION - MEDICAL IMAGING LTD.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**U.S. Dollars in thousands**

	Note	Year ended December 31,	
		2000	1999
<b>Cash flows from operating activities:</b>			
Loss for the year		(2,821)	(542)
<b>Adjustments for:</b>			
Depreciation		76	35
Erosion in the value of long-term loans		89	69
Gain from sale of property and equipment		(3)	-
Amortization of goodwill		80	-
Accrued severance pay		109	15
<b>Operating loss before working capital changes</b>		<u>(2,470)</u>	<u>(423)</u>
Increase in trade receivables		(134)	(232)
Decrease (increase) in other accounts receivables		(15)	8
Decrease (increase) in inventories		(88)	227
Increase (decrease) in trade payables		128	(64)
Increase in other accounts payable		592	29
<b>Net cash used in operating activities</b>		<u>(1,987)</u>	<u>(455)</u>
<b>Cash Flows from Investment Activities:</b>			
Purchase of property and equipment		(78)	(11)
Proceeds from sale of property and equipment		20	-
Increase in long-term receivable		-	(36)
Acquisition of initially consolidated subsidiary (a)		(3,003)	2
<b>Net cash used in investment activities</b>		<u>(3,061)</u>	<u>(45)</u>
<b>Cash Flows from Financing Activities:</b>			
Receipt of long-term loans		688	185
Payment of long-term loans		(1,187)	(125)
Issuance of shares		5,111	-
Issuance costs		(741)	-
Increase in short-term credit		1,656	455
<b>Net cash provided by financing activities</b>		<u>5,527</u>	<u>515</u>
Increase (decrease) in cash and cash equivalents		479	15
<b>Cash and cash equivalents at beginning of the year</b>	18	<u>(250)</u>	<u>(265)</u>
<b>Cash and cash equivalents at the end of the year</b>	18	<u><u>229</u></u>	<u><u>(250)</u></u>
<b>Non-cash financing information:</b>			
Receipt on account of shares upon conversion of long-term loans		<u>-</u>	<u>178</u>
Issuance of shares upon conversion of long-term loans		<u>-</u>	<u>1,247</u>
Issuance of shares from receipts on account of shares		<u>178</u>	<u>-</u>
<b>Supplementary information:</b>			
Cash paid during the period as interest		<u>28</u>	<u>55</u>

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

**MEDIVISION - MEDICAL IMAGING LTD.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

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**U.S. Dollars in thousands**

**a) Acquisition of consolidated subsidiary**

1. During the year ended December 31, 1999, the Company purchased 100% of the outstanding share capital of Camvision for \$4. The fair value of assets and liabilities assumed were as follows:

	<b>Year ended December 31, 1999</b>
Working capital deficit (excluding cash and cash equivalent)	(12)
Long-term receivable	(168)
Property and equipment, net	42
Liability for acquisition of subsidiary	(4)
Long-term loans	(168)
Accrued severance pay	(3)
Shareholders payable in conjunction with purchase of subsidiary	4
Loss from transfer of liabilities in excess of assets of a company under common control	311
	<hr/>
	2
	<hr/> <hr/>

2. During the period ended September 30, 2000, the Company purchased 73% of the outstanding share capital of Ophthalmic Imaging Systems Inc. (see Note 6). The fair value of assets and liabilities assumed were as follows:

	<b>Year ended December 31, 2000</b>
Working capital deficit (excluding cash and cash equivalent)	(2,004)
Property and equipment, net	191
Other assets, net	10
Long-term loans	(13)
Goodwill arising on acquisition	4,819
	<hr/>
	3,003
	<hr/> <hr/>

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

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. Dollars in thousands**

**NOTE 1:- GENERAL**

- a. Medivision Medical Imaging Ltd. ("the Company"), an Israeli corporation, was incorporated and commenced business operations in June 1993. The Company develops, manufactures and markets medical imaging equipment.  
On June 8, 2000, the Company completed its IPO on the EURO NM market.  
The principal markets of the Company are in the United States and Europe (see Note 13a).
- b. The Company and its subsidiaries (the Companies) have incurred loss for the year ended December 31, 2000 amounting to \$2,821, current liabilities exceed current assets by \$4,538 and accumulated deficit amounts to \$6,596.

The auditor of OIS, in his opinion on its financial statements states "the accompanying financial statements have been prepared assuming that the Company will continue as a going concern"...current liabilities exceed current assets by \$2,013. In addition, the Company has a history of losses from operations resulting in an accumulated deficit of \$(15,885). These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty".

These factors raise substantial doubt that the Companies will be able to continue as a going concern.

Subsequent to the purchase of OIS on August 18 2000, the Companies have undertaken measures that intend to enhance gross margin, including improved production cost control and sustaining engineering programs. In addition, the Companies have begun collaborative efforts with respect to the design and implementation of certain product development programs. Management further believes that the co-marketing and co-selling agreements currently contemplated with respect to certain international markets will reduce selling expenses, and that the relationship between the Company and OIS will reduce general and administrative expenses.

Management is evaluating alternative sources of capital to meet cash requirements, including other asset or debt financing, issuing equity securities and entering into other financing agreements.

The Companies' ability to continue their operations is dependent on the success of these measures.

The financial statements do not include any adjustments relating the recoverability and classification of recorded asset and liability amounts that may be necessary if the Companies are unable to continue as a going concern.

## MEDIVISION - MEDICAL IMAGING LTD.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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U.S. Dollars in thousands

**c. Definitions:**

- "Camvision"** - Camvision Ltd., a company under common control which became a wholly-owned subsidiary of the Company since April 1, 1999. Camvision was engaged in manufacturing and marketing digital x-ray cameras under rights transferred from the company. This activity was ceased through December 1998. On August 1999, the Company, Camvision and Camvision's shareholders signed an agreement in effect as of April 1, 1999 (the "Agreement"). According to the Agreement:
- a) The Company received from Camvision's shareholders all the outstanding shares of Camvision in consideration of their nominal value.
  - b) Camvision converted the loans that had been received from Parent Company into additional paid-in capital.
- The transfer of Camvision's liabilities in excess of its assets to the Company, resulted in a loss of \$311 (including the write-off of the loan due to the Company), which was charged to capital reserve. During the year, Camvision ceased its operations.
- "Parent Company"**- Delta Trading & Services (1986) Ltd. ("Delta Trading") holds 37.05% of the issued share capital. As of December 31, 1999, Delta Film Israel (1994) Ltd. transferred and assigned to Delta Trading all its holdings in the Company including all its rights, obligations and liabilities.
- "OIS"** - Ophthalmic Imaging Systems Inc.  
On August 18, 2000, the Company acquired 73% of the voting shares of Ophthalmic Imaging Systems Inc. a public Company incorporated in California, U. S. A. and traded over the counter in NASDAQ. OIS designs, develops, manufactures and markets Ophthalmic digital imaging and image enhancement systems (see Note 6).
- "Related parties"** - As defined in the IAS 24 of IASC.
- "C.P.I."** - The Consumer Price Index as published by the Central Bureau of statistics in Israel.
- "NIS"** - New Israeli Shekels
- "Dollar" or "\$"** - U.S. Dollar
- "D. M."** - Deutsche Marks
- "EURO"** - European currency

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. Dollars in thousands**

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with standards issued by the International Accounting Standards (IAS) committee, interpretations issued by the Standing Interpretations Committee of the IASC and applicable requirements of Israeli law.

The accounting policies have been consistently applied by the Company with those used in previous years.

**a. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**b. Financial statements in Dollars:**

1. The Company and its Israeli subsidiary's transactions, are recorded in New Israeli Shekels (NIS), however, the majority of the Company's sales are made outside Israel in Dollars and a portion of the Company's costs are incurred in Dollars or linked thereto. Accordingly, the Company has determined the Dollar as the currency of its primary economic, environment and thus its functional currency. Therefore the Company's reporting currency is the Dollar and its financial statements are presented in Dollars.

In accordance with the International Accounting Standards (IAS) 21, the Company presents its financial statements in NIS translated into Dollar according to exchange rate at the date the transaction occurred.

2. Transactions and balances originally denominated in Dollars are presented in their original amounts. Balances in non-Dollar currencies are translated into Dollars using historical and current exchange rate of non-monetary and monetary balances respectively. For non-Dollar transactions reflected in the statements of operations, the exchange rates at transaction date are used. Depreciation and changes in inventories deriving from non-monetary items are based on historical exchange rates.
3. All transaction gains and losses from remeasurement of monetary balance sheet items denominated in non-Dollar currencies are reflected in the statements of operations as financial income or expenses, as appropriate.

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. Dollars in thousands**

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (continued)**

4. Below are data on the representative exchange rates of the Dollar, and the Israeli Consumer Price Index (CPI) and the changes therein during the reported periods:

	<u>NIS</u>	<u>CPI (points)</u>
December 31, 2000	4.041	106.6
December 31, 1999	4.153	106.6
<b>Changes during the year ended:</b>		
December 31, 2000	(2.70%)	0%
December 31, 1999	(0.17%)	1.34%

**c. Principles of consolidation:**

The consolidated financial statements include the accounts of the Company and its controlled subsidiaries. Inter-company transactions and balances, including profits from inter-company sales not yet realized outside the group, have been eliminated in consolidation.

Acquisition of subsidiaries are accumulated for using the purchase method of accounting. The financial statements of subsidiaries are prepared, for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to conform any dissimilar accounting policies that may exist.

**d. Cash and cash equivalents:**

The Company considers all highly liquid investments readily convertible into cash, originally purchased with maturities of three months or less to be cash equivalents.

**e. Trade receivables:**

Trade receivables include amounts billed to clients and various amounts due from transactions arising in the ordinary course of business. Management periodically evaluates the collectibility of these receivables and adjusts the allowance for doubtful accounts to reflect the amounts estimated to be uncollectible.

**f. Inventories:**

Inventories are valued at the lower of cost and net realizable value. Cost is determined as follows:

Raw materials - on a first-in, first-out basis.

Work-in-progress and finished products -

Raw materials- on a first-in, first-out basis.

Labor and manufacturing expenses - on the basis of actual expenses.

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. Dollars in thousands**

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (continued)**

**g) Property and equipment:**

Property and equipment are stated at cost.

Depreciation is computed by the straight-line method, on the basis of the estimated useful lives of the assets.

<b>Annual depreciation rates are:</b>	<b>%</b>
	over the term of the lease
Leasehold improvements	15 – 20
Machinery and equipment	6 – 15
Office furniture and equipment	15
Motor vehicles	20 – 33
Computers and peripherals	

**h) Deferred taxes:**

The Company accounts for income taxes under the liability method of accounting for income taxes as prescribed by IAS 12.

Under the liability method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Companies have not provided for deferred taxes, due to carryforward losses for tax purposes, the realization of which in the foreseeable future is uncertain.

In addition, the Company's taxable income in the future resulting from its approved enterprise status will be tax-exempt (See Note 14).

**i) Revenue recognition:**

Revenues from sales of products are recognized upon delivery, provided that no significant vendor obligations remain, acceptance has occurred and the collection of the related receivable is probable. Cost of sales includes the estimated costs associated with the installation warranty and training.

Customers may purchase extended warranty coverage for additional one or two year periods. Revenues from the sale of these extended warranties are deferred and recognized as other revenue on a straight-line basis over the term of the extended warranty contract.

**j) Research costs:**

Research costs are charged to expenses net of participation of the Chief Scientist of the Ministry of Industry and Trade ("the Chief Scientist"), as incurred.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. Dollars in thousands**

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (continued)**

**k) Royalty-bearing grants:**

Grants and subsidies from the government are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs which it is intended to compensate. Where the grant relates to an asset, the fair value is deducted in arriving at the carrying amount of the related asset.

**l) Loss per share:**

The loss per share is computed in accordance with IAS 33.

**m) Fair value of financial instruments:**

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments.

The carrying values of cash and cash equivalents, trade receivables and other current assets, short-term bank credit, trade payables, other current liabilities and long-term loans reported in the balance sheet approximate their fair values.

**n) Concentrations of credit risk:**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and trade receivables. Cash and cash equivalents are deposited with major banks in Israel and USA. Management believes that the financial institutions that hold the Company's investments are financially sound, and, accordingly, minimal credit risk exists with respect to these investments. The Company has adopted credit policies and standards intended to accommodate industry growth and inherent risk. The Company performs ongoing credit evaluations of its customers' financial condition and requires collateral as deemed necessary.

**o) Goodwill**

Goodwill which reflects the excess of purchase price over net tangible assets acquired, is stated at cost and is amortized by a straight-line basis over a period of twenty years.

The Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation and other considerations.

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. Dollars in thousands**

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (continued)**

**p) Leases**

Financing leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the present value of the minimum lease payments at the inception of the least term and disclosed as leased fixed assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

**q) Employee stock option plan**

The Companies have employee share incentive plan for the granting of non-transferable options. There are no charges to earnings upon the grant or exercisable of fixed options, since the exercise price generally equals the market value of the shares at the date of the grant.

**NOTE 3:- ACCOUNTS RECEIVABLE**

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
<b>a. Trade receivables</b>		
Abroad	885	417
Local	54	44
	939	461
Less - allowance for doubtful accounts	260	78
	679	383
<b>b. Other accounts receivable and prepaid expenses</b>		
Government authorities for:		
V.A.T. receivable	7	20
Grant receivable and prepaid expenses	116	31
Other	2	6
	125	57

**NOTE 4:- INVENTORIES**

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
<b>Composition:</b>		
Raw materials	362	95
Work in progress	71	133
Finished goods	292	188
	725	416

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands

## NOTE 5:- PROPERTY AND EQUIPMENT

	Leasehold Improvements	Machinery and equipment	Office Furniture and equipment	Motor Vehicles	Computers and Peripherals	Total
<b>Cost:</b>						
Balance as of January 1, 2000	14	43	46	83	106	292
Addition from acquisition of subsidiary	-	852	440	-	-	1,292
Additions	2	40	28	-	8	78
Disposals	-	-	-	(83)	-	(83)
Balance as of December 31, 2000	<u>16</u>	<u>935</u>	<u>514</u>	<u>-</u>	<u>114</u>	<u>1,579</u>
<b>Accumulated depreciation:</b>						
Balance as of January 1, 2000	2	27	17	58	78	182
Addition from acquisition of subsidiary	-	647	454	-	-	1,101
Depreciation	1	27	20	8	20	76
Reversal for disposals	-	-	-	(66)	-	(66)
Balance as of December 31, 2000	<u>3</u>	<u>701</u>	<u>491</u>	<u>-</u>	<u>98</u>	<u>1,293</u>
<b>Net book value:</b>						
As of December 31, 2000	<u>13</u>	<u>234</u>	<u>23</u>	<u>-</u>	<u>16</u>	<u>286</u>
As of December 31, 1999	<u>12</u>	<u>16</u>	<u>29</u>	<u>25</u>	<u>28</u>	<u>110</u>

As for liens, see Note 11c.

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. Dollars in thousands**

**NOTE 6:- ACQUISITION OF CONSOLIDATED SUBSIDIARY**

- a. On August 18, 2000, the Company acquired 73% (72% on a fully diluted basis) of the voting shares of Ophthalmic Imaging Systems Inc. (OIS), a public Company incorporated in California, U.S.A. and traded over the counter in NASDAQ. OIS designs, develops, manufactures and markets Ophthalmic digital imaging and image enhancement systems.

The consideration for the acquisition, paid in cash, was \$2,575.

The fair value of the assets acquired and liabilities assumed of OIS as of August 31, 2000 were:

	<b>U. S. Dollars (in thousands)</b>
Fixed and other assets, net	201
Trade receivables	162
Other accounts receivable	53
Inventories	221
	<hr/>
	637
Short-term bank credit	(618)
Trade payables	(494)
Other accounts payable and deferred revenue	(1,756)
Long-term loans	(13)
	<hr/>
Fair value of net tangible assets	(2,244)
Goodwill arising on acquisition (See Note 6b)	4,819
Fair value of net assets of OIS	<hr/> <hr/>
	2,575

The subsidiary's net loss after tax for the period from August 31, 2000, until December 31, 2000 of \$1,013 has been included in the results of the Group for the year ended December 31, 2000.

- b. Goodwill  
Goodwill is amortized over its useful life which is estimated at 20 years.

Balance at August 31, 2000	4,819
Amortization during the year reporting currency	(80)
Balance at December 31,2000	<hr/> <hr/>
	4,739

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. Dollars in thousands**

**NOTE 7:- SHORT-TERM CREDIT**

	<b>Interest*</b>	<b>December 31,</b>	
	<b>%</b>	<b>2000</b>	<b>1999</b>
Revolving credit (in NIS (not linked))	14.8	74	261
Short-term loan:			
- in Dollars or linked thereto	7.5	2,544	635
- linked to the other foreign currencies (mainly D.M.)	4.5	-	63
Current maturities of long-term loans		125	52
		<u>2,743</u>	<u>1,011</u>

For guarantees, see Note 11c.

\* As at December 31, 2000

**NOTE 8:- ACCOUNTS PAYABLE**

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
<b>a. Trade payables</b>		
Open accounts	726	101
Notes payable	101	104
	<u>827</u>	<u>205</u>
<b>b. Other accounts payable and deferred revenue</b>		
Employees	560	112
Accrued royalties	21	114
Accrued expenses to shareholders	351	118
Deferred revenue	146	-
Advances from customers	389	24
Accrued expenses and other credit balances	1,333	84
	<u>2,800</u>	<u>452</u>

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. Dollars in thousands**

**NOTE 9:- LONG-TERM LIABILITIES**

	<b>Interest*</b>	<b>December 31,</b>	
	<b>%</b>	<b>2000</b>	<b>1999</b>
<b>a. Composition:</b>			
Bank loans **: <ul style="list-style-type: none"> <li>Linked to the C.P.I.</li> <li>Not linked</li> </ul>	4.95-5.70 12	38 362 <hr style="width: 50%; margin: 0 auto;"/> 400	244 124 <hr style="width: 50%; margin: 0 auto;"/> 368
Shareholders' loans: <ul style="list-style-type: none"> <li>- linked to the C.P.I.</li> <li>Other - linked to the C.P.I.</li> <li>Capitalized lease</li> </ul>		304 - 19 <hr style="width: 50%; margin: 0 auto;"/> 723	750 2 - <hr style="width: 50%; margin: 0 auto;"/> 1,120
Less-current maturities of long-term loans		125 <hr style="width: 50%; margin: 0 auto;"/> 598	52 <hr style="width: 50%; margin: 0 auto;"/> 1,068

\* As at December 31, 2000

\*\* The loans are guaranteed by the Government of Israel (See Note 14a).

**b. Aggregate maturities of long-term loans are as follows:**

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
First year - current maturities	125	52
Second year	290	113
Third year	4	205
Shareholders' loans - payment date not yet determined	304	750
	598	1,068
	723	1,120

**NOTE 10:- ACCRUED SEVERANCE PAY**

The Company's liability for the payment of severance pay is calculated pursuant to Israeli Severance pay law based on the most recent salary of the employees multiplied by the number of years of employment, as of the balance sheet date. Employees are entitled to one month salary for each year of employment or a portion thereof. The Company's liability for all of its employees, is mainly funded through insurance policies which are designed only for disbursing severance pay. The net amount of the severance liability presented in the balance sheet represents the Company's liability for severance to its employees as of balance sheet date which is not covered by the aforementioned insurance company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. Dollars in thousands**

**NOTE 11:- CONTINGENT LIABILITIES AND COMMITMENTS**

**a. Chief Scientist**

The Company is committed, under agreements with the Chief Scientist in respect of certain research and development projects, to pay royalties to the Chief Scientist at the rate of 3% of the sales of products resulting from the respective research and development, at an amount not to exceed the amount of the grants received by the Company, as participation in the research and development program, in Dollar terms. As of December 31, 2000 the remaining amount of the grants on which such royalties may be due is equivalent to \$1,772.

**b. Collection of Taxes from Customers**

In a prior year, a state taxing authority made inquiries of OIS regarding the collection of sales or use taxes from customers in that state. The inquiry was favorably resolved without any adverse consequences to OIS. OIS evaluates such inquiries on a case-by-case basis and will vigorously contest any such claims for payment of sales or use taxes which it believes are without merit.

However, the management of OIS has prepared an analysis of sales to customers in those jurisdictions for which OIS does not collect sales or use taxes. Certain assumptions were made in the preparation of this analysis, including but not limited to:

- OIS's customers have not remitted any sales or use tax to state or local taxing authorities.
- Potential interest and penalties have been included on sales activity from OIS's inception.
- Sales or use taxes have been provided at the effective tax rates for each taxing authority for which OIS may have had a sale.

The analysis indicates maximum potential liability of \$1,700. The management of OIS believes that the probability of such an assessment is remote and accordingly, has not recorded a liability in the accompanying financial statements.

However, there can be no assurance that the amount of any sales or use taxes that might ultimately be assessed for prior periods would not materially affect OIS's results of operation or cash flows in any given reporting period.

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. Dollars in thousands**

**NOTE 11:- CONTINGENT LIABILITIES AND COMMITMENTS**

**c. Liens**

1. The Company's liabilities to banks are secured by fixed lien on the Company's capital share, goodwill patents and insurance rights and a floating lien on all of its assets.
2. To secure its liabilities for acquisition of certain equipment, the Company pledged computers and equipment that were purchased in favor of a credit institute.
3. To secure its liabilities to Delta Llyod Bank the Company committed to pledge 2,131,908 Ordinary shares of its holdings in OIS in favor of Delta Llyod Bank.

The secured liabilities and guarantees are as follows:

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
Short-term bank credit	<u>1,105</u>	<u>667</u>
Long-term bank loan	<u>400</u>	<u>-</u>

For guarantees given to the Company by shareholders, see note 15.

**d. Lease Agreements**

- 1) OIS leases certain office equipment under the terms of a capital lease. Payments of \$1 with interest at 10.9% are due in monthly installments through June 2003. Future minimum lease payments are as follows:

Year ending December 31, 2001	8
Year ending December 31, 2002	7
Year ending December 31, 2003	<u>4</u>
	<u>19</u>

- 2) OIS leases its facilities under month-to-month leases. The lease agreements require minimum lease payments of \$7 per month.

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. Dollars in thousands**

**NOTE 12:- SHARE CAPITAL**

**a. Composition:**

	December 31, 2000		December 31, 1999	
	Authorized	Issued and Outstanding	Authorized	Issued and Outstanding
	Number of shares			
Ordinary shares NIS 0.1 par value	10,000,000	5,481,922	208,000	208,000

All ordinary shares are of the same class.

**b. Modification of share capital**

1. In an extraordinary meeting of the Company's shareholders held on February 14, 2000, it was resolved to increase the Company's authorized ordinary shares NIS 0.1 par value by 9,792,000 so that the Company's authorized ordinary shares will consist of 10,000,000 shares of NIS 0.1 par value each.
2. Parent Company
  - a. On January 1, 1999, the Company issued Parent Company additional 65,459 Ordinary shares of the Company in consideration of conversion of shareholders' loan in the sum of \$1,247.
  - b. On April 2, 2000, the Company issued Parent Company an additional 9,382 Ordinary shares of the Company, in consideration of \$178 that were stated as receipts on account of shares in 1999, in accordance with the agreement signed with Delta Trade (dated February 1998) increasing Parent Company's aggregate pre-IPO shareholdings to approximately 50.76% of the Company's share capital.
3. On April 2, 2000 the Company issued additional aggregate of 32,717 Ordinary shares of the Company to some of its current shareholders. Such issuance was further affected in order to reflect an adjustment in the initial calculated value of the Company as at August 1994, according to which the shareholders made their initial investment.
4. At an extraordinary meeting of the Company's shareholders held on April 2, 2000, it was resolved to increase the Company's issued share capital to a total of 4,001,584 Ordinary Shares, NIS 0.10 par value by issuance of bonus shares at an average rate of 15 bonus shares to every ordinary share, thereby issuing an aggregate of 3,751,485 ordinary shares of the Company, NIS 0.10 par value to be apportioned to all the current shareholders of the Company in proportion to their respective shareholdings in the Company, by way of capitalizing share premium on past issuance of Company shares.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. Dollars in thousands**

**NOTE 12:- SHARE CAPITAL (continued)**

5. On June 8, 2000, the Company completed an IPO on the EURO NM market. The Company issued 1,420,000 shares at a price of EURO 3.65 per share. The net proceeds amounted to U.S.\$4,220
6. On September 21, 2000 the Company's Board of Directors approved the following:
  - a) To issue Gazelle Invest Inc. ("Gazelle") and Be'ery Capital Group Ltd., immediately prior to the Offering, 98,630 and 10,959 transferable warrants, respectively, to purchase Ordinary Shares of the Company ("Warrants"). The Warrants shall also be convertible, in whole or in part, into Ordinary shares of the class offered to the public and at a price of EURO 3.65 per share, exercisable within the period of four years commencing on June 9, 2000.
  - b) The Company committed to grant Delta Lloyd Bank an option to purchase shares of the company for a total consideration of U.S.\$262 at a price of EURO 4.298 per share.
6. On October 23, 2000, the Company issued additional aggregate of 60,338 Ordinary shares of the Company to private investors, the net proceeds amounts to U.S.\$150.

**c. Stock Option Plan**

On October 17, 1999, the Board of Directors of the Company, adopted a Stock Option Plan (the "1999 Plan") pursuant to which share options in the Company may be granted to employees, officers, directors and consultants of the Company or any subsidiary. An aggregate of 500,000 Ordinary shares of the Company are reserved for issuance under the 1999 Plan. Any options which are canceled or not exercised within the option period will become available for future grants. The 1999 Plan will terminate in 2009, unless previously terminated by the Board of Directors.

Unless otherwise determined by the Company's Board or the Option Committee, the exercise price of options granted under the 1999 Plan prior to Offering shall not be less than the Offering price (EURO 3.65 per share) and the exercise price of options granted under the 1999 Plan after the Offering shall not be less than the fair market value of each option share (as defined in the Plan) at the date the Option was granted.

In a Board resolution of March 22, 2000 it was resolved that 44,866 options shall be exercised at the price of EURO 0.025 per share 11,218 of these options have been forfeited.

The plan is under section 102 of the Israeli Tax Ordinance in connection with exemption from tax on the date of issuance of shares (subject to its limitations).

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. Dollars in thousands**

**NOTE 12:- SHARE CAPITAL (continued)**

Upon balance sheet date the Company granted 397,026 options exercisable into 397,026 Ordinary shares of NIS 0.1 par value each at the following prices:

Exercisable Price per Share	December 31, 2000		
	Outstanding	Average life**	Exercisable
(EURO)	Number of options		Number of options
3.65	363,378	8.83	83,260
0.025	33,648	8.89	18,000
	<u>*397,026</u>	8.85	<u>101,260</u>

\* Including 288,960 options not issued under section 102 of the Israeli Tax Ordinance.

\*\* Weighted average contractual life remaining in years.

	December 31, 1999		December 31, 2000	
	Amount	Weighted average exercise price (EURO)	Amount	Weighted average exercise price (EURO)
Outstanding at the beginning of the year	-	-	120,048	1.23
Granted	120,048	1.23	328,212	3.12
Forfeited	-	-	(51,234)	1.74
Outstanding at the end of the year	<u>120,048</u>	<u>1.23</u>	<u>397,026</u>	<u>2.73</u>
Exercisable options	<u>-</u>	<u>-</u>	<u>101,260</u>	<u>2.59</u>

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. Dollars in thousands**

**NOTE 13:- SELECTED STATEMENTS OF OPERATIONS DATA**

**a. Sales**

	<b>Year ended December 31,</b>	
	<b>2000</b>	<b>1999</b>
Foreign:		
America *	1,298	324
Europe	704	648
Asia	13	285
Other	37	-
	2,052	1,257
Local	16	183
	2,068	1,440

\* Mainly in the USA.

**b. Cost of sales**

	<b>Year ended December 31,</b>	
	<b>2000</b>	<b>1999</b>
Materials consumed	1,037	551
Salaries	199	66
Other	113	17
	1,349	634
Changes in work in progress and finished products	(42)	87
	1,307	721

**c. Research expenses, net**

	<b>Year ended December 31,</b>	
	<b>2000</b>	<b>1999</b>
Salaries and related expenses	645	395
Subcontractors	63	29
Materials	29	27
Depreciation	40	16
Miscellaneous	40	(2)
	817	465
Less - participation by the Chief Scientist	(284)	(188)
	533	277

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. Dollars in thousands**

**NOTE 13:- SELECTED STATEMENTS OF OPERATIONS DATA (continued)**

**d. Selling and marketing expenses, net**

	<b>Year ended December 31,</b>	
	<b>2000</b>	<b>1999</b>
Salaries and related expenses	484	136
Advertising and exhibitions	404	46
Travel abroad	41	71
Post and telephone	11	21
Commissions	104	60
Miscellaneous	229	40
	1,273	374
Less- participation by the Marketing Encouragement Fund	-	(5)
	1,273	369

**e. General and administrative expenses**

	<b>Year ended December 31,</b>	
	<b>2000</b>	<b>1999</b>
Salaries and related expenses	409	110
Professional services	283	27
Rent	74	74
Post and telephone	62	6
Vehicles maintenance	37	17
Doubtful debts	44	55
Depreciation	16	10
Amortization of goodwill	80	-
Miscellaneous	159	102
	1,164	401
	1,164	401

**f. Financial expenses (income), net**

	<b>Year ended December 31,</b>	
	<b>2000</b>	<b>1999</b>
Expenses:		
Bank expenses	100	90
Erosion in value of long-term liabilities	89	69
Interest to related party	18	36
Other	9	19
	216	214
	216	214

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. Dollars (in thousands except loss per share)**

**NOTE 13:- SELECTED STATEMENTS OF OPERATIONS DATA (continued)**

**g. Other expenses, net**

	<b>Year ended December 31,</b>	
	<b>2000</b>	<b>1999</b>
Gain from sale of property and equipment	(3)	-
Expenses regarding acquisition of subsidiary	309	-
Previous years management fees	114	-
Rent for machine	(24)	-
	396	-

**h. Loss per share**

	<b>Year ended December 31,</b>	
	<b>2000</b>	<b>1999</b>
Loss for the year	2,821	542
Weighted average number of shares used in calculation of basic and diluted loss per Share	4,641,941	3,328,000
Basic and diluted loss per share (in Dollars)	0.608	0.163

**NOTE 14:- TAXES ON INCOME**

**a. Tax benefits under the Encouragement Law**

The Company was granted "approved enterprise" status. The main benefits to which the Company will be entitled, if it implements all the terms of the approved program, are exemption from tax on income from the approved enterprise, and reduced tax rates on dividends originating from this income. The income from the approved enterprise will be exempt from tax for a ten year period, commencing on the date that taxable income is first generated by the approved enterprise (limited to the earlier of a maximum period of 12 years from commencing operations or 14 years from the date of the approval letter is received).

On August 1999 the Company was granted an additional period of extension, thus extending the period of tax exemption until 2009 or 2010.

In addition, in accordance with the terms of such approved status, as amended in August 1999, the Company has agreed to repay, using the proceeds of the public offering 25% of the Company's (as well as Camvision's) outstanding unpaid loans guaranteed by the Israeli Government.

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. Dollars in thousands**

**NOTE 14:- TAXES ON INCOME (continued)**

Dividend distributions originating in the income of the approved enterprise will be subject to tax at the rate of 15%, provided that the dividend is distributed during the period stipulated in the law. In the event of a dividend distribution (including withdrawals and charges that are deemed to be dividends) out of the income originating from the approved enterprise, and on which the Company received a tax exemption, income from which the dividend is distributed will be subject to corporate taxes at the rate of 25%.

The Company received government guaranteed loans of \$405.

Return of the loans are scheduled originally and tax benefits are conditional upon compliance with the provision of the Law, the regulations that were enacted, and the terms stipulated in the approval letter.

Management is at the opinion that to date the Company is in compliance with these conditions.

b. Carryforward losses

The Company is assessed under the provisions of the Income Tax Law (Inflationary Adjustments), 1985 (hereinafter - the "Adjustments Law"). Losses and inflationary deductions to be carried forward to future years amount to approximately \$3,200, and in accordance with the Adjustments Law, they are linked to the C. P. I.

OIS has at December 31, 2000, a net operating loss carryover of approximately \$8,600 for federal income tax purposes which expires between 2007 and 2015, and a net operating loss carryforward of approximately \$3,800 for state income tax purposes which expires between 2000 and 2005. Federal and state tax credit carryforwards of approximately \$70 and \$40 will begin to expire in 2002 and 2017, respectively. As a result of the annual limitations a substantial portion of these loss and credit carryovers may expire without being utilized.

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. Dollars in thousands**

**NOTE 14:- TAXES ON INCOME**

- c. A reconciliation of theoretical tax benefit, assuming all loss is taxed at the statutory rate applicable to the income of companies in Israel, and the actual tax benefit, is as follows:

	<b>Year ended December 31,</b>	
	<b>2000</b>	<b>1999</b>
Loss as reported in the consolidated statements of operations	2,821	542
Statutory tax rate in Israel	36%	36%
Theoretical tax benefit	1,016	195
 <b>Increase (decrease) in taxes resulting from:</b>		
Items for which deferred taxes were not provided	(93)	(44)
Tax adjustments in respect of inflation in Israel	6	(3)
Non-deductible expenses	(10)	(8)
Increase in taxes resulting from realization of carryforward tax losses in respect of which deferred taxes were not provided	(910)	(128)
Others	(9)	(12)
Actual tax expense	-	-

- d. The Company and its Israeli subsidiary have final tax assessments until and including the tax year 1996
- e. The Companies have not recorded a tax asset at the amount of \$8,308 due to carry forward losses for tax purposes and timing differences (see note 2h).

**NOTE 15:- RELATED PARTIES TRANSACTIONS AND BALANCES**

**a. Related parties balances:**

	<b>December 31,</b>	
	<b>2000</b>	<b>1999</b>
Long-term loans from shareholders	304	750
Short-term credit from Parent Company	-	292

**b. Related parties transactions:**

	<b>Year ended December 31,</b>	
	<b>2000</b>	<b>1999</b>
Erosion in the value of shareholders' long-term loan	14	47
Shareholders' salary expenses	127	109
Interest to Parent Company	3	20
Management fees to Parent Company	-	26

**Guarantees**

The shareholders have provided guarantees to secure the Company's liabilities to commercial banks in a total amount of \$699.

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. Dollars in thousands**

**NOTE 16:- GEOGRAPHICAL SEGMENTS**

The following table revenue information regarding geographical segments are for the years ended December 31, 2000 and 1999:

	<b>Home country</b>		<b>America *</b>		<b>Asia</b>		<b>Europe</b>		<b>Other</b>		<b>Elimination</b>		<b>Consolidated</b>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Segment revenue														
Sales to external customers	16	183	1298	324	13	285	704	648	37	-	-	-	2068	1440
Inter segment sales	49	-	329	-	-	-	-	-	-	-	(378)	-	-	-
Total revenue	<u>65</u>	<u>183</u>	<u>1627</u>	<u>324</u>	<u>13</u>	<u>285</u>	<u>704</u>	<u>648</u>	<u>37</u>	<u>-</u>	<u>(378)</u>	<u>-</u>	<u>2068</u>	<u>1440</u>
Operating loss	29	42	974	73	23	93	1269	120	67	-	(153)	-	2209	328
Financial expenses, net													216	214
Other expenses, net													396	-
Loss for the year													<u>2821</u>	<u>542</u>
<b>Other geographical information:</b>														
Segment assets	<u>694</u>	<u>471</u>	<u>906</u>	<u>119</u>	<u>5</u>	<u>189</u>	<u>210</u>	<u>187</u>					1815	966
Other assets													5052	11
													<u>6867</u>	<u>977</u>
Segment liabilities	<u>1078</u>	<u>657</u>	<u>2549</u>	<u>-</u>									3627	657
Other liabilities													3495	2124
													<u>7122</u>	<u>2781</u>
Capital expenditure	<u>21</u>	<u>11</u>	<u>57</u>	<u>-</u>									78	11
Depreciation and amortization	<u>120</u>	<u>35</u>	<u>36</u>	<u>-</u>									156	35

\* mainly in the USA.

**MEDIVISION - MEDICAL IMAGING LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. Dollars in thousands**

**NOTE 17:- LINKAGE TERMS OF MONETARY BALANCES**

Linkage terms of monetary balances in the consolidated balance sheet of the Company are as follows:

	In or linked to:			Total
	Israeli CPI	Foreign currency (mainly US.\$)	Unlinked	
<b>December 31, 1999:</b>				
<b>Assets:</b>				
Cash and cash equivalents	-	10	1	11
Trade receivables	-	339	44	383
Other accounts receivable	-	-	26	26
	<u>-</u>	<u>349</u>	<u>71</u>	<u>420</u>
<b>Liabilities:</b>				
Credit from banks and others	-	698	261	959
Trade payables	-	12	193	205
Other accounts payable	-	-	428	428
Long-term loans from banks and others (including current maturities)	996	-	124	1,120
	<u>996</u>	<u>710</u>	<u>1,006</u>	<u>2,712</u>
<b>December 31, 2000:</b>				
<b>Assets:</b>				
Cash and cash equivalents	-	302	1	303
Trade receivables	-	642	37	679
Other accounts receivable	-	-	43	43
	<u>-</u>	<u>944</u>	<u>81</u>	<u>1,025</u>
<b>Liabilities:</b>				
Credit from banks and others	-	2,544	74	2,618
Trade payables	-	631	196	827
Other accounts payable	-	1,422	843	2,265
Long-term loans from banks and others (including current maturities)	342	19	362	723
	<u>342</u>	<u>4,616</u>	<u>1,475</u>	<u>6,433</u>

**NOTE 18:- CASH AND CASH EQUIVALENTS (For the purpose of the Cash Flow Statements)**

Cash and cash equivalents comprise the following as of December 31:

	December 31,	
	2000	1999
Cash and cash equivalents	303	11
Short-term bank credit (see Note 7)	(74)	(261)
	<u>229</u>	<u>(250)</u>