

MEDIVISION MEDICAL IMAGING LTD.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

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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 2010, comprising of the interim consolidated statement of financial position as at 31 March 2010 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.

Interim consolidated statement of financial position

As at 31 March 2010

	31 March 2010 unaudited	31 December 2009 audited
	\$000	\$000
Assets		
Current assets		
Cash	9	27
Trade and other receivables	123	175
	<u>132</u>	<u>202</u>
Non-current assets		
Investments in an associate	2,299	2,513
Total assets	<u>2,431</u>	<u>2,715</u>
Liabilities and equity		
Current liabilities		
Credit from banks	42	(*) 42
Trade and other payables	863	(*) 982
	<u>905</u>	<u>1,024</u>
Non-current liabilities		
Convertible loan from shareholders	1,215	(*) 1,180
Employee benefit liability	61	61
	<u>1,276</u>	<u>1,241</u>
Total liabilities	<u>2,181</u>	<u>2,265</u>
Equity		
Issued capital	215	215
Share premium	9,302	9,302
Capital reserve	(311)	(311)
Retained deficit	(8,956)	(8,756)
Total equity	<u>250</u>	<u>450</u>
Total equity and liabilities	<u>2,431</u>	<u>2,715</u>

(*) Reclassified

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

20 May, 2010

Date of approval of the
financial statementsYigal Berman
Chairman of the BoardNoam Allon
CEOBoaz Benyamin
CFO

Interim consolidated statement of income

For the three months ended 31 March 2010

	2010	2009
	unaudited	
	\$000	\$000
Sales	-	2,635
Cost of sales	-	(1,216)
Gross profit	-	1,419
Other income (loss)	211	(201)
Selling and marketing expenses	-	(1,013)
General and administrative expenses	(54)	(603)
Research and development costs, net	-	(938)
Operating profit (loss)	157	(1,336)
Financial income	-	51
Financial expenses	(56)	(149)
share of loss of an associate	(301)	-
loss before tax	(200)	(1,434)
Income tax expenses	-	(1)
Loss for the year	(200)	(1,435)
attributable to:		
Equity holders of the parent	(200)	(937)
Minority interests	-	(498)
	(200)	(1,435)
Earnings per share		
Basic, loss for the year attributable to ordinary equity holders of the parent	(0.024)	(0.169)

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

Interim consolidated statement of comprehensive income

For the three months ended 31 March 2010

	<u>2010</u>	<u>2009</u>
	<u>unaudited</u>	
	\$000	\$000
Loss for the year	<u>(200)</u>	<u>(1,435)</u>
Other comprehensive income		
Exchange differences on translating foreign operations	-	(56)
Total comprehensive loss	<u>(200)</u>	<u>(1,491)</u>
attributable to:		
Equity holders of the parent	(200)	(985)
Minority interests	-	(506)
	<u>(200)</u>	<u>(1,491)</u>
Earnings per share		
Basic, loss for the year attributable to ordinary equity holders of the parent	<u>(0.024)</u>	<u>(0.176)</u>

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

Interim consolidated statement of changes in equity

For the three months ended 31 March 2010

	Attributable to equity holders of the Parent							
	Share capital	Share premium	Capital reserve	Foreign currency translation differences	Retained deficit	Total	Minority interests	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
As at 1 January 2010	215	9,302	(311)	-	(8,756)	450	-	450
Total comprehensive loss	-	-	-	-	(200)	(200)	-	(200)
As at 31 March 2010 (unaudited)	215	9,302	(311)	-	(8,956)	250	-	250

For the three months ended 31 March 2009

	Attributable to equity holders of the Parent							
	Share capital	Share premium	Capital reserve	Foreign currency translation differences	Retained deficit	Total	Minority interests	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
As at 1 January 2009	215	9,302	(311)	67	(6,826)	2,447	3,047	5,494
Total comprehensive loss	-	-	-	(48)	(937)	(985)	(506)	(1,491)
As at 31 March 2009 (unaudited)	215	9,302	(311)	19	(7,763)	1,462	2,541	4,003

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 2010

	2010	2009
	unaudited	
	\$000	\$000
Operating activities		
Loss for the period	(200)	(1,435)
Non-cash Adjustments to reconcile loss to net cash flows		
Depreciation of Property and equipment and Intangible assets	-	463
Loss from Decrease of holding in subsidiary	(124)	-
Loss from sale of investments in subsidiary	(68)	-
Company's share of loss of associate	301	-
Financial costs	56	(*) 149
Other	-	7
Working capital adjustments		
Decrease in trade and other receivables	52	294
Decrease (increase) in inventories	-	183
Decrease in trade and other payables	(119)	(337)
	(102)	(676)
Interest Paid	(21)	(*) (82)
Net cash used in operating activities	(123)	(758)
Investing activities		
Purchase of Property and equipment	-	(47)
Proceeds from sale of investments in subsidiary	105	-
Additions to intangible assets	-	(89)
Net cash from (used in) investing activities	105	(136)
Financing activities		
Receipt of convertible loan from shareholders	-	(*) 416
Short-term credit from banks	-	(*) 951
Repayment of long-term loans	-	(*) (1,596)
Net cash used in financing activities	-	(229)
Net decrease in cash and cash equivalents	(18)	(1,123)
Exchange differences on balances of cash and cash equivalents	-	(20)
Cash and cash equivalents at 1 January	27	(*) 2,785
Cash and cash equivalents at 31 December	9	1,642

(*) 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 2010 were authorized for issue in accordance with a resolution of directors on 20 May 2010.

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**Basis of preparation**

The interim condensed consolidated financial statements for the three month ended 31 March 2010 have been prepared in accordance with IAS 34.

The interim condensed consolidated 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 2009.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations as of 1 January 2010, noted below:

▶ *IFRS 2 Share-based Payment – Company Cash-settled Share-based Payment Transactions*

The standard has been amended to clarify the accounting for company cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Company.

Other amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the company.

▶ *IFRS 3 Business Combination (Revised) and IAS 27 Consolidated and Separate Financial Statements*

▶ *IAS 39 Financial instruments: Recognition and Measurement – Eligible Hedged Items*

▶ *IFRIC 17 Distributions of Non Cash Assets to Owners*

Notes to the consolidated financial statements**3. Investments in an associate**

The company has 34.52% 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 9,222,632 shares of OIS common stock which their market value as at 31 March 2010 is 10.6 million US dollars.

Condensed information on financial position as at 31 March 2010

	31 March 2010 unaudited	31 December 2009 audited
	\$000	\$000
Current assets	9,329	9,288
Non-current assets	3,507	3,749
Total assets	<u>12,836</u>	<u>13,037</u>
Current liabilities	4,922	4,253
Non-current liabilities	2,941	3,344
Total liabilities	<u>7,863</u>	<u>7,597</u>
Equity attributable to equity holders of the parent	<u>4,520</u>	<u>4,976</u>
Equity attributable to Minority	<u>453</u>	<u>464</u>

Condensed information on statements of income for the three months ended 31 March 2010

	2010	2009
	unaudited	
	\$000	\$000
Revenues	4,133	2,410
Gross profit	2,267	1,139
Operating loss	(639)	(1,062)
Loss for the period	(857)	(1,107)
Total comprehensive loss	(876)	(1,107)
attributable to:		
Equity holders of the parent	(865)	(1,107)
Minority interests	(11)	-

Notes to the consolidated financial statements

4. Significant events during the reporting period

During the reporting period the company has realized OIS shares in consideration of 105 thousand dollars. Following the realization, the company's holdings in OIS shares and voting rights decreased to 34.8%. The capital gain derived from the realization of the shares was 68 thousand dollars and is included in other income.

Following the exercise of convertible bonds issued by OIS, the company's holdings in OIS shares and voting rights had decreased to 34.52%. The capital gain derived from the decreasing in the company's holdings of OIS was 124 thousand dollars and is included in other income.

5. Events after the reporting period

In a meeting held on 20 May 2010, the company's Board of Directors was informed about the intention of certain majority shareholders to convert all convertible loans granted to the company into shares in accordance to the following terms;

Loans and any interest due thereon may be converted in a whole or in part into ordinary shares of the Company, 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.
