

---

# Broadcast and beyond

Interim report 2007

# About Vislink

Vislink is a group of leading technology companies that provide fully reliable video and data links for some of the most extreme and high-pressure situations on Earth. For the last 20 years, a wide variety of organisations have turned to us to solve some extraordinary communication challenges. The most visible successes have been in television, where the images transmitted back live by our equipment have defined many of the key news stories and sporting events of our generation – including recent global events such as the Asian Tsunami, Hurricane Katrina and the 2006 World Cup final. But in an increasingly insecure world, our equipment is playing a vital and growing role in defence, law enforcement and security operations across the globe.

The Group's success is built on its ability to motivate and support strong local management teams at its four market-leading brands. By fostering their entrepreneurial drive within a stable and disciplined group structure, Vislink offers a unique portfolio of proven technologies for broadcasting, defence, law enforcement, security and marine CCTV.

# Highlights

- 
- 1 ► The Group's operating profit was up by 15.2 per cent to £7.18 million (2006 – £6.23 million).

---

  - 2 ► The Group's adjusted\* operating profit was up by 13.7 per cent to £7.86 million (2006 – £6.91 million).

---

  - 3 ► Adjusted\* earnings per share increased by 14.9 per cent to 3.54 pence (2006 – 3.08 pence).

---

  - 4 ► Acquisition of Focus Communications, Inc on July 30, 2007.
- 

\*Adjusted operating profit is operating profit before the amortisation of acquired intangibles. Adjusted earnings per share are calculated on the same basis.

- 
- 01 Highlights
  - 02 Chairman and Chief Executive's statement
  - 06 Consolidated Group income statement
  - 07 Consolidated statement of changes in equity
  - 08 Consolidated Group balance sheet
  - 09 Consolidated Group cash flow statement
  - 10 Notes to the interim accounts
  - 15 Independent review report to Vislink plc

# Chairman and Chief Executive's statement

## Introduction

Our strategy remains the delivery of increasing shareholder value by acquisition and by building on our market leading positions in the broadcast and marine safety markets whilst increasing our capacity to capitalise on the growing defence, law enforcement and security markets. We continue to seek earnings enhancing acquisitions that will strengthen and accelerate our growth into the broadcast and defence, law enforcement and security markets.

A significant opportunity for Vislink is the 2GHz programme in the US domestic market. In exchange for being granted radio spectrum for their telecoms needs, Sprint/Nextel is required by the regulatory authorities to compress the existing Broadcast Auxiliary Service (BAS) spectrum into a smaller portion of the 2GHz radio spectrum. This compression requires the use of digital equipment and Sprint/Nextel is obliged to replace all 2GHz analogue microwave systems with Standard Definition digital systems on a like-for-like basis.

This programme continues to grow in size and opportunity, with it increasing to an estimated US\$400 million for equipment and US\$200 million for Services. It is expected to run well into 2009. MRC has now received cumulative purchase orders of US\$180 million for equipment under this programme. The Services sector of this programme offers significant additional revenues under the Group's strategy to acquire and build its Technical Services business.

## Financial results

The Group has made good progress with both its strategy and its core operations. The Group's adjusted\* operating margin has improved to 17.0 per cent of revenues (2006 – 13.6 per cent) generating a 14.9 per cent increase in adjusted\* earnings per share.

The order intake for the period grew by 3.7 per cent, excluding the effects of foreign exchange and orders associated with the completed legacy Venezuelan contract. The headline order intake for the period was £46.13 million (2006 – £49.16 million). On the same basis, organic revenues increased 1.1 per cent. Headline revenues were £46.15 million (2006 – £50.76 million) after the adverse impact of foreign exchange on translation of £3.02 million and comparatively lower Venezuelan contract sales of £2.10 million.

The Group has continued to increase its operating profits. The adjusted operating profit being operating profit from continuing operations before the amortisation of acquired intangibles, increased by 13.7 per cent to £7.86 million (2006 – £6.91 million). This increase is after an adverse impact from foreign exchange on translation of £0.53 million. Operating profits from continuing operations were up by 15.2 per cent to £7.18 million (2006 – £6.23 million). The Group's profits from continuing activities after interest charges but before tax were up by 14.7 per cent at £6.97 million (2006 – £6.08 million).

The Group net cash inflow generated from operations was £5.33 million (2006 – £6.57 million). The Group net cash was £4.16 million as at June 30, 2007 (31 December 2006 – £3.91 million).

## Earnings per share

The reported basic diluted earnings per share for the period were 3.20 pence (2006 – 2.73 pence). After adjusting for the amortisation of acquired intangibles, the Group's adjusted earnings per share increased 14.9 per cent to 3.54 pence (2006 – 3.08 pence).

## Dividends

As in previous years the Board is not recommending an interim dividend.

\*Adjusted operating profit is operating profit before the amortisation of acquired intangibles. Adjusted earnings per share are calculated on the same basis.

## Business review

### US RF business

MRC, the US business, increased its orders by 10.3 per cent in local currency. Sales revenues were 3.5 per cent lower. The slight reduction in revenue was due to sales being deferred to the second half when several new products that had been developed for the broadcast market and in particular the 2GHz re-channelisation programme, entered production. Reported sales, after the effect of adverse foreign exchange translation, were 12.9 per cent lower at £26.27 million (2006 – £30.16 million). As a result of the lower sales and increased investment for the DLES markets operating profits were 11.1 per cent lower in local currency and the reported operating profit was £4.64 million (2006 – £5.74 million).

The US domestic broadcast market remains strong with demand continuing to be driven by the 2Ghz re-channelisation programme for which MRC launched two new key products at the NAB exhibition in April. Progress continues to be made in developing the US defence and law enforcement markets.

### UK RF business

The UK business comprises the Advent satellite communications business, the Link wireless camera business and the legacy Venezuelan (VTV) contract. Revenues for the UK RF business were £18.42 million (2006 – £20.28 million) including £2.02 million (2006 – £4.12 million) for the VTV contract, which has been completed. With the elimination of previous losses on the VTV contract and improved margins, the adjusted operating profit increased to £3.27 million (2006 – £1.83 million) before the £0.68 million amortisation of acquired intangibles in respect of the acquisition of Link (2006 – £0.68 million).

Advent continues to trade profitably although the market for satellite products has been slow in the first half. Link continues to benefit from the sale of High Definition (HD) products in both Europe and Asia, as well as from both standard and high definition sales related to the 2GHz re-channelisation programme in the US via MRC. Link has received the internationally recognised Queen's Award for International Trade during the period, adding to their success in 2004 when they won the Queen's Award for Enterprise: Innovation.

Prospects for the UK RF business in the second half are encouraging. Several significant orders have recently been won including a £4.3 million order from a European broadband satellite services provider for a large fixed earth station project and an £1.23 million order from the DLES market in Asia. Further international expansion for the UK business is planned with the opening of an office in Dubai to increase distribution into the Middle East and Africa, in addition to the Singapore regional office shared with Hernis.

### Hernis

Hernis has performed ahead of expectations with another record period. Orders increased by 8.4 per cent and revenues increased by 52.2 per cent over 2006, in local currency. Orders received were £9.10 million (2006 – £8.75 million) and revenues were up by 45.6 per cent to £8.44 million (2006 – £5.80 million). Operating profits increased by 89.0 per cent to £1.38 million (2006 – £0.73 million) and exceeded the full year operating profit achieved in 2006.

The local Norwegian offshore market for Hernis has been particularly strong, with sales increasing from £1.88 million in 2006 to £3.78 million. In addition the Singapore operation has also seen growth in both business and personnel. Hernis continues to benefit from demand for exploration and transportation in the oil and gas markets and is set to expand its local facilities in Norway to meet the increased levels of business.

### Acquisitions

On July 30, 2007 we announced the acquisition of Focus Communications, Inc trading as Western Technical Services (“WTS”) for a maximum cash consideration, dependent on performance, of US\$5.5 million (£2.7 million). A key part of the Group’s strategy is to create incremental long-term recurring revenue opportunities by building a US Technical Services business through both organic and acquisition led growth. The acquisition of WTS will enhance service revenues from the 2GHz re-channelisation programme and the DLES markets, as well as providing the prospect of recurring revenues as the broadcast customers move towards contracted out services. This provides the Group with a stepping-stone towards being able to provide full “turnkey” project management and integration services in the US, utilising the strength of our market leading products.

### DLES markets

DLES sales in the period were 10.6 per cent of Group sales at £4.88 million. Investment has continued into the DLES market, both in terms building dedicated teams in both the US and UK, product development and establishing new channels to market. Further personnel will be recruited in the third quarter to support the DLES growth strategy.

Recent successes include the delivery of the first part of a military project by Advent for twelve mobile satellite terminals, with a second order being received for delivery later this year, to a leading European defence system integrator. MRC’s multi-band video microwave equipment was chosen by the New Jersey State Police (NJSP) for their state-wide video and communications upgrade. MRC’s systems gave the NJSP the capability of receiving airborne generated live video feeds from any NJSP or New Jersey National Guard aircraft operating anywhere over the state for homeland security, law enforcement and emergency response.

The second half has started well with DLES orders from the Asian and US markets. Link has announced the launch of its strategic video surveillance system designed principally for government security agencies and military deployment in urban environments.

### Prospects

The prospects for the remainder of the year are encouraging. The Group had a forward order book at June 30 of £32.6 million (31 December 2006 – £34.7 million).

Our RF businesses are all expected to continue to benefit from the introduction of new products for the strong growth opportunity created by the move from Standard Definition (SD) to HD within the professional broadcast market. MRC have introduced new radio platforms that give the ability to support both SD and HD utilising the Link IPR and a new expandable central receive diversity system that supports single or multi-site architectures for SD and HD ENG and outside broadcast applications. Link’s new HD wireless camera radio system is now in production. Advent has seen increased demand for its larger vehicle based antennas to be used for HD sports broadcasts.

The US broadcast market will continue to benefit from the 2GHz re-channelisation programme over the next two years. The acquisition of WTS will increase the Group's revenues from the programme through the provision of integration services to the programme as well as the DLES market. In the international broadcast market the RF businesses are all seeing an increased level of opportunities going into the second half.

Across the Group the level of DLES opportunities and quoting activity has increased. With new product introductions in the second half prospects for the remainder of the year are encouraging.

Demand for Hernis systems from the marine and offshore markets is expected to continue to be strong as oil and gas exploration and extraction from harsher environments has been made economically viable by the higher oil prices.

In summary, the Group has achieved a record half year operating profit. The order flow has continued to improve into the second half and we have made our first investment to create a Technical Services business in the US market. The Board is encouraged by current trading and continues to look forward to the rest of the year with confidence.

**T H S Trotter**

Chairman

**I H Scott-Gall**

Chief Executive

August 30, 2007

# Consolidated Group income statement

For the six months ended June 30, 2007

	Notes	Six months to June 30, 2007 (Unaudited) €000	Six months to June 30, 2006 (Unaudited) €000	Year ended Dec 31, 2006 (Audited) €000
<b>Continuing operations</b>				
Revenue	2	<b>46,152</b>	50,764	100,498
Cost of sales		<b>(26,932)</b>	(32,052)	(63,053)
<b>Gross profit</b>		<b>19,220</b>	18,712	37,445
Sales and marketing expenses		<b>(4,728)</b>	(5,591)	(10,060)
Research and development costs		<b>(2,839)</b>	(2,456)	(5,398)
Administrative costs		<b>(4,440)</b>	(4,233)	(8,757)
Other expenses		<b>(29)</b>	(198)	(291)
<b>Operating profit</b>	2	<b>7,184</b>	6,234	12,939
Operating profit is analysed as:				
Operating profit before amortisation of acquired intangibles	6	<b>7,860</b>	6,910	14,303
Amortisation of acquired intangibles		<b>(676)</b>	(676)	(1,364)
Finance costs	3	<b>(301)</b>	(242)	(505)
Investment income	3	<b>84</b>	84	241
<b>Profit before taxation</b>		<b>6,967</b>	6,076	12,675
Taxation	4	<b>(2,554)</b>	(2,363)	(4,968)
<b>Profit for the period being profit attributable to equity shareholders</b>		<b>4,413</b>	3,713	7,707
<b>Earnings per share expressed in pence per share:</b>				
- basic	6	<b>3.20p</b>	2.73p	5.65p
- diluted	6	<b>3.16p</b>	2.68p	5.56p

## Dividends

No dividends have been declared and approved in respect of the six month periods ending June 30, 2007 and June 30, 2006 (see note 5).

# Consolidated statement of changes in equity

For the six months ended June 30, 2007

	Notes	Six months to June 30, 2007 (Unaudited) £000	Six months to June 30, 2006 (Unaudited) £000	Year ended Dec 31, 2006 (Audited) £000
<b>Opening shareholders' equity</b>		<b>42,963</b>	37,815	37,815
Profit for the financial period		<b>4,413</b>	3,713	7,707
Share options – value of employee services		<b>64</b>	59	122
Dividends	5	<b>(1,380)</b>	(681)	(681)
Movements in the profit and loss account		<b>3,097</b>	3,091	7,148
Translation difference on foreign currency net investments		<b>(260)</b>	(1,161)	(2,578)
Shares issued		<b>34</b>	66	518
Disposal of investment in own shares		<b>19</b>	60	60
<b>Total movements in shareholders' equity</b>		<b>2,890</b>	2,056	5,148
<b>Closing shareholders' equity</b>		<b>45,853</b>	39,871	42,963

# Consolidated Group balance sheet

As at June 30, 2007

	Notes	June 30, 2007 (Unaudited) £000	June 30, 2006 (Unaudited) £000	Dec 31, 2006 (Audited) £000
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		22,635	23,013	22,737
Intangible assets		6,111	6,492	6,177
Property, plant and equipment		4,977	4,891	4,689
Investment in associates		188	–	182
Financial assets		–	109	–
Deferred tax assets		1,093	929	991
		<b>35,004</b>	35,434	34,776
<b>Current assets</b>				
Inventories		16,112	15,973	14,466
Trade and other receivables		18,467	14,023	18,463
Net cash and cash equivalents	8	4,664	7,658	8,159
		<b>39,243</b>	37,654	41,088
<b>Liabilities</b>				
<b>Current liabilities</b>				
Financial liabilities – borrowings	8	–	235	1,750
Trade and other payables		23,661	22,898	24,240
Current tax liabilities		1,149	1,151	1,172
Provisions for other liabilities and charges		622	825	668
		<b>25,432</b>	25,109	27,830
<b>Net current assets</b>		<b>13,811</b>	12,545	13,258
<b>Non-current liabilities</b>				
Financial liabilities – borrowings	8	500	3,500	2,500
Deferred tax liabilities		2,075	2,372	2,275
Other non-current liabilities		–	2,236	–
Provisions for other liabilities and charges		387	–	296
		<b>2,962</b>	8,108	5,071
<b>Net assets</b>		<b>45,853</b>	39,871	42,963
<b>Shareholders' equity</b>				
Ordinary shares		3,462	3,418	3,460
Share premium account		4,864	4,422	4,832
Investment in own shares		(30)	(49)	(49)
Merger reserve		30,565	30,565	30,565
Translation reserve		(4,126)	(2,449)	(3,866)
Retained earnings		11,118	3,964	8,021
<b>Total shareholders' equity</b>		<b>45,853</b>	39,871	42,963

# Consolidated Group cash flow statement

For the six months ended June 30, 2007

	Notes	Six months to June 30, 2007 (Unaudited) £000	Six months to June 30, 2006 (Unaudited) £000	Year ended Dec 31, 2006 (Audited) £000
<b>Cash flow from operating activities</b>				
Cash generated from operations	7	5,333	6,569	13,558
Interest received		84	84	241
Interest paid		(177)	(183)	(309)
Taxation paid		(2,822)	(2,325)	(5,118)
<b>Net cash generated from operating activities</b>		<b>2,418</b>	<b>4,145</b>	<b>8,372</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		-	2	12
Purchase of property, plant and equipment		(953)	(1,063)	(1,747)
Expenditure on capitalised development costs		(1,120)	(869)	(1,810)
Investment in associates		-	(66)	(139)
<b>Net cash (absorbed by) investing activities</b>		<b>(2,073)</b>	<b>(1,996)</b>	<b>(3,684)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from issue of ordinary share capital		34	66	518
Net proceeds from sale of own shares		19	60	60
Repayment of borrowings – secured	8	(2,000)	(3,678)	(3,362)
Repayment of borrowings – unsecured	8	(1,750)	(1,285)	(1,836)
Net proceeds from issue of new bank loan		-	3,500	2,500
Dividend paid to shareholders		-	-	(681)
<b>Net cash (absorbed by) financing activities</b>		<b>(3,697)</b>	<b>(1,337)</b>	<b>(2,801)</b>
<b>Effect of foreign exchange rate changes</b>	8	<b>(143)</b>	<b>(276)</b>	<b>(850)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,495)</b>	<b>536</b>	<b>1,037</b>
Cash and cash equivalents at beginning of period		8,159	7,122	7,122
<b>Cash and cash equivalents at end of period</b>	8	<b>4,664</b>	<b>7,658</b>	<b>8,159</b>

# Notes to the interim accounts

For the six months ended June 30, 2007

## 1 Basis of preparation

This interim report comprises the consolidated interim balance sheets as of June 30, 2007 and June 30, 2006 and related consolidated interim statements of income and cash flows for the six months then ended.

This interim report has been prepared in accordance with the Listing Rules of the Financial Services Authority. In preparing this financial information management has used the principal accounting policies as set out in the Group's annual financial statements for the year ended December 31, 2006.

The preparation of the financial information requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

This interim report is unaudited and does not constitute audited accounts within the meaning of the Companies Act 1985. The accounts for the year ended December 31, 2006, on which the auditors' opinion did not contain any statements made under either section 237(2) or section 237(3) of the Companies Act 1985, were prepared in accordance with International Financial Reporting Standards and IFRIC interpretations, and have been filed with the Registrar of Companies.

The Group has chosen not to adopt IAS 34, "Interim financial statements", in preparing its 2007 interim statements and, therefore, this interim financial information is not in compliance with IFRS.

## 2 Segmental analysis

The Group's internal organisational and management structure and its system of internal financial reporting to the Board of directors is based on the geographical location of its businesses. These comprise three regions, the UK, the United States of America (US) and Norway. The UK comprises the RF businesses of Advent Communications satellite products, projects and the wireless camera systems of Link. The US comprises the RF microwave radio business of MRC. Norway comprises the marine CCTV business of Hernis.

The table below shows the analysis of Group external revenue, by geographic location.

	Revenue			Operating profit		
	Six months to June 30, 2007 (Unaudited) £000	Six months to June 30, 2006 (Unaudited) £000	Year ended Dec 31, 2006 (Audited) £000	Six months to June 30, 2007 (Unaudited) £000	Six months to June 30, 2006 (Unaudited) £000	Year ended Dec 31, 2006 (Audited) £000
<b>By geographic location</b>						
UK (note a)	<b>18,420</b>	20,276	37,393	<b>2,600</b>	1,150	2,731
US	<b>26,273</b>	30,161	60,762	<b>4,637</b>	5,741	11,241
Norway	<b>8,444</b>	5,798	13,094	<b>1,375</b>	725	1,318
Central costs	-	-	-	<b>(1,008)</b>	(1,026)	(2,130)
Inter-segmental transactions	<b>(6,985)</b>	(5,471)	(10,751)	<b>(420)</b>	(356)	(221)
<b>Group total</b>	<b>46,152</b>	50,764	100,498	<b>7,184</b>	6,234	12,939

Note:

a) For the six months ended June 30, 2007 the UK operating profit is after charging £676,000 in respect of the acquired intangibles (six months to June 30, 2006 - £676,000 and year to December 31, 2006 - £1,364,000).

## 2 Segmental analysis continued

### Secondary format – geographical segments

The Group manages its business segments on a global basis. The operations are based in three main geographical areas. The UK is the home country of the parent. The operations are located geographically as described in the table above.

The sales analysis in the tables below are based on the geographical location of the customer, product category and customer category.

### Geographic revenue analysis

	Six months to June 30, 2007 (Unaudited) £000	Six months to June 30, 2006 (Unaudited) £000	Year ended Dec 31, 2006 (Audited) £000
<b>By market:</b>			
UK and Ireland	<b>2,810</b>	3,847	6,274
Rest of Europe	<b>7,276</b>	4,367	11,756
North America	<b>24,361</b>	26,397	54,574
South America	<b>3,895</b>	5,338	8,865
Middle East	<b>1,121</b>	3,132	6,639
Asia	<b>4,757</b>	7,153	10,592
Africa	<b>1,237</b>	151	642
Other	<b>695</b>	379	1,156
	<b>46,152</b>	50,764	100,498
<b>Analysis of revenue by product category</b>			
Microwave radio and wireless camera products	<b>26,130</b>	32,147	63,275
Satellite products	<b>9,560</b>	8,697	19,309
Broadcast projects	<b>2,018</b>	4,122	4,820
Marine CCTV products	<b>8,444</b>	5,798	13,094
	<b>46,152</b>	50,764	100,498
<b>Analysis of revenue by customer category</b>			
Broadcasters	<b>33,163</b>	39,276	77,570
Defence, security and law enforcement	<b>4,882</b>	5,771	10,016
Marine, oil and gas	<b>8,107</b>	5,612	12,773
Other	<b>-</b>	105	139
	<b>46,152</b>	50,764	100,498

### 3 Finance costs – net

	Six months to June 30, 2007 (Unaudited) £000	Six months to June 30, 2006 (Unaudited) £000	Year ended Dec 31, 2006 (Audited) £000
Interest payable on bank borrowing	<b>(124)</b>	(114)	(236)
Interest payable on other loans	<b>(23)</b>	(16)	(46)
Unwinding of interest associated with the discounting of deferred consideration	<b>(154)</b>	(112)	(223)
Interest and similar charges payable	<b>(301)</b>	(242)	(505)
Investment income	<b>84</b>	84	241
Finance costs – net	<b>(217)</b>	(158)	(264)

### 4 Tax on profit on ordinary activities

	Six months to June 30, 2007 (Unaudited) £000	Six months to June 30, 2006 (Unaudited) £000	Year ended Dec 31, 2006 (Audited) £000
The tax charge for the period comprises:			
UK corporation tax	<b>934</b>	179	351
Foreign tax	<b>1,930</b>	2,513	5,118
Total current tax	<b>2,864</b>	2,692	5,469
Deferred tax:			
UK corporation tax	<b>(310)</b>	(329)	(264)
Foreign tax	<b>–</b>	–	(237)
Total deferred tax	<b>(310)</b>	(329)	(501)
<b>Total taxation</b>	<b>2,554</b>	2,363	4,968

The tax charge for the six months ended June 30, 2007 is based on the effective tax rate, which it is estimated will apply to earnings for the full year.

### 5 Dividends

No interim dividend is proposed for the period. In 2006 there was no interim dividend and the final dividend of 1.0 pence per share was approved at the Annual General Meeting on May 23, 2007 and paid on July 20, 2007.

## 6 Earnings per ordinary share

Earnings per share is calculated by reference to a weighted average of 137,891,000 ordinary shares in issue during the period, excluding shares held by the Employees' Share Ownership Plan (June 30, 2006 – 135,912,000 and December 31, 2006 – 136,495,000).

The diluted earnings per share is after taking account of a further 1,656,000 shares (June 30, 2006 – 2,439,000; December 31, 2006 – 2,094,000) being the dilutive effect of share options.

### Adjusted earnings

Vislink believes that adjusted operating profit, adjusted profit before tax, adjusted earnings and adjusted earnings per share provide additional useful information on trends to shareholders. Vislink uses these measures for internal performance analysis and incentive compensation arrangements. The principal adjustment is in respect of the amortisation of acquired intangibles.

The reconciliation between reported and adjusted earnings and basic earnings per share is shown below:

	Six months to June 30, 2007		Six months to June 30, 2006		Year ended Dec 31, 2006	
	Earnings £000	Basic EPS pence	Earnings £000	Basic EPS pence	Earnings £000	Basic EPS pence
Reported earnings	<b>4,413</b>	<b>3.20p</b>	3,713	2.73p	7,707	5.65p
Amortisation of acquired intangibles after tax	<b>473</b>	<b>0.34p</b>	473	0.35p	955	0.70p
<b>Adjusted earnings</b>	<b>4,886</b>	<b>3.54p</b>	4,186	3.08p	8,662	6.35p

## 7 Notes to the cash flow statement

Net cash flow from operating activities comprises:

	Six months to June 30, 2007 £000	Six months to June 30, 2006 £000	Year ended Dec 31, 2006 £000
Profit attributable to shareholders	<b>4,413</b>	3,713	7,707
Taxation	<b>2,554</b>	2,363	4,968
Depreciation	<b>662</b>	621	1,321
Loss on disposal of property, plant and equipment	<b>-</b>	41	41
Amortisation of development costs	<b>484</b>	488	997
Amortisation of acquired intangibles	<b>676</b>	676	1,364
Share options – value of employee services	<b>64</b>	59	122
Investment income	<b>(84)</b>	(84)	(241)
Finance costs	<b>301</b>	242	505
(Increase) in inventories	<b>(1,714)</b>	(3,156)	(2,110)
(Increase)/decrease in trade and other receivables	<b>(202)</b>	2,399	(2,706)
(Decrease)/increase in payables	<b>(1,873)</b>	(765)	1,457
Increase/(decrease) in provisions	<b>52</b>	(28)	133
<b>Net cash inflow from operating activities</b>	<b>5,333</b>	6,569	13,558

## 8 Net cash

The movements in cash and cash equivalents and borrowings in the period were as follows:

	Net cash and cash equivalents £000	Short term borrowings £000	Other borrowings £000	Total net cash £000
At January 1, 2007	8,159	(1,750)	(2,500)	<b>3,909</b>
Repayment of borrowings	(2,000)	–	2,000	–
Payment of loan notes	(1,750)	1,750	–	–
Other cash movements in the period	398	–	–	<b>398</b>
Exchange rate adjustments	(143)	–	–	<b>(143)</b>
<b>At June 30, 2007</b>	<b>4,664</b>	<b>–</b>	<b>(500)</b>	<b>4,164</b>

## 9 Subsequent event – acquisition

On July 30, 2007 the Group acquired Focus Communications, Inc, trading as Western Technical Services (“WTS”), for a maximum consideration, dependent on performance, of US\$5.5 million (£2.7 million). WTS, based in Orange County, California, specialises in the design and installation of video and data microwave communications, Electronic News Gathering (ENG), Airborne Law Enforcement (ALE), cellular and PCS, satellite, video surveillance, fibre optics and site control systems.

## 10 Approval

A committee of the Board of directors approved this report on August 30, 2007.

# Independent review report to Vislink plc

## Introduction

We have been instructed by the Company to review the financial information for the six months ended June 30, 2007, which comprise the consolidated interim balance sheet as at June 30, 2007, and the related consolidated interim statements of income, cash flows and changes in shareholders' equity for the six months then ended and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the basis set out in note 1.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended June 30, 2007.

## PricewaterhouseCoopers LLP

Chartered accountants

Bristol

August 30, 2007

### Notes:

(a) The maintenance and integrity of the Vislink website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.





---

**Vislink plc**

Marlborough House  
Charnham Lane  
Hungerford  
Berkshire RG17 0EY

T 01488 685 500

F 01488 685 501

[www.vislink.com](http://www.vislink.com)

