BROADCAST & BEYOND 2008

INTERIM REPORT

VISLINK

About Vislink

Vislink plc is a £100 million global technology business with companies operating in the broadcast contribution and security markets and CCTV systems for the marine security market. The Group employs 500 people worldwide and has net assets in excess of £50 million.

The Group has five operational sites, two in the UK, two in the USA and one in Norway. In addition the Group has sales offices in Dubai, Hong Kong, Singapore and Houston, Texas.

The Group has four product lines sold under the four strong brands of Advent Communications ("Advent"), Link Research ("Link"), Microwave Radio Communications ("MRC") and Hernis Scan Systems ("Hernis"). In addition the Group provides technical services through the business of Western Technical Services ("WTS").

The Group designs and manufactures microwave radio, satellite transmission and wireless camera products and systems for the professional television, defence, law enforcement and security markets.

The Group is probably the worldwide market leader for the design, manufacture and sale of television contribution technologies that take a signal from source to studio or play out centre before distribution to the viewer.

The marine CCTV business of Hernis, based in Norway, is a market leader in the supply of specialist integrated CCTV systems for both on and offshore oil and gas industries as well as for the marine, cruise and naval markets.

Financial highlights for the six months ended June 30, 2008

Revenue	Cash generated from operating activities
£46.6m (2007 – £46.2 million)	**£5.8m** (2007 – £2.4 million)

Operating profit	Earnings per share: basic
£2.4m (2007 – £7.2 million)	**1.04p** (2007 – 3.20p)

Adjusted operating profit[1]	Adjusted earnings per share: basic
£4.3m (2007 – £7.9 million)	**2.04p** (2007 – 3.59p)

Profit before tax	Net cash at June 30
£2.3m (2007 – £7.0 million)	**£6.5m** (December 31, 2007: £3.5m)

Strategic developments since June 30:

- New Chief Executive appointed
- Services business enhanced with acquisition of the business of Marcom
- DLES strategy underpinned by the acquisition of Pacific Microwave Research Inc

Operational highlights:

- Trading in line with expectations
- Core RF businesses reported 7 per cent growth in orders received
- Strong growth in orders received at Hernis – up 20 per cent

1 Adjusted operating profit is operating profit before the amortisation of acquired intangibles, share-based payments and non-recurring costs. Adjusted earnings per share are calculated on the same basis after taking account of tax adjustments.

Introduction

I am pleased to report that there have been a number of important developments for the Group over the past few months. A new Chief Executive has now been appointed in succession to our retiring Chief Executive, Ian Scott-Gall. A significant acquisition has been made in the US to support our strategic plans for the Defence, Law Enforcement and Security (DLES) markets and we have acquired the assets of another small services business to build on the acquisition of WTS made last year.

The Group has traded in line with our expectations in the first half of 2008. The 2GHz programme in the US domestic market, that has underpinned the Group's record results for the last two years, is expected to come to an end in 2008 in terms of the manufacture and supply of equipment. The demand for installation services under the programme is expected to increase for the remainder of 2008 and 2009 and Vislink is very well placed to capitalise on this important opportunity. The underlying US broadcast market has shown significant year-on-year growth in orders received in the period.

Our UK RF businesses and Hernis are strong, both showing growth in external orders received and sales revenue. Progress in the DLES segment has been below our expectations, but management action has been taken to provide a more focused approach to this market and the acquisition of Pacific Microwave Research Inc will re-enforce our growth strategy.

Financial results

The order intake for the period excluding the 2GHz relocation programme increased by 22 per cent to £36.6 million (2007 – £29.9 million). The growth in the core RF business was 7 per cent. The headline order intake was £44.7 million (2007 – £46.1 million). Revenue for the six months to June 30 increased 1.0 per cent to £46.6 million (2007 – £46.2 million).

The Group's adjusted operating profit was lower than the previous half year at £4.3 million (2007 – £7.9 million) due to a change in product mix in our US RF business and the increased costs of working to complete the 2GHz relocation programme that resulted in weaker operating margins. The reported operating profit was £2.4 million (2007 – £7.2 million) after charging £0.8 million in respect of the amortisation of acquired intangibles (2007 – £0.7 million), £1.0 million in respect of non-recurring costs[2] (2007 – £nil) and the effect of share-based payments. Profit before tax was £2.3 million (2007 – £7.0 million).

The Group's cash generation remains strong. The net cash inflow generated from operating activities in the period was £5.8 million (2007 – £2.4 million) and the net cash balance was £6.5 million at June 30, 2008 (December 31, 2007 – £3.5 million).

2 Non-recurring costs comprise £646,000 in respect of aborted acquisition costs and £325,000 in respect of the cost of a compensation benefit package agreed with the retiring Chief Executive.

Earnings per share

The reported basic undiluted earnings per share for the period were 1.04 pence (2007 – 3.20 pence). After adjusting for the amortisation of acquired intangibles, non-recurring costs and the effect of share-based payments, the Group's adjusted earnings per share were 2.04 pence (2007 – 3.59 pence).

Dividends

The final dividend of 1.25 pence per share in respect of 2007 was paid to shareholders on July 18, 2008. As in previous years, the Board is not recommending an interim dividend.

Board appointment

I am pleased to announce the appointment of Duncan Lewis as Chief Executive, from October 1, 2008. Duncan has previously been Managing Director of Equant, the global data communications business, and Chief Executive of Mercury Communications (now Cable & Wireless UK). Most recently he has been an adviser on telecommunications, media and technology investments at Carlyle, the global private equity group, and non-executive director of several technology companies. His considerable wealth of experience in determining an appropriate strategy for technology based businesses and then driving those businesses forward will be of great benefit to the Group. We look forward to working with Duncan, who will be focused on generating the shareholder value that we are confident exists within Vislink.

Ian Scott-Gall, our current Chief Executive, announced earlier this year that he was going to retire at the end of this financial year. However, with the Board having identified a new Chief Executive, it was agreed that it would be suitable to bring Ian's retirement forward. On behalf of the Board and our employees, I would like to thank Ian for his substantial contribution over the last nine years in transforming and building the Group through acquisitions and strong organic growth, into a group of profitable, cash generative technology businesses.

Events after the balance sheet date

On July 31, 2008 the Group acquired the assets and contracts of Scotts Valley Group Inc. trading as Marcom for a cash consideration, dependent on performance, of US$1.5 million (£0.8 million). The business will be merged into WTS as part of the Group's strategy 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 Marcom's business will enhance service revenues from the 2GHz re-channelisation programme as well as providing the prospect of recurring revenues as the broadcast customers move towards contracted out services.

On August 21, 2008 the Group announced the acquisition of Pacific Microwave Research Inc ("PMR"), for a maximum cash consideration, dependent on performance, of US$17.0 million (£9.1 million). The initial consideration of US$10.0 million (£5.4 million) has been funded out of the Group's existing multi-currency bank facility. PMR, incorporated in the State of California, is a design, engineering and manufacturing technology company specialising in analogue and digital microwave video transmission solutions for law enforcement, Homeland Security, and military applications. PMR products are used for video evidence collection, covert surveillance, unmanned ground vehicles (UGV), unmanned aerial vehicles (UAV), and flight test air-to-ground image transmission. The acquisition of PMR will enhance the Group's product offering to the covert LES markets, both in the US and internationally. PMR's product offering and market reach is complementary to that already existing within the Group's RF businesses.

Business review

UK RF business

External orders for the UK business were up 5.8 per cent to £9.1 million (2007 – £8.6 million). External revenue was up 8.5 per cent to £10.2 million (2007 – £9.4 million excluding £2.0 million of sales on the legacy Venezuelan contract). Intercompany sales to the US business were lower at £5.8 million (2007 – £7.0 million) reflecting the slowdown in the 2GHz relocation programme requirements. The operating profit for the UK RF business was £3.1 million (2007 – £3.3 million) before the amortisation of acquired intangibles of £0.7 million (2007 – £0.7million).

The demand for Advent's vehicle mounted satellite antenna systems is being sustained with significant first half orders for the Spanish and Italian markets. This was boosted by a £974,000 order for applications in the South American oil and gas market for delivery in the second half. Link has launched an innovative miniaturised new transmitter that was used to great effect throughout the 24 Hour Le Mans race establishing a new reliability standard in televised motor sports. At least 36 Link wireless camera systems have been used during this summer's Beijing Olympics.

US RF business

Orders from the US core markets increased 14 per cent to £12.2 million (2007 – £10.7 million) whilst orders from the 2GHz relocation programme were lower at £8.1 million (2007 – £17.8 million). Services added a further £2.5 million of orders (2007 – £nil). Total orders for the US business in the period were £22.8 million (2007 – £28.4 million). Revenue was £25.9 million (2007 – £26.3 million). As a result of a change in product mix and the increased costs of working to complete the 2GHz relocation programme operating margins at MRC have declined in the period reducing the operating profit for the period to £1.3 million (2007 – £4.6 million).

Throughout the 2GHz relocation programme MRC has maintained its market share and market leadership. As a result MRC has seen an increase in core broadcast orders (up 28 per cent in the period) as the US station groups invest in new microwave equipment to broadcast the 2008 Presidential Campaign.

The order flow at WTS, our US services organisation, has been in line with our expectations but revenues have lagged. As a result the order backlog has increased with 2Ghz relocation programme installations moving out to 2009. The acquisition of the Marcom contracts, combined with WTS, gives a current services order backlog in excess of US$11.0 million (£5.6 million).

MRC has sustained its investment in R&D to maintain the market leading status of its product portfolio. At the world's largest annual electronic media exhibition, the 2008 NAB convention held in April, MRC won the TV Technology STAR Award for new products that address the growing demand from broadcast customers for solutions that provide IP file transfers, increased workflow efficiencies and that streamline the broadcast production processes.

Hernis

Orders received at Hernis increased in the period by 20.0% in local currency to £12.8 million (2007 – £9.1 million). Revenue in the period was up 6.8% in local currency to £10.6 million (2007 – £8.4 million). The strength of the Norwegian Krone has increased pressure on the margins at Hernis, particularly in Asia where most revenue is denominated in US$. As a result operating margins at Hernis are lower than last year. The operating profit for the period was £1.2 million (2007 – £1.4 million).

The Hernis order backlog has increased within their main offshore oil and gas markets. In addition Hernis have made progress in the growing onshore market, where they were recently selected to deliver CCTV systems to several facilities including the Pluto LNG plant in Australia and a chemical plant in Qatar. Hernis has also begun promotion of an explosion proof torch with unique induction technology that will enable recharging to take place in hazardous environments. During the period we have invested £0.4 million in the facilities at Hernis to increase production capacity and improve efficiency to meet their growing demand.

Prospects

Hernis continues to see increased opportunities and order flow from both its offshore and onshore markets. The UK and US RF businesses have seen growth in their core broadcast market order intake in the period. Progress has been made both internationally and in the US in the law enforcement and security market. Although the sales cycle in this market is lengthy, prospects for the second half are encouraging.

Advent now has direct responsibility for the management and development of the US defence satcoms market. The new Mark V motorised Mantis mount has been well received and there are opportunities for this and other existing products. A number of important demonstrations and trials are taking place in the third quarter that are expected to lead to orders from US defence customers.

The acquisition of PMR brings the Group business from the L-band relocation programme[3] that requires procurement of new technology as part of the federal government acquisition of new surveillance technology. PMR has already won contracts to meet this requirement.

Principal risks and uncertainties

The Group's risk management process remains unchanged from December 31, 2007 and is described in detail in the Directors' Report of the Group's 2007 Annual Report on pages 46-48. The principal exchange rates used in the preparation of this condensed interim Financial Statement are provided in note 15.

The Group's exposure to market risk, liquidity risk, credit risk and cashflow interest rate risk remains largely unchanged from the position at December 31, 2007.

The Group's principal risks and uncertainties for the remainder of the year continue to be the impact of foreign exchange rates on margins for non-domestic sales in each of our businesses. The Group mitigates this risk as far as possible through the policies described in the 2007 Annual Report.

The Group expects to gain synergies from the integration of the business of Marcom and PMR, the benefits of which will be seen in 2009. PMR has a number of opportunities in its markets that will enable the Group to establish a stronger DLES presence worldwide. We also expect to make progress in the penetration of the US defence satcoms market through Advent during the second half of 2008.

The US broadcast market continues to be dominated by the 2GHz relocation programme. The Group's objective is to have completed the supply of products under the programme by the end of 2008 and to replace part of those revenues in 2009 with the installation services, including the contracts acquired from Marcom.

3 In the United States a segment of RF spectrum in the L-band (1710 – 1755 MHz) has been sold and transferred from government use to the private sector. As a result monies have been allocated by the US Congress for government agencies to migrate away from the transferred segment into the remaining part of the L-band. This activity is generally referred to as the L-band migration programme.

Related parties
Related party disclosures are given in note16.

Forward-looking statements
Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Summary
In summary, the Group is trading in line with the directors' expectations. Our two recent acquisitions are expected to be earnings neutral in 2008 but earnings enhancing thereafter. Our new Chief Executive will join the Group on October 1, 2008. The Board is confident about the prospects for the Group.

Tim Trotter, Chairman

August 21, 2008

Consolidated Group income statement

For the six months ended June 30, 2008

	Notes	Six months to June 30, 2008 (Unaudited) £000	Six months to June 30, 2007 (Unaudited) £000	Year ended Dec 31, 2007 (Audited) £000
Continuing operations				
Revenue	4	**46,607**	46,152	98,580
Cost of sales		**(28,864)**	(26,932)	(58,848)
Gross profit		**17,743**	19,220	39,732
Sales and marketing expenses		**(5,387)**	(4,728)	(9,570)
Research and development costs		**(3,838)**	(2,839)	(5,835)
Administrative costs		**(5,170)**	(4,440)	(9,951)
Other expenses		**(971)**	(29)	(146)
Other losses		**(18)**	–	(14)
Operating profit	4,5	**2,359**	7,184	14,216
Operating profit is analysed as:				
Adjusted operating profit		**4,256**	7,924	15,797
Amortisation of acquired intangibles		**(798)**	(676)	(1,462)
Share-based payments		**(128)**	(64)	(119)
Non-recurring costs	5	**(971)**	–	–
Finance costs	6	**(98)**	(301)	(437)
Investment income	6	**51**	84	192
Share of loss in associate		**(25)**	–	(15)
Profit before taxation		**2,287**	6,967	13,956
Taxation	7	**(852)**	(2,554)	(5,026)
Profit for the period being profit attributable to equity shareholders		**1,435**	4,413	8,930
Earnings per share expressed in pence per share:				
– basic	9	**1.04p**	3.20p	6.47p
– diluted	9	**1.04p**	3.16p	6.44p

Dividends
No dividends have been declared and approved in respect of the six-month periods ending June 30, 2008 and June 30, 2007 (see note 8).

Consolidated statement of changes in shareholders' equity

For the six months ended June 30, 2008

	Notes	Six months to June 30, 2008 (Unaudited) £000	Six months to June 30, 2007 (Unaudited) £000	Year ended Dec 31, 2007 (Audited) £000
Opening shareholders' equity		**51,164**	42,963	42,963
Profit for the financial period		**1,435**	4,413	8,930
Share options – value of employee services		**128**	64	119
Dividends	8	**(1,726)**	(1,380)	(1,381)
Acquisition of own shares		**–**	–	(169)
Disposal of investment in own shares		**–**	19	19
Movements in the profit and loss account		**(163)**	3,116	7,518
Translation difference on foreign currency net investments		**422**	(260)	627
Shares issued	11	**17**	34	56
Total movements in shareholders' equity		**276**	2,890	8,201
Closing shareholders' equity		**51,440**	45,853	51,164

Consolidated Group balance sheet

As at June 30, 2008

	Notes	June 30, 2008 (Unaudited) £000	June 30, 2007 (Unaudited) £000	Dec 31, 2007 (Audited) £000
Assets				
Non-current assets				
Goodwill		**24,370**	22,635	24,370
Intangible assets	10	**7,523**	6,111	7,283
Property, plant and equipment	10	**5,505**	4,977	5,220
Investment in associates		**179**	188	191
Deferred tax assets		**662**	1,093	630
		38,239	35,004	37,694
Current assets				
Inventories		**18,747**	16,112	15,847
Trade and other receivables		**17,188**	18,467	23,682
Derivative financial instruments		**24**	–	25
Net cash and cash equivalents	12	**7,543**	4,664	7,004
		43,502	39,243	46,558
Liabilities				
Current liabilities				
Financial liabilities: borrowings	12	**13**	–	2,522
Trade and other payables		**23,849**	23,661	24,040
Current tax liabilities		**1,105**	1,149	779
Derivative financial instruments		**28**	–	11
Provisions for other liabilities and charges	13	**694**	622	902
		25,689	25,432	28,254
Net current assets		**17,813**	13,811	18,304
Non-current liabilities				
Financial liabilities: borrowings	12	**1,000**	500	1,000
Deferred tax liabilities		**2,001**	2,075	2,226
Other non-current liabilities		**1,077**	–	1,332
Provisions for other liabilities and charges	13	**534**	387	276
		4,612	2,962	4,834
Net assets		**51,440**	45,853	51,164
Shareholders' equity				
Ordinary shares	11	**3,465**	3,462	3,463
Share premium account	11	**4,900**	4,864	4,885
Merger reserve		**30,565**	30,565	30,565
Translation reserve		**(2,817)**	(4,126)	(3,239)
Retained earnings		**15,327**	11,088	15,490
Total shareholders' equity		**51,440**	45,853	51,164

Consolidated Group cash flow statement

For the six months ended June 30, 2008

	Notes	Six months to June 30, 2008 (Unaudited) £000	Six months to June 30, 2007 (Unaudited) £000	Year ended Dec 31, 2007 (Audited) £000
Cash flow from operating activities				
Cash generated from operations	14	**6,730**	5,333	14,451
Interest received		**51**	84	192
Interest paid		**(133)**	(177)	(192)
Taxation paid		**(815)**	(2,822)	(5,198)
Net cash generated from operating activities		**5,833**	2,418	9,253
Cash flows from investing activities				
Acquisition of subsidiary (net of cash acquired)		**–**	–	(1,291)
Acquisition of own shares		**–**	–	(169)
Proceeds from sale of property, plant and equipment		**–**	–	1
Purchase of property, plant and equipment	10	**(1,039)**	(953)	(1,790)
Expenditure on capitalised development costs	10	**(1,840)**	(1,120)	(2,839)
Net cash (absorbed by) investing activities		**(2,879)**	(2,073)	(6,088)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital	11	**17**	34	56
Net proceeds from sale of own shares		**–**	19	19
Repayment of borrowings: finance leases	12	**(9)**	–	(9)
Repayment of borrowings: secured		**–**	(2,000)	(2,500)
Repayment of borrowings: unsecured	12	**(2,500)**	(1,750)	(1,750)
Net proceeds from issue of new bank loan		**–**	–	1,000
Dividend paid to shareholders		**–**	–	(1,381)
Net cash (absorbed by) financing activities		**(2,492)**	(3,697)	(4,565)
Net increase/(decrease) in cash and cash equivalents		**462**	(3,352)	(1,400)
Cash and cash equivalents at beginning of period		**7,004**	8,159	8,159
Effect of foreign exchange rate changes	12	**77**	(143)	245
Cash and cash equivalents at end of period	12	**7,543**	4,664	7,004

Notes to the interim accounts

For the six months ended June 30, 2008

1 General information

Vislink plc ("the Company") and its subsidiaries (together "the Group") design and manufacture microwave radio, satellite transmission, wireless camera and marine CCTV systems. The Group has manufacturing subsidiaries in the UK, Norway and the USA.

The Company is a public limited company that is listed on the London Stock Exchange. The Company is registered and domiciled in the UK and its registered office is Marlborough House, Charnham Lane, Hungerford, Berkshire. The registered number of the Company is 4082188.

This consolidated condensed interim financial report comprises the consolidated interim balance sheets as of June 30, 2008 and June 30, 2007 and related consolidated interim statements of income and cash flows for the six months then ended. This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985 (section 434 of the Companies Act 2006). Statutory accounts for the year ended December 31, 2007 were approved by the Board of directors on April 4, 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 237 of the Companies Act 1985 (section 498 of the Companies Act 2006)

This condensed consolidated interim financial information has been reviewed, not audited.

This condensed consolidated interim financial report was approved for issue on August 21, 2008.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended June 30, 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim financial reporting" as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2007, which have been prepared in accordance with IFRS as adopted by the European Union.

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.

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning January 1, 2008, but are not currently relevant to the Group.

- IFRIC 11, "IFRS 2 – Group and treasury share transactions".
- IFRIC 12, "Service concession arrangements".
- IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction".

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning January 1, 2008 and have not been early adopted:

- IFRS 8, "Operating segments", effective for annual periods beginning on or after January 1, 2009. IFRS 8 replaces IAS 14, "Segment reporting", and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail, but it appears likely that the number of reported segments may increase.

3 Accounting policies continued

- IAS 23 (amendment), "Borrowing costs", effective for annual periods beginning on or after January 1, 2009. This amendment is not relevant to the Group.
- IFRS 2 (amendment) "Share-based payment", effective for annual periods beginning on or after January 1, 2009. Management is assessing the impact of changes to vesting conditions and cancellations on the Group's SAYE schemes.
- IFRS 3 (amendment), "Business combinations" and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates" and IAS 31, "Interests in joint ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.
- IAS 1 (amendment), "Presentation of financial statements", effective for annual periods beginning on or after January 1, 2009. Management is in the process of developing pro forma accounts under the revised disclosure requirements of this standard.
- IAS 32 (amendment), "Financial instruments: presentation", and consequential amendments to IAS 1, "Presentation of financial statements", effective for annual periods beginning on or after January 1, 2009. This is not relevant to the Group, as the Group does not have any puttable instruments.
- IFRIC 13, "Customer loyalty programmes", effective for annual periods beginning on or after July 1, 2008. This is not relevant to the Group, as the Group does not have any customer loyalty programmes.

4 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 and the wireless camera systems of Link. The US comprises the RF microwave radio business of MRC and the services business of WTS. 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, 2008 (Unaudited) £000	Six months to June 30, 2007 (Unaudited) £000	Year ended Dec 31, 2007 (Audited) £000	Six months to June 30, 2008 (Unaudited) £000	Six months to June 30, 2007 (Unaudited) £000	Year ended Dec 31, 2007 (Audited) £000
By geographic location						
UK (note a)	**15,975**	18,420	35,821	**2,380**	2,600	5,248
US (note b)	**25,867**	26,273	59,299	**1,272**	4,637	9,437
Norway	**10,603**	8,444	16,843	**1,189**	1,375	1,741
Central costs (note c)	**–**	–	–	**(2,367)**	(1,008)	(2,185)
Inter-segmental transactions	**(5,838)**	(6,985)	(13,383)	**(115)**	(420)	(25)
Group total	**46,607**	46,152	98,580	**2,359**	7,184	14,216

Notes:

a) For the six months ended June 30, 2008 the UK operating profit is after charging £680,000 in respect of the acquired intangibles (six months to June 30, 2007 – £676,000 and year to December 31, 2007 – £1,364,000).

b) For the six months ended June 30, 2008 the US operating profit is after charging £122,000 in respect of the acquired intangibles (six months to June 30, 2007 – £nil and year to December 31, 2007 – £98,000).

c) For the six months ended June 30, 2008 central costs are after charging £971,000 in respect of non-recurring costs (six months to June 30, 2007 and year to December 31, 2007 – £nil) (note 5)

4 Segmental analysis continued

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 is based on the geographical location of the customer, product category and customer category.

Geographic revenue analysis

	Six months to June 30, 2008 (Unaudited) £000	Six months to June 30, 2007 (Unaudited) £000	Year ended Dec 31, 2007 (Audited) £000
By market:			
UK & Ireland	**3,341**	2,810	5,714
Rest of Europe	**9,491**	7,276	15,296
North America	**24,198**	24,361	56,761
South America	**1,660**	3,895	4,806
Middle East	**1,234**	1,121	2,838
Asia	**6,157**	4,757	11,163
Africa	**181**	1,237	1,650
Other	**345**	695	352
	46,607	46,152	98,580
Analysis of revenue by product category			
Microwave radio and wireless camera products	**27,109**	26,130	59,896
Satellite products	**8,080**	9,560	18,859
Technical services	**815**	–	839
Broadcast projects	**–**	2,018	2,143
Marine CCTV products	**10,603**	8,444	16,843
	46,607	46,152	98,580
Analysis of revenue by customer category			
Broadcasters	**33,296**	33,163	72,824
Defence, security and law enforcement	**2,806**	4,882	9,542
Marine, oil and gas	**10,505**	8,107	16,214
	46,607	46,152	98,580

5 Operating profit

The following items of unusual nature, size or incidence have been charged to operating profit during the period and are described as non-recurring.

	Six months to June 30, 2008 (Unaudited) £000	Six months to June 30, 2007 (Unaudited) £000	Year ended Dec 31, 2007 (Audited) £000
Aborted acquisition costs	**646**	–	–
Compensation for loss of office	**325**	–	–
Total non-recurring costs	**971**	–	–

The Group invested in seeking out growth from entry into the adjacent sectors of the broadcast market by way of a significant acquisition using debt finance during the first quarter of 2008. Given the directors' caution over the economic outlook the Group decided not to proceed further with the proposed acquisition. The costs represent professional fees incurred up to the date of the process being aborted.

A compensation benefit package has been agreed with Mr Ian Scott-Gall on his retirement at September 30, 2008. The total amount payable is £325,000 including employers national insurance costs.

6 Finance costs – net

	Six months to June 30, 2008 (Unaudited) £000	Six months to June 30, 2007 (Unaudited) £000	Year ended Dec 31, 2007 (Audited) £000
Interest payable on bank borrowing	**(32)**	(124)	(174)
Interest payable on other loans	**(28)**	(23)	(78)
Unwinding of interest associated with the discounting of deferred consideration	**(38)**	(154)	(185)
Interest and similar charges payable	**(98)**	(301)	(437)
Investment income	**51**	84	192
Finance costs – net	**(47)**	(217)	(245)

7 Tax on profit on ordinary activities

	Six months to June 30, 2008 (Unaudited) £000	Six months to June 30, 2007 (Unaudited) £000	Year ended Dec 31, 2007 (Audited) £000
The tax charge for the period comprises:			
UK corporation tax	**172**	934	1,202
Foreign tax	**938**	1,930	3,633
Total current tax	**1,110**	2,864	4,835
Deferred tax:			
UK corporation tax	**(222)**	(310)	(166)
Foreign tax	**(36)**	–	357
Total deferred tax	**(258)**	(310)	191
Total taxation	**852**	2,554	5,026

The tax charge for the six months ended June 30, 2008 is based on the effective tax rate, which it is estimated will apply to earnings for the full year.

8 Dividends

No interim dividend is proposed for the period. In respect of 2007 there was no interim dividend and the final dividend of 1.25 pence per share was approved at the Annual General Meeting on May, 21 2008 and paid on July 18, 2008.

9 Earnings per ordinary share

Earnings per share is calculated by reference to a weighted average of 137,709,000 ordinary shares in issue during the period, excluding shares held by the Employees' Share Ownership Plan (June 30, 2007 – 137,891,000 and December 31, 2007 – 137,955,000).

The diluted earnings per share is after taking account of a further 23,000 shares (June 30, 2007 – 1,656,000; December 31, 2007 – 810,000) 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 adjustments are in respect of the amortisation of acquired intangibles and share based payments. In the period to June 30, 2008 the non-recurring aborted acquisition costs have also been included in the adjustment. Share based paymments have been included in the adjustment following the approval of the Vislink plc Long Term Incentive Plan by shareholders on March 7, 2008.

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

	Six months to June 30, 2008		Six months to June 30, 2007		Year ended Dec 31, 2007	
	Earnings £000	Basic EPS pence	Earnings £000	Basic EPS pence	Earnings £000	Basic EPS pence
Reported earnings	**1,435**	**1.04p**	4,413	3.20p	8,930	6.47p
Amortisation of acquired intangibles after tax	**559**	**0.41p**	473	0.34p	1,023	0.74p
Share based payments	**128**	**0.09p**	64	0.05p	119	0.09p
Non-recurring costs after tax	**683**	**0.50p**	–	–	–	–
Adjusted earnings	**2,805**	**2.04p**	4,950	3.59p	10,072	7.30p

10 Property, plant and equipment and intangible assets

	Six months to June 30, 2008 (Unaudited) £000	Six months to June 30, 2007 (Unaudited) £000	Year ended Dec 31, 2007 (Audited) £000
Property, plant and equipment			
Opening net book value as at January 1	**5,220**	4,689	4,689
Additions	**1,039**	953	1,790
Additions through business combinations	**–**	–	126
Disposals	**(1)**	–	(1)
Depreciation	**(836)**	(662)	(1,485)
Exchange adjustment	**83**	(3)	101
Closing net book value	**5,505**	4,977	5,220
Intangible development costs			
Opening net book value as at January 1	**3,692**	1,928	1,928
Additions	**1,840**	1,120	2,839
Depreciation	**(808)**	(484)	(1,072)
Exchange adjustment	**6**	(26)	(3)
Closing net book value	**4,730**	2,538	3,692
Acquired Intangible assets			
Opening net book value as at January 1	**3,591**	4,249	4,249
Additions through business combinations	**–**	–	804
Depreciation	**(798)**	(676)	(1,462)
Exchange adjustment	**–**	–	–
Closing net book value	**2,793**	3,573	3,591
Total closing net book value of intangible assets	**7,523**	6,111	7,283

Intangible development cost additions in the period to June 30, 2008 include £595,000 in respect of third party IPR that has been acquired for the integration of core technologies.

11 Called up share capital and share premium

	Number of shares '000	Share Capital £000	Share Premium £000	Total £000
At January 1, 2008	138,534	3,463	4,885	**8,348**
Issued on exercise of executive share options	60	2	15	**17**
At June 30, 2008	**138,594**	**3,465**	**4,900**	**8,365**

Employee share option scheme: options exercised during the period to June 30, 2008 resulted in 60,000 shares being issued (June 30, 2007 – 71,000 shares), with exercise proceeds of £17,000 (June 30, 2007 – £34,000). The related weighted average price at the time of exercise was 26.5 pence (June 30, 2007 – 96.8 pence) per share.

12 Cash, borrowing and loans

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

	Net cash and cash equivalents £000	Loan notes £000	Other borrowings £000	Total net cash £000
Six months ended June 30, 2007				
At January 1, 2007	8,159	(1,750)	(2,500)	**3,909**
Repayment of borrowings	(2,000)	–	2,000	**–**
Payment of loan notes	(1,750)	1,750	–	**–**
Other cash movements in the period	398	–	–	**398**
Exchange rate adjustments	(143)	–	–	**(143)**
At June 30, 2007	4,664	–	(500)	**4,164**
Six months ended June 30, 2008				
At January 1, 2008	7,004	(2,500)	(1,022)	**3,482**
Repayment of borrowings	(9)	–	9	**–**
Payment of loan notes	(2,500)	2,500	–	**–**
Other cash movements in the period	2,971	–	–	**2,971**
Exchange rate adjustments	77	–	–	**77**
At June 30, 2008	**7,543**	**–**	**(1,013)**	**6,530**

The Group has sufficient headroom to enable it to conform to covenants on its existing borrowings. The Group has sufficient working capital and undrawn financing facilities to service its operating activities and proposed acquisitions.

12 Cash, borrowing and loans continued

The Group has the following undrawn borrowing facilities:

	June 30, 2008 £000	June 30, 2007 £000	December 31, 2007 £000
Floating rate:			
– expiring within one year	**4,042**	4,889	3,772
– expiring beyond one year	**19,000**	3,800	19,000

The Group's facilities comprise a bank overdraft facility of £5.0 million and a revolving credit facility of £20.0 million. The facilities expiring within one year comprise the Group overdraft facility that is subject to review during 2009 in the normal course of business. The revolving credit facility has been provided for the Group to make acquisitions. The facility reduces to £17.0 million twelve months after the date of drawing on the facility exceeds £4.3 million, to £13.5 million after 24 months, £10.0 million after 36 months and zero after 48 months. Interest on the overdraft facility is charged at 1% over base rate; interest on the revolving credit facility is charged at 1% over LIBOR. The bank loans and overdrafts are secured by fixed and floating charges over the Group's assets and by cross-guarantees between the Company and certain UK and US subsidiaries.

13 Provisions for liabilities and charges

	£000
Six months ended June 30, 2008	
Warranty provision at January 1, 2008	1,178
Charged in period	322
Utilised in period	(272)
At June 30, 2008	**1,228**

Warranty provisions are made in respect of the expected future warranty costs in certain businesses based on historic actual costs. Warranty periods on products are generally between one and two years. Other than a warranty provision of US$1,047,000 (£526,000) all provisions are denominated in sterling.

14 Notes to the cash flow statement

Net cash flow from operating activities comprises:

	Six months to June 30, 2008 £000	Six months to June 30, 2007 £000	Year ended December 31, 2007 £000
Profit attributable to shareholders	**1,435**	4,413	8,930
Taxation	**852**	2,554	5,026
Depreciation	**836**	662	1,485
Loss on disposal of property, plant and equipment	**1**	–	–
Amortisation of development costs	**808**	484	1,072
Amortisation of acquired intangibles	**798**	676	1,462
Share options – value of employee services	**128**	64	119
Investment income	**(51)**	(84)	(192)
Finance costs	**98**	301	437
Derivative financial instruments	**18**	–	(14)
Share of loss in associate	**25**	–	15
(Increase) in inventories	**(2,736)**	(1,714)	(1,062)
Decrease/(increase) in trade and other receivables	**6,793**	(202)	(4,714)
(Decrease)/increase in payables	**(2,327)**	(1,873)	1,666
Increase in provisions	**52**	52	221
Cash flow from operating activities	**6,730**	5,333	14,451

15 Foreign exchange rates

The principal exchange rates used by the Group in translating overseas profits and net assets into GBP are set out in the table below.

Rate compared to GBP:

Period ended	June 30, 2008	June 30, 2007	December 31, 2007
Average rates			
US dollar	**1.98**	1.97	2.00
Norwegian Krone	**10.26**	12.06	11.71
Period end rate			
US dollar	**1.99**	2.00	1.99
Norwegian Krone	**10.15**	11.85	10.80

16 Related party transactions

A compensation benefit package has been agreed with Mr Ian Scott-Gall on his retirement at September 30, 2008. The total amount payable under the agreement is £296,000 plus employers national insurance costs.

17 Subsequent event – acquisitions

Marcom

On July 31, 2008 the Group acquired the assets and contracts of Scotts Valley Group Inc. trading as Marcom for a cash consideration, dependent on performance, of US$1.5 million (£0.8 million) before expenses. Below is a summary of the preliminary valuation of the tangible and intangible net assets acquired and the calculation of goodwill:

	Book value US$000	Fair value adjustment US$000	Fair value US$000	Fair value US$000
Net assets acquired				
Acquired intangibles – customer relationships	–	1,400	1,400	704
Property, plant and equipment	180	–	180	90
	180	1,400	1,580	794
Goodwill on acquisition			–	–
Total consideration			1,580	794
Satisfied by:				
Cash consideration (including acquisition costs of £56,000)			1,080	543
Deferred consideration			500	251
			1,580	794
Net cash outflow arising on acquisition				
Cash consideration (including acquisition costs of £56,000)			1,080	543
Less: deposits against contracts retained by vendors			(331)	(167)
			749	376

The contracts acquired have a revenue value of US$5.7 million (£2.9 million).

Pacific Microwave Research Inc

On August 20, 2008 the Group reached agreement to acquire 100% of the issued share capital of Pacific Microwave Research Inc ("PMR"), for a maximum consideration, dependent on performance, of US$17.0 million (£9.1 million) before expenses. PMR, incorporated in the State of California, is a design, engineering and manufacturing technology company specialising in analogue and digital microwave video transmission solutions for law enforcement, Homeland Security, and military applications. PMR products are used for video evidence collection, covert surveillance, unmanned ground vehicles (UGV), unmanned aerial vehicles (UAV), and flight test air-to-ground image transmission.

17 Subsequent event – acquisitions continued

Below is a summary of the preliminary valuation of the tangible and intangible net assets acquired and the calculation of goodwill:

	Book value US$000	Fair value adjustment US$000	Fair value US$000	Fair value £000
Net assets acquired				
Acquired intangibles	–	9,500	9,500	5,107
Property, plant and equipment	320	–	320	172
Inventories	432	–	432	232
Trade and other receivables	443	–	443	238
Cash at bank and in hand	436	–	436	234
Trade and other payables	(140)	–	(140)	(75)
Provisions	(24)	–	(24)	(13)
	1,467	9,500	10,967	5,895
Purchased goodwill on acquisition			5,055	2,718
Total consideration			16,022	8,613
Satisfied by:				
Cash consideration (including acquisition costs of US$300,000)			10,300	5,537
Deferred consideration (discounted to present value)			5,722	3,076
			16,022	8,613
Net cash outflow arising on acquisition				
Cash consideration (including acquisition costs of US$300,000)			10,300	5,537
Cash and cash equivalents acquired			(436)	(234)
			9,864	5,303

The deferred consideration of US$7.0 million (£3.7 million) payable over the next four years has been discounted to its present value at a rate of 6.1 per cent to US$5.7 million (£3.1 million) at the date of acquisition. Goodwill arising on acquisition is attributable to the anticipated growth in profitability of the business and the future operating synergies with the current DLES strategy within the Group.

Statement of directors' responsibilities

The directors' confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Vislink plc are listed in the Vislink plc Annual Report for December 31, 2007.

By order of the Board

Ian Scott-Gall
Chief Executive

James Trumper
Finance Director

August 21, 2008

Independent review report to Vislink plc

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended June 30, 2008, which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency 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.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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 (UK and Ireland) and consequently does not enable us to obtain assurance that we 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 condensed set of financial statements in the half-yearly financial report for the six months ended June 30, 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Bristol

August 21, 2008

Notes:
(a) The maintenance and integrity of the Vislink web site 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.

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