

**Translated
from the
Hebrew original**

S. SHLOMO INSURANCE COMPANY LTD.
(Formerly: New Kopel Insurance Company Ltd.)

CONDENSED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2008

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S. SHLOMO INSURANCE COMPANY LTD.

Dear Sirs,

We have audited, in accordance with International Financial Reporting Standards, the balance sheets of S. SHLOMO INSURANCE COMPANY LTD. as at December 31, 2008 and 2007, and the related statements of profit and loss, changes in equity and cash flows for the years then ended, and in our report dated March 22, 2009 we expressed an unqualified opinion on those financial statements.

The accompanying financial statements are condensed financial statements and do not include the disclosures required by International Financial Reporting Standards. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the financial position, results of operations, and cash flows of the Company. Accordingly, the accompanying financial statements are not designed for those who are not informed about such matters.

Tel-Aviv, Israel
April 26, 2009

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31	
	2008	2007
	NIS in thousands	
Intangible assets	5,932	1,677
Deferred tax assets	636	-
Deferred acquisition costs in general insurance	7,707	-
Fixed assets	2,893	2,945
Reinsurance assets	275	-
Current tax assets	1,192	52
Net assets in respect of transactions with the Group companies	9,966	-
Debtors and receivables	2,456	11
Outstanding premiums	18,699	-
Financial investments:		
Quoted debt assets	86,076	-
Unquoted debt assets	58,408	-
Shares	1,803	
Others	3,623	-
Total financial investments	149,910	4,685
Cash and cash equivalents	35,847	55,069
Total assets	235,513	59,754

CONSOLIDATED BALANCE SHEETS

CAPITAL AND LIABILITIES

	December 31	
	2008	2007
	NIS in thousands	
CAPITAL:		
Share capital	7,200	7,200
Share premium	64,800	64,800
Capital reserves	1,054	-
Retained earnings	<u>(17,498)</u>	<u>(13,821)</u>
Total capital	<u>55,556</u>	<u>58,179</u>
LIABILITIES:		
Liabilities in respect of insurance contracts	119,336	-
Liabilities due to employee benefits, net	157	152
Creditors and payables	<u>60,464</u>	<u>1,423</u>
Total liabilities	<u>179,957</u>	<u>1,575</u>
Total capital and liabilities	<u><u>235,513</u></u>	<u><u>59,754</u></u>

STATEMENTS OF PROFIT AND LOSS

	Year ended December 31	
	2008	2007
	NIS in thousands	
Gross premiums earned (*)	109,126	-
Premium earned by reinsurers	(5,675)	-
Premiums earned on retention	103,451	-
Investment income (losses) net and finance income	(1,300)	-
Income from commission	12	-
Other income (*)	6,111	-
Total income	108,274	319
Payments and change in liabilities in respect of gross insurance contracts	91,555	-
Reinsurers' share in payments and in change in liabilities in respect of insurance contracts	(14)	-
Payments and change in liabilities in respect of insurance contracts on retention	91,541	-
Commissions, marketing expenses and other acquisition expenses	13,642	-
Administrative and general expenses	5,510	-
Other expenses	2,369	14,140
Finance expenses	93	-
Total expenses	113,155	14,140
Loss before taxes on income	(4,881)	(13,821)
Taxes on income	1,204	-
Loss for the year	<u>(3,677)</u>	<u>(13,821)</u>
<u>Loss per share:</u>		
Basic loss per share (in NIS)	<u>(0.051)</u>	<u>(0.192)</u>
Number of shares used in calculation of the basic loss per share	<u>72,000</u>	<u>72,000</u>

(*) The Company entered into an agreement for insuring vehicles owned by companies controlled by an interested party in the comprehensive motor insurance branch, in consideration of premium as determined in the agreement, subject to adjustment determined between the parties in respect of the loss ratio in the transaction. According to the agreement which was signed for the year 2008, the said insurance contract is not considered an insurance contract according to the generally accepted accounting principles because there is no significant insurance risk transfer, due to the premium adjustment mechanism to the loss ratio, including expenses and profit coverage.

Therefore, the net results of the vehicle insurance in the comprehensive line of business for the interested parties in the year 2008, were reported under the item "other income", net and not in the premium and claims items. All the balance sheet accounts in respect of the transaction, including insurance reserves, outstanding claims, deferred acquisition costs, outstanding premium and the current account balance of the Group companies, were reported in the balance sheet, under one item – "liabilities in respect of the Group's transactions" and not under the items liabilities in respect of insurance contracts, other debtors, deferred acquisition costs and creditors and payables.

The net profit from the transaction in the year 2008 amounted to NIS 3,397 thousand.

From the year 2009 and onwards the said adjustment mechanism was cancelled.

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STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserve in respect of financial assets available for sale</u>	<u>Retained earnings</u>	<u>Total shareholders' equity</u>
	NIS in thousands				
Issue of share capital (November 2007)	7,200	64,800	-	-	72,000
Loss for the period of two months	-	-	-	(13,821)	(13,821)
<u>Balance as at December 31, 2007</u>	7,200	64,800	-	(13,821)	58,179
Net change in fair value of financial instruments available for sale, including changes transferred to the statement of profit and loss	-	-	1,054	-	1,054
Loss for the year	-	-	-	(3,677)	(3,677)
<u>Balance as at December 31, 2008 (*)</u>	<u>7,200</u>	<u>64,800</u>	<u>1,054</u>	<u>(17,498)</u>	<u>55,556</u>

(*) Hereunder are details with respect to the Company's required and existing capital, pursuant to the Supervision of Insurance Business Regulations (Minimum Solvency Margin Required from an Insurer), (Amendment), 2004 (hereunder – "the Capital Regulations") and the Regulator's directives.

	<u>December 31 2008</u>
	<u>NIS in thousands</u>
Minimum solvency margin:	
Amount required as per Regulations (a), (b)	54,750
Amount computed as per Regulations	<u>55,556</u>
Surplus	<u>806</u>
Primary capital:	
Minimum amount required as per Regulations	53,462
Amount computed as per Regulations	<u>55,556</u>
Surplus	<u>2,094</u>
(a) The required amount includes, among others, capital requirements in respect of: Inadmissible assets as defined in the Capital Regulations (mainly claims department acquisition cost, net)	<u>1,288</u>
(b) The required amount according to the Regulations does not include receivables in respect of transactions with the Group companies in the amount of NIS 9,966 thousand, which constitutes an inadmissible asset according to Capital Regulations since the balance was fully settled after the balance sheet date.	

STATEMENTS OF CASH FLOWS

	Year ended	
	December 31,	
	2008	2007
	NIS in thousands	
CASH FLOWS FROM CURRENT ACTIVITIES		
Before taxes on income (see Appendix A)	(11,243)	(12,794)
Income tax paid	(185)	(52)
Net cash used in current activities	(11,428)	(12,846)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Investment in fixed assets	(605)	(2,408)
Investment in intangible assets	(7,208)	(1,677)
Net cash used in investment activities	(7,813)	(4,085)
CASH FLOWS FROM FINANCE ACTIVITIES		
Proceeds from the issue of share capital	-	72,000
Effect of fluctuation in the exchange rate on the balances of cash and cash equivalents	19	-
Increase (decrease) in cash and cash equivalents	(19,222)	55,069
Balance of cash and cash equivalents as at beginning of the period	55,069	-
Balance of cash and cash equivalents as at end of the period	35,847	55,069

STATEMENTS OF CASH FLOWS (Cont.)

	Year ended	
	December 31,	
	2008	2007
	NIS in thousands	
Appendix A - Cash flows from current activities		
before taxes on income (1)		
Loss for the period	(3,677)	(13,821)
Items not involving cash flows:		
Net profits (losses) from financial investments:		
Quoted debt instruments	607	-
Shares	(2,524)	-
Other investments	(799)	-
	(2,716)	
Depreciation and amortization:		
Fixed assets	733	-
Intangible assets	3,118	-
Change in liabilities in respect of insurance contracts	119,336	-
Change in reinsurance assets	(275)	-
Change in deferred acquisition costs	(7,707)	-
Taxes on income	(1,204)	-
Changes in other balance sheet items:		
Acquisitions, net of financial investments	(145,591)	-
Outstanding premium	(18,699)	-
Salary tax receivable	(955)	-
Debtors and receivables	(2,445)	(11)
Change in assets in respect of transactions with the Group companies	(9,966)	-
Creditors and payables	58,800	886
Liabilities due to employee benefits, net	5	152
Total adjustments required to present cash flows from current activities	(7,566)	1,027
Total cash flows from current activities before taxes on income	(11,243)	(12,794)

- (1) The cash flows from current activities include net acquisitions and sales of financial investments, deriving from the activities in respect of insurance contracts.
- (2) In the framework of the current activities, the interest received in the amount of NIS 2,402 thousand (previous year – NIS 319 thousand), was reported.
- (3) In the framework of the current activities, dividend received from financial investments in the amount of NIS 135 thousand, was reported.