

ZUR SHAMIR HOLDINGS LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 2007

UNAUDITED

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INDEX

	<u>Page</u>
Review Report of Interim Consolidated Financial Statements	2
Consolidated Balance Sheets	3 - 4
Consolidated Statements of Profit and Loss	5
Statements of Changes in Shareholders' Equity	6 - 8
Consolidated Statements of Cash Flows	9 - 14
Notes to the Interim Consolidated Financial Statements	15 – 33

The Board of Directors
Zur Shamir Holdings Ltd.

Dear Sirs,

Re: Review report of unaudited interim consolidated financial statements
for the nine and three months periods ended on September 30, 2007

At your request, we have reviewed the interim consolidated balance sheet of Zur Shamir Holdings Ltd. (hereunder – “the Company”) as at September 30, 2007, and the related consolidated statements of profit and loss, statements of changes in shareholders’ equity and consolidated statements of cash flows for the nine and three months periods then ended. Our review was made in accordance with the procedures established by the Institute of Certified Public Accountants in Israel and included, among others, reading the aforementioned financial statements, reading minutes of the meetings of the shareholders and of the Board of Directors and its committees and making inquiries of persons responsible for financial and accounting matters.

We have been furnished with reports of other accountants in respect of the review of the interim consolidated financial statements of subsidiaries, whose assets constitute approximately 6% of the total consolidated assets as at September 30, 2007 and whose revenues constitute approximately 2% of the total consolidated revenues for the nine and three months periods then ended.

A review is substantially less in scope than an audit in accordance with generally accepted auditing standards, and accordingly we do not express an opinion on the interim consolidated financial statements.

Based on our review and the review reports of the other accountants, as mentioned above, we are not aware of any material modifications that should be made to the interim consolidated financial statements in order for them to be in conformity with generally accepted accounting principles and with the Securities Regulations (Periodical and Immediate Statements), 1970, taking into account that data regarding insurance subsidiaries is prepared according to accounting and reporting principles prescribed by the Supervision of Financial Services (Insurance) Law, 1981

We draw attention to Note 2b, in relation to adjustment by way of Restatement of the financial statements for the year ended as at December 31, 2006, and for the period of nine and three months ended as at September 2006, in order to retroactively reflect the amendment of the error in reporting the allocation of share based payment in subsidiaries.

We draw attention to Note 7 of the financial statements with respect to the approval of claims as class actions in a subsidiary.

Tel-Aviv,
November 29, 2007

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

CONSOLIDATED BALANCE SHEETS

	<u>As at September 30,</u>		<u>As at</u>	<u>Convenience translation into U.S. \$ in thousands [see note 1 (b)]</u>
	<u>2007</u>	<u>2006</u>	<u>December 31,</u>	
	<u>Unaudited</u>		<u>2006</u>	
	<u>Reported NIS in thousands</u>		<u>Audited</u>	
CURRENT ASSETS				
Cash and cash equivalents	161,230	157,252	158,756	40,177
Short term investments	22,174	26,758	25,051	5,526
Customers	31,490	13,993	16,704	7,847
Insurance companies – other accounts	51,431	53,639	56,557	12,816
Outstanding premiums	290,363	188,359	241,256	72,356
Debtors and receivables	111,432	51,849	60,106	27,768
	<u>668,120</u>	<u>491,850</u>	<u>558,430</u>	<u>166,490</u>
INVESTMENTS AND LONG TERM LOANS				
Investments of an insurance companies Reinsurers' share in insurance reserves and outstanding claims	1,589,380	1,594,881	1,606,120	396,058
Investment in other companies	943	943	943	235
Loans	52,615	26,127	4,122	13,111
	<u>1,782,410</u>	<u>1,737,870</u>	<u>1,746,684</u>	<u>44,159</u>
FIXED ASSETS, NET	<u>225,132</u>	<u>171,743 *)</u>	<u>192,220 *)</u>	<u>56,101</u>
INVESTMENT PROPERTY, NET	<u>2,342,670</u>	<u>1,345,129 *)</u>	<u>1,355,594 *)</u>	<u>583,770</u>
DEFERRED ACQUISITION COSTS AND OTHER ASSETS, NET				
Other assets and deferred expenses, net	215,866	181,931 *)	181,411 *)	53,791
Deferred acquisition costs in insurance companies	140,124	119,854	125,392	34,918
Deferred taxes	59,900	44,248	64,341	14,926
	<u>415,890</u>	<u>346,033</u>	<u>371,144</u>	<u>103,635</u>
	<u>5,434,222</u>	<u>4,092,625</u>	<u>4,224,072</u>	<u>1,354,155</u>

*) Reclassified.

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

CONSOLIDATED BALANCE SHEETS

	<u>As at September 30,</u>		<u>As at</u>	<u>Convenience translation into U.S.\$ in thousands [see note 1 (b)]</u>
	<u>2007</u>	<u>2006</u>	<u>December 31, 2006</u>	
	<u>Unaudited</u>		<u>Audited</u>	
	<u>Reported NIS in thousands</u>			
CURRENT LIABILITIES				
Credit from banking institutions	438,254	137,052	148,930	109,209
Suppliers and service providers	68,618	43,696	64,850	17,099
Insurance companies	13,887	13,485	17,670	3,461
Creditors and payables	194,316	156,025	217,230	48,422
Current maturities of debentures convertible into subsidiary shares	4	6	5	1
Current maturities of subsidiaries' debentures and subordinated deeds	94,990	41,104	39,456	23,670
Creditors in respect of dividend	-	20,000	-	-
Current maturities of Company's debentures	96,211	-	-	23,974
	<u>906,280</u>	<u>411,368</u>	<u>488,141</u>	<u>225,836</u>
LONG TERM LIABILITIES				
Debentures convertible into subsidiary shares	-	6	6	-
Company debentures	266,800	356,976	351,277	68,485
Subsidiaries debentures and subordinated deeds	669,984	498,122	491,474	166,953
Loans from banking institutions and others	1,003,235	818,500	878,639	249,996
Deferred taxes	108,409	32,708	32,336	27,014
Liability to cover affiliate's losses	-	5,988	5,108	-
Liabilities for severance pay, net	1,174	926	1,047	293
	<u>2,049,602</u>	<u>1,713,226</u>	<u>1,759,887</u>	<u>510,741</u>
INSURANCE RESERVES AND OUTSTANDING CLAIMS OF INSURANCE COMPANIES				
	<u>1,667,236</u>	<u>1,476,224</u>	<u>1,538,816</u>	<u>415,459</u>
MINORITY'S INTEREST				
	<u>470,399</u>	<u>309,353 *)</u>	<u>279,001 *)</u>	<u>117,218</u>
RECEIPTS ON ACCOUNT OF OPTIONS REALIZABLE INTO SUBSIDIARY SHARES				
	<u>400</u>	<u>5,387</u>	<u>3,567</u>	<u>100</u>
SHAREHOLDERS' EQUITY				
Share capital	213,993	213,489	213,489	53,326
Capital reserves	81,168	59,994 *)	61,290 *)	20,226
Receipts on account of options	1,410	1,410	1,410	351
Retained profit (loss)	104,908	(36,652)	(60,355)	26,142
	<u>401,479</u>	<u>238,241</u>	<u>215,834</u>	<u>100,045</u>
Shares held by the Company	(61,174)	(61,174)	(61,174)	(15,244)
	<u>340,305</u>	<u>177,067 *)</u>	<u>154,660 *)</u>	<u>84,801</u>
	<u>5,434,222</u>	<u>4,092,625</u>	<u>4,224,072</u>	<u>1,354,155</u>

*) Restated – see Note 2(b).

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

November 29, 2007

Date of approval of the financial statements

Shalom Schneidman
Chairman of the BoardMoshe (Muki) Schneidman
Member of the Board
and Managing DirectorRonen Nakar
Chief Financial Officer

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

	Nine months ended		Three months ended		Year ended	Convenience translation into U.S.\$ in thousands [see note 1 (b)]
	September 30,		September 30,		December 31,	
	2007	2006	2007	2006	2006	
	Unaudited				Audited	
	Reported NIS in thousands (except for earnings (loss) per share data)					
Income						
From insurance business	763,172	681,330	264,325	231,519	914,545	190,175
From real estate business:						
Increase in value of investment property	15,697	-	15,697	-	-	3,912
From lease of assets	101,920	94,099	36,450	28,985	123,758	25,397
From asset management and stock exchange services	39,503	15,771 *)	12,632	8,741 *)	25,678 *)	9,844
From grant of consumer credit	1,662	-	1,147	-	-	414
	<u>921,954</u>	<u>791,200</u>	<u>330,251</u>	<u>269,245</u>	<u>1,063,981</u>	<u>229,742</u>
Costs and expenses						
Insurance business	740,031	591,487 *)	297,900	185,118 *)	795,958 *)	184,407
From lease of assets:						
Depreciation	5,123	23,223	1,795	7,992	32,008	1,277
Others	15,626	16,780	4,837	4,788	50,800	3,894
From asset management and stock exchange services	51,251	25,696 *)	18,344	11,834 *)	41,516 *)	12,771
From grant of consumer credit	17,344	-	8,611	-	4,501 *)	4,322
Initiation and establishment of activities in the finance field	38,893	10,008 *)	8,568	3,220 *)	27,669 *)	9,692
Administrative and general expenses	5,982	7,764	2,333	1,723	10,546	1,491
Financing, net	92,242	71,704	42,039	18,426	90,017	22,968
	<u>966,492</u>	<u>746,662</u>	<u>384,427</u>	<u>233,101</u>	<u>1,053,015</u>	<u>240,840</u>
Profit (loss) from ordinary activities	(44,538)	44,538	(54,176)	36,144	10,966	(11,098)
Other income (expenses), net	(11,203)	118,466	8,343	1,102	121,672	(2,792)
Profit (loss) before taxes on income	(55,741)	163,004	(45,833)	37,246	132,638	(13,890)
Taxes on income	30,717	44,773	1,848	24,751	46,901	7,654
Profit (loss) after taxes on income	(86,458)	118,231	(47,681)	12,495	85,737	(21,544)
Company's share in profits of an affiliate	747	503	-	3,479	147	186
Minority share in losses (profit) of subsidiaries	5,939	(79,250)	12,189	(12,852)	(70,103)	1,480
Income (loss) for the period before extraordinary item	(79,772)	39,484	(35,492)	3,122	15,781	(19,878)
Extraordinary item:						
Cancellation of provision for extraordinary risks reserve in life assurance net of tax effect and minority's share (Note 5)	18,466	-	-	-	-	4,601
Net profit (loss) for the period	<u>(61,306)</u>	<u>39,484</u>	<u>(35,492)</u>	<u>3,122</u>	<u>15,781</u>	<u>(15,277)</u>
Earnings per share:						
Net earnings (loss) per ordinary share (NIS):						
Basic						
Before extraordinary item, net	(1.28)	0.64	(0.57)	0.06	0.26	(0.31)
Extraordinary item, net	0.30	-	-	-	-	0.07
Net earnings (loss) per share	<u>(0.98)</u>	<u>0.64</u>	<u>(0.57)</u>	<u>0.06</u>	<u>0.26</u>	<u>(0.24)</u>
Diluted						
Net earnings (loss) per share	<u>(0.98)</u>	<u>0.61</u>	<u>(0.57)</u>	<u>0.05</u>	<u>0.24</u>	<u>(0.24)</u>

*) Reclassified.

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Premium on shares	Capital reserves	Receipts on account of options	Adjustments due to translation of subsidiaries' financial statements	Retained earnings (loss)	Less shares held by the Company	Total
	Reported NIS in thousands							
Balance as at January 1, 2006 (Audited)	211,878	27,665	2,588 *)	-	28,091	(56,136)	(61,174)	152,912 *)
Adjustments due to translation of financial statements of foreign subsidiaries	-	-	-	-	(4,675)	-	-	(4,675)
Tax benefits in respect of capital instruments to subsidiary's employees	-	-	399	-	-	-	-	399
Conversion of capital notes	11	20	-	-	-	-	-	31
Issue of shares and options	1,600	7,202	-	1,410	-	-	-	10,212
Dividend paid	-	-	-	-	-	(20,000)	-	(20,000)
Net profit for the year	-	-	-	-	-	15,781	-	15,781
Balance as at December 31, 2006 (Audited)	213,489	34,887	2,987 *)	1,410	23,416	(60,355)	(61,174)	154,660 *)
Measurement of investment property in accordance with the fair value model, net **)	-	-	-	-	-	226,569	-	226,569
Adjustments due to translation of financial statements of foreign subsidiaries	-	-	-	-	19,796	-	-	19,796
Tax benefits in respect of capital instruments to subsidiary's employees	-	-	82	-	-	-	-	82
Realization of options into shares	504	-	-	-	-	-	-	504
Loss for the period	-	-	-	-	-	(61,306)	-	(61,306)
Balance as at September 30, 2007 (Unaudited)	213,993	34,887	3,069	1,410	43,212	104,908	(61,174)	340,305

*) Restated – see Note 2(b).

**) See Note 2(c).

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Premium on shares	Capital reserves	Receipts on account of options	Adjustments due to translation of foreign subsidiaries' financial statements	Retained earnings (loss)	Less shares held by the Company	Dividend declared after the balance sheet date	Total
Reported NIS in thousands									
Balance as at January 1, 2006 (Audited)	211,878	27,665	2,588 *)	-	28,091	(56,136)	(61,174)	-	152,912 *)
Adjustments due to translation of financial statements of subsidiaries abroad	-	-	-	-	(5,697)	-	-	-	(5,697)
Capital reserve in respect of capital instruments	-	-	125	-	-	-	-	-	125
Conversion of capital notes	11	20	-	-	-	-	-	-	31
Issue of shares and options	1,600	7,202	-	1,410	-	-	-	-	10,212
Dividend declared after the balance sheet date	-	-	-	-	-	(20,000)	-	-	(20,000)
Net profit for the period	-	-	-	-	-	39,484	-	-	39,484
Balance as at September 30, 2006 (Unaudited)	<u>213,489</u>	<u>34,887</u>	<u>2,713 *)</u>	<u>1,410</u>	<u>22,394</u>	<u>(36,652)</u>	<u>(61,174)</u>	<u>-</u>	<u>177,067 *)</u>
Balance as at July 1, 2007 (Unaudited)	213,489	34,887	3,069 *)	1,410	42,464	140,400	(61,174)	-	374,545 *)
Adjustments due to translation of financial statements of subsidiaries abroad	-	-	-	-	748	-	-	-	748
Realization of options into shares	504	-	-	-	-	-	-	-	504
Loss for the period	-	-	-	-	-	(35,492)	-	-	(35,492)
Balance as at September 30, 2007 (Unaudited)	<u>213,993</u>	<u>34,887</u>	<u>3,069</u>	<u>1,410</u>	<u>43,212</u>	<u>104,908</u>	<u>(61,174)</u>	<u>-</u>	<u>340,305</u>
Balance as at July 1, 2006 (Unaudited)	213,489	34,887	2,713 *)	1,410	31,091	(39,774)	(61,174)	20,000	202,642 *)
Adjustments due to translation of financial statements of subsidiaries abroad	-	-	-	-	(8,697)	-	-	-	(8,697)
Dividend declared after the balance sheet date	-	-	-	-	-	-	-	(20,000)	(20,000)
Net profit for the period	-	-	-	-	-	3,122	-	-	3,122
Balance as at September 30, 2006 (Unaudited)	<u>213,489</u>	<u>34,887</u>	<u>2,713 *)</u>	<u>1,410</u>	<u>22,394</u>	<u>(36,652)</u>	<u>(61,174)</u>	<u>-</u>	<u>177,067*)</u>

*) Restated - see Note 2(b).

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Convenience translation into U.S.\$ in thousands							
	Share capital	Premium on shares	Receipts on account of options	Capital reserves	Adjustments due to translation of foreign subsidiaries' financial statements	Retained loss	Net of Shares held by the Company	Total
Balance as at December 31, 2006 (Audited)	53,200	8,693	744	351	5,836	(15,040)	(15,244)	38,540
Measurement of investment property in accordance with the fair value model, net	-	-	-	-	-	56,459	-	56,459
Adjustments due to translation of financial statements of foreign subsidiaries	-	-	-	-	4,933	-	-	4,933
Tax benefits in respect of capital instruments to subsidiary's employees	-	-	21	-	-	-	-	21
Realization of options into shares	125	-	-	-	-	-	-	125
Loss for the period	-	-	-	-	-	(15,277)	-	(15,277)
Balance as at September 30, 2007 (Unaudited)	<u>53,325</u>	<u>8,693</u>	<u>765</u>	<u>351</u>	<u>10,769</u>	<u>26,142</u>	<u>(15,244)</u>	<u>84,801</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Nine months ended</u>		<u>Three months ended</u>		<u>Year ended</u>	<u>Convenience translation into U.S.\$ in thousands [see note 1(b)]</u>
	<u>September 30,</u>		<u>September 30,</u>		<u>December</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>	
	<u>Unaudited</u>				<u>Audited</u>	
	<u>Reported NIS in thousands</u>					
CASH FLOWS FROM CURRENT ACTIVITIES						
Net profit (loss) for the period	(61,306)	39,484	(35,492)	3,122	15,781	(15,277)
Profit (loss) from insurance business	<u>33,630</u>	<u>(18,379)</u>	<u>45,008</u>	<u>(10,776)</u>	<u>(16,213)</u>	<u>8,380</u>
	(27,676)	21,105	9,516	(7,654)	(432)	(6,897)
Adjustments required to present cash flows from current activities excluding insurance business (a)	<u>(11,135)</u>	<u>(10,554)</u>	<u>(51,356)</u>	<u>9,185</u>	<u>25,540</u>	<u>(2,775)</u>
Net cash provided by (used in) current activities excluding insurance business	(38,811)	10,551	(41,840)	1,531	25,108	(9,671)
Net cash provided by (used in) current activities in life assurance business (b)	33,220	15,294	10,434	4,611	(15,104)	8,278
Net cash provided by current activities in general insurance business (c)	247,767	135,778	138,791	47,654	157,063	61,741
Net cash used in other current activities in insurance business (d)	<u>(79,987)</u>	<u>(65,420)</u>	<u>(54,851)</u>	<u>(14,046)</u>	<u>(92,891)</u>	<u>(19,932)</u>
	<u>162,189</u>	<u>96,203</u>	<u>52,534</u>	<u>39,750</u>	<u>74,176</u>	<u>40,416</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES						
Acquisition of subsidiaries' shares and debentures from minority shareholders	(22,431)	(2,256)	(22,431)	-	(43,741)	(5,590)
Exit from consolidation of a subsidiary consolidated in the past (g)	-	1,698	-	-	1,698	-
Acquisition of investment property and fixed assets	(493,957)	(194,819)	(220,394)	(78,544)	(254,028)	(123,089)
Proceeds from sale of fixed assets	152	367,535	9	286	367,765	38
Realization of securities, net	2,862	6,153	(3,753)	-	5,574	713
Settlement (grant) of long term loans	(48,242)	2,376	(33,984)	2,327	23,786	(12,021)
Other assets and deferred expenses	<u>(7,605)</u>	<u>(57,893)</u>	<u>-</u>	<u>(71)</u>	<u>(58,165)</u>	<u>(1,895)</u>
Net cash provided by (used in) investment activities excluding insurance business	(569,221)	122,794	(280,553)	(76,002)	42,889	(141,845)
Net cash used in investment activities in insurance business (e)	<u>(241,937)</u>	<u>(61,675)</u>	<u>(126,581)</u>	<u>(32,924)</u>	<u>(43,676)</u>	<u>(60,288)</u>
	<u>(811,158)</u>	<u>61,119</u>	<u>(407,134)</u>	<u>(108,926)</u>	<u>(787)</u>	<u>(202,133)</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,	Convenience translation into U.S.\$ in thousands [see note 1(b)]
	2007	2006	2007	2006	2006	
	Unaudited				Audited	
	Reported NIS in thousands					
CASH FLOWS FROM FINANCING ACTIVITIES						
Issue of shares and options net of issue expenses	-	10,212	-	-	10,212	-
Realization of options into shares	504	-	504	-	-	126
Redemption of convertible capital notes	-	(481)	-	-	(481)	-
Settlement of debentures convertible into subsidiary's shares	(4)	(6)	(4)	(6)	(6)	(1)
Issue of a subsidiary's debentures	248,137	87,579	-	-	87,579	61,833
Redemption of a subsidiary's debentures	(40,277)	-	(40,277)	-	-	(10,037)
Issue of debentures	-	54,615	-	-	52,395	-
Issue of shares to minority in subsidiaries	65,329	18,046	29	9,891	32,697	16,279
Settlement of long term loans from banking institutions	(185,668)	(344,815)	(25,807)	(67,654)	(356,135)	(46,267)
Receipt of long term loans from banking institutions	280,940	168,296	19,864	39,500	251,296	70,007
Increase (decrease) in short term credit from banking institutions, net	299,578	(71,550)	187,613	25,098	(54,146)	74,653
Payment of dividend to minority in subsidiary	-	(14,406)	-	(9,694)	(14,406)	-
Dividend paid	-	-	-	-	(20,000)	-
Net cash provided by (used in) financing activities	668,539	(92,510)	141,922	(2,865)	(10,995)	166,593
Net cash used in financing activities in insurance business (f)	(16,170)	(14,195)	(6,788)	(4,259)	(12,788)	(4,029)
	652,369	(106,705)	135,134	(7,124)	(23,783)	162,564
Translation differences due to cash balances in autonomous foreign subsidiaries	(926)	(698)	(733)	(2,586)	1,817	(231)
Increase (decrease) in cash and cash equivalents	2,474	49,919	(220,199)	(78,886)	51,423	616
Balance of cash and cash equivalents at the beginning of the period	158,756	107,333	381,429	236,138	107,333	39,561
Balance of cash and cash equivalents at the end of the period	161,230	157,252	161,230	157,252	158,756	40,177

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended		Three months ended		Year ended	Convenience translation into U.S.\$ in thousands [see note 1(b)]
	September 30,		September 30,		December 31,	
	2007	2006	2007	2006	2006	
	Unaudited				Audited	
	Reported NIS in thousands					
A. Adjustments required to present cash flows from current activities excluding insurance business						
Profit and expenses not involving cash flows:						
Company's share in profits of affiliates	(747)	(503)	-	(3,479)	(147)	(186)
Minority's share in profits of subsidiaries	12,421	59,081	6,713	544	51,498	3,094
Depreciation and amortization	11,353	28,250	3,525	9,655	41,504	2,828
Capital gain, net	(4,363)	(124,550)	(4,367)	(187)	(124,861)	(1,087)
Capital loss (gain) from issue to a third party	20,204	(1,265)	153	(735)	(5,533)	5,035
Amortization of negative initial difference created upon acquisition	(4,134)	-	(4,134)	-	-	(1,030)
Deferred taxes, net	2,755	(15,425)	(5,966)	(6,565)	(29,674)	687
Capital gain from realization of investment in subsidiary	-	(781)	-	-	(781)	-
Liability for severance pay, net	127	255	449	96	267	32
Cost of share-based payment	650	-	(46)	-	603	162
Decrease (increase) in value of securities, net	15	(2,135)	(59)	(1,327)	151	4
Interest and erosion of long term loans and liabilities, net	(3,352)	12,782	(16,702)	5,342	14,454	(835)
	<u>34,929</u>	<u>(44,291)</u>	<u>(20,434)</u>	<u>3,344</u>	<u>(52,519)</u>	<u>8,704</u>
Changes in asset and liabilities items:						
Decrease (increase) in customers	(14,865)	12,310	(11,421)	3,592	10,180	(3,704)
Increase in debtors and receivables	(14,810)	(4,660)	(892)	(957)	(2,569)	(3,691)
Increase (decrease) in suppliers and service providers	3,222	(2,212)	7,555	(4,390)	19,243	803
Increase (decrease) in creditors and payables	(19,611)	28,299	(26,164)	7,596	51,205	(4,887)
	<u>(46,064)</u>	<u>33,737</u>	<u>(30,922)</u>	<u>5,841</u>	<u>78,059</u>	<u>(11,479)</u>
	<u>(11,135)</u>	<u>(10,554)</u>	<u>(51,356)</u>	<u>9,185</u>	<u>25,540</u>	<u>(2,775)</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,	Convenience translation into U.S.\$ in thousands [see note 1(b)]
	2007	2006	2007	2006	2006	
	Unaudited				Audited	
Reported NIS in thousands						
B. Cash flows from current activities in life assurance business						
Profit from life assurance business	10,579	13,814	3,672	4,879	19,455	2,636
Items not involving cash flows:						
Increase in assurance reserves net of reinsurance	16,995	38,665	14,977	14,601	72,425	4,236
Increase (decrease) in outstanding claims net of reinsurance	2,007	(6)	1,423	(101)	34	500
Depreciation	1,510	1,244	531	801	1,710	376
Investments, net:						
Securities	(28,142)	(35,826)	(4,343)	(15,680)	(73,840)	(7,013)
Deposits with bank	33,931	(21)	47	(37)	(33,956)	8,455
Loans	(1,150)	(566)	(307)	(320)	(1,175)	(287)
Changes in other balance sheet items, net:						
Insurance companies	(1,841)	(1,030)	1,453	398	915	(459)
Outstanding premiums	(708)	(993)	(202)	(838)	(666)	(176)
Debtors and receivables	(21)	70	21	78	89	(5)
Creditors and payables	60	(57)	(6,838)	830	(95)	15
Net cash provided by (used in) current activities in life assurance business	<u>33,220</u>	<u>15,294</u>	<u>10,434</u>	<u>4,611</u>	<u>(15,104)</u>	<u>8,278</u>
C. Cash flows from current activities in general insurance business						
Profit (loss) from general insurance business	42,786	100,303	(1,765)	41,430	128,344	10,662
Items not involving cash flows:						
Increase in insurance reserves net of reinsurance	65,307	30,026	31,390	15,326	24,666	16,273
Decrease in outstanding claims net of reinsurance	30,218	9,013	15,742	(1,356)	15,763	7,530
Increase in deferred acquisition costs	(10,255)	(3,047)	(3,934)	(3,185)	(5,578)	(2,555)
Depreciation	13,579	11,997	4,720	4,600	16,379	3,384
Investments, net:						
Securities	208,910	(32,812)	116,752	(33,700)	(51,105)	52,058
Deposits with banks	(35,315)	29,327	(4,204)	24,373	73,907	(8,800)
Changes in other balance sheet items, net:						
Insurance companies	3,166	(6,257)	(5,034)	425	(7,009)	789
Outstanding premiums	(46,550)	(10,672)	(24,067)	(12,933)	(62,701)	(11,600)
Debtors and receivables	(4,993)	6,510	1,085	5,906	3,724	(1,244)
Creditors and payables	(19,086)	1,390	8,106	6,768	20,673	(4,756)
Net cash provided by current activities in general insurance business	<u>247,767</u>	<u>135,778</u>	<u>138,791</u>	<u>47,654</u>	<u>157,063</u>	<u>61,741</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended		Three months ended		Year ended	Convenience translation into U.S.\$ in thousands [see note 1(b)]
	September 30,		September 30,		December 31,	
	2007	2006	2007	2006	2006	
	Unaudited				Audited	
	Reported NIS in thousands					
D. Cash flows from other current activities in insurance business						
Profit (loss) for the period from insurance business	(33,630)	18,379	(45,008)	10,776	9,233	(8,380)
Profit from general insurance and life assurance business	(53,365)	(114,117)	(1,907)	(46,309)	(140,819)	(13,298)
	(86,995)	(95,738)	(46,915)	(35,533)	(131,586)	(21,678)
Items not involving cash flows:						
Cost of share based payment	5,126	5,885	1,907	1,891	9,704	1,277
Deferred taxes	2,145	8,601	1,482	3,815	5,136	535
Minority's share in profits (losses) of subsidiaries	(161)	20,169	(18,902)	12,308	18,599	(40)
Capital gain	(537)	(638)	(44)	(292)	(355)	(134)
Depreciation and amortization	11,213	7,034	5,861	1,528	9,358	2,794
Erosion of loans received from the minority in subsidiaries	-	-	(10)	-	18	-
Erosion of subordinated deeds	11,550	7,800	8,139	1,816	4,373	2,878
Negative initial difference created upon acquisition	-	(812)	-	-	(812)	-
Increase in deferred acquisition costs in insurance	(3,111)	(6,759)	(1,509)	(2,188)	(8,558)	(775)
Changes in other balance sheet items, net:						
Decrease (increase) in debtors and receivables	(30,971)	(1,964)	(24,186)	1,612	(6,198)	(7,718)
Increase (decrease) in creditors and payables, net	11,754	(8,998)	19,326	997	7,430	2,929
Net cash used in other current activities in insurance business	(79,987)	(65,420)	(54,851)	(14,046)	(92,891)	(19,932)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,	Convenience translation into U.S.\$ in thousands [see note 1(b)]
	2007	2006	2007	2006	2006	
	Unaudited				Audited	
	Reported NIS in thousands					
E. Cash flows from investment activities in insurance business						
Increase in insurance companies' investments, net	(153,412)	(44,716)	(78,611)	(26,074)	(3,639)	(38,229)
Acquisition of minority shares in a subsidiary	(22,237)	-	(21,060)	-	-	(5,541)
Acquisition of fixed assets and investment property	(67,908)	(18,099)	(27,097)	(7,284)	(40,532)	(16,922)
Acquisition of a subsidiary proportionally consolidated in the past (h)	-	514	-	-	514	-
Proceeds from sale of fixed assets	1,620	626	187	434	4,382	404
Acquisition of subsidiary consolidated for the first time, net (i)	-	-	-	-	(4,401)	-
Net cash used in investment activities in insurance business	<u>(241,937)</u>	<u>(61,675)</u>	<u>(126,581)</u>	<u>(32,924)</u>	<u>(43,676)</u>	<u>(60,288)</u>
F. Cash flows from financing activities in insurance business						
Settlement of loan from minority in a subsidiary	(618)	-	(318)	-	-	(154)
Receipt of loan from minority in a subsidiary	-	-	-	-	600	-
Proceeds from realization of shares in consolidated insurance companies	1,270	875	-	378	1,682	316
Dividend paid to minority in consolidated insurance companies	<u>(16,822)</u>	<u>(15,070)</u>	<u>(6,470)</u>	<u>(4,637)</u>	<u>(15,070)</u>	<u>(4,191)</u>
Net cash used in insurance business financing activities	<u>(16,170)</u>	<u>(14,195)</u>	<u>(6,788)</u>	<u>(4,259)</u>	<u>(12,788)</u>	<u>(4,029)</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,	Convenience translation into U.S.\$ in thousands [see note 1(b)]
	2007	2006	2007	2006	2006	
	Unaudited				Audited	
	Reported NIS in thousands					
G. Exit from consolidation of a subsidiary consolidated in the past						
Capital gain from realization of investment in a subsidiary	-	781	-	-	781	-
Working capital (not including cash and cash equivalents)	-	(1,599)	-	-	(1,599)	-
Fixed assets, net	-	3,534	-	-	3,534	-
Long term liabilities	-	(1,018)	-	-	(1,018)	-
	-	1,698	-	-	1,698	-
H. Acquisition of a subsidiary proportionally consolidated in the past						
Working capital (not including cash and cash equivalents)	-	199	-	-	199	-
Fixed assets, net	-	(1,309)	-	-	(1,309)	-
Negative initial difference	-	812	-	-	812	-
Minority interest	-	812	-	-	812	-
	-	514	-	-	514	-
I. Acquisition of a subsidiary consolidated for the first time						
Working capital (not including cash and cash equivalents)	-	-	-	-	(1,886)	-
Fixed assets, net	-	-	-	-	(417)	-
Negative initial difference created upon acquisition	-	-	-	-	(2,808)	-
Outstanding premium	-	-	-	-	(5)	-
Insurance reserves net of reinsurance	-	-	-	-	16	-
Outstanding claims net of reinsurance	-	-	-	-	625	-
Insurance companies	-	-	-	-	74	-
	-	-	-	-	(4,401)	-
J. Material activities not involving cash flows						
Issue of capital against the conversion of convertible capital notes	-	31	-	-	31	-
Acquisition of fixed assets against suppliers and service providers	7,846	-	-	-	10,670	1,955
Sale of building against debtors and receivables	-	-	-	-	464	-
Customers and other assets against capital gain	-	20,252	-	-	20,252	-

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

NOTES TO THE FINANCIAL STATEMENTS**NOTE 1:- GENERAL**

- a. These financial statements have been prepared in a condensed format as of September 30, 2007, and for the nine and three month periods then ended (hereunder - interim financial statements). These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as at December 31, 2006 and for the year then ended.
- b. The interim consolidated financial statements as at September 30, 2007 and for the nine and three months then ended have been translated into U.S. dollars using the representative foreign exchange rate as at that date (U.S. \$ 1 = NIS 4.01). The translation was made solely for the convenience of the reader.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

- a. The interim financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in Accounting Standard No. 14 of the Israel Accounting Standards Board and in accordance with Chapter D to the Securities Regulations (Periodic and Immediate Reports, 1970).

The significant accounting policies and methods of computation applied in the preparation of the interim financial statements are identical to those applied in the preparation of the latest annual financial statements, except as described in paragraph b below.

- b. Restatement

The Company has restated its financial statements as of December 31, 2006, and for the nine and three months period ended September 30, 2006, in order to retroactively reflect the amendment of the erroneous allocation of share based payment in subsidiaries to shareholders' equity instead of to minority's interest.

The effect of the changes in the financial statements

	Year ended December 31, 2006		
	As reported in the past	The change	As recorded in these financial statements
	Reported NIS in thousands		
Capital reserves	67,860	(6,570)	61,290
Total shareholders equity	161,230	(6,570)	154,660
Minority's interest	272,431	6,570	279,001
	September 30, 2006		
	As reported in the past	The change	As recorded in these financial statements
	Reported NIS in thousands		
Capital reserves	64,087	(4,093)	59,994
Total shareholders equity	181,160	(4,093)	177,067
Minority interest	305,260	4,093	309,353

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)c. Initial adoption of new Accounting Standards

1. Regarding reserve for outstanding risks in life assurance in an insurance subsidiary, see Note 5 below.
2. Accounting Standard No. 16 - Investment Property:

From January 1, 2007, the Company and its subsidiaries implement Accounting Standard No. 16, Investment Property (hereunder - the Standard) of the Israel Accounting Standards Board. The Standard prescribes the accounting treatment and disclosure requirements of investment properties.

An investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation (or both) and not for use in manufacture or the supply of goods or services or for administrative purposes or sale during the ordinary course of business.

Investment property is to be presented using the cost model or the fair value model. The Company and the subsidiaries have elected to adopt the fair value model in accounting for its investment property. The Company and the subsidiaries have reported the effect of the adoption of the Standard as of January 1, 2007 as the adjustment of the opening balance of retained earnings as of that date.

Real estate rights held by a lessee in an operating lease from the Israel Lands Administration are classified as investment property. The Company and the subsidiaries have adopted the fair value model in their respect.

As a result of the initial adoption of the provisions of the Standard:

The Company and the subsidiaries have carried the difference between the carrying amount of investment property and its fair value as of January 1, 2007, amounting to about NIS 415 million, to retained earnings as of that date against a corresponding increase in investment property. In addition, the Company also recognized a deferred tax liability amounting to about NIS 71 million and an increase in the minority share in the amount of about NIS 118 million against retained earnings as of that date.

3. Accounting Standard No. 23 - Accounting Treatment of Transactions between an Entity and the Controlling Shareholder Therein:

On January 1, 2007, the Company adopted the provisions of Accounting Standard No. 23 (hereunder - the Standard), which determines the Accounting Treatment of Transactions between an Entity and its Controlling Shareholder. The Standard is applicable, among others, to transactions involving the transfer of assets, the assumption of liabilities, indemnification, waiver and the granting of loans between a company and its controlling shareholder and between companies under common control that occur subsequent to January 1, 2007 as well as to a loan granted or received from the controlling shareholder prior to January 1, 2007.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)c. Initial adoption of new Accounting Standards (Cont.)3. Accounting Standard No. 23 - Accounting Treatment of Transactions between an Entity and the Controlling Shareholder Therein (Cont.)

The Standard is not applicable to business combinations of companies under common control. According to the Securities Authority's decision, as of January 1, 2007, business combinations of entities controlled by the same shareholder will be treated as pooling of interests and not using the fair value model. In cases of transactions that have the characteristics of shareholders' investments, the Standard may also apply to transactions with shareholders in their capacity as shareholders.

The initial adoption of the Standard had no affect on the interim financial statements.

4. Accounting Standards No. 27 - Fixed Assets and No. 28 - Amendment to the Transition Provisions of Accounting Standard No. 27, "Fixed Assets"

On January 1, 2007, the Company adopted Accounting Standards No. 27, "Fixed Assets" and No. 28, "Amendment to the Transition Provisions of Accounting Standard No. 27, 'Fixed Assets'" of the Israel Accounting Standards Board (hereunder - the Standards) regarding the accounting treatment of fixed assets in the financial statements.

The initial adoption of the Standard had no affect on the interim financial statements.

5. Accounting Standard No. 30 - Intangible Assets

On January 1, 2007, the Company adopted the provisions of Accounting Standard No. 30, Intangible Assets of the Israel Accounting Standards Board (hereunder - the Standard) that prescribes the accounting treatment, recognition, measurement and the disclosure requirements regarding intangible assets that are not dealt with in another standard.

As a result of the initial adoption of the Company and the subsidiaries reclassified computer software which does not constitute an integral part of the related hardware to the depreciated cost of NIS 26,243 thousand as at September 30, 2006 and in the amount of NIS 26,724 as at December 31, 2006, from the item "fixed assets" to the item "other assets".

d. Disclosure of the effects of new Accounting Standards prior to their adoptionAccounting Standard No. 29 - Adoption of International Financial Reporting Standards (IFRS)

In July 2006, the Israel Accounting Standards Board published Accounting Standard No. 29, "Adoption of International Financial Reporting Standards (IFRS)" (hereunder - the Standard).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- d. Disclosure of the effects of new Accounting Standards prior to their adoption (Cont.)

Accounting Standard No. 29 - Adoption of International Financial Reporting Standards (IFRS) (Cont.)

International Financial Reporting Standards comprise standards and interpretations adopted by the International Accounting Standards Board, and include:

- a) International Financial Reporting Standards (IFRS)
- b) International Accounting Standards (IAS)
- c) Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by its predecessor, the Standing Interpretations Committee (SIC).

Pursuant to the Standard, companies that are subject to the provisions of the Securities Law, 1968, and that are required to report according to the regulations published thereunder, will be required to prepare their financial statements in accordance with IFRS starting from the period commencing on January 1, 2008. These companies, as well as other companies, may adopt IFRS early and prepare their financial statements in accordance with IFRS starting with financial statements that are issued subsequent to July 31, 2006. The Company will prepare its financial statements in accordance with the IFRS Standards beginning from January 1, 2008.

For transition purposes, companies that prepare their financial statements in accordance with IFRS will be required to adopt the provisions of IFRS 1, "First-time Adoption of IFRS".

A company that adopts IFRS commencing from January 1, 2008, and that has elected to include comparative data for only one year (2007) will be required to prepare an opening balance sheet as of January 1, 2007 ("Opening IFRS Balance Sheet"). The Opening IFRS Balance Sheet will require the following:

- Recognition of all assets and liabilities whose recognition is required by IFRS.
- De-recognition of assets and liabilities if IFRS do not permit such recognition.
- Classification of assets, liabilities and components of equity according to IFRS.
- Application of IFRS in the measurement of all recognized assets and liabilities.

In order to ease first-time adoption, a number of exemptions from IFRS have been granted in respect of the Opening IFRS Balance Sheet, which exemptions may be elected, in whole or in part. Exceptions have also been established which prohibit retrospective application of certain aspects of IFRS.

According to the Standard, the Company is required to include in a note to the annual financial statements as of December 31, 2007, a balance sheet as of December 31, 2007, and a statement of income for the year then ended, that have been prepared based on the recognition, measurement and presentation criteria of IFRS.

There are differences between IFRS and generally accepted accounting principles in Israel in the recognition and measurement of assets and liabilities and in reporting and disclosure requirements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3:- DATA REGARDING THE ISRAELI CPI AND THE FOREIGN CURRENCY EXCHANGE RATES

As at	Israeli CPI in points *)	Representative exchange rate of U.S. dollars	Representative exchange rate of Canadian dollars	Representative exchange rate of Euro	Representative exchange rate of Zloty
		NIS			
September 30, 2007	112.4	4.013	4.0174	5.7512	1.5213
September 30, 2006	110.9	4.302	3.8689	5.4552	1.3755
December 31, 2006	109.9	4.225	3.6408	5.5643	1.4532
Rate of change during the period	%	%	%	%	%
September 30, 2007 (nine months)	2.3	(5.0)	10.3	3.4	4.7
September 30, 2006 (nine months)	0.8	1.8	(2.4)	0.2	(2.5)
September 30, 2007 (three months)	1.3	(5.6)	-	-	(0.6)
September 30, 2006 (three months)	(0.8)	(3.1)	(3.3)	(3.3)	(0.4)
December 2006 (12 months)	0.1	(8.2)	(8.2)	2.2	3.0

*) The CPI is at the average basis of 2000 = 100.

NOTE 4:- INFORMATION ACCORDING TO BUSINESS SEGMENTS

In 2004, a subsidiary of the Company began granting loans for financing the acquisition of private vehicle. Therefore, from the year 2007 the Company reports about the segment of granting consumer credit.

	Nine month period ended September 30, 2007					Total
	Insurance	Leasing of assets	Asset management and stock exchange services	Granting consumer credit	Adjustments	
	Reported NIS in thousands					
Income from external sources	765,219	117,617	37,456	1,662	-	921,954
Inter-company income	-	8,245	-	-	(8,245)	-
Capital gain (loss) and other income	490	(16,075)	9	-	-	(15,576)
Total	765,709	109,787	37,465	1,662	(8,245)	906,378
Segment results	(32,937)	24,063	(1,396)	(16,074)		(26,344)
Administrative and general expenses and financing expenses, net and other expenses net, not allocated to business segments						(29,397)
Loss from ordinary operations						(55,741)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4:- INFORMATION ACCORDING TO BUSINESS SEGMENTS (Cont.)

Nine month period ended September 30, 2006					
	Insurance	Leasing of assets	Asset management and stock exchange services	Adjustments	Total
Reported NIS in thousands					
Income from external sources	681,330	94,099	15,771	-	791,200
Inter-company income	-	5,623	-	(5,623)	-
Capital gain and other income	370	118,096	-	-	118,466
Total	681,700	217,818	15,771	(5,623)	909,666
Segment results	73,375	126,452	(8,453)		191,374
Administrative and general expenses and financing expenses, net and other expenses, net, not allocated to business segments					(28,370)
Income from ordinary operations					163,004

Three month period ended September 30, 2007						
	Insurance	Leasing of assets	Asset management and stock exchange services	Granting consumer credit	Adjustments	Total
Reported NIS in thousands						
Income	266,372	52,147	10,585	1,147	-	330,251
Inter-company income	-	3,118	-	-	(3,118)	-
Capital gain and other income	4,793	-	-	-	-	4,793
Total	271,165	55,265	10,585	1,147	(3,118)	335,044
Segment results	(51,332)	24,585	696	(7,621)		(33,672)
Administrative and general expenses and financing Expenses and other expenses, net, not allocated to business segments						(12,161)
Loss from ordinary operations						(45,833)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4:- INFORMATION ACCORDING TO BUSINESS SEGMENTS (Cont.)

	Three month period ended September 30, 2006					
	Insurance	Leasing of assets	Asset management and stock exchange services		Adjustments	Total
			Reported NIS in thousands			
Income from external sources	231,519	28,985	8,741	-	269,245	
Inter-company income	-	2,339	-	(2,339)	-	
Capital gain and other income	262	840	-	-	1,102	
Total	231,781	32,164	8,741	(2,339)	270,347	
Segment results	<u>41,476</u>	<u>5,661</u>	<u>(3,322)</u>		43,815	
Administrative and general Expenses, financing expenses, net and other income, net, not allocated to business segments					<u>(6,569)</u>	
Income from ordinary operations					<u>37,246</u>	

	Year ended December 31, 2006					
	Insurance	Leasing of assets	Asset management and stock exchange services		Adjustments	Total
			Reported NIS in thousands			
Income	914,545	123,758	25,678	-	1,063,981	
Inter-company income	-	8,260	-	(8,260)	-	
Capital gain and other income	541	122,078	-	-	122,619	
Total	915,086	254,096	25,678	(8,260)	1,186,600	
Segment results	<u>72,982</u>	<u>99,663</u>	<u>(9,677)</u>		162,968	
Administrative and general Expenses, financing expenses, net and other income, net, not allocated to business segments					<u>(30,330)</u>	
Income from ordinary operations					<u>132,638</u>	

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5:- CANCELLATION OF THE RESERVE FOR EXTRAORDINARY RISKS IN LIFE ASSURANCE IN AN INSURANCE SUBSIDIARY IN ISRAEL

In March 2004, the International Accounting Standards Board published an International Accounting Standard regarding "Insurance Contracts" (IFRS 4). The directives of this Standard prescribe that the provision for extraordinary risks does not comply with the Standard's directives and therefore it should be eliminated. Taking this into account and in view of the necessity to classify the reserve for extraordinary risks in life assurance in the financial statements of insurance companies in Israel as shareholders' equity, a Temporary Provision was published in the framework of the States Capital Market Regularization Law (Legislation Amendments to Achieve the Targets of the Budget and Financial Policy for the year 2007), 2007, which grants a tax exemption with respect to the classification of the reserve for extraordinary risks as shareholders' equity, at the rate of up to 0.17% of the amount at risk that the insurer holds.

In February 2007, the Regulator published a circular whereby commencing from the first quarter of 2007, the provision for the reserve for extraordinary risks in life assurance will be eliminated in the financial statements of insurance companies.

According to the aforementioned circular, the elimination of the provision will be imputed to the statement of profit and loss as an extraordinary item, net of the effect of income taxes, if any.

At the same time, a capital requirement was defined at the rate of 0.17% of the amount on retention at risk. In addition, it was determined that the minimum capital requirement in respect of the amount at risk will not be deducted from the requirement on the date of transfer.

As at December 31, 2006, the insurance subsidiary in Israel has a reserve for extraordinary risks in the amount of about NIS 36 million, which constitutes about 0.17% of the sum at risk on retention.

As a result of the above Regularizations, in the first quarter of the year 2007 the subsidiary reported a profit, net of tax in the amount of about NIS 36 million. The Company recorded a profit, net of tax, after deduction of the minority share in the amount of about NIS 18 million.

NOTE 6:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD**a. Realization of options**

In July 2007 586,668 options (Series 7) were realized into 503,670 Company shares of NIS 1 nominal value, in consideration for about NIS 504 thousand.

b. Realization of options and issue of capital in a subsidiary

1. In January 2007, 5,049,904 options (Series 7) of a subsidiary, Adgar Investments and Development Ltd. (hereunder - Adgar) were realized into 5,049,904 ordinary shares of NIS 1 par value each in consideration for about NIS 25,581 thousand. The remaining 982 options expired.
2. During the reported period 2,579,999 option warrants (Series 6) of Adgar which were held by the employees in the subsidiary, were realized into 1,517,676 ordinary shares of NIS 1 par value each in consideration for about NIS 1,517 thousand.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD (Cont.)

b. Realization of options and issue of capital in a subsidiary (Cont.)

3. During the reported period Adgar issued to institutional entities 6,185,526 ordinary shares of NIS 1 par value each in consideration for about NIS 38,234 thousand (net of issue expenses).

As a result of the issue and realization of the options, as mentioned above, the Company's rate of holding in Adgar decreased from 66% to 57%. The capital loss that was recorded as a result of the issue and realization of the options amounted to about NIS 20 million.

c. Acquisition of office buildings for lease by Adgar

1. During the reporting period a subsidiary of Adgar acquired an office building in Toronto, Canada on the area of 9,800 square meters in consideration for 15.5 million Canadian dollars. 70% of the building is occupied. The anticipated annual leasing fees at full occupancy is 1.5 million Canadian dollars.

Adgar estimates that an additional investment in the amount of about 1 million Canadian dollars will be required for occupying the entire building.

2. During the reporting period a subsidiary of Adgar acquired an office building in Toronto, Canada on the area of about 10,900 square meters and 50% of the building rights on an area next to the building. The total area of the land is 4,400 square meters and the total building rights amount to 13,500 square meters for commercial use and offices. 97% of the building is occupied.

The acquisition cost amounts to about 22 million Canadian dollars. The present annual leasing fees are about 1.7 million Canadian dollars (including 60 thousand Canadian dollars which are the Company's share in the leasing of the parking lot).

3. During the reporting period Adgar acquired real estate in Petach Tikva, including land on the area of 9,000 square meters and a building that serves as storage and for office premises on the area of 5,000 square meters in consideration for about U.S. \$ 9 million. The Company is examining the construction of an office building on the area acquired. The present building rights are about 20 thousand square meters for lease. Adgar plans to work at obtaining additional building rights.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD (Cont.)

c. Acquisition of office buildings for lease by Adgar (Cont.)

4. During the reporting period Adgar acquired the rights in a real estate project in Tel-Aviv on the area of about 21,500 square meters, for offices, 3,500 commercial area and 5,700 storage area. The project also includes additional building rights on an area of about 34,000 square meters, in accordance with a program that was approved.

96% percent of the area is occupied. The present leasing fees are in the amount of about NIS 18.3 million.

The total acquisition cost of the rights is about NIS 452 million which was financed by the Company's independent sources and from loans that will be taken against a pledge on the asset.

The acquisition transaction is subject to the approval of the creditor of the asset's seller and the compliance with two conditions which are the receipt of the court's approval for performing the transaction and receipt of a written agreement from the Tel-Aviv Municipality, who is the registered owner of the asset, to transfer the rights and liabilities of the seller to the Company.

The court's approval was received during August 2007.

The sellers will be entitled, at their sole discretion, to cancel the acquisition agreement with the Company if all the suspending conditions are not met up to May 31, 2008.

5. In July 2007 a subsidiary of Adgar purchased an office building in Toronto, Canada on the area of about 9,700 square meters as well as 100 underground parking spaces. The building is fully occupied and the present annual leasing fees are about 1.45 million Canadian dollars. The cost of the acquisition is about 20 million Canadian dollars.

d. Issue of debentures by Adgar

In March and May 2007, Adgar issued to Clal Finance Batucha Brokerage Ltd. (hereunder – "Clal Finance") NIS 250 million nominal value debentures (Series E), with the possibility that Clal Finance distribute the debentures (Series E) to institutional investors. The debentures will be settled in 5 annual equal payments, beginning from March 12, 2011 and up to March 12, 2015. The nominal interest is 4.70%, linked to the CPI (the index is based on the index in respect of January 2007) which is paid once a year. The Company has committed to list the debentures for trade on the Tel-Aviv Stock Exchange up to September 15, 2007. Up to the date the debentures were listed for trade, the interest was 5.25%. The net consideration amounted to about NIS 248 million.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD (Cont.)

- e. Issue of subsidiary shares to a third party
1. On 6 June 2007, after approvals were received from Direct Insurance Financial Investments Ltd.'s ("the subsidiary") Audit Committee and its Board of Directors on the aforementioned date, the subsidiary and its wholly owned subsidiary, GDII – Global Direct Insurance Investments B.V. ("GDII"), signed an agreement with Royal & Sun Alliance Insurance Group plc ("R&SA" or the "Investor"), a company traded on the London Stock Exchange (hereunder - the "Agreement" or the "Investment Agreement"), according to which, subject to the fulfillment of suspending conditions, R&SA will receive an allotment of GDII shares which, after such issue, will constitute 50% of the GDII shares, so that after the allotment the subsidiary and R&SA will hold GDII shares in equal parts. The purpose of the aforesaid transaction is to turn GDII into a joint entrepreneur between the Company and R&SA to be held by them in equal parts. On August 28, 2007, the agreement was approved by the subsidiary's general meeting of the shareholders and by the general meeting of the shareholders of the Company.
 2. In consideration for the issue of the shares, R&SA will invest the sum of U.S. \$ 170 million in GDII ("the investment amount"), of which U.S. \$ 120 million will be paid at completion of the transaction (which will be performed after the fulfillment of the suspending conditions), whereas the balance will be paid in 4 installments up to June 30, 2010 ("date of final payment"). According to the investment agreement it was agreed that on the date the transaction is completed and/or right before it is completed, GDII will pay back to the subsidiary part of the capital that the subsidiary invested in GDII, as well as all the owners' loans that were granted to GDII by the subsidiary and any other owners' loans, insofar as it receives from the subsidiary up to the date of completion of the transaction (the "owners' loans") (as at June 30, 2007, the relevant capital refund and all the owners' loans that will be returned to the subsidiary amount to about € 33 million).
 3. The agreement between the parties also includes a number of additional agreements, which any of the subsidiary, GDII or the sub-subsidiary (owned wholly by GDII) Link 4 Towarzystwo Ubezpieczen Spolka Akcyjna (hereunder - "Link4") entered and/or will enter into at the time of completion of the transaction, according to the version that was agreed upon, as follows: (a) a loan agreement between the subsidiary and GDII regarding an interest free loan in a total amount of U.S. dollars 33 million to be provided by GDII to the subsidiary on the date of completion of the transaction, which is to be repaid in 3 installments by the date of final payment; (b) shareholders agreement which settles the relationship between the subsidiary and the Investor, among others, their joint holdings and control in the GDII and the manner in which its activities will be managed, the areas in which it shall work and the territories in which it shall operate; (c) a service agreement regarding services to be provided by the Investor and the subsidiary to GDII, whether general services or by providing officers on behalf of any party ("Services Agreement"), and whereby it was determined, among others, that: (1) in consideration for the general services GDII shall pay amounts that increase annually, up to a sum of U.S. dollars 1,000,000 per annum to each one of the Investor and the subsidiary; (2) part of the services that the subsidiary will provide to GDII shall be through its officeholders (including Mr. Doron Schneidman who serves as the Subsidiary's Managing Director and Chairman of the Board of Directors);

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - SIGNIFICANT EVENTS DURING THE REPORTED PERIOD (Cont.)

e. Issue of subsidiary shares to a third party (Cont.)

3. (Cont.)

3) for the services of officeholders that the subsidiary and the Investor will provide to GDII (including services to be provided by the subsidiary through Mr. Doron Schneidman) GDII shall pay directly to the Investor or the subsidiary, as the case may be, additional consideration as follows: for the services of Doron Schneidman GDII will pay the subsidiary a total of U.S. dollars 1,000,000 per annum, and for the services of the other officeholders as aforesaid, GDII will pay the relevant party the cost of their employment by the relevant party plus 10% ("Cost + 10%"); (d) lending agreements between GDII and the subsidiary's officeholders (excluding Mr. Doron Schneidman) whereby the subsidiary will provide some of the services to GDII; (e) an agreement with Mr. Doron Schneidman regarding his undertaking to serve as the general manager of GDII for a period of 18 months from the time of completion of the transaction, at an employment of approximately 80% and not to compete with GDII during the period and under the terms that were set in the said agreement; (f) an agreement regarding the computer program used by GDII and its subsidiaries; (g) a side letter between the parties to the investment agreement, signed concurrently with the investment agreement, relating to the possible further capital investments of up to Euros 1 million that could be made by the subsidiary in GDII; the said monies were invested in GDII on June 28, 2007; (h) agreements for acquisition of options in Link4 (and/or shares resulting from the realization thereof) which were granted to its employees and officeholders, including Messrs. Moshe Schneidman and Doron Schneidman for consideration in cash, based on a valuation price of 3.84 Polish Zlotys per share of Link4 according to a valuation carried by an independent appraiser. The options (or shares) shall be purchased for the said price after deduction (or in the event of acquisition of the shares after the payment) of the exercise price of the options. In this regard it was agreed to make the necessary amendments in the options plan.

4. The transaction is subject to the fulfillment of suspending conditions as specified in the Investment Agreement by December 31, 2007 ("the Determining Date") (or by a later time for completion of the transaction if and insofar as agreed between the parties), including compliance with statutory requirements, and an agreement with the European Bank for Reconstruction and Development (hereunder - "EBRD") for the amendment of the set of agreements with EBRD regarding EBRD's investment in the Russian sub-subsidiary Joint Stock Insurance Company Energopolis.
5. On August 30, 2007 R&SA assigned all its rights and liabilities, according to the investment agreement in GDII, to Royal & Sun Alliance Insurance PIC ("RSAP"), which is a wholly owned and controlled subsidiary of R&SA, and R&SA will continue to be the guarantor for all of R&SA's liabilities according to the investment agreement.
6. The subsidiary estimates that subject to the parties signing the said binding agreements, as mentioned above, and subject to the completion of the transaction, the subsidiary will have capital gain in the amount of about NIS 350 million (the Company's share is about NIS 234 million), which will be spread according to the capital flow to GDII so that NIS 250 million (the Company's share is about NIS 167 million) will be recognized at the date of signature. The capital gain that will actually be created may be different, among others, due to accounting aspects and it also depends if the terms of the transaction will change under the binding agreements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - SIGNIFICANT EVENTS DURING THE REPORTED PERIOD (Cont.)f. Allotment of options to employees of a subsidiary

On June 21, 2007, the Board of Directors of Direct I.D.I. Insurance Company Ltd. (hereunder – the insurance company) approved to allot 1,355,000 options, and from these options it was decided to grant, on July 15, 2007 to 68 employees of the insurance company (including an officeholder in the insurance company who is not a director) 1,330,000 options realizable into 1,330,000 ordinary shares of NIS 1 par value each of the insurance company. The options will be allocated to a trustee pursuant to Section 102 of the Income Tax Ordinance (at a capital gain option).

The allotments performed on July 15, 2007 were at no consideration, in the framework of a program for distribution of benefits to employees, consultants, service providers and directors that the insurance company adopted on November 30, 2004 (hereunder – “the program”). The program includes vesting conditions whereby, the rights to realize the options will be granted to the offerees, in such a manner that 20% will be granted from the date of grant, 20% will be granted after one year, 30% will be granted after two years and an additional 30% after three years, on condition that the relevant offeree will be employed by the insurance company during the vesting period. The options are realizable for the period of up to the end of 5 years from the date of grant. The realization price of each option will be in the amount of NIS 8.138, linked to the CPI, beginning from the known index as at the date of grant and up to the known index as at the date of the realization. The estimate of the calculated fair value of the proposed options according to “Black and Scholes” model, as at June 21, 2007, is NIS 0.46 for each proposed option. The options are not listed for trade on the stock exchange. The parameters according to which the fair value is calculated as at June 21, 2007 is as follows: share rate of 820.5 points, realization price of NIS 8.88 per option, annual capitalization rate between 2.32% to 2.62%, the period of the proposed option is 5 years, and the annual standard deviation is between 28.83% to 29.47%.

As a result of the above grant, the subsidiary’s share in the insurance company decreased in full dilution from 76.89% to 76.82%.

g. Acquisition of Direct Insurance Financial Investments Ltd. shares

During the reporting period the Company acquired about 1.87% of Direct Insurance shares in consideration for about NIS 21 million. After the acquisition the Company holds about 67.28% (61.34% fully diluted). As a result of the acquisition an initial difference of about NIS 17 million was created in the Company, which will be allocated according to the acquisition components and each component will be amortized in accordance with the expected life expectancy.

The balance of the initial difference which is not allocated in accordance with the valuation, will be attributed to goodwill which will not be systematically amortized.

According to Accounting Standard No. 20 (Amended), each year the Company will examine the necessity for impairment of the goodwill, unless there will be events or changes in circumstances that will require an earlier examination.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD (Cont.)h. Acquisition of Adgar shares

During the reporting period the Company acquired about 3.2% of Adgar shares in consideration for about NIS 22 million. After the acquisition the Company holds about 60.8% of Adgar shares (56.97% fully diluted). As a result of the acquisition a negative initial difference was created in the amount of about NIS 4 million which is allocated to the statements of profit and loss under the item other income.

NOTE 7 - REQUESTS TO APPROVE CLAIMS AS CLASS ACTIONS IN AN INSURANCE SUBSIDIARY IN ISRAEL

- a. On February 27, 2007, a financial claim was filed with the Tel-Aviv-Jaffa District Court together with a request to approve the claim as a class action against an insurance subsidiary in Israel and against other insurance companies, together with a request to approve the claim as a class action. The claimant contends that when there is an insurance event of an auto theft in the motor casco line, the policyholder is not reimbursed for the relative premium charged from him in respect of additional policy coverage. The claimant estimated the amount of the class action at about NIS 6.5 million. The insurance subsidiary filed its response to the claim on May 20, 2007. According to the subsidiary the claim will be dismissed due the claimant's lack of cause and due to the fact that the claim does not comply with the legal provisions with respect to an approval of a claim as a class action. In the opinion of the subsidiary and its legal advisors, the probability that the defense arguments will be approved is higher than the probability that the claimant's arguments will be approved. Therefore, no provision was included in the financial statements in respect of this claim.
- b. On August 7, 2007, a financial claim was filed with the Tel-Aviv-Jaffa District Court against an insurance subsidiary in Israel, together with a request to approve the claim as a class action. The claimant contends that when there is an insurance event in the motor casco line, and since before the insurance agreement was signed the claimant did not receive information regarding the manner of payment of insurance benefits, and according to the claimant the insurance benefits should be calculated differently by the insurance subsidiary and he should receive higher insurance benefits. The class action is submitted on behalf of all the policyholders of the insurance subsidiary as from January 1, 2001 and up to the day of its submission who purchased insurance in the motor casco line and during the period of insurance there was an insurance event whereby the vehicle was declared as a theoretical loss or as a total loss and the insurance subsidiary has an insurance liability towards those policyholders. The claim is in the amount of about NIS 7 thousand and the request to approve the claim as a class action is in the amount of about NIS 110 million.

The insurance subsidiary and its legal advisors estimate that the probability that the defense's claims be accepted are higher than the probability that the plaintiff's claims will be accepted and accordingly a provision for the claim was not included in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - SUBSIDIARIES' COMPLIANCE WITH CAPITAL REQUIREMENTS

- a. Direct I.D.I. Insurance Company Ltd.) – an insurance subsidiary in Israel

Announcement pursuant to the Supervision of Insurance Business Regulations (Minimum Solvency Margin Required from an Insurer), 1998 as amended in the year 2004 - (hereunder - Capital Regulations):

		September 30, 2007
		<u>NIS in thousands</u>
Minimum solvency margin:		
Amount required as per regulations	(1)(2)	214,608
Amount calculated as per regulations	(3)	<u>303,843</u>
Surplus	(4)	<u><u>89,235</u></u>
Primary capital:		
Minimum solvency margin as per regulations		76,739
Amount calculated as per regulations		<u>202,562</u>
Surplus		<u><u>125,823</u></u>

- (1) The amount required includes unallowable assets in respect of amount at risk on retention in the event of death in life assurance in the amount of NIS 39,660 thousand (see Note 5).
- (2) In October 2007, a draft amendment to the Supervision of Financial Services Regulations (Minimum Solvency Margin Required from an Insurer (Revised), 2007, was published.

Under the draft it is proposed to add the following categories to the existing capital requirements: (a) A capital requirement with respect to assets that are held against liabilities that are not yield dependant and with respect to an exposure to the financial immunity of reinsurers (b) A capital requirement with respect to exposure to damage as a result of a single catastrophic event in general insurance business (c) A capital requirement with respect to an exposure to the financial immunity of reinsurers as a result of a single catastrophic event in general insurance business (d) A capital requirement with respect to 1.5% operational risks out of the total assets in the balance sheet.

According to the draft regulations the insurance companies will be required to gradually increase their equity up to the end of the year 2011.

According to the Regulator's directives, until the approval of the Regulations amendment is completed, the insurance companies are permitted to distribute dividends in an amount that will not be higher than 50% of the net profit for the year 2007. "Profit", in this case, is the profit net of the profit component that is derived from the transfer of the reserve for extraordinary risks in life assurance, to the shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - INSURANCE SUBSIDIARIES COMPLIANCE WITH CAPITAL REQUIREMENTS (Cont.)

- a. Direct I.D.I. Insurance Company Ltd. (“the Insurance Company”) – an insurance subsidiary in Israel (Cont.)

According to a preliminary estimate that was performed by the insurance company, if the draft amendment would have been adopted as a binding rule (and in accordance with the interpretation of the insurance company to the aforementioned draft), then as at September 30, 2007, the minimum solvency margin would have increased by about NIS 150 million. Accordingly, based on the draft amendment and in view of the insurance company's capital surplus as at the said date, the insurance company would have been required to increase its equity, gradually over said number of years, by about NIS 61 million.

It is expected that there will be discussions with the Insurance Regulator with respect to this draft and there is no certainty that the proposed amendment will enter into effect and/or with respect to the details of the arrangements that will be determined therein.

- (3) The amount includes subordinated deeds in the amount of NIS 101,281 thousand which constitute subordinated capital with respect to capital requirements.
- (4) The distribution of dividends from surplus capital is subject to liquidity requirements and compliance with the Ways of Investment Regulations.
- b. As of September 30, 2007 the insurance subsidiaries operating abroad (in Poland, the Czech Republic and in Russia) comply with the capital requirements prescribed by the Insurance Supervision Authorities in their country of residence.
- c. On November 5, 2007, a permit which replaced a former permit entered into effect, with respect to the control and holding of controlling means in an insurer in Israel, Direct I.D.I. Insurance Company Ltd. and in the management companies of provident funds controlled by subsidiaries. The permit prescribes the following:
1. The subsidiary Direct Insurance Financial Investments Ltd. undertook to supplement, at any given time, the insurers' shareholders equity as prescribed by the Capital Regulations or by any other ruling that will replace them. However, the commitment will not be higher than 50% of the required capital or NIS 105 million, at the lower of the two (linked to the CPI of June 2007).
 2. The subsidiary undertook to supplement, at any given time, the shareholders' equity of the provident funds management companies up to the amount prescribed by the Supervision of Financial Services (Provident Fund), 2005 Law, or any other rule that will replace it.
 3. In the event that the subsidiary will not report in its financial statements as at March 31, 2008, shareholders' equity that will be at least 20% higher than the solvency margin required from an insurer, in order to be able to bear the commitment to supplement the aforementioned shareholders' equity on its own, the responsibility to supplement the equity will also be applicable to the Company.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9:- EVENTS AFTER THE BALANCE SHEET DATE

a. Agreement with Clal and Meitavit for the cancellation of Series 8 options linkage (unquoted)

In November 2007, the Company, together with Clal Insurance Company Ltd. and Meitavit Pension Funds Management Ltd., signed an addition to the agreement for an allotment of shares and options from May 30, 2006

According to this addition, the realization price of the options (Series 8) which were allocated to them, will not be linked to the consumer price index, but will be fixed (except for adjustments in respect of distribution of dividend, benefit shares and rights). It was also agreed in this addition that the amortization in the realization price as a result of the dividend will not be linked to the changes in the consumer price index.

The realization price is set at NIS 8.25 per option.

b. Acquisition of Provident Funds Activities

On January 7, 2007 Direct Provident Funds Management Ltd. (hereunder - Direct Provident), a wholly owned subsidiary of I.D.I. Insurance Company Ltd., signed an agreement with the First International Bank of Israel Ltd., UBank Ltd. and the companies managing the provident funds owned by the banks (hereunder - the banks), for the acquisition of the banks' provident funds. On September 26, 2006 the Company's Board of Directors approved the agreement. After all the suspending approvals for performing the transaction were received, the transaction was completed on November 13, 2007.

In the framework of the transaction, an agreement was signed between the banks and Direct Provident for rendering operating services for the acquired funds and the banks' management companies assigned to Direct Provident brokerage agreements that entered into effect when the transaction was concluded. In addition it was agreed to sign distribution agreements, in accordance with the principles that were determined in the agreement for the sale of activities.

The assets that are managed as at the transition date amount to approximately NIS 7.3 billion. The consideration in respect of the acquisition of the provident funds activities, their assets, liabilities and goodwill amounts to about NIS 206 million, after performing adjustments that were agreed upon by the parties.

In the framework of the completion of the transaction, the subsidiary committed to be a guarantor to Direct Provident's commitment towards the members of some of the acquired provident funds for payment of the nominal value of the members' deposits, according to the aforementioned provident funds articles of association. Regarding one of the acquired provident funds, which is a provident fund that guarantees yield, the subsidiary committed to be a guarantor to Direct Provident towards the members of that provident fund, in accordance with the said provident fund's regulations.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9:- EVENTS AFTER THE BALANCE SHEET DATE (Cont.)

c. Acquisition of shares in an insurance subsidiary in Israel

In November 2007, a subsidiary, Direct Insurance Financial Investment Ltd., acquired about 7.7% of the issued and paid up capital of Direct I.D.I. Insurance Company Ltd., an insurance subsidiary in Israel, in consideration for about NIS 35 million. After the acquisition the subsidiary will hold about 84.6% of the insurance company in Israel (81.4% fully diluted).

As a result of the acquisition an initial difference of about NIS 20 million will be created in the Company, which will be allocated according to the acquisition components and each component will be amortized in accordance with the anticipated life expectancy.

The balance of the initial difference which is not allocated in accordance with the valuation, will be attributed to goodwill which will not be systematically amortized.

According to Accounting Standard No. 20 (Amended), the Company will examine the need for impairment of the goodwill each year, unless there will be events or changes in circumstances that will require an earlier examination.

d. After the balance sheet date 1,263,334 options (Series 6) in Adgar were realized into about 735,274 ordinary shares of NIS 1 nominal value each. As a result of the realization the Company is expected to record a loss in the amount of about NIS 3 million.

e. A subsidiary of Adgar, in which the Company has an 82.5% holding, signed an agreement for the sale of an office building in Ottawa, Canada, in consideration for about 35.5 million Canadian dollars.

As a result of the agreement and the signs indicating that the Canadian appraiser's valuation that was performed on December 31, 2006 does not reflect the fair value as at September 30, 2007, Adgar recorded income from revaluation of investment property in the amount of about NIS 16 million (the Company's share is about NIS 9 million, net after taxes). The transaction is subject to due diligence that will be performed by the purchaser and the date of completion is set for January 2008.
