

ADAMIND LTD.
(in voluntary liquidation)

CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2008

U.S. DOLLARS IN THOUSANDS

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF

ADAMIND LTD.

(in voluntary liquidation)

We have audited the accompanying consolidated statement of net assets in liquidation of Adamind Ltd. and its subsidiaries (in voluntary liquidation) ("the Company") as at 31 December 2007 and 2008 and the consolidated statements of the changes in net assets in liquidation, consolidated statements of changes in equity and consolidated statements of cash flows, for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the net assets in liquidation as at 31 December 2007 and 2008, and of its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards, on the basis described in Note 2.

Without qualifying our opinion, we draw attention to Note 1c of the financial statements. In April 2008, the Company's board of directors resolved to commence with the voluntary liquidation of the Company. Since 27 August 2008, the Company is in voluntary liquidation.

Tel-Aviv, Israel
30 June, 2009

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

ADAMIND LTD. AND ITS SUBSIDIARIES (in voluntary liquidation)

CONSOLIDATED STATEMENTS OF NET ASSETS IN LIQUIDATION

U.S. dollars in thousands

	<u>Note</u>	December 31	
		2007	2008
ASSETS			
Cash and cash equivalents	3	\$ 22,907	\$ 4,735
Marketable securities		500	-
Restricted cash held as a trustee		-	2,788
Other accounts receivable and prepaid expenses	4	674	41
		24,081	7,564
LESS - LIABILITIES			
Accounts payable		80	54
Accrued expenses and other liabilities	5	350	2,740
		430	2,794
NET ASSETS AVAILABLE FOR DISTRIBUTION (EQUITY)		\$ 23,651	\$ 4,770

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

June 30 ,2009			
Date of approval of the financial statements	Orna Berry Chairperson of board of directors	Rami Guzman Director	Yoav Kfir Liquidator

ADAMIND LTD. AND ITS SUBSIDIARIES (in voluntary liquidation)

CONSOLIDATED STATEMENTS OF THE CHANGES IN NET ASSETS IN LIQUIDATION

U.S. dollars in thousands, except share and per share data

	<u>Note</u>	Year ended December 31	
		2007	2008
Revenues		\$ 691	\$ -
Cost of revenues		165	-
Gross profit		526	-
Operating expenses:			
Research and development, net		819	-
Selling and marketing		1,057	-
General and administrative		2,562	1,186
Amortization of intangible assets		204	-
<u>Total operating expenses</u>		4,642	1,186
Operating loss		4,116	1,186
Financial income, net		834	582
Other income, net		3,105	64
Tax expense (income)		200	(145)
Net loss		\$ 377	\$ 395
Basic and diluted net loss per share		\$ (0.01)	\$ (0.01)
Weighted average number of shares used in computing basic and diluted net loss per share		35,643,430	36,903,311

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

ADAMIND LTD. AND ITS SUBSIDIARIES (in voluntary liquidation)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands, except share data

	Ordinary shares		Additional paid-in capital	Net unrealized loss reserve	Accumulated deficit	Total equity	Total recognized income and expenses
	Number	Amount					
Balance as of 1 January 2007	35,546,636	\$ 81	\$ 31,768	\$ (46)	\$ (7,953)	\$ 23,850	
Issuance of shares upon exercise of employee options	277,750	1	119	-	-	120	
Issuance expenses related to shares issued in 2005	-	-	(213)	-	-	(213)	
Reclassification upon disposal of available-for-sale marketable securities	-	-	-	46	-	46	\$ 46
Share-based compensation	-	-	225	-	-	225	-
Net loss	-	-	-	-	(377)	(377)	(377)
Balance as of 31 December 2008	<u>35,824,386</u>	<u>\$ 82</u>	<u>\$ 31,899</u>	<u>\$ -</u>	<u>\$ (8,330)</u>	<u>\$ 23,651</u>	<u>\$ (331)</u>
Issuance of shares upon exercise of employee options	1,0778,925	2	442	-	-	444	
Capital reduction	-	-	(19,210)	-	-	(19,210)	
Refunds of stamp duty	-	-	280	-	-	280	
Net loss	-	-	-	-	(395)	(395)	(395)
Balance as of 31 December 2008	<u>36,903,311</u>	<u>\$ 84</u>	<u>\$ 13,411</u>	<u>\$ -</u>	<u>\$ (8,725)</u>	<u>\$ 4,770</u>	<u>\$ (395)</u>

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

ADAMIND LTD. AND ITS SUBSIDIARIES (in voluntary liquidation)

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31	
	2007	2008
<u>Cash flows from operating activities:</u>		
Net loss	\$ (377)	\$ (395)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and capital loss	330	-
Gain on sale of Company's assets	(3,105)	-
Decrease in trade receivables, other accounts receivable and prepaid expenses	407	78
Decrease in trade payables, employees and payroll accruals, accrued expenses and other liabilities	(1,808)	(424)
Increase in deferred revenues	615	-
Share-based compensation	225	-
	(3,713)	(741)
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(26)	-
Investment in restricted cash held as a trustee		(4,135)
Proceeds from short-term available-for-sale marketable securities, net	6,997	500
Proceeds from the sale of Company's assets, net of related expenses	4,529	555
	11,500	(3,080)
<u>Cash flows from financing activities:</u>		
Capital reduction	-	(15,075)
Proceeds from exercise of employees options	120	444
Stamp duty	(213)	280
	(93)	(14,351)
Increase (decrease) in cash and cash equivalents	7,694	(18,172)
Cash and cash equivalents at the beginning of the year	15,213	22,907
	\$ 22,907	\$ 4,735
<u>Supplemental disclosure of cash flow activities:</u>		
Cash received during the year for:		
Interest	\$ 914	\$ 530
<u>Non-cash financing activities:</u>		
Capital reduction	\$ -	\$ 4,135
Receivable in respect of sale of the Company's assets	\$ 550	\$ -

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

ADAMIND LTD. AND ITS SUBSIDIARIES (in voluntary liquidation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data

NOTE 1:- GENERAL

a. Adamind Ltd. (in voluntary liquidation) ("the Company") was incorporated in Israel and commenced operations in 2004. The Company established a wholly-owned subsidiary in the U.S. ("Adamind Inc."), which was primarily engaged in marketing and sales in the U.S. In February 2006, the Company completed the acquisition of all of the issued and outstanding share capital of a Hong Kong based company named SenseStream Limited. In 2007, the Company ceased the operations of both Adamind Inc and SenseStream, Ltd. Until the sale of its assets in April 2007 (see b), the Company was a provider of software that enabled mobile multimedia content and converged communications services.

b. Sale of Company's assets

In April 2007, Mobixell Networks (Israel) Ltd. (a subsidiary of Mobixell Technologies Inc.) ("Mobixell Networks") and the Company completed an Asset Purchase Deal ("Transaction") in which the Company agreed to sell to Mobixell Networks substantially all of the Company's tangible and intangible assets (excluding, among others, cash and cash equivalents and marketable securities) and related liabilities, in consideration of \$ 5,500. The Transaction was approved by the shareholders on 12 April 2007. Consummation of this Transaction resulted in a gain on the sale of \$ 3,105 (net of transaction costs of \$ 421). As part of the Transaction, 10% of the consideration (\$ 550) was deposited in escrow until fulfillment of all of the terms in the agreement. The escrow amount has been released to the Company in October 2008.

c. Voluntary liquidation

On 6 April 2008, the Company's board of directors resolved to commence with the voluntary liquidation of the Company. Since 27 August 2008, the Company is in voluntary liquidation.

d. Capital reduction

On 16 January 2008, the Company's board of directors decided to distribute cash to the Company's shareholders. In March 2008, the Company obtained court approval for the distribution of \$ 19,200. On 25 April 2008, the Company distributed to its shareholders approximately \$ 19,210, as a return of investment, of which an amount of £1,862,000 (equivalent to \$ 2,720 as of 31 December, 2008) is held by the Company with respect to the withholding tax liability incurred as a result of the distribution.

e. On 14 April 2008, the Company's shares were suspended from trading on AIM and were delisted on 14 October 2008.

ADAMIND LTD. AND ITS SUBSIDIARIES (in voluntary liquidation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. General:

The financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Until 31 December 2007, the Company's financial statements were presented on a going concern basis. On 6 April 2008, the Company's board of directors resolved to commence voluntary liquidation of the Company (see Note 1c). Accordingly, the going concern basis is no longer appropriate and as of 31 December 2007 and 2008, the Company has applied the liquidation basis (see b below).

b. Liquidation basis:

Under the liquidation basis of accounting, the Company measures its assets and liabilities in the statement of net assets in liquidation, based on their net realizable value. In respect of the assets and liabilities of the Company as of 31 December 2007 and 2008, which are substantially all monetary items, the measurement of these items under the liquidation basis are not materially different from their measurement under the going concern basis.

c. Going concern basis:

Until 31 December 2007, the financial statements were presented on a going concern basis.

The significant accounting policies applied in the financial statements, on this basis, are described below.

d. Functional and presentation currency:

Substantially all of the Company's sales were made outside Israel in non Israeli currencies, mainly the U.S. dollar. A substantial portion of the Company's expenses, mainly selling and marketing expenses was incurred in or linked to U.S. dollars. The funds of the Company are held in U.S. dollars. Therefore, the Company's management has determined that the U.S. dollar is the currency of the primary economic environment of the Company, and thus its functional and presentation currency.

e. Principles of consolidation:

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. Intercompany balances and transactions have been eliminated upon consolidation.

f. Cash equivalents:

The Company considers all highly liquid investments originally purchased with maturities of three months or less to be cash equivalents.

ADAMIND LTD. AND ITS SUBSIDIARIES (in voluntary liquidation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- g. Basic and diluted net loss per share:

Basic net loss per share is computed based on the weighted average number of Ordinary shares outstanding during each year. Diluted net loss per share is computed based on the weighted average number of Ordinary shares outstanding during each period, plus dilutive potential Ordinary shares considered outstanding during the period, except when such potential shares are anti-dilutive.

- h. Fair value of financial instruments:

The carrying amounts of cash and cash equivalents, other accounts receivable, and trade and other payables approximate their fair value due to the short-term maturity of such instruments.

- i. Concentrations of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents.

The majority of the Company's cash and cash equivalents are invested in major banks in the United States and Israel, in U.S. dollars. Generally, these deposits may be redeemed upon demand, and therefore, bear low risk.

As of 31 December 2008, the Company has no significant off-balance sheet concentration of credit risk, such as foreign exchange contracts, option contracts or other foreign hedging arrangements.

NOTE 3:- CASH AND CASH EQUIVALENTS

	December 31	
	2007	2008
Current accounts	\$ 740	\$ 904
Short-term deposits in bank	22,167	3,831
	<u>\$ 22,907</u>	<u>\$ 4,735</u>

ADAMIND LTD. AND ITS SUBSIDIARIES (in voluntary liquidation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data

NOTE 4:- OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31	
	2007	2008
Receivable in respect of sale of the Company's assets (Note 1b)	\$ 550	\$ -
Government authorities	55	-
Prepaid expenses	-	41
Accrued interest receivable	10	-
Other	59	-
	\$ 674	\$ 41

NOTE 5:- ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and income tax accrual	\$ 350	\$ 20
Liability with respect to capital reduction	-	2,720
	\$ 350	\$ 2,740

NOTE 6:- COMMITMENTS AND CONTINGENCIES

Following the sale to Mobixell in April 2007, the Company reclaimed VAT in the amount of \$ 152 that was not received by the Company. The Company is currently negotiating with the VAT authority reclamation of this amount. The outcome of this negotiation is still unknown, and under certain circumstances the Company may be required to pay the VAT authority an additional amount of approximately \$40.

NOTE 7:- EQUITY

a. Rights of Ordinary shares:

Ordinary shares confer upon their holders voting rights, the right to receive cash dividends, and the right to a share in any available assets upon liquidation of the Company.

b. Share-based payment plans:

Under the Company's 2004 Global Stock Option Plan ("the Plan"), options may be granted to officers, directors, employees and consultants of the Company or its subsidiaries. The options expire on the tenth anniversary of the grant date. The options vest generally over four years.

The Company reserved 4,235,000 ordinary shares for issuance of options under the Plan. As of 31 December 2008, there are no shares available for future grants under the Plan.

ADAMIND LTD. AND ITS SUBSIDIARIES (in voluntary liquidation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data

NOTE 7:- EQUITY (Cont.)

In 2008, 1,078,925 ordinary shares were issued upon the exercise of options. All other options are deemed to be forfeited.

NOTE 8:- INCOME TAXES

- a. Measurement of taxable income under the Income Tax (Inflationary Adjustments) Law, 1985:

Until 31 December 2005, results for tax purposes in Israel were measured in terms of earnings in NIS after certain adjustments for increases in Israel's Consumer Price Index ("CPI"). Commencing in 2006, the Company elected to measure its taxable income and file its tax return under the Israeli Income Tax Regulations (Principles Regarding the Management of Books of Account of Foreign Invested Companies and Certain Partnerships and the Determination of Their Taxable Income), 1986. Such an election obligates the Company for three years. Accordingly, commencing in 2006, results for tax purposes are measured in terms of earnings in U.S. dollars.

- b. Tax rates:

On 25 July 2005, the Knesset (Israeli Parliament) approved the Law of the Amendment of the Income Tax Ordinance (No. 147), 2005, which prescribes, among others, a gradual decrease in the corporate tax rate in Israel to the following tax rates 2007 - 29%, 2008 - 27%, 2009 - 26% and 2010 and thereafter - 25%.

- c. The Israeli Tax Authorities ("ITA") are currently examining income tax returns of the Company for years since inception through and includes the year ended 31 December 2007.

- d. The Company has certain tax exposures of approximately \$ 1,000 resulting from the operation of the Company in multiple tax jurisdictions.

NOTE 9:- SUBSEQUENT EVENTS

In May 2009, the Company received the ITA approval to distribute to its shareholders the amount held with respect to the withholding liability (see Note 1d). Such amounts were distributed in June 2009.
