

28 September 2007

**Adamind Ltd**

**(“Adamind” or “the Company”)**

**Interim Results for the period ended 30 June 2007**

Adamind Ltd announces its financial results for the six months ended 30 June 2007.

**Summary**

- Revenues amounted to \$691,000 (H1 2006: \$1.7m) reflecting the sale of assets in the first half
- Profit before tax was \$544,000 (H1 2006: \$3,998 (loss))
- Basic and diluted profit per share of 1cent (H1 2006: 11 cents (loss))
- Cash, Cash equivalents, restricted cash, and Short term available-for-sale Securities totalled \$24.29m in cash plus \$550,000 in escrow (from the Mobixell Networks (Israel) Ltd transaction)
- Sale of assets to Mobixell Networks (Israel) Ltd
- Intention to return monies to shareholders

Orna Berry, Executive Chairperson of Adamind, said: “The Board plans to return the cash as soon as it can to its shareholders. The Company hedges the funds against currency fluctuations and keeps a majority of the money in GBP. Should Adamind be approached by potential buyers for the Company as a going concern, the Board will explore the offer in order to try and maximize the shareholders’ return and accelerate the time of the return.”

**Enquiries:**

<b>Adamind</b>	
Orna Berry, Executive Chairperson	+972 9 971 9111
<b>Corfin Communications</b>	
Harry Chathli, Neil Thapar	+44 20 7977 0020
<b>Landsbanki Securities</b>	
Simon Bridges	+44 20 7426 9000

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## **Overview**

The results reflect the strategic direction taken by the Board in actively pursuing a range of alternative proposals with a view to maximising shareholder value after the slower than expected growth in demand for MMS and content services market, affecting the entire industry. Towards the end of 2006, a number of parties expressed an interest in exploring a potential deal.

On 21 February 2007, the Company announced that it had entered into an agreement for the sale of substantially all the Company's assets (excluding, among others, cash and cash equivalents and marketable securities) and assignment of related liabilities to Mobixell Networks (Israel) Ltd. The transaction was approved at an Extraordinary General Meeting held on 12 April 2007.

The Company has taken specific measures to reduce its cash burn. The cost structure as of October 1<sup>st</sup>, 2007 following the departure of the CEO and the CFO will be comprised of the following: board members' payments, the AIM and FSA related expenses and a limited number of essential service providers.

As of Sept.25th 2007, the Company had \$23.9m in cash, cash equivalents and short-term securities plus \$550,000 in escrow (from the Mobixell Networks (Israel) Ltd transaction).

## **FSA Investigation**

The U.K. Financial Services Authority ("FSA") is investigating the Company, in respect of circumstances, statements and behaviour occurring prior to an adverse trading statement made by the Company on 22 June 2006, and with respect to circumstances suggesting that market abuse may have occurred. The FSA has interviewed directors and officers of the Company and appears to be in the final stages of its investigation. It is not possible for management to assess what impact it may have on the Company's financial statements in the future. The Company is in discussions with its insurance company, negotiating the possibility of recovering a portion of the legal expenses incurred pertaining to the aforementioned FSA investigation. Part of the expenses have been reimbursed after the balance sheet date and negotiations are continuing with the insurance company with respect to other expenses. At the present time, management is unable to determine the additional amounts, if any, that it might receive as reimbursement.

## **Outlook**

The Board plans to return the cash as soon as it can to its shareholders. The Company is currently hedging the funds against currency fluctuations and keeping a majority of the money in GBP. Should Adamind be approached by potential buyers for the company as a going concern, the Board will explore any interest in order to try and maximize the shareholders return and accelerate the time of the return.

**ADAMIND LTD. AND ITS SUBSIDIARIES**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF 30 JUNE 2007**

**U.S. DOLLARS IN THOUSANDS**

**UNAUDITED**

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**CONSOLIDATED BALANCE SHEETS**

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

ASSETS	30 June	31 December
	2007	2006
	Unaudited	Audited
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 22,499	\$ 15,213
Restricted cash	237	-
Short-term available-for-sale marketable securities	1,559	7,451
Trade receivables	-	1,535
Other accounts receivable and prepaid expenses	729	468
<u>Total current assets</u>	<u>25,024</u>	<u>24,667</u>
<b>NON-CURRENT ASSETS:</b>		
Property and equipment, net	-	477
Intangible assets, net	-	2,087
<u>Total non-current assets</u>	<u>-</u>	<u>2,564</u>
<u>Total assets</u>	<u>\$ 25,024</u>	<u>\$ 27,231</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	\$ 8	\$ 577
Employees and payroll accruals	73	936
Accrued expenses and other liabilities	639	1,211
Deferred revenues	-	657
<u>Total current liabilities</u>	<u>720</u>	<u>3,381</u>
<b>EQUITY:</b>		
Share capital -		
Ordinary shares of NIS 0.01 par value - Authorized: 50,000,000 shares at 30 June 2007 and 31 December 2006; Issued and outstanding: 35,688,886 and 35,546,636 shares at 30 June 2007 and 31 December 2006, respectively	81	81
Additional paid-in capital	31,840	31,768
Net unrealized loss reserve	(8)	(46)
Accumulated deficit	(7,609)	(7,953)
<u>Total equity</u>	<u>24,304</u>	<u>23,850</u>
	<u>\$ 25,024</u>	<u>\$ 27,231</u>

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

**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	Six months ended 30 June		Year ended 31 December
	2007	2006	2006
	Unaudited		Audited
Revenues	\$ 691	\$ 1,704	\$ 5,946
Cost of revenues	165	323	739
Gross profit	526	1,381	5,207
Operating expenses:			
Research and development, net	825	1,664	3,002
Sales and marketing	1,014	2,817	5,550
General and administrative	1,590	962	2,137
Amortization of intangible assets	204	420	831
Impairment of intangible assets	-	-	1,165
<u>Total operating expenses</u>	<u>3,633</u>	<u>5,863</u>	<u>12,685</u>
Operating loss	3,107	4,482	7,478
Financial income, net	546	484	960
Other income (note 1b)	3,105	-	-
Profit (loss) before income taxes	544	(3,998)	(6,518)
Income taxes	200	-	-
Net profit (loss)	<u>\$ 344</u>	<u>\$ (3,998)</u>	<u>\$ (6,518)</u>
Basic net profit (loss) per share	<u>\$ 0.01</u>	<u>\$ (0.11)</u>	<u>\$ (0.18)</u>
Diluted net profit (loss) per share	<u>\$ 0.01</u>	<u>\$ (0.11)</u>	<u>\$ (0.18)</u>
Weighted average number of shares used in computing basic net profit (loss) per share	<u>35,569,056</u>	<u>35,485,231</u>	<u>35,516,186</u>
Weighted average number of shares used in computing diluted net profit (loss) per share	<u>35,853,409</u>	<u>35,485,231</u>	<u>35,516,186</u>

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

**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
	shares	Amount					
Balance as of January 1, 2006 (Audited)	35,388,636	\$ 80	\$ 31,285	\$ -	\$ (1,435)	\$ 29,930	\$ -
Issuance of shares upon exercise of employees' share options	158,000	1	64	-	-	65	-
Cancellation of issuance expense	-	-	298	-	-	298	-
Unutilized losses on available for sale marketable securities	-	-	-	(46)	-	(46)	(46)
Share based compensation	-	-	121	-	-	121	-
Loss	-	-	-	-	(6,518)	(6,518)	(6,518)
Balance as of 31 December 2006 (Audited)	35,546,636	81	31,768	(46)	(7,953)	23,850	(6,564)
Issuance of shares upon exercise of employees' share options	142,250	*)	59	-	-	59	-
Issuance expenses	-	-	(213)	-	-	(213)	-
Realized losses on available for sale marketable securities	-	-	-	38	-	38	38
Share based compensation	-	-	226	-	-	226	-
Net profit	-	-	-	-	344	344	344
Balance as of 30 June 2007 (unaudited)	35,688,886	\$ 81	\$ 31,840	\$ (8)	\$ (7,609)	\$ 24,304	\$ 382

\*) Represents an amount lower than \$ 1.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

	<b>Six months ended</b>		<b>Year ended</b>
	<b>30 June</b>		<b>31 December</b>
	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>Unaudited</b>		<b>Audited</b>
<u>Cash flows from operating activities:</u>			
Net profit (loss)	\$ 344	\$ (3,998)	\$ (6,518)
Adjustments to reconcile net profit (loss) to net cash used in operating activities:			
Depreciation and amortization	331	545	1,106
Impairment of intangible assets	-	-	1,165
Gain on sale of Company's assets	(3,105)	-	-
Amortization of premiums on held-to-maturity marketable securities	-	32	-
Decrease (increase) in trade receivables and other accounts receivable and prepaid expenses	352	(4)	(259)
Increase (decrease) in trade payables, employees and payroll accruals and accrued expenses and other liabilities	(1,732)	260	(87)
Increase (decrease) in deferred revenues	615	(132)	84
Share-based compensation	226	141	121
Net cash used in operating activities	<u>(2,969)</u>	<u>(3,156)</u>	<u>(4,388)</u>
<u>Cash flows from investing activities:</u>			
Purchase of equipment	(26)	(238)	(326)
Investment in restricted cash	(237)	-	-
Proceeds from sale of property and equipment	-	-	6
Proceeds from short-term available-for-sale marketable securities	5,930	3,300	-
Proceeds from short-term held-to-maturity marketable securities	-	-	9,341
Proceeds from long-term held-to-maturity marketable securities	-	-	9,420
Proceeds from the sell of Company's assets, net	4,529	-	-
Payment for the acquisition of Senstream Ltd. (1)	-	(782)	(782)
Net cash provided by investing activities	<u>10,196</u>	<u>2,280</u>	<u>17,659</u>
<u>Cash flows from financing activities:</u>			
Issuance of shares upon exercise of employees' share options, net	59	56	65
Net cash provided by financing activities	<u>59</u>	<u>56</u>	<u>65</u>
Increase (decrease) in cash and cash equivalents	7,286	(820)	13,336
Cash and cash equivalents at beginning of period	15,213	1,877	1,877
Cash and cash equivalents at end of period	<u>\$ 22,499</u>	<u>\$ 1,057</u>	<u>\$ 15,213</u>
<u>Supplemental disclosure of cash flow activities:</u>			
Cash received during the period for interest	<u>\$ 451</u>	<u>\$ 588</u>	<u>\$ 1,162</u>
<u>Non-cash financing activities:</u>			
Cancellation of accrued for issuance expense	<u>\$ -</u>	<u>\$ 298</u>	<u>\$ 298</u>
Cancellation of accrued for issuance expense	<u>\$ 213</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Cont.)****U.S. dollars in thousands**

	<b>Six months ended</b>		<b>Year ended</b>
	<b>30 June</b>		<b>31 December</b>
	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>Unaudited</b>		<b>Audited</b>
<u>(1) Payment for the acquisition of Senstream Ltd.</u>			
Estimated fair value of assets acquired and liabilities assumed at the date of acquisition:			
Working capital deficiency, excluding cash and cash equivalents	\$ -	\$ 489	\$ 489
Property and equipment	-	(8)	(8)
Intangible assets	-	(1,280)	(1,280)
Accrued severance pay, net	-	17	17
	<u>\$ -</u>	<u>\$ (782)</u>	<u>\$ (782)</u>

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

## NOTES TO FINANCIAL STATEMENTS

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U.S. dollars in thousands, except share data

## NOTE 1:- GENERAL

- a. Adamind Ltd. ("the Company") was incorporated in Israel and commenced operations in 2004. In February 2005, the Company completed an Initial Public Offering ("IPO") on the London Stock Exchange Alternative Investment Market ("AIM") under the symbol "ADA". The Company issued 11,363,636 Ordinary shares to institutional and other investors and raised approximately \$ 28,000 before issuance expenses of approximately \$ 2,900. In 2006, an accrual of \$ 298 for stamp duty, which was included in issuance expenses, was cancelled based on a legal opinion received by the Company. The Israeli tax authorities have not accepted the legal opinion, and insist that the Company pay the abovementioned amount plus interest and penalty (increasing the amount due to linkage differentials, penalties and interest to approximately \$ 331 as of 30 June, 2007). In July 2007, the Company paid \$ 213 to the tax authorities in order to cease the accumulation of penalties. As of balance sheet date, the stamp duty was accrued. This amount may be retrieved to the Company depending on the decision of the Israeli Supreme court on a similar case.
- 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 sold 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 April 12, 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 for a period of 12 months (until April 2008).
- c. Prior to the Transaction, the Company was a provider of software, which enables mobile multimedia content and converged communications services. The Company addressed the interoperability challenge that exists between different mobile devices to receive and process media rich content. The Adamind Spire™ platform provides media adaptation and enhancement software enabling service operators to successfully deploy messaging, content and next generation convergence services.
- d. The U.K. Financial Services Authority ("FSA") is investigating the Company, in respect of circumstances, statements and behavior occurring prior to an adverse trading statement made by the Company on 22 June 2006, and with respect to circumstances suggesting that market abuse may have occurred. The investigation is currently underway and it is not possible for management to assess what impact it may have on the Company's financial statements in the future. The Company is in discussions with its insurance company, negotiating the possibility of recovering a portion of the legal expenses incurred pertaining to the aforementioned FSA investigation. At the present time, management is unable to determine the amount, if any, that it might receive as reimbursement.
- e. The Company has certain tax exposures resulting from the operation of the Company in multiple tax jurisdictions and as a result of the sale of the Company's assets (see note 1b). The Company is in the process of assessing the probability and quantification of these tax exposures.

**NOTES TO FINANCIAL STATEMENTS**

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**U.S. dollars in thousands**

**NOTE 1:- GENERAL (CONT')**

- f. One of the Company's former employees filed a claim in the Labor Court in Israel for a total amount of approximately \$53, claiming the termination of his employment was negotiated in bad faith. The Company filed a statement of defense rejecting all his claims and allegation. A hearing is schedule to take place in January 2008. Currently, the Company and its legal advisors cannot assess the outcome of this claim, and as a result, the financial statements do not include any provision with respect of this claim.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

The interim condensed consolidated financial statements for the six months ended 30 June, 2007, have been prepared in accordance with IAS 34, Interim Financial Reporting. These financial statements should be read in conjunction with the Company's audited annual financial statements and accompanying notes as of 31 December 2006 ("the annual financial statements"). The significant accounting policies and methods of computations applied in the preparation of the interim financial statements are the same as those applied in the annual financial statements as of 31 December, 2006.

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