

ADAMIND LTD. (the "Company")

THE AUDIT COMMITTEE

TERMS OF REFERENCE

(Adopted by the board of directors of the Company on 10 February 2005)

1. There shall be a committee of the board of directors to be known as "the Audit Committee".
2. The Audit Committee shall be made up of at least three members.
3. Each of the External Directors (as such term is defined in the Israeli Companies Law - 1000) of the Company, who are also considered to be independent non-executive directors for the purposes of the Combined Code (at least one of whom shall have recent and relevant financial experience) shall be member of the Audit Committee. A quorum shall be a majority of the then members. The Chairman of the board of directors (the "Company Chairman") shall not be a member of the Audit Committee (in accordance with the Israeli Companies Law - 1999).
4. Appointments to the Audit Committee shall be for such periods as the members thereof are elected to serve as directors of the Company in accordance with the Company's articles of association, the Israeli Companies Law and the Combined Code.
5. The board of directors will appoint one of the members of the Audit Committee to act as chairman of the Audit Committee.
6. Only members of the Audit Committee have the right to attend Audit Committee meetings. However, other individuals such as the Chief Executive, Finance Director, other directors, the heads of risk, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate. The external auditor will be invited to attend meetings of the Audit Committee on a regular basis.
7. The Company Secretary shall be the secretary of the Audit Committee and shall keep appropriate minutes of its proceedings which shall be circulated to all directors of the Company and, if the Audit Committee so chooses, to the auditor and, once agreed, to all members of the board of directors.
8. Committee meetings shall be held not less than four times a year, to discuss general audit matters and the interim and full year reports and statements.
9. Meetings of the Audit Committee shall be summoned by the secretary of the Audit Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
10. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member of the Audit Committee, any other person required to attend and all (if any) other non-executive directors, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

- a. The Audit Committee is authorised by the board of directors to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees will be directed by the board of directors to co-operate with any request made by the Audit Committee.
11. The Audit Committee is authorised by the board of directors to obtain outside legal or other independent professional advice to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary. This authority is subject only to the requirement that independent advice is sought at a reasonable cost commensurate with the matter under review.
12. The chairman of the Audit Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Audit Committee's activities.
13. The Audit Committee should carry out the duties below for the Company, and the group as a whole, as appropriate:

14.1 Financial Reporting

- a. The Audit Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Audit Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- b. The Audit Committee shall review and challenge where necessary:
 - i. the consistency of, and any changes to, accounting policies both on a year to year basis and across the Company and/or group;
 - ii. the methods used to account for significant or unusual transactions where different approaches are possible;
 - iii. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - iv. the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
 - v. all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).
- c. The Audit Committee shall review the annual financial statements of the Company's pension funds, if any, where not reviewed by the board of directors as a whole.

14.2 Internal Controls and Risk Management Systems

The Audit Committee shall:

- a. keep under review the effectiveness of the Company's internal controls and risk management systems; and
- b. review and approve the statements to be included in the Annual Report concerning internal controls and risk management, unless this is done by the board of directors as a whole.

14.3 Whistleblowing

The Audit Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

14.4 Internal Audit

The Audit Committee shall:

- a. monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- b. approve the appointment and removal of the head of the internal audit functions;
- c. consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Audit Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- d. review and assess the annual internal audit plan;
- e. review promptly all reports on the Company from the internal auditor;
- f. review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- g. meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the board of directors and to the Audit Committee.

14.5 External Audit

The Audit Committee shall:

- a. consider and make recommendations to the board of directors, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Audit Committee shall oversee the selection process for a new auditor and if an auditor resigns the Audit Committee shall investigate the issues leading to this and decide whether any action is required;
- b. oversee the relationship with the external auditor including (but not limited to):

- i. approval of their remuneration, whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - ii. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - iii. assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - iv. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
 - v. agreeing with the board of directors a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - vi. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
 - vii. assessing annually the auditor's qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- c. meet regularly with the external auditor, including once at the planning stage and before the audit and once after the audit at the reporting stage. The Audit Committee shall meet the external auditor at least twice a year, without management being present, to discuss their remit and any issues arising from the audit and financial statements;
 - d. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
 - e. review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - i. a discussion of any major issues which arose during the audit;
 - ii. any accounting and audit judgements; and
 - iii. levels of errors identified during the audit;
 - f. review any representation letter(s) requested by the external auditor before they are signed by management;
 - g. review the management letter and management's response to the auditor's findings and recommendations; and
 - h. develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

14.6 Reporting Responsibilities

- a. The Audit Committee Chairman shall report formally to the board of directors on its proceedings and after each meeting on all matters within its duties and responsibilities.
- b. The Audit Committee shall make whatever recommendations to the board of directors it deems appropriate on any area within its remit where action or improvement is needed.
- c. The Audit Committee shall compile a description of its activities, to be included in the Company's Annual Report.

14.7 Other Matters

The Audit Committee shall:

- a. have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- b. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- c. give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the AIM Rules as appropriate;
- d. be responsible for co-ordination of the internal and external auditors;
- e. oversee any investigation of activities which are within its terms of reference and act as a court of last resort; and
- f. at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board of directors for approval.

In these Terms of Reference, "Combined Code" shall mean the Combined Code on Corporate Governance appended to the Listing Rules of the UK Listing Authority.