Sarin Technologies Ltd.
and its Subsidiaries

(Incorporated in Israel)

1(a) An income statement (for the group) together with a comparative statement for the corresponding Period of the immediately preceding financial year.

Consolidated Profit and Loss Accounts (US$'000):

	GROUP			GROUP		
	Six months ended June 30,			Quarter ended June 30,		
	2008	2007	Change %	2008	2007	Change %
Revenue	21,868	18,553	17.9	11,253	9,257	21.6
Cost of sales	7,518	6,091	23.4	3,965	2,957	34.1
Gross profit	14,350	12,462	15.2	7,288	6,300	15.7
Research and development costs	3,003	2,001	50.1	1,554	1,049	48.1
Selling and marketing expenses	3,961	3,116	27.1	2,137	1,749	22.2
General and administrative expenses	1,983	1,719	15.4	971	937	3.6
Profit from operations	5,403	5,626	(4.0)	2,626	2,565	2.4
Net finance income	162	484	(66.5)	217	250	(13.2)
Profit from ordinary activities before income tax	5,565	6,110	(8.9)	2,843	2,815	1.0
Income tax expense (tax benefits)	335	1,642	(79.6)	(375)	632	NM
Profit after tax	5,230	4,468	17.1	3,218	2,183	47.4
Share of loss of equity accounted investee	92	-	NM	92	-	NM
Profit for the period	5,138	4,468	15.0	3,126	2,183	43.2

Notes to income statement:
Profit before income tax is stated after (crediting)/charging the following:

	GROUP			GROUP		
	Six months ended June 30,			Quarter ended June 30,		
	2008	2007	Change	2008	2007	Change
	US$'000	US$'000	%	US$'000	US$'000	%
Allowance for doubtful trade receivables	(32)	(12)	166.7	(2)	(25)	(92.0)
Depreciation and amortization expense	(888)	(709)	25.2	(513)	(357)	43.7
Interest income, net	316	576	(45.1)	105	298	(64.8)
Foreign currency translation loss(income)	154	92	67.4	(112)	48	NM
Warranty provision	(72)	(52)	38.5	(9)	(36)	(75.0)

NM - Not Meaningful.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheet as at(US$'000)

	Group		Company	
	30.06.08	**31.12.07**	**30.06.08**	**31.12.07**
	US$'000	US$'000	US$'000	US$'000
Non-current assets				
Investment in equity accounted investees	1,513	-	17,148	2,470
Property, plant and equipment	2,095	1,624	1,666	1,380
Intangible assets	13,062	1,312	1,086	1,299
Long term Investments & Loans	520	996	520	996
Deferred tax assets	812	419	777	368
Fund for employee severance benefits	9	9	-	-
	18,011	4,360	21,197	6,513
Current Assets				
Inventories	4,149	4,194	3,783	3,743
Trade receivables	1,851	1,298	1,369	1,123
Other receivables	2,792	1,469	2,438	1,257
Short-term investments	-	10,082	-	10,082
Cash and cash equivalents	19,716	15,188	17,468	14,384
	28,508	32,231	25,058	30,589
Current liabilities				
Trade payables	3,130	2,829	2,902	2,699
Other payables	4,947	4,078	3,752	3,518
Current tax payable	359	93	124	-
Warranty provision	273	252	253	235
	8,709	7,252	7,031	6,452
Net current assets	19,799	24,979	18,027	24,137
Non-current liabilities				
Long term liabilities	1,518	-	758	-
Employee benefits	236	191	196	170
	1,754	191	954	170
Net assets	36,056	29,148	38,270	30,480
Equity				
Share capital*		-	-	-
Reserves and Retained earnings	36,056	29,148	38,270	30,480
Equity attributable to shareholders	36,056	29,148	38,270	30,480

*Less than one thousand US $

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Zero borrowings from banks.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated cash flow statement (US$'000) for the

	GROUP		GROUP	
	Six months ended June		Quarter ended June	
	2008	2007	2008	2007
Profit for the period	5,138	4,468	3,126	2,183
Adjustments for:				
Share-Based payment expenses	156	175	81	93
Income tax expense (tax benefits)	335	1,642	(375)	632
Amortization and depreciation	888	709	513	357
Share of loss of equity accounted investee	92	-	92	-
Foreign currency translation loss (gain)	154	92	(112)	48
Interest expense	80	43	54	24
Interest income	(396)	(619)	(159)	(322)
Operating profit before working capital changes	6,447	6,510	3,220	3,015
Changes in working capital:				
Inventories	45	(1,062)	(92)	203
Trade receivables	(553)	(341)	563	(301)
Other receivables	(1,250)	890	(889)	738
Trade payables	90	(240)	(337)	(907)
Other payables	770	488	626	855
Warranty Provision	21	(41)	5	(5)
Employee benefits	27	127	9	87
Cash generated from operations	5,597	6,331	3,105	3,685
Income taxes paid	(462)	(1,039)	357	(82)
Cash flows generated from operating activities	5,135	5,292	3,462	3,603
Investing activities:				
Purchase of property, plant and equipment	(1,039)	(782)	(457)	(486)
Acquisition of equity accounted investee	(1,129)	-	(1,129)	-
Acquisition of subsidiary, net of cash acquired (appendix A)	(8,706)	-	(8,706)	-
Acquisition of intangible assets	-	(1,124)	-	(1,124)
Interest received	396	619	159	322
Short term investments, net	10,082	(2,633)	4,566	(3,091)
Cash flows used in investing activities	(396)	(3,920)	(5,567)	(4,379)
Financing activities:				
Proceeds from exercise of share options, net	23	71	18	46
Interest paid	(80)	(43)	(54)	(24)
Foreign currency translation gain (loss)	(154)	(92)	112	(48)
Dividends paid	-	(2,008)	-	(2,008)
Cash flows (used in) generated from financing activities	(211)	(2,072)	76	(2,034)
Net increase/(decrease) in cash and cash equivalents	4,528	(700)	(2,029)	(2,810)
Cash and cash equivalents at beginning of the period	15,188	12,118	21,745	14,228
Cash and cash equivalents at end of the period	19,716	11,418	19,716	11,418

Appendix A - Acquisition of subsidiary, net of cash acquired

	GROUP		GROUP	
	Six months ended June		Quarter ended June	
	2008	2007	2008	2007
Working capital (excluding cash)	255	-	255	-
Property, plant and equipment	(94)	-	(94)	-
Intangible assets	(9,831)	-	(9,831)	-
Long term liabilities	964	-	964	-
Net cash outflow	(8,706)	-	(8,706)	-

Appendix B - Non cash activities:

Acquisition of Intangible assets	2,349	-	2,349	-
Long term investments & loans	(476)	-	(476)	-
Investments in subsidiaries	476	-	476	-
Long terms liabilities	(758)	-	(758)	-
Issuance of shares	(1,591)	-	(1,591)	-

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity

Group

	Share Capital*	Share Premium and reserves	Retained Earnings	Total
	US$' 000	US$' 000	US$' 000	US$' 000
Statement of Changes in Equity - Group				
Balance at January 1, 2007	-	11,028	15,879	26,907
Profit for the period ended June 30, 2007	-	-	4,468	4,468
Share-based payments	-	175	-	175
Exercise of options	-	71	-	71
Dividend paid and declared	-	-	(2,008)	(2,008)
Balance at June 30, 2007	-	11,274	18,339	29,613
Balance at January 1, 2008	-	11,465	17,683	29,148
Profit for the period ended June 30, 2008	-	-	5,138	5,138
Shares issued in connection with the purchase of a subsidiary	-	1,591	-	1,591
Share-based payments	-	156	-	156
Exercise of options	-	23	-	23
Balance at June 30, 2008	-	13,235	22,821	36,056

* Less than one thousand dollars.

Company

	Share Capital*	Share Premium and reserves	Retained Earnings	Total
	US$' 000	US$' 000	US$' 000	US$' 000
Statement of Changes in Equity - Company				
Balance at January 1, 2007	-	11,028	16,341	27,369
Profit for the period ended June 30, 2007	-	-	4,598	4,598
Share-based payments	-	175	-	175
Exercise of options	-	71	-	71
Dividend paid and declared	-	-	(2,008)	(2,008)
Balance at June 30, 2007	-	11,274	18,931	30,205
Balance at January 1, 2008	-	11,465	19,015	30,480
Profit for the period ended June 30, 2008	-	-	6,020	6,020
Shares issued in connection with the purchase of a subsidiary	-	1,591	-	1,591
Share-based payments	-	156	-	156
Exercise of options	-	23	-	23
Balance at June 30, 2008	-	13,235	25,035	38,270

* Less than one thousand dollars.

After balance sheet date, an interim dividend for 2008 of US cent 0.8 per share was declared by the Board of Directors on August 11, 2008 totaling US$ 2,086,000.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	As at June 30	
	2008	2007
	No. of shares	No. of shares
Authorized:		
Ordinary Shares of no par value	2,000,000,000	2,000,000,000
Issued and fully paid:		
Ordinary Shares of no par value	260,707,225	253,555,500

Details of changes in share options

	Average Exercise in price in US$ cent per share	Options
At January 1, 2008	19.2	8,983,000
Granted	21.3	2,010,000
Cancelled	22.2	(515,000)
Exercised	9.7	(242,500)
At June 30, 2008	20.6	10,235,500

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended 31 December, 2007 have been applied in the preparation for the financial statements for the three and six month period ending June 30, 2008.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	For the six months ended June 30		For the three months ended June 30	
	2008	2007	2008	2007
Basic profit per share (US cents)	2.011	1.77	1.219	0.861
Diluted profit per share (US cents)	2.009	1.74	1.218	0.847

Basic earnings per share for the six months ended June 30, 2008 are calculated based on the weighted average number of 255,489,906 ordinary shares issued during the current period and 253,050,500 during the preceding period.

Diluted earnings per share for the six months ended June 30, 2008 are calculated based on the weighted average number of 255,805,045 ordinary shares and outstanding options during the current period and 257,141,469 during the preceding period.

Basic earnings per share for the three months ended June 30, 2008 are calculated based on the weighted average number of 257,258,656 ordinary shares issued during the current period and 253,491,489 during the preceding period.

Diluted earnings per share for the three months ended June 30, 2008 are calculated based on weighted average number of 257,550,877 ordinary shares and outstanding options and 257,807,473 during the preceding period.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-
(a) Current financial period reported on; and
(b) Immediately preceding financial year.

	Group		Company	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
Net asset value per ordinary share (US cents)	13.83	11.68	14.68	11.91

Net asset value per share is calculated based on the number of 260,707,225 ordinary shares in issue at June 30, 2008 and 253,605,500 at December 31, 2007.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Overview

Sarin Technologies is a worldwide leader in the development and manufacturing of advanced planning, evaluation, processing and measurement equipment for diamond production and grading.

In H1 2008, the Group recorded 17.9% growth in revenues to US$21.9 million, in comparison to H1 2007. This is a record six months' revenues for Sarin. The growth can be attributed to ongoing demand for our traditional products as well as improved sales of the Quazer green laser system, which contributed over 10% of total revenues in H1 2008.

On the expense side, a larger R&D team has added to costs, as we continue to differentiate ourselves from our competitors by stepping up Research and Development efforts. Higher sales and marketing activities were also undertaken to support our growth in India and Africa as well as to support our activities in newly emerging markets. These efforts and investments will contribute to establishing a foundation for the Group's next phase of growth.

The weakening of the US$ as compared to the New Israeli Shekel (NIS) in H1 2008 increased our total manpower expenses in comparison to H1 2007 by about US$ 700,000.

As a result, the Group's profit before tax for H1 2008 decreased by 8.9% to US$5.6 million, compared to 1H 2007. However, profit after tax rose 15% to US$ 5.1 million due to tax benefits resulting from changes in the tax reporting methods of Sarin, in accordance with new tax provisions in the Israeli tax code.

The Company has started to consolidate the results of its acquisitions, Galatea and IDEX, into its reports. Galatea is being fully consolidated into our reports as of June 30 2008, but the profit and loss is being taken from May 15 2008 which was the closing day of the purchase of Galatea by Sarin. As Sarin was holding only 11.5% of IDEX as of June 30, 2008, we took only our equity share in IDEX's results for Q2. After the date of these financials, as per the IDEX acquisition agreement, an additional investment of $1.9 million was executed and Sarin's holdings in IDEX thereby increased to 23%.

Revenues

In Q2 2008 the Group recorded an increase in revenues of 21.6% and strong sales of US$ 11.3 million, compared to US$ 9.3 in Q2 2007.

Revenue by geographic segment Q2 2008 (US$ '000)

Region	Q2 2008	Q2 2007	$ change	% change
India	8,069	6,496	1,573	24.2
Africa	1,166	193	973	504.1
Europe	490	575	(85)	(14.8)
North America	487	583	(96)	(16.5)
Other	1,041	1,410	(369)	(26.2)
Total	11,253	9,257	1,996	21.6

The stronger performance of our key market in India and the continued robust growth of the emerging market in Africa, drove revenue growth for Q2 2008 by 21.6% from US$ 9.3 million in Q2 2007 to US$ 11.3 million in Q2 2008.

By region, India registered a 24.2% increase in revenue to US$ 8.1 million in Q2 2008. The revenues from India came mainly from our traditional products which continued to show strength and experience growth. The rest of the world revenue expanded by 15.3% to US$ 3.2 million from US$ 2.8 million in Q2 2007.Revenues from Europe decreased by 14.8% to US$ 0.49 million in Q2 2008, and revenues from North America decreased 16.5% also to US$ 0.49 million in Q2 2008. Both these areas' decreases are insignificant, due to the small size of these markets. Revenues from the Other area declined by 26.2% or US$ 0.37 million to US$ 1.0 million in Q2 2008. The decrease in revenues in the Other area was mainly due to China and Hong Kong.

Revenue by geographic segment H1 2008 (US$ ‘000)

Region	**1H 2008**	**1H 2007**	**$ change**	**% change**
India	16,031	13,498	2,533	18.8
Africa	1,910	416	1,494	359.1
Europe	1,207	873	334	38.3
North America	946	899	47	5.2
Other	1,774	2,867	(1,093)	(38.1)
Total	21,868	18,553	3,315	17.9

For H1 2008 period we attained revenues growth of 17.9% to US$ 21.9 million compared to H1 2007. While we experienced growth from all our traditional products, we are pleased that over 10% from our revenues came from the Quazer product. By region, in H1 2008 revenues from India grew 18.8% to reach US$ 16.0 million, up from US$ 13.5 million in H1 2007. In the rest of the world (ROW), the Group recorded revenue growth of 15.5% from US$ 5.1 million in H1 2007 to US$ 5.8 million in H1 2008. Revenues from the Africa segment recorded significant growth, as a result of the increased incentive policy in southern African countries and to increase domestic processing of their domestic diamond sources. In H1 2008 revenues from Africa achieved 359.1% growth from US$ 0.4 million in H1 2007 to US$ 1.9 million in H1 2008. Higher sales of our Quazer resulted in revenues in Europe growing from US$ 0.9 to US$ 1.2 million, a 38.3% increase. North America registered a minimal increase in revenues of approximately US$ 50,000 or 5.2% to US$ 0.95 million. Revenue from the Other region declined this quarter by 38.1% to US$ 1.8 million in comparison to US$ 2.9 million in H1 2007, with slower sales recorded primarily from China and Hong Kong.

Cost of sales and gross profit

With the increase in revenues, cost of sales increased as well 23.4% to US$ 7.5 million in 1H 2008 from US$ 6.1 million in 1H 2007. Our gross profit margin in 1H 2008 was 65.6%, in line with our historical performance, as compared to 67.2% in 1H 2007. The decrease in the gross profit margin was due to changes in the mix of products delivered during 1H 2008 in comparison to 1H 2007.

Our gross profit margin in Q2 2008 was 64.8%, compared to 68.1% in Q2 2007. In Q2 2008 the Company sold more Quazers, than in Q2 2007, a product which has a lower gross margin than the traditional products.

Research and development costs

Sarin continued to increase its research and development expenses to support our pipeline of new products and enhancements and upgrades to our existing product line. The increase in research and development costs in H1 2008 in comparison to H1 2007 was 50.1% from

US$ 2.0 million to US$ 3.0 million, due mainly to the increase in manpower costs. The devaluation of the US$ compared to the NIS also contributed to the increase of the R&D manpower costs by about US$ 300,000.

In Q2 2008 R&D expenses were US$ 1.55 million – 48.1% and US$ 0.5 million higher when compared to Q2 2007.

In compliance to the IFRS accounting requirements, we capitalised about US$ 240,000 in R&D expenses related to the Galatea development in Q2 2008. We expect to continue to capitalize Galatea's R&D expenses until the start of revenue contribution from the Galatea product, which is expected in 2009.

Selling and marketing expenses

The increase in the selling and marketing expenses in H1 2008 in comparison to H1 2007 was 27.1% from US$ 3.1 million to US$ 4.0 million. Higher sales in general increased the overall compensation paid to our sales team and agents. We estimate the additional expenses for manpower as a result of the devaluation of the US$ vs. the NIS to be about US$ 140,000. We also faced higher operating expenses for our sales activities specifically in India, China and Africa. The Group employed more employees in India, as our operations grew in scale. We spent more in China on marketing efforts. We also spent more in Africa to support our growing sales. Our efforts in South Africa, as well as in Botswana and Namibia, met with satisfying results.

The increase in the selling and marketing expenses in Q2 2008 in comparison to Q2 2007 was 22.2% from US$ 1.75 million to US$ 2.14 million. The 22.2% increase in the selling and marketing for this period is only slightly higher than the increase of revenues of 21.6% for the period**.**

General and administrative expenses

General and administrative expenses increased by 15.4%, or US$ 0.26 million, during 1H 2008 from US$ 1.72 million up to US$ 1.98 million. Higher compensation expenses, mainly due to the devaluation of the US$ against the Israeli Shekel, including Directors' costs were the main reason for the increase.

During Q2 2008 general and administrative expenses grew by only 3.6% from US$ 0.94 million to US$ 0.97 million, due primarily to less legal expenses for IP protection and less provision for doubtful debts.

Finance income/expenses (net)

In H1 2008 the Company recorded a net finance income of about US$ 162,000 compared to a net finance gain of US$ 484,000 in H1 2007. Net interest income was US$ 316,000 in H1 2008 compared to US$ 576,000 in H1 2007, due to the decrease in the interest rates on the US$ throughout 2007 and into H1 2008, as well as the decrease in our cash reserves. The devaluation of the US$ against the New Israeli Shekel contributed to a foreign currency translation loss of US$ 154,000 in H1 2008 compared to US$ 92,000 in H1 2007. A portion of our financial investments have been converted and kept in New Israeli Shekels in order to hedge our expected operating expenses denominated in New Israeli Shekels.

In Q2 2008 the Company recorded a net finance income of about US$ 217,000 compared to a net finance gain of US$ 250,000 in Q2 2007. The Company realised this quarter a foreign exchange income of US$ 112,000 compared to a foreign exchange loss of US$ 48,000 in Q2 2007.

No additional value adjustment on our financial investments was required in H1 2008. As reported, we have filed a claim against Credit Suisse in this matter which we expect to resolve by arbitration over the coming year or so.

Profit from ordinary activities before income tax

Due to the above-noted increases in all our operating expenses and the decrease in our financial income the profit before tax in H1 2008 amounted to US$ 5.6 million in comparison to US$ 6.1 million in H1 2007, representing a decrease of 8.9% or US$ 0.5 million. Our profit before tax margin decreased from 32.9% of revenue in H1 2007 to 25.4% in H1 2008.

For the Q2 08 period the Company recorded a US$ 2.84 million profit before tax, compared to US$ 2.81 million in Q2 2007, representing an increase of 1%.

Income tax expenses

The statutory corporate tax rate in Israel decreased from 29% in 2007 to 27% in 2008 (the tax rate will decrease further to 26% in 2009 and to 25% in 2010).

Changes in the Income Tax reporting methods for Sarin Technologies resulted in a net tax income for Q2 2008 of approximately US$375,000 and for H1 2008 reduced tax expenses to only US$ 335,000. The tax changes involved using the NIS as the base currency in which we will report to the tax authorities and an adjustment of tax benefits related to the approved enterprise benefits.

Share of loss of equity accounted investee

Beginning Q2 2008 the Group has started to recognize its equity share in the results of IDEX. Based on IDEX's results in Q2 2008 the Company recorded a loss of US$ 92,000.

Net profit

We recorded a net profit of US$ 5.1 million in H1 2008 in comparison to US$ 4.5 million in H1 2007, representing an increase of 15%. Our net profit margin decreased from 24.1% of revenue in H1 2007 to 23.5% in H1 2008. The main reason for the increase in our net profit and decrease in the net profit margin is the lower tax expenses as discussed above, offsetting higher operating expenses (bolstered R&D, development of new markets, new acquisitions and a weaker US$). For Q2 2008 we achieved a net profit of US$ 3.1 million compared to US$ 2.2 million in Q2 2007, representing an increase of US$ 0.9 million or 43.2%.

Balance Sheet

The investment in Galatea created a substantial additional amount of US$ 11.75 million presented as intangible assets mainly attributed to In-process R&D as of June 30 2008.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders any variance between it and the actual results.

Not applicable

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

We expect the following industry trends to continue to influence our business in the second half of 2008:

a. The global diamond jewellery sales are expected to continue growing during 2008. The macro-economic outlook in the U.S., still the key market for polished diamonds, remains uncertain, with the possibility of a decrease in growth, or even a recession, a concern. Based on data currently available, diamond jewellery sales in the U. S. are still growing, but sales of less expensive goods, as typically produced in India, have been impacted by the economy. Sales in the Far East (Hong Kong and China), Middle East, domestically in India and Russia remain robust. The UAE and Hong Kong are among the prominent markets experiencing exponential growth. Dubai's rough diamond trade alone witnessed a 32 percent growth in the first quarter of 2008 as compared with 2007.
b. The Indian market, is definitely feeling some impact from the slow down in its main export market - the U.S. In addition, an evolving shortage in higher-end rough goods, as was projected in our previous reports, and the resultant increase in their prices, along with liquidity issues are all factors affecting, to one degree or the other, many of the manufacturers in India. As a result some manufacturers prefer to sit on their inventory rather than sell their products at prices they feel are too low. This has resulted in less growth than we would have otherwise anticipated in this key market. Specifically, our product lines for smaller stones, most of which are designed for the Indian market, are being affected by the softening of the US market, to which the end-products are mostly exported, as well as by a fierce price war between other manufacturers of similar products, which we have chosen not to join
c. As a result of the South African and neighbouring governments' (namely Botswana and Namibia) policies, to enact local beneficiation legislation and give increased incentives to diamond polishing activities in their domestic markets, there has been and is an ongoing shift of diamond polishing plants to the southern African countries. This has created and should continue to create more opportunities for the sale of our products to this emerging market, as has been evidenced by the 504% increase in our sales to this market segment this quarter relative to Q2 2007
d. Ongoing investments in automation in the diamond manufacturing industry will continue, as the overall drive to increase yield and productivity remains a key concern, even more so as the access to higher-quality rough diamonds becomes more constrained. Emphasis remains focused on investing in yield and productivity enhancing tools and systems. Another factor for the increased need for the automation is the need to have a more efficient and controlled production in order to respond faster to market demands.
e. The pronounced weakening of the US$ against the New Israeli Shekel over the past 12 months has had an adverse effect on the Group's profitability, as mentioned above. This is as a result of our revenues being almost entirely in US$ and some of our expenses (mostly on human resources, but also some on parts and services sourced in Israel) being paid in our local Israeli currency.

The following relates to our ongoing efforts in 2008:

a. Galatea
   The integration effort between the product acquired by way of the Galatea acquisition and our core planning products is progressing according to our stated goals. The Company plans to start initial tests of the new combined product during Q3
b. Quazer System
   As part of its ongoing efforts to improve the product, the Company has completed an upgraded suite of the hardware and software, in order to increase the system's performance and reliability. These upgrades will be released, as planned, during Q3.
c. Polishing Discs
   Tests done over the past three months in Israel reflect positively on the correction efforts of the production inconsistency problems we had encountered. We have reinitiated delivery of

the disc to our Indian customers and, conditional upon positive feedback from them, we will commence marketing, sales and production efforts.

d. IDEX Online
IDEX Online officially launched their online trading platform in June in the USA, as planned. Buyers and sellers have indeed subscribed to this innovative service which is now going through an initial launch phase. Additional expansion is planned, in order to offer the service to a broader market outside of the US, primarily in Europe (Belgium) and India

e. Rough Planning Products
As previously reported, the development of the DiaMobile XL and Instructor products are progressing, manifestly as scheduled.

f. Colour Products
- Orchidia - The upgraded version of the rough colour prediction system will be launched in Q3, as planned.
- Colibri - The system for color assessment for polished diamonds has been well accepted in the market, including by two important gemological laboratories, as had been anticipated. Consequently, sales are growing.

11. Dividend

(a) Current Financial Period Reported

Any dividend declared/recommended for the current financial period reported on?

The Board of Directors declared, on August 11, 2008, an interim dividend of US cent 0.8 per share

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

The Board of Directors declared, on August 12, 2007, an interim dividend of US Cent 0.65 per share.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived.

	Amount before tax US$'000	Tax rate applicable to shareholders %
1H 2007	1,648	~12-16%* / 10% ***
1H2008	2,086	15%** / 10% ***

**** The tax rate for the interim cash dividend of 1H 2007 was around 12% for Israeli corporate and around 16% for Israeli individual shareholders.***

***** The tax rate for the interim cash dividend for 1h 2008 will be 15% for Israeli corporate and Israeli individual shareholders.***

****** The tax rate for the dividends will be 10% for Singaporean shareholders.***

(d) Date Payable

		Amount US$'000
2007	11.9.07	1,648
2008	15.9.08	2,086

(e) Books Closure Date

		Amount US$'000
2007	31.8.07	1,648
2008	29.8.08	2,086

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial results of the Company for the period ended 30 June 2008, to be false or misleading.

On behalf of the Directors

Daniel Benjamin Glinert

Hanoh Stark