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)
for the year ended 31 December

	GROUP		
	2008 US$'000	2007 US$'000	Change %
Revenue	33,149	37,123	(10.7)
Cost of sales	(12,019)	(12,721)	(5.5)
Gross profit	21,130	24,402	(13.4)
Research and development costs	(5,458)	(4,281)	27.5
Selling and marketing expenses	(7,152)	(6,869)	4.1
General and administrative expenses	(4,135)	(3,299)	25.3
Profit from operations	4,385	9,953	(55.9)
Net finance income	1,094	563	94.3
Profit from ordinary activities before income tax	5,479	10,516	(47.9)
Income tax expense	(1,689)	(2,506)	(32.6)
Profit after tax	3,790	8,010	(52.7)
Share of loss of equity accounted investee	(2,196)	-	NM
Profit for the year	1,594	8,010	(80.1)

Note to income statement:
Profit from ordinary activities before income tax is stated after (crediting)/charging the following:

	GROUP		
	2008 US$'000	2007 US$'000	Change %
Allowance for doubtful trade receivables	173	64	170.3
Depreciation and amortization	1,310	1,700	(22.9)
Interest income, net	930	732	27.0
Foreign currency translation (gain)/loss	(164)	169	NM
Warranty provision	126	134	(6.0)

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.

Consolidated Balance Sheet (US$'000) as at 31 December

	Group		Company	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Non-current assets				
Investment in equity accounted investee and subsidiaries	1,279	-	20,011	2,470
Property, plant and equipment	2,128	1,624	1,356	1,380
Intangible assets	13,874	1,312	873	1,299
Long term investments and loans	-	996	-	996
Deferred tax assets	59	419	-	368
Fund for employee severance benefits	9	9	-	-
	17,349	4,360	22,240	6,513
Current Assets				
Inventories	4,685	4,194	4,048	3,743
Trade receivables	573	1,298	486	1,123
Other receivables	1,077	1,164	751	952
Current tax receivables	1,828	305	1,828	305
Short-term investments	2,100	10,082	2,100	10,082
Cash and cash equivalents	9,910	15,188	8,699	14,384
	20,173	32,231	17,912	30,589
Current liabilities				
Trade payables	1,114	2,829	858	2,699
Other payables	3,647	4,078	3,606	3,518
Current tax payable	289	93	124	-
Warranty provision	263	252	246	235
	5,313	7,252	4,834	6,452
Net current assets	14,860	24,979	13,078	24,137
Non-current liabilities				
Long terms liabilities	1,518	-	758	-
Employee benefits	240	191	180	170
	1,758	191	938	170
Net assets	30,451	29,148	34,380	30,480
Capital and reserves				
Share capital*	-	-	-	-
Reserves and retained earnings	30,451	29,148	34,380	30,480
Equity attributable to shareholders	30,451	29,148	34,380	30,480

* Less then one thousand US dollars.

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 year ended 31 December

	GROUP	
	2008	2007
	US$'000	US$'000
Net profit for the year	1,594	8,010
Adjustments for:		
Share-based payments	308	366
Income tax expense	1,689	2,506
Amortization and depreciation	1,310	1,700
Share of loss of equity accounted investee	2,196	-
Interest expenses	153	121
Foreign currency translation (gain)/loss	(164)	169
Interest income	(1,083)	(853)
Operating profit before working capital changes	6,003	12,019
Changes in working capital:		
Inventories	(491)	(885)
Trade receivables	725	(160)
Other receivables	(1,363)	13
Trade payables	(1,926)	499
Other payables	(642)	930
Warranty provision	11	(47)
Employee benefits, net	31	116
Cash generated from operations	2,348	12,485
Income taxes paid	(1,133)	(1,721)
Cash flows generated from operating activities	1,215	10,764
Investing activities:		
Purchase of property, plant and equipment	(1,284)	(1,408)
Short term investments, net	7,982	186
Long term investment	1,000	-
Acquisition of subsidiary, net cash acquired (appendix A)	(8,467)	-
Capitalization of R&D expenses	(1,261)	-
Acquisition of equity accounted investee	(2,999)	-
Acquisition of intangible asset	-	(900)
Interest received	603	853
Cash flows used in investing activities	(4,426)	(1,269)
Financing activities:		
Proceeds from exercise of share options, net	23	71
Interest paid	(153)	(121)
Foreign currency translation (loss)/gain	164	(169)
Dividends paid and declared	(2,101)	(6,206)
Cash flows used in financing activities	(2,067)	(6,425)
Net increase (decrease) in cash and cash equivalents	(5,278)	3,070
Cash and cash equivalents at beginning of the year	15,188	12,118
Cash and cash equivalents at end of the year	9,910	15,188

Appendix A - Acquisition of subsidiary, net of cash acquired

	GROUP US$'000	
	2008	**2007**
Working capital (excluding cash)	255	-
Property, plant and equipment	(94)	-
Intangible assets	(10,742)	-
Long term liabilities	760	-
Contingent liabilities	758	-
Goodwill on acquisition	(995)	-
	(10,058)	-
Consideration paid by way of allotment and issue ordinary shares	1,591	-
Net cash outflow	(8,467)	-

Appendix B - Non cash activities:

Long term investments & loans	476	-
Investments in equity accounted investee	(476)	-

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.

	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
Net profit for the year ended December 31, 2007	-	-	8,010	8,010
Share-based payments	-	366	-	366
Exercise of options	-	71	-	71
Dividends paid	-	-	(6,206)	(6,206)
Balance at December 31, 2007	-	11,465	17,683	29,148
Net profit for the year ended December 31, 2008	-	-	1,594	1,594
Share-based payments	-	308	-	308
Shares issued in connection with the Purchase of a subsidiary	-	1,591	-	1,591
Exercise of options	-	23	-	23
Capital Fund from Foreign Currency Translation	-	(112)	-	(112)
Dividend paid	-	-	(2,101)	(2,101)
Balance at December 31,2008	-	13,275	17,176	30,451

* Less than one thousand US dollars.

Statement of Changes in Equity - Company

	Share Capital*	Share Premium and reserves	Retained Earnings	Total
	US$' 000	US$' 000	US$' 000	US$' 000
Balance at January 1, 2007	-	11,028	16,341	27,369
Net profit for the year ended December 31, 2007	-	-	8,880	8,880
Share-based payments	-	366	-	366
Exercise of options	-	71	-	71
Dividends paid	-	-	(6,206)	(6,206)
Balance at December 31, 2007	-	11,465	19,015	30,480
Net profit for the year ended December 31, 2008	-	-	4,191	4,191
Share-based payments	-	308	-	308
Shares issued in connection with the Purchase of a subsidiary	-	1,591	-	1,591
Exercise of options	-	23	-	23
Capital Fund from Foreign Currency Translation	-	(112)	-	(112)
Dividend paid	-	-	(2,101)	(2,101)
Balance at December 31, 2008	-	13,275	21,105	34,380

* Less than one thousand US dollars.

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 December 31	
	2008	2007
	No. of shares	No. of shares
Authorized:		
Ordinary Shares with no par value	2,000,000,000	2,000,000,000
Issued and fully paid:		
Ordinary Shares with no par value	260,747,225	253,605,500

Details of changes in share options

	Average Exercise price in US cents per share	Options
As of January 1, 2008	19.2	8,983,000
Granted	21.3	2,010,000
Cancelled	27.9	(883,000)
Exercised	8.6	282,500
As of December 31, 2008	18.6	9,827,500

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

These figures have not been audited.

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 year ended December 31, 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.

	2008	2007
Basic profit per share (US cents) (1)	0.62	3.16
Diluted profit (lose) per share (US cents) (2)	0.62	3.11

(1) Basic earnings per share are calculated based on the weighted average number of 258,112,235 ordinary shares issued during 2008 and 253,306,034 during the preceding year.

(2) Diluted earnings per share are calculated based on weighted average number of 258,149,327 ordinary shares issued during 2008 and 257,546,033 during the preceding year.

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	
	2008	2007	2008	2007
Net asset value per ordinary share (US cents)	11.68	11.49	13.19	12.02

Net asset value per share is calculated based on the number of 260,747,225 ordinary shares in issue at December 31, 2008 and 253,605,500 ordinary shares 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.

For the year ended December 31, 2008 the Group recorded a decline of 10.7% in revenues in comparison to the twelve months ended December 31, 2007, from US$ 37.1 million to US$ 33.1 million. The decline is mostly attributed to the dramatic drop in demand for all our products in the last three months of the year, as a result of the global financial and economic crises and their impact on the diamond industry, as elaborated on in paragraph 10 below.

On the expense side, during FY2008 a larger research and development team was recruited, as we continued to invest in upgraded and new products, resulting in higher research and development costs. Higher sales and marketing expenses were also incurred to support our growth in India and Africa during the initial part of the year, as well as to support our activities in other markets. Our general and administrative expenses increased for a number of reasons, as detailed below, most of which are one off in nature.

As a result of the negative developments in the last quarter of the year, the Group has undertaken to significantly reduce its operating expenses in all areas, both by reducing staff as well as by cutting other expenses. Operating expenses were reduced in Q4 FY2008 in comparison to Q3 FY2008 by about 24% (only a portion of the implemented cuts were reflected in this 24% reduction as the measures were implemented throughout Q4).The Group is taking additional measures in Q1 FY2009 to further reduce fixed operating expenses by approximately an additional 15%.

The weakening of the US$ compared to the New Israeli Shekel (NIS) contributed to an increase in our overall expenses for the year ended December 31, 2008, primarily due to salary and related costs for employees in Israel, incurred in NIS but reported in US$. Commencing Q3 FY2008.,and more significantly in Q4 FY008, we witnessed a reversal of the trend experienced during 1H2008, and the US$ has regained value against the NIS. This trend helped to reduce our manpower costs in Israel in Q4 FY2008.

Overall, the Group's profit before tax for the year ended December 31, 2008 thus decreased 47.9% from US$ 10.5 million to US$5.5 million.

Given the Group’s operating loss incurred in Q4 FY2008 and the challenging business conditions in the diamond industry, Sarin took a one-time write off of deferred tax assets of about US$ 1.2 million in Q4 FY2008.

Thus the Group's profit after tax for the twelve months ended December 31, 2008 decreased by 52.7% from US$ 8.0 million to US$3.8 million, compared to the twelve months ended December 31, 2007.

During FY2008, Sarin invested in two companies – acquiring 100% of Galatea and 23% of IDEX Online. The progress on the commercialisation of the Galatea technology is in line with the previously reported plans and expectations. However, the execution of IDEX Online's commercialisation plans of its unique Guaranteed Diamond Transactions online trading platform has been significantly less successful than expected due to the downturn of the diamond industry, which is expected to continue for some time. Coupled with a significant drop in advertising revenues and the resulting losses incurred by IDEX's ongoing activities, Sarin recorded a one-time downward adjustment to its investment in IDEX Online by about US$ 1.8 million.

The Group's profit for the year, after accounting for its share of loss of equity accounted investee IDEX Online, decreased by 80.1% from US$ 8.0 million to US$ 1.6 million.

Revenues

2008 vs. 2007,

Revenues by geographic segment (US$ ‘000)

Region	Year ended 31 December 2008	Year ended 31 December 2007	$ change	% change
India	23,461	25,376	(1,915)	(7.5)
Africa	3,186	2,530	656	25.9
Europe	2,009	1,660	349	21.0
North America	1,571	1,487	84	5.6
Other	2,922	6,070	(3,148)	(51.9)
Total	**33,149**	**37,123**	**(3,974)**	**(10.7)**

The crisis in India in Q4 FY2008 and the significant drop in revenues from our Other market segment, primarily from China and Russia, due to slower capital expenditures in China as some manufacturing was lost to Africa, and the freeze affecting the Russian industry, as discussed in section 10 below, offset somewhat by the continued expansion of the market in Africa and increased sales of Quazers in Europe, drove Group revenue downwards by 10.7% from US$37.1 million in FY2007 to US$33.1 million in FY2008.

By region, in FY2008 revenues from India declined 7.5% to US$ 23.5 million down from US$ 25.4 million in FY2007, due to a sharp reduction in demand from customers during the last quarter. Diamond manufacturing in India in Q4 2008 was affected by a prolonged period of plant closures linked to the Diwali holiday and extended due to the industry downturn. At the same time, as the result of ongoing focused sales and marketing efforts, on an annual basis Sarin continued to increase revenues from Africa, Europe and North America. Revenues from the Africa segment recorded significant growth as a result of the increased incentivising policy in southern African countries to increase manufacturing using their domestic diamond sources. In FY2008, revenues from Africa achieved 25.9% growth from US$ 2.5 million in FY2007 to US$ 3.2 million in FY2008. Sales to Europe increased by US$ 350,000, or 21%, to US$ 2.0 million, primarily due to increased sales of Quazers. North America registered an increase in revenue of US$ 0.1 million, or 5.6%, to US$ 1.6 million. Revenue from the Other region declined 51.9% to US$ 2.9 million in comparison to US$ 6.1 million in FY2007. China and Russia (classified under Other), with combined revenues of approximately US$ 2.9 million in FY2007, decreased in revenues to about only US$ 1.0 million in FY2008 (as discussed above)..Lower revenues were also recorded in Hong Kong (by about US$ 0.7 millions) and Israel (by about US$ 0.3 million).

Cost of sales and gross profit

Similar to the 10.7% decrease in revenues, cost of sales also decreased, but by a lower ratio of only 5.5% from US$ 12.7 million in the year ended December 31, 2007 to US$ 12.0 million in the year ended December 31, 2008. The lower ratio of the reduction in the cost of sales was due to the mix of products delivered during 2008 in comparison to those in 2007, and the amortisation of fixed operating expenses of the production department over lower sales. Our gross profit margin in the year ended December 31, 2008 was 63.7% - at the lower end of our historical performance range and 2.0% lower than in the year ended December 31, 2007 in which it was 65.7%.

Research and development costs

Sarin continued to increase its research and development team, and hence its expenses, in the first nine months of 2008, to support our development work on new products and on enhancements to our existing products. The increase in research and development costs in the year ended December 31, 2008 in comparison to the year ended December 31, 2007 was 27.5% - US$ 5.5 million as against US$ 4.3 million. In addition to the increase in manpower costs, expenses related to sub-contractors and materials, as well as expenses related to applications for new patents contributed to the overall increase. Commencing Q4 FY2008 and continuing in Q1 FY2009, the Company took measures to decrease its research and developments expenses – mainly by reducing manpower and focusing on products and upgrades that are more likely to contribute to FY2009 revenues.

Selling and marketing expenses

The slight increase in the selling and marketing expenses in the year ended December 31, 2008 in comparison to the year ended December 31, 2007 was 4.1% - an increase from US$ 6.9 million to US$ 7.15 million. Lower commissions paid as a result of lower sales, were offset by higher expenses in South Africa and China as activities in these areas focused on expansion of sales activities (albeit unsuccessfully in China). In addition we incurred higher costs at our centre in Israel as a result of employing additional product managers and technical sales-support employees, a trend which has been reversed by staff reductions in Q4 of FY2008 and Q1 of FY2009. Expenses also increased as more demo units were deployed in the field.

General and administrative expenses

General and administrative (G&A) expenses increased by 25.3%, or US$ 0.8 million, to US$ 4.1 million during the year ended December 31, 2008, up from US$ 3.3 million during the year ended December 31, 2007. This is mainly attributed to one-off expenses which included the retirement benefits for our former CEO who resigned after about 15 years of service (about US$ 130,000) and higher legal expenses related to the Credit Suisse arbitration process in the US (about US$ 190,000). In addition, higher provisions for doubtful accounts (about US$ 110,000) and the consolidation of the G&A expenses of our new acquisition Galatea, as of Q2 FY2008 (about US$ 180,000), also contributed to the increase of our G&A expenses.

Finance income (net)

Net finance income increased from about US$ 0.6 million in the year ended December 31, 2007 to almost US$ 1.1 million in the year ended December 31, 2008 in spite of the decrease in the cash levels maintained by the Company during the year and the lower interest rates realised on the Company's US$-denominated bank deposits. As a result of the cash settlement with Credit Suisse and the subsequent buy-back of the contested paper at its full face value by Credit Suisse, we realised a positive value adjustment of US$ 0.5 million in Q4 FY2008 against the negative adjustment done in Q4 FY2007.

Profit from ordinary activities before income tax

As a cumulative result of lower revenues, lower gross margin and higher operating expenses, the profit before tax in the year ended December 31, 2008 amounted to US$ 5.5 million in comparison to US$ 10.5 million in the year ended December 31, 2007, representing a decrease of 47.9% or US$ 5.0 million. Our profit before tax margin decreased sharply from 28.3% of revenue in the year ended December 31, 2006 to 16.5% in the year ended December 31, 2008.

Income tax expenses

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

Commencing January 2007 the Company has been entitled to additional tax incentives, a tax holiday for two years and a further five years of reduced tax rates, in respect of the proportionate increase in revenues over the base years of 2005 and 2006. As the increase was not significant, the impact of these benefits was lower compared to the benefits realised previously during the 2005 incentive program.

As per recently published amendments to the Israeli Law for Encouragement of Capital Investments, the Group recorded in FY2007 additional tax incentives which amounted to approximately US$ 0.4M for the years 2005-2007.

As a result of the operating loss incurred in Q4 FY2008, and the challenging period facing the Group as the diamond industry goes through some very difficult times (see section 10 below), Sarin took a one-time write off of deferred tax assets of about US$ 1.2 million in Q4 FY2008.

As the cumulative result of the reduced profit before tax and the above-mentioned issues, the Group recorded an income tax expense of approximately US$1.7 million in FY2008 compared to US$ 2.5 million in FY2007. The effective income tax rate for FY2008 increased to 30.8% in comparison to 23.8% in FY2007 primarily due to the aforementioned write-off of tax assets.

Share of loss of equity accounted investee

In the first half of FY2008, Sarin acquired 23 % of IDEX Online which was in the process of finalizing a revolutionary internet B2B spot market trading platform for rough diamonds – Guaranteed Diamond Transactions. The product was launched, as planned, in June 2008. As a result of the dramatically deteriorated market conditions in the last months of FY2008, the goals of the business plan of IDEX Online have been significantly delayed. In addition, the overall negative industry climate has had significant impact on IDEX's traditional sources of income - subscription fees and advertising revenues. The poor current outlook for the diamond industry and the losses IDEX has incurred since our investment, have led us to adjust the value of our investment and take a one-time US$ 1.8 million loss in Q4 FY2008, which led to a total loss of equity accounted investee of US$ 2.2 million.

Net profit

As a result of all the aforementioned issues, we recorded a net profit of US$ 1.6 million in the year ended December 31, 2008 in comparison to US$ 8.0 million in the year ended December 31, 2007, representing a decrease of 80.1%. Our net profit margin decreased from 21.6% of revenue in the year ended December 31, 2007 to 4.8% in the year ended December 31, 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 well into 2009:

a. The global economic slowdown has dramatically slowed the diamond industry. Some leading industry consultants expect the drop in demand this year for rough diamonds may reach 50% to 60%, citing the recession's impact on the global demand for luxury goods in general, and on the vital US market, which still consumes over 40% of the polished diamonds produced, in particular. However, it is to be noted that demand is still growing in India and China, and these two markets are expected to equal the US market by the end of this decade.

b. One of the most crucial issues facing the industry is how much business activity the banks will continue to finance. Indeed, the credit freeze which followed the financial crisis has created difficulties for both consumers and players in the diamond industry itself. This has contributed to the slowdown in the industry in general, and has led to a dramatic slowing of capital equipment expenditures in particular.

c. The overall situation of our main customers, the diamond manufacturers in India and elsewhere, is thus one where they are afflicted by a number of negative factors:
    - An existing inventory of polished diamonds, which is hard to sell off and which has been impacted by recent price reductions in polished goods - these have fallen by between 13% to 16% (depending on industry source) in the past 6 months (August 2008 to January 2009);
    - Surplus production capacity, which has led to prolonged shutdowns, layoffs and even plant closures;
    - Credit freeze.

d. The global economic slowdown has produced a secondary positive side-effect for the industry - recent reductions in the prices of rough diamonds by most producers has somewhat eased the cost to the manufacturers, and may thus induce more activity, which could hasten the recovery from the current slump.

e. The Russian diamond industry is on hold, as a result of repeated delays and changes in policies enacted by the Russian government, related to taxation as well as the percentage of the diamonds produced in Russia which needs to be manufactured domestically. Once resolved, these issues may result in an increase in the manufacturing activities in Russia and create new opportunities for our product sales.

f. The southern African region is expected to continue to create more opportunities for the sale of our products to this emerging market, albeit the effects of the global slowdown are also felt in this region.

Due to the continued slowdown in our market, as revenues are expected to trend downwards in the beginning of FY2009, the Group is continuing its efforts to reduce its operating expenses. In addition to the previously announced 20% reduction already implemented in Q4 FY2008 (only a portion of the implemented cuts were reflected in the 24% reduction quarter over quarter, Q4 FY2008 vs. Q3 FY2008, as the measures were implemented throughout Q4), our ongoing efforts are expected to further decrease our operating expenses by approximately 15%. The expected savings will stem from further staff reductions already executed and proposed pay cuts, as well as reductions in other operating expenses.

The Group continues to focus its Research and Development initiatives on projects that may contribute to revenues in the challenging 12-month period ahead.

The Galatea product - intended for the automated high-speed evaluation of inclusions in both rough and polished diamonds: The Galatea launch is being accelerated, where possible. Initial functional integration of the Group's current rough diamond planning systems (the Advisor software running on the DiaMark platform) with the new Galatea internal scanning technology has been accomplished. Efforts are currently focused on the beta testing of the product in Israel and India. Sarin is currently on track to offer the benefits of the Galatea technology, initially as a new service through service centres, which will provide the automated, comprehensive and accurate mapping of inclusions within a rough diamond in a far shorter time compared to using other currently available techniques. Sarin will begin offering this service, on a limited trial basis, to its diamond manufacturing customers in Israel and in India in Q1 FY2009. Sarin intends to gradually ramp up its service capacity in India in Q2 FY2009, and to thereafter introduce the service to other diamond manufacturing centres. The commercial launch of product sales, on a limited basis, so as to best control the product's introduction to the market, is planned for late in Q2 FY2009.

Rough planning products: This line of products has historically been the Group's primary contributor to revenue, and our share in the market continues to remain dominant. We anticipate that when the market returns to more robust activity, sales of automated planning solutions, especially those enhanced by the new Galatea technology, may pick up significantly. R&D efforts currently focus on integrating these products with the Galatea technology, where applicable, and utilising the latter's added value to a greater extent to optimise the planning process. We anticipate that this will significantly widen the positive gap between our products and the products of our competitors, primarily in yield optimisation.

Polished planning products: The Company has also continued with the development of its Instructor product, for the ongoing quality control of the polished diamond during the manufacturing process and for the instruction on necessary corrective actions on flawed polished diamonds. This product is currently in alpha testing and preliminary demonstrations to customers for their feedback.

Quazer: We believe that the Quazer has emerged as the most advanced and most reliable green laser sawing and shaping system in the market. It has been demonstrated to offer customers the highest productivity and lowest breakage rates available. R&D efforts are focused on improving the system's breakage rate even further. As a result of customer interest, the adaptation of the Quazer to synthetic CVD (Chemical Vapour Deposition) diamond manufacturing needs has also been initiated. This may open a new market for the Quazer for the cutting and shaping of these synthetic CVD diamonds for industrial applications outside the diamond jewellery industry. An initial pair of systems has been delivered for evaluation purposes to two European customers.

Polishing discs: Initial feedback from Indian customers utilising the disc for manual, as well as automated, polishing has been positive. Though we believe that the disc has competitive advantages in speed and quality of polishing and durability, especially in the early stages of polishing (termed "blocking"), having been delayed by the extended Diwali holiday closures, we are still continuing our tests and have yet to fully ascertain whether this product is economically viable..

Colour products: The latest version of the Colibri is showing satisfactory results and therefore only minimal further R&D is being carried out, aimed at further refinements.

Other issues which may affect Company's business in the next 12 months include:

Sales and marketing: Sales and marketing efforts, in what will clearly be a challenging environment in FY2009, will focus on the Galatea technology rollout, as well as on retaining or expanding, where possible, our market share in all key markets.

IDEX Online: The global economic slowdown has definitely impeded the adoption of IDEX's unique online spot market trading platform and has also had significant impact on the company's traditional sources of income - subscription fees and advertising revenues. IDEX is exploring new outlets for its services and hopes to expand its presence both in the traditional, as well as online diamond trade. This is crucial to IDEX's prospects for FY2009,

11. Dividend

(a) 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 November 11, 2007, an interim dividend of US cent 1 per share and on August 12, 2007, an interim dividend of US cent 0.65 per share

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(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 Note
2007: Interim	4,187	(2) (1)
2008: Interim	2,101	(2) (1)

(1) The tax rate for this cash dividend is 10% for Singaporean shareholders.
(2) The tax rate for this cash dividend was approximately 13% for Israeli corporate shareholders and approximately 16% for Israeli individual shareholders

(d) Date Payable

		Amount US$'000
2007 (I)	11.9.07	1,651
2007 (II)	13.12.07	2,536
2008	15.09.08	2,101

(e) Books Closure Date

		Amount US$'000
2007 (I)	31.8.07	1,651
2007 (II)	29.11.07	2,536
2008	29.08.08	2,101

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

Not applicable

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

The Company is engaged in only one business segment.

Geographical segment data is as follows:

Year ended 31 December 2008

	India	Europe	North America	Africa	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue from external customers	23,461	2,009	1,571	3,186	2,922	33,149
Segment assets	4,752	421	408	615	731	6,927
Unallocated assets						30,595
Total assets						37,522
Capital expenditure incurred during the year	690	54	67	271	202	1,284

Year ended 31 December 2007

	India	Europe	North America	Africa	Other	Total
	US$'000	US$'000	US$'000	US'000	US$'000	US$'000
Revenue from external customers	25,376	1,660	1,487	2,530	6,070	37,123
Segment assets	3,585	589	292	479	1,069	6,014
Unallocated assets						30,577
Total assets						36,591
Capital expenditure incurred during the year	633	13	2	-	760	1,408

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

See section 8 above regarding an analysis of the changes in the revenues in the various segments.

15. A breakdown of sales.

	2008 US$'000	2007 US$'000	Change %
Sales reported for first half year	21,868	18,553	17.9
Net profit after tax reported for first half year	5,138	4,468	15.0
Sales reported for second half year	11,281	18,570	(39.3)
Net profit/ (loss) after tax reported for second half year	(3,544)	3,542	NM

NM – Not Meaningful

16. A breakdown of the total annual dividend (in US dollar value) for the issuer's latest full year and its previous full year.

	Latest Full Year US$'000	Previous Full Year US$'000
Ordinary	2,101	4,187