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 Six months ended June 30,			GROUP Quarter ended June 30,		
	2006	2005	Change %	2006	2005	Change %
Revenue	14,875	14,300	4.0	6,327	8,612	(26.5)
Cost of sales	5,066	4,368	16.0	2,280	2,546	(10.4)
Gross profit	9,809	9,932	(1.2)	4,047	6,066	(33.3)
Research and development costs	1,820	1,266	43.8	1,007	715	40.8
Selling and marketing expenses	2,824	2,147	31.5	1,497	1,169	28.1
General and administrative expenses	1,560	938	66.3	746	599	24.5
Profit from operations	3,605	5,581	(35.4)	797	3,583	(77.8)
Net finance income	387	197	96.4	198	187	5.9
Profit from ordinary activities before income tax	3,992	5,778	(30.9)	995	3,770	(73.6)
Income tax expense	714	1,312	(45.6)	201	813	(75.3)
Net profit for the period	3,278	4,466	(26.6)	794	2,957	(73.1)

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

	GROUP Six months ended June 30,			GROUP Quarter ended June 30,		
	2006 US$'000	2005 US$'000	Change %	2006 US$'000	2005 US$'000	Change %
Allowance for doubtful trade receivables	(67)	(83)	(19.3)	(43)	(90)	(52.2)
Depreciation and amortization expense	495	183	170.5	225	97	132.0
Interest income, net	406	103	294.2	223	92	142.4
Foreign currency translation (gain)/loss	19	(94)	NM	25	(95)	NM
Provision for warranty	258	57	352.6	231	97	138.1

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 (US$'000)

	Group		Company	
	30.06.06	**31.12.05**	**30.06.06**	**31.12.05**
	US$'000	US$'000	US$'000	US$'000
Non-current assets				
Investment in subsidiaries	-	-	1,098	648
Property, plant and equipment	1,684	1,236	1,437	1,000
Intangible assets	596	681	568	627
Other receivables	210	273	210	273
Deferred tax assets	938	802	925	802
Fund for employee severance benefits	8	8	-	-
	3,436	3,000	4,238	3,350
Current Assets				
Inventories	3,408	3,137	2,994	2,846
Trade receivables	1,362	1,200	1,131	998
Other receivables	970	514	892	460
Short-term investments	3,109	1,099	3,109	1,099
Cash and cash equivalents	15,365	20,601	14,979	20,250
	24,214	26,551	23,105	25,653
Current liabilities				
Trade payables	1,764	1,045	1,670	955
Other payables	2,304	2,410	1,980	2,239
Current tax payable	36	1,576	36	1,495
Dividend declared	-	2,510	-	2,510
Warranty provision	507	249	492	235
	4,611	7,790	4,178	7,434
Net current assets	19,603	18,761	18,927	18,219
Non-current liabilities				
Liability for employee severance benefits	81	68	79	68
Net assets	22,958	21,693	23,086	21,501
Capital and reserves				
Share capital*	-	-	-	-
Share premium	10,575	10,525	10,575	10,525
Capital reserves	340	223	340	223
Retained earnings	12,043	10,945	12,171	10,753
Equity attributable to shareholders	22,958	21,693	23,086	21,501

*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	
	2006	2005	2006	2005
Net profit for the period	3,278	4,466	794	2,957
Adjustments for:				
Share-Based payments expenses	117	44	56	22
Income tax expense	714	1,312	201	813
Amortization and depreciation	378	139	169	75
Gain on sale of property, plant and equipment	-	(2)	-	-
Interest expense	37	44	19	21
Interest income	(443)	(147)	(242)	(113)
Operating profit before working capital changes	4,081	5,856	997	3,775
Changes in working capital:				
Inventories	(271)	(505)	(243)	(562)
Trade receivables	(162)	109	(174)	84
Other receivables	(426)	308	(171)	785
Short-term investments	(3,010)	(108)	1,984	111
Trade payables	719	726	217	823
Other payables and provision	(73)	1,288	(88)	1,355
Warranty Provision	258	57	231	97
Employee severance benefits	13	56	(14)	66
Cash generated from operations	1,129	7,787	2,739	6,534
Income taxes paid	(2,390)	(1,426)	(609)	(772)
Cash flows generated from (used in) operating activities	(1,261)	6,361	2,130	5,762
Investing activities:				
Purchase of property, plant and equipment	(741)	(305)	(234)	(42)
Acquisition of intangible asset	-	(400)	-	(383)
Interest received	443	147	242	113
Proceeds from short term investments	1000	-	-	-
Cash flows generated from (used in) investing activities	702	(558)	8	(312)
Financing activities:				
Proceeds from the IPO (net of expenses)	-	9,817	-	9,817
Proceeds from issue of shares resulting from exercise of options	50	153	36	153
Interest paid	(37)	(44)	(19)	(21)
Dividends paid	(4,690)	-	(2,180)	-
Cash flows used in financing activities	(4,677)	9,926	(2,163)	9,949
Net (decrease) increase in cash and cash equivalents	(5,236)	15,729	(25)	15,399
Cash and cash equivalents at beginning of the period	20,601	5,498	15,390	5,828
Cash and cash equivalents at end of the period	15,365	21,227	15,365	21,227

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* US$' 000	Share Premium US$' 000	Capital Reserve US$' 000	Retained earnings US$' 000	Total US$' 000
Balance at January 1, 2005	-	497	86	6,603	7,186
Issuance of shares – IPO	-	11,128	-	-	11,128
Exercise of options		153			153
IPO expenses (net of deferred tax of US$371,000)	-	(1,311)	-	-	(1,311)
Share-Based payments expenses	-	-	44	-	44
Dividend declared	-	-	-	(2,498)	(2,498)
Net profit for the six months ended June 30, 2005	-	-	-	4,466	4,466
Balance at June 30, 2005	-	10,467	130	8,571	19,168
Balance at January 1, 2006	-	10,525	223	10,945	21,693
Exercise of options	-	50	-	-	50
Share-Based payments expenses	-	-	117	-	117
Dividend paid and declared	-	-	-	(2,180)	(2,180)
Net profit for the six months ended June 30, 2006	-	-	-	3,278	3,278
Balance at June 30, 2006	-	10,575	340	12,043	22,958

* Less than one thousand dollars.

Company

	Share Capital* US$' 000	Share Premium US$' 000	Capital Reserve US$' 000	Retained earnings US$' 000	Total US$' 000
Balance at January 1, 2005	-	497	86	6,511	7,094
Issuance of shares – IPO	-	11,128	-	-	11,128
Exercise of options		153			153
IPO expenses (net of deferred tax of US$371,000)	-	(1,311)	-	-	(1,311)
Share-Based payments expenses	-	-	44	-	44
Dividend declared	-	-	-	(2,498)	(2,498)
Net profit for the six months ended June 30, 2005	-	-	-	4,321	4,321
Balance at June 30, 2005	-	10,467	130	8,334	18,931
Balance at January 1, 2006	-	10,525	223	10,753	21,501
Exercise of options	-	50	-	-	50
Share-Based payments expenses	-	-	117	-	117
Dividend paid and declared	-	-	-	(2,180)	(2,180)
Net profit for the six months ended June 30, 2006	-	-	-	3,598	3,598
Balance at June 30, 2006	-	10,575	340	12,171	23,086

* Less than one thousand dollars.

Note: The Board of Directors declared, on August 13, 2006, an interim dividend of US$0.005 per share amounting to US$ 1.262 million.

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	
	2006	2005
	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	252,425,500	249,849,250

Details of changes in share options

	Average Exercise in price in US$ per share	Options
At January 1, 2006	0.064	9,087,250
Granted	0.41	500,000
Cancelled	-	-
Exercised	0.034	1,528,750
At June 30, 2006	0.095	8,058,500

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, 2005 have been applied in the preparation for the financial statements for the six month period ending June 30, 2006

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	
	2006	**2005**	**2006**	**2005**
Basic profit per share (US$)	0.013	0.0207	0.00315	0.0123
Diluted profit per share (US$)	0.0127	0.0196	0.00307	0.0117

Basic earnings per share for the six months ended June 30, are calculated based on the weighted average number of 251,914,492 ordinary shares issued during the current period and 215,821,275 during the preceding period.

Diluted earnings per share for the six months ended June 30, are calculated based on weighted average number of 258,644,540 ordinary shares and outstanding options and 227,970,976 during the preceding period.

Basic earnings per share for the three months ended June 30, are calculated based on the weighted average number of 252,332,313 ordinary shares issued during the current period and 240,237,714 during the preceding period.

Diluted earnings per share for the three months ended June 30, are calculated based on weighted average number of 258,806,156 ordinary shares and outstanding options and 252,106,603 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, 2006	**December 31, 2005**	**June 30, 2006**	**December 31, 2005**
Net asset value per ordinary share (US$)	0.091	0.0865	0.0915	0.0857

Net asset value per share is calculated based on the number of 252,425,500 ordinary shares in issue at June 30, 2006 and 250,896,750 at December 31, 2005.

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

1H 2006 vs. 1H 2005

Revenue

Revenue by geographic segment (US$ '000)

Region	**1H 2006**	**1H 2005**	**$ change**	**% change**
India	10,269	11,402	(1,133)	(9.9)
Europe	868	568	300	52.8
North America	972	729	243	33.3
Other	2,766	1,601	1165	72.8
Total	14,875	14,300	575	4.0

Region	**Q2 2006**	**Q2 2005**	**$ change**	**% change**
India	4,166	6,966	(2,800)	(40.2)
Europe	228	425	(197)	(46.4)
North America	452	378	74	19.6
Other	1,481	843	638	75.7
Total	6,327	8,612	(2,285)	(26.5)

For the six months ended June 30 2006 the Group recorded a revenue growth of 4% from US$ 14.3 million in 1H 2005 to US$ 14.9 million in 1H 2006. By region, India registered a 10% decrease in revenues down to US$ 10.3 million, while in the rest of the world the Group recorded revenue growth of 59% from US$ 2.9 million in 1H 2005 up to US$ 4.6 in 1H 2006.

The minimal growth in the overall revenues in 1H 2006 was, primarily, a result of the weakness in the worldwide diamond industry that materialized during the second quarter of 2006 and slowed our business significantly, as can be seen from the quarterly comparison table above. As India is by far the main production centre of polished diamonds in the world, and as the over stocking of polished diamonds has impacted those manufacturers mostly, the slowdown had its most significant effect on our revenues from that region.

At the same time Sarin has succeeded in continuing to increase revenues from the rest of the world, and especially from the Others region (primarily the Southern African countries) as part of our ongoing strategy to increase business activities and sales efforts in other industry centres beside India. For the first six months of 2006 North America registered revenue growth of 33% to US$ 1.0 million. Sales to Europe increased by US$ 0.3 million to US$ 0.9 million. Revenue from the Others region attained growth of 73% to US$ 2.77 million in comparison to US$ 1.6 million in 1H 2005. Strong growth came from South Africa reaching approximately US$ 1.0 million in 1H 2006, up from approximately US$ 0.2 million in 1H 2005.

For the three months ended June 30 2006 the Group recorded a 27% decrease in revenues from US$ 8.6 million in Q2 2005 to US$ 6.3 million in Q2 2006. By region, India registered a 40% reduction in revenue to US$ 4.2 million, whereas from the rest of the world the Group realized an increase of 31% to US$ 2.2 million partially compensating for the situation in India.

During the second quarter of 2006 the Company experienced performance issues with previously shipped Quazer product units which prevented the Company from realizing and recognizing additional income from these products. Significant modifications have been implemented during the quarter- primarily the development and integration of a completely new and improved laser source developed exclusively for us by a leading company in the USA, as well as necessary software modifications. Management expects to see increased Quazer revenues from the third quarter of 2006 and on, as the improved products are shipped to our customers.

Cost of sales and gross profit

Cost of sales increased by 16 % from US$ 4.4 million in 1H 2005 up to US$ 5.1 million in 1H 2006. Consequently, our gross profit decreased from US$ 9.9 million, with a gross margin of 69.5% in 1H 2005, down to US$ 9.8 million and a gross margin of 65.9% in 1H 2006. Our gross profit margin in Q2 2006 was 64.0%, compared to 70.4% in Q2 2005. The decrease in the gross profit margin was due mainly to issues relating to our Quazer product. In addition to royalties which we pay on the revenues from the Quazer products (booked as a cost of sale and not an operating expense), there was also a one time expense of approximately US$ 200,000 in Q2 2006 to provide for the necessary corrective actions to be implemented in the Quazer products that had already been sold in the previous quarters.

Research and development costs

The increase in research and development costs in 1H 2006 in comparison to 1H 2005 was 44%, up from US$ 1.27 million to US$ 1.82 million. The increase in research and development in Q2 2006 in comparison to Q2 2005 was 41%, up from US$ 0.72 million to US$ 1.0 million. This is mainly due to an increase in our research and development manpower, sub-contractor and materials costs due to increased R&D activities to support our active pipeline of new products. In addition higher costs were realized for new applications for patents.

Selling and marketing expenses

The increase in the selling and marketing expenses in 1H 2006 in comparison to 1H 2005 was 32%, up from US$ 2.1 million to US$2.8 million. The increase in the selling and marketing costs in Q2 2006 in comparison to Q2 2005 was 28%, up from US$ 1.2 million to US$ 1.5 million. Lower sales in India reduced the compensation paid to our sales team in India. However, in the rest of the world we realized higher expenses, both as higher sales performance payouts to our sales teams, as well as salaries for new employees, office rent, travelling and other expenses. Higher expenses were due mainly due to our strategy to enhance our presence in key emerging regions such as South Africa and China.

General and administrative expenses

General and administrative expenses increased by 66%, or US$ 0.6 million, during 1H 2006. Expenses related to the Company becoming a public company in Q2 2005 were approximately US$ 250,000 higher in 1H 2006 compared to those in 1H 2005. In addition the Company spent about US$ 150,000 more in 1H 2006 than in 1H 2005 to defend its intellectual property against infringement by its competitors. The Company also sustained increased expenses related to activities to support the future commercialization of the disposable polishing discs.

Finance expenses (net)

Finance income increased in 1H 2006 to US$ 0.4 million from income of US$ 0.2 million in 1H 2005. Finance income in Q2 2006 remained the same as in Q2 2005. The increase in the finance income for the period resulted from overall higher cash levels the Company held, mainly following the initial public listing in Q2 2005, along with higher interest rates realized on its financial investments denominated in US$.

Profit from ordinary activities before taxation

The profit before tax of US$ 4.0 million in 1H 2006 is in comparison to US$ 5.8 million in 1H 2005, representing a decrease of 31% or US$ 1.8 million. We recorded profits of only US$ 1.0 million in Q2 2006 in comparison to US$ 3.8 million in Q2 2005, representing a decrease of 74% or US$ 2.8 million. As a result, our profit before tax margin decreased from 40.4% of revenue in 1H 2005 to 26.8% in 1H 2006, and from 43.8% of revenue in Q2 2005 to 15.7% in Q2 2006

Income tax expenses

Income tax expenses in 1H 2006 decreased by 46%, or US$ 0.6 million, from 1H 2005. Income tax expenses in Q2 2006 decreased by 75%, or US$ 0.6 million, from Q2 2005. The decrease was mainly a result of our lower profits. However, it should be noted that the effective income tax rate has decreased from 22.7% in 1H 2005 to 17.9% in 1H 2006, and from 21.6% in Q2 2005 to 20.2.% in Q2 2006. The statutory corporate tax rate in Israel has decreased from 34% in 2005 to 31% in 2006. (The rate is expected to decrease further to 25% by 2010).

Net profit

The net profit of US$ 3.3 million in 1H 2006 is in comparison to US$ 4.5 million in 1H 2005, representing a decrease of 27% or US$ 1.2 million and for Q2 2006 we recorded US$ 0.8 million in net profit, in comparison to US$ 3.0 million in Q2 2005, representing a decrease of 73% or US$ 2.2 million. Our net profit margin dropped to 22.0% of revenue in 1H 2006, in comparison to 31.2% in 1H 2005, and to 12.5% of revenue in Q2 2006 in comparison to 34.3% in Q2 2005. These percentages are significantly lower than our historical averages.

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.

Current industry trends:

a. The diamond manufacturing market has receded into a slowdown driven, primarily, by a slowing of the growth of the jewellery consumer market. Such slowdown became publicly known and widely discussed only towards the end of Q2 2006. Given the secretive nature of the diamond industry and the scarcity of public and reliable sources of information regarding the industry, the scope of the slowdown unfolded somewhat belatedly, upon analyzing the aggregate effect of the following events (all taking place in June 2006):
   - The JCK Las Vegas annual show (3 June 2006 - 7 June 2006) - one of the major diamond industry events, during which numerous transactions take place, in preparation for the holiday season. Anecdotal information, and as reported by subscription industry press services, indicated that transactions during this year's show were more selective and were highly dependent on stone type and quality.
   - The 32nd World Diamond Congress held in Tel Aviv, Israel (26 June 2006 - 29 June 2006) - where diamond dealers, manufacturers and retailers began to discuss openly the slowdown in the diamond industry.

- The drastic decline in the capital markets worldwide and in India (Sarin's largest market - and the source of typically over 70% of Sarin's revenues) in particular during Q2 2006.

The aforementioned slowdown is currently expected, by many industry leaders and followers, to pick back up during the key Thanksgiving through Christmas holiday season, when, traditionally, most polished diamond sales occur. However, the actual recovery is dependent on discretionary consumer spending, primarily in the US, which will become apparent towards the end of the year.

b. Ongoing investments in automation in the diamond manufacturing industry, primarily in India, have slowed, despite the overall drive to increase profitability which persists. The underlying drive to invest in the modernization of the manufacturing plants, in general, and in yield enhancing systems, in particular, such as planning systems, including inclusion mapping tools, and lasers, continues. Management believes that the acceleration of capital expenditure in India is linked to the resolution of the slowdown, as discussed in paragraph [a], and thus a clearer indication of the capital expenditure in India is expected to become clearer as the year progresses. It is as yet too premature to assess what, if any, affect the current flooding in Surat will have.

c. As a result of the South African and neighbouring governments'policies, to give increased incentives to diamond polishing activities in that region of the world, there has been and is an ongoing shift of diamond polishing plants to the Southern African countries. This has created more opportunities for the sale of our products to this emerging market.

d. New grading systems introduced lately, such as that by the Gemological Institute of America (GIA) last year and the American Gem Society (AGS) require the use of computerized polished diamond proportion scanners.

Company's plans for next 12 months:

a. The first half of 2006 has seen the successful introduction of a new version of our rough planning software package (Advisor II), which supports the accurate *manual* indication of inclusions (types and locations) and the optimization of the derivable diamonds based on "best value" computations. Sarin is currently developing hardware improvements to the DiaExpert family of products to further increase the value of the rough stone to its owner. These improvements will enhance the optical scanning capabilities necessary for the new Advisor II software features described above, as well as increase the overall accuracy of these platforms, so as to preserve and augment the technological gap between ourselves and our competitors. We expect these new hardware and software features to continue to promote sales, both directly, as upgrades to existing machines, and indirectly, as it enhances the value of our products to our customers.

b. Sarin has introduced, in Q2, two new products for the assessment and prediction of colour in polished and rough diamonds. The Colibri is a state-of-the-art colour grading product for polished diamonds, which grades the colour of the diamond as well as its fluorescence, taking into account the diamond's size and shape. Among other key features, it can measure mounted stones (in jewellery) is fully mobile, and has a user-friendly touch screen. This product is an improvement over our DC3000 diamond colorimeter in terms of accuracy, repeatability and the ability to deal with a broader range of diamond shapes and sizes. With its improved accuracy, we hope gem labs will adopt the Colibri as their colour grading tool, just as they have embraced Sarin's DiaVision as the industry's standard for cut grading. OrchiDia is the first product which enables diamond manufacturers and dealers to predict the final polished colour of a rough diamond according to the expected yield of the rough stone. Sarin's planning systems historically optimized Carat weight and Cut, with the new Advisor II adding Clarity to the equation. OrchiDia handles the fourth C – Colour. We expect a significant demand for this new generation of products addressing colour-related issues commencing the end of Q3, when Sarin will start commercial delivery of these products.

c. We have enhanced the performance of our Quazer green-laser diamond sawing and cutting system, with the introduction of a specially developed new green laser source, along with improved software features. The enhanced performance of this system should increase our green laser system's value to our customers. We expect sales and deliveries of this product to increase in the second half of this year and going forward into 2007.

d. The optimal disc coating composition, so as to achieve a commercially competitive life span for the disposable polishing discs, while still retaining the polishing quality and throughput improvements we have demonstrated in our various ongoing tests, continues to remain elusive. When this milestone is attained, we will commence sales. Management is still working towards a commercial launch of this product in the second half of this year. The building of the full scale disc production facility will only commence upon the completion of the development phase.

e. The research and development of the automatic inclusion mapping system continues. Our R&D management believes significant progress has been made this quarter. The Company believes it will proceed with the commercialization of this product in 2007, as previously disclosed, upon successful completion of the development phase, and realize its long-term revenue and profit growth potential.

f. The Company continues to seek potential targets for acquisition. For Sarin, the ideal company to be acquired would be one with proven products and/or services with established sales, which would complement our product offerings to our existing customers in our industry, allowing us full leverage of our established brand name and market presence.

g. We have established a new fully owned subsidiary in Hong Kong, Sarin Hong Kong, Ltd. The new company will serve as a base for expanding the Group's operations in Southeast Asia and, particularly, in mainland China. This will streamline our operations in the region and expedite potential business growth in these emerging manufacturing centres.

h. Our operations have not, to date, been affected by the recent hostilities and rocket attacks against northern Israel. The attacks so far have been targeted against the northern parts of Israel. Our offices and production facilities are located in central Israel and, as such, these attacks have not affected our operations. Production and delivery have continued, and there is neither a shortage of parts, whether domestic or foreign in origin, nor above-normal absentees from the labor force. However, should these hostilities either directly affect our area in the center of the country, or dictate a significant call-up of armed forces reserves, thus possibly affecting our work force, the situation may eventually impact our business.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared/recommended for the current financial period reported on? The Board of Directors declared, on August 13, 2006, an interim dividend of US$0.005 per share.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No.

(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 %
H1 2006	1,262	~15%* / 10% **

**** The tax rate for the final cash dividend will be 14.5% for Israeli corporate and 15.3% for Israeli individual shareholders.***

***** The tax rate for the final cash dividend will be 10% for Singaporean shareholders.***

(d) Date payable

		Amount US$' 000
2006	12.9.06	1,262

(e) Books closure date

		Amount US$' 000
2006	1.9.06	1,262

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

Not applicable.