

EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD

UNAUDITED INTERIM

CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2007

EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD

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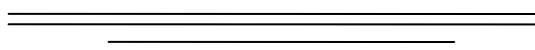
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WEKSLER, KODENZIK, ENOCH & CO.

Certified Public Accountants (ISR).

To the Board of Directors
EURO-TRADE REALSTATE INTERNATIONAL (Y.N.B) LTD

Re: Review of unaudited interim consolidated financial statements
for the six and three months ended June 30, 2007

We have reviewed the accompanying interim consolidated balance sheet of EURO-TRADE REALSTATE INTERNATIONAL (Y.N.B) LTD. ("the Company") as of June 30, 2007, and the related interim consolidated statements of income, changes in equity and cash flows for the six and the three months then ended. These interim consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these interim consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of Group personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards IAS34 (Interim Financial Reporting) and with the Securities Regulations (periodic and Immediate Reports) - 1970.

Ramat Gan, Israel
August 31, 2007

Weksler, Kodenzik, Enoch & Co.
Certified Public Accountants (ISR.)

Interim Consolidated Balance Sheet

	Convenience Translation in Euro as of June 30 2007 *)	As Of June 30 2007	As Of December 2006
	Unaudited	Unaudited	Audited
	Euro in thousands	NIS in thousands	
<u>Current Asset :</u>			
Cash and cash equivalents	9,014	51,498	1,091
Short term investment	3,701	21,142	-
Accounts receivable and other current assets	211	1,208	314
	<u>12,926</u>	<u>73,848</u>	<u>1,405</u>
<u>Non-current assets:</u>			
Investment properties	18,878	107,853	-
Affiliated company investment	-	-	3,640
Fixed assets, net	1	6	6
	<u>18,879</u>	<u>107,859</u>	<u>3,646</u>
	<u>31,805</u>	<u>181,707</u>	<u>5,051</u>
<u>Current Liabilities:</u>			
Current maturity of long term bank loans	371	2,117	-
Accounts payable and other current liabilities	1,093	6,247	164
	<u>1,464</u>	<u>8,364</u>	<u>164</u>
<u>Long-term liability:</u>			
Long-term bank loans	14,455	82,586	-
Other loans	1,212	6,923	-
Bonds	10,931	62,451	-
Deferred taxes	652	3,727	-
	<u>27,250</u>	<u>155,687</u>	<u>-</u>
<u>Equity:</u>			
Equity attributable to equity shareholders of the company			
Issued Share capital	**)	**)	**)
Share premium	2,819	16,108	8
Receipts on account of shares	-	-	4,868
Other reserves	56	319	39
Accumulated loss	(325)	(1,859)	(28)
	<u>2,550</u>	<u>14,568</u>	<u>4,887</u>
Minority Interest	541	3,088	-
Total equity	<u>3,091</u>	<u>17,656</u>	<u>4,887</u>
	<u>31,805</u>	<u>181,707</u>	<u>5,051</u>

*) Translated to Euro based on current exchange rate as of 30.6.07.

**) Less than 1 NIS/Euro thousands.

Tsahi (Isaac) Fridler
Finance manager

Boaz Kamar
CEO and Director

Amit Biel
Chairman

August 31, 2007
Approval date of the
financial statements

Interim Consolidated Income Statement

	Convenience Translation in Euro for the six months ended June 30, 2007 *) <u>Unaudited</u> Euro in thousands	For the six months ended June 30, 2007 <u>Unaudited</u>	For the three months ended June 30, 2007 <u>Unaudited</u> NIS in thousands	For the Period ended December 31,2006 <u>Audited</u>
<u>Income</u>				
Rent Income	255	1,455	1,455	-
Management assets income	8	48	24	16
	<u>263</u>	<u>1,503</u>	<u>1,479</u>	<u>16</u>
Operating assets expenses	141	803	803	-
	<u>122</u>	<u>700</u>	<u>676</u>	<u>16</u>
Gross profit	122	700	676	16
General and administration expenses	127	727	469	56
	<u>(5)</u>	<u>(27)</u>	<u>207</u>	<u>(40)</u>
Operating profit (loss)	(5)	(27)	207	(40)
Financial income (expenses), net	(376)	(2,150)	(1,623)	53
	<u>(381)</u>	<u>(2,177)</u>	<u>(1,416)</u>	<u>13</u>
Profit (loss) before income taxes	(381)	(2,177)	(1,416)	13
Taxes on income	(4)	(20)	(20)	(10)
	<u>(385)</u>	<u>(2,197)</u>	<u>(1,436)</u>	<u>3</u>
Net profit (loss) after income taxes	(385)	(2,197)	(1,436)	3
Company share in profit (loss) of affiliated company	4	21	-	(31)
	<u>(381)</u>	<u>(2,176)</u>	<u>(1,436)</u>	<u>(28)</u>
Loss	(381)	(2,176)	(1,436)	(28)
<u>Attributed to:</u>				
Loss Attributed to shareholders of the company	(321)	(1,831)	(1,091)	(28)
Minority share	(60)	(345)	(345)	-
	<u>(381)</u>	<u>(2,176)</u>	<u>(1,436)</u>	<u>(28)</u>
Loss per share (in NIS)	<u>(0.02)</u>	<u>(0.09)</u>	<u>(0.06)</u>	<u>(3.5)</u>

*) Translated to Euro based on current exchange rate as of 30.6.07.

Interim Statement of Changes in Equity

	<u>Issued share capital</u>	<u>Share premium</u>	<u>Receipts on Account of shares</u>	<u>Other reserves</u>	<u>Accumulated loss</u>	<u>Total</u>	<u>Minority Interest</u>	<u>Total equity</u>
Unaudited								
NIS in thousands								
Balance as of January 1, 2007 (audited)	*) -	8	4,868	39	(28)	4,887	-	4,887
Issue of preference share capital	*) -	16,100	(4,868)	-	-	11,232	-	11,232
Foreign currency translation	-	-	-	280	-	280	-	280
Minority Interest	-	-	-	-	-	-	3,433	3,433
Net loss	-	-	-	-	(1,831)	(1,831)	(345)	(2,176)
Balance as of June 30, 2007	*) -	16,108	-	319	(1,859)	14,568	3,088	17,656
Convenience Translation In Euro as of June 30, 2007**)	*) -	2,819	-	56	(325)	2,550	541	3,091

	<u>Issued share capital</u>	<u>Share permium</u>	<u>Receipts on account of shares</u>	<u>Capital reserves</u>	<u>Accumulated loss</u>	<u>Total</u>	<u>Minority Interest</u>	<u>Total equity</u>
Unaudited								
NIS in thousands								
Balance as of April 1, 2007	*) -	16,108	-	19	(768)	15,359	(18)	15,341
Foreign currency translation	-	-	-	300	-	300	-	300
Minority Interest	-	-	-	-	-	-	3,451	3,451
Net loss	-	-	-	-	(1,091)	(1,091)	(345)	(1,436)
Balance as of June 30, 2007	*) -	16,108	-	319	(1,859)	14,568	3,088	17,656

*) Less than 1 NIS / Euro thousands.

***) Translated to Euro based on current exchange rate as of 30.6.07

Interim Statement of Changes in Equity

	Issued share capital	Share permium	Receipts on account of shares	Capital reserves	Accumulated loss	Total
Audited						
NIS in thousands						
Issue of shares	*) -	8	-	-	-	8
Receipts on account of shares	-	-	4,868	-	-	4,868
Foreign currency translation	-	-	-	39	-	39
Net loss	-	-	-	-	(28)	(28)
	*) -	8	4,868	39	(28)	4,887

*) Less than 1 NIS thousands.

Interim Consolidated Cash Flow statements

	Convenience Translation In Euro for six months ended June 30, 2007 *)	For the six months ended June 30, 2007	For the three months ended June 30, 2007	For the period ended December 31, 2006
	Unaudited	Unaudited	Unaudited	Audited
	Euro in thousands	NIS in thousands		
<u>Cash flows from investing activities:</u>				
Net loss per statements of income	(381)	(2,176)	(1,436)	(28)
Adjustments to reconcile net loss to cash provided by operating activities (See A)	430	2,455	1,699	41
Net cash provided by operating activities	49	279	263	13
<u>Cash flows from investing activities:</u>				
Purchase of fixed assets	-	-	-	(7)
Net cash acquired with affiliated company consolidated for the first time (See B)	159	910	-	-
Net cash acquired with investee company consolidated for the first time (See C)	-	-	-	-
Affiliated company investment activities	-	-	-	(2)
Long-term loan	-	-	-	(3,577)
Long term loan received	13	72	-	-
Investment in marketable securities, net.	(3,688)	(21,069)	(14,939)	-
Trustee's deposit	-	-	62,959	-
Net cash provided (used) by investing activities	(3,516)	(20,087)	48,020	(3,586)
<u>Cash flows from financing activities:</u>				
Issue of capital (including premium)	1,966	11,232	-	8
Receipts on account of shares	-	-	-	4,868
Issue of bonds expenses	10,838	61,917	-	(212)
Other loans payment	(449)	(2,565)	(2,565)	-
Long-term bank loans payment	(65)	(369)	(369)	-
Net cash provided (used) by financing activities	12,290	70,215	(2,934)	4,664
Increase in cash and cash equivalents	8,823	50,407	45,349	1,091
Cash and cash equivalents – beginning of the period	191	1,091	6,149	-
Cash and cash equivalents – end of the period	9,014	51,498	51,498	1,091

*) Translated to Euro based on current exchange rate as of 30.6.07.

EURO-TRADE REAL ESTATE INTERNATIONAL (Y.N.B) LTD

Interim Consolidated Cash Flow statements

	Convenience Translation In Euro for six months ended June 30, 2007	For the six months ended June 30, 2007	For the three months ended June 30, 2007	For the period ended December 31, 2006
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
	Euro in thousands		NIS in thousands	
A. <u>Adjustments to reconcile net loss to net cash provided by operating activities</u>				
<u>Income and expenses not involving the flow of cash:</u>				
Company share in loss (profit) of affiliated company	(3)	(21)	-	31
Depreciation and amortization	94	536	312	1
Deferred taxes	3	20	20	-
Interest income from long term loan	(13)	(76)	-	(53)
Linkage differences of Bonds	37	210	210	-
Gain on realization and increase in value of marketable securities, net	(13)	(72)	(62)	-
<u>Change in operating assets and liabilities:</u>				
Increase in accounts receivable and other current assets	(148)	(847)	(451)	(102)
Increase in accounts payable and other current liabilities	473	2,705	1,670	164
	<u>430</u>	<u>2,455</u>	<u>1,699</u>	<u>41</u>
<u>B. Consolidation of associated company for the first time</u>				
The assets and liabilities as at the date of consolidation:				
Current capital, net (except cash and cash equivalent)	178	1,015	-	-
Investment properties	(11,043)	(63,089)	-	-
Long-term liabilities	11,027	63,002	-	-
Minority Interest	(3)	(18)	-	-
	<u>159</u>	<u>910</u>	<u>-</u>	<u>-</u>
<u>C. Consolidation of investee company for the first time</u>				
The assets and liabilities as at the date of consolidation:				
Current capital, net (except cash and cash equivalent)	186	1,062	1,062	-
Investment properties	(7,164)	(40,932)	(40,932)	-
Long-term liabilities	6,399	36,558	36,558	-
Minority Interest	579	3,312	3,312	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*) Translated to Euro based on current exchange rate as of 30.6.07.