

Board of Directors' Report on the state of the Corporation
for the period ended June 30, 2009

a. Condensed description of the Company and its business environment

The Company is engaged in providing evaluation and psychometric screening services, recruiting and placement, management consulting and the developing and marketing of unique software products in the field of managing human resources. The operations are carried out through three main subsidiaries: in Israel, England and the US and employs about 200 professional personnel.

The Company's revenues from its operations in England and the US, in the first nine months of 2009, comprise 56% of the Company total revenues and in the second quarter of 2009 comprise 55% of the Company's total revenues, similar to the situation that existed during the equivalent period in the previous year.

b. Clients

The Group has a large number of clients, which also include large organizations both in the Israeli market and in the European and North American markets. Most of the Group's clients in the field of human resources, including the provision of manpower services, are permanent customers for a long period of time.

In the first nine months and in the third quarter of 2009, the Company did not have any single client which significantly contributed to its revenues.

c. Results of operations

a. For the nine months ended September 30, 2009

The following are condensed data (in NIS thousands):

	For the 9 months		The change for
	ended December 30,		
	2009	2008	the 9 months
Revenues from sales the and provision of services	34,786	44,537	(22%)
Cost of sales and services	22,764	28,379	(20%)
Gross profit	12,022	16,158	
% Gross profit	35%	36%	
Research and development expenses	3,227	3,794	(15%)
Selling and marketing expenses	2,529	5,089	(50%)
General and administrative expenses	7,062	9,101	(22%)
Other expenses, net	-	200	
	12,818	18,184	
Income (loss) from regular operations	(796)	(2,026)	
Other revenues (expenses)	25	6	
Financing revenues	505	271	
Financing expenses	(932)	(800)	
	(402)	(523)	
Income (loss) before taxes	(1,198)	(2,549)	
Tax income (expenses)	102	268	
Net income (loss)	(1,096)	(2,281)	

1. Revenues

The global recession which started in 2008 was still being strongly felt during the first nine months of 2009. The Company's revenues for this period stood at NIS 34,786 thousand, a 22% decline compared to sales in the second half of 2008 which stood at NIS 44,547 thousand, and a 23% decline compared to the equivalent period in the previous year, which stood at NIS 44,547 thousand. As mentioned, the main reason for the erosion in sales is the global economic crisis that has hit the world economy, which causes companies to cancel or postpone investments in human resources.

The following are sales in the local functional currency and in NIS terms for the period, compared to the equivalent period in the previous year:

	For the 9 months ended September 30,		
	2009	2008	Change in %
Pilat England in NIS thousands	10,205	14,212	(28%)
Pilat England in £ thousands	1,670	2,082	(20%)
Pilat USA in NIS thousands	9,304	10,112	(8%)
Pilat USA in \$ thousands	2,329	2,879	(19%)
Pilat Israel in NIS thousands	15,277	20,213	(24%)
The Group in NIS thousands	34,786	44,537	(22%)

In Israel sales for the first nine months of 2009 aggregated NIS 15,277 thousand compared to NIS 20,213 thousand during the equivalent period in the previous year, a decline of 24%. The main reason for the decline in the level of sales in Israel is the economic crisis from which the Israeli economy is still suffering.

The Group's sales in Europe in local currency terms – the pound sterling – aggregated during the first nine months of 2009 GBP 1,670 thousand compared to the Group's sales in Europe during the equivalent period of 2008, which stood at GBP 2,082 thousand, a decline of 20% expressing the economic crisis that hit Europe since mid 2008.

In NIS terms, the Group's sales in Europe aggregated NIS 10,205 thousand, a decline of 28% compared to the Group's sales in the equivalent period of 2008 which stood at NIS 14,212 thousand. The reason for the sharp decline in sales in Europe in NIS terms, compared to the sales in local currency terms, results from the strengthening of the NIS compared to the GBP since the end of 2008.

In the US, the Group's sales in terms of the US dollar stood at 2,329 thousand dollars the first nine months of 2009, compared to sales of 2,879 thousand dollars in the equivalent period in 2008 (a decline of 19%). The main reason for the decline in the level of sales in the US is the economic crisis from which the North American economy is still suffering.

As the dollar strengthened against the NIS during the period of report, in NIS prices the Group's sales in the first nine months of 2009 declined by 8% and aggregated NIS 9,304 thousand compared to NIS 10,112 thousands in the equivalent period of 2008.

2. Cost of sales and services

During the period, the cost of sales and services stood at NIS 22,764 thousand compared to NIS 28,379 thousand during the first nine months of 2008, a decline of 20%.

The reason for the decline in the cost of sales is a cut in the Company's costs in order to adjust the Company's expenses to the decline in revenues due to the economic crisis from which the global economies and economy of Israel are suffering.

3. Gross profit

Gross profit during the period stood at NIS 12,022 thousand comprising 35% of the Company's sales compared to NIS 16,158 thousand during the first nine months of 2008 comprising 36% of the Company's sales.

4. Research and development expenses

During the period, the research and development expenses aggregated NIS 3,227 thousand, a decline of 15% from the expense during the equivalent period in the previous year which stood at NIS 3,794 thousand.

The reason for the decline in expenses compared to the equivalent period in the previous year, is a cut in the Group's expenses made in order to prepare for the economic recession and the decline in revenues as a result thereof.

5. Selling and marketing expenses

The selling and marketing expenses during the period aggregated NIS 2,529 thousand compared to NIS 5,089 thousand in the first nine months of 2008, a decline of 50%.

The decline in expenses stems from the program to cut expenses and improve efficiency that the Company's management introduced during the recent quarters in order to prepare for the decline in operations as a result of the economic crisis.

6. General and administrative expenses

General and administrative expenses for the period aggregated NIS 7,062 thousand compared to NIS 9,101 thousand during the first nine months of 2008, a decline of 22%.

The decline in expenses is a result of extensive cuts that management introduced during recent quarters, in order to prepare for the economic crisis. The cuts were made in all the Group's companies and in its head office, and included a dismissal of employees and a decrease in other costs.

7. Loss from regular operations

During the period, the Group presented an operating loss of NIS 796 thousand compared to a loss of NIS 2,026 thousand during the first nine months of 2008.

The loss for the period results from a decline in revenues but, as the Company's management put into effect an efficiency program during the past year, in order to prepare for the economic crisis and the accompanying decline in the branch's economic operations, the operating loss declined compared to the first nine months of 2008.

8. Financing revenues

During the period, the Group had financing revenues of NIS 505 thousand compared to financing revenues of NIS 271 thousand during the first nine months of 2008.

Financing revenues during the period comprise mainly revenues as a result of a rate of exchange differences against the American dollar and the pound sterling, while NIS 40 thousand were revenues from interest on deposits.

9. Financing expenses

The financing expenses during the period aggregated NIS 932 thousand compared to expenses of NIS 800 thousand during the first nine months of 2008.

The financing expenses during the period stemmed mainly from translation differences and, to a lesser extent, from payment of interest expenses of NIS 69 thousand, mainly as a result of a bank loan taken in Israel towards the end of 2008.

10. Net loss

The Group's net loss for the period was NIS 1,096 thousand compared to a loss of NIS 2,281 thousand in the first nine months of 2008.

b. For the three months ended September 30, 2009

The following are the condensed data (in NIS thousands):

	For the three months ended			Change for the three months ended	
	Sept. 30	June 30	Sept. 30	June 30	Sept. 30
	2009	2009	2008	2009	2008
Revenues from sales and the provision of services	11,275	11,248	13,944	0%	(19%)
Cost of sales and services	7,290	7,606	9,323	(4%)	(22%)
Gross profit	3,985	3,642	4,621		
Gross profit - %	35%	32%	33%		
Research and development expenses	1,064	1,186	1,191	(10%)	(11%)
Selling and marketing expenses	675	836	1,574	(19%)	(57%)
General and administrative expenses	2,014	2,716	2,861	(26%)	(30%)
Other expenses, net	-	-	-		
	3,753	4,738	5,626		
Income (loss) from regular operation	232	(1,096)	(1,005)		
Other revenues (expenses)	-	-	-		
Financing revenues	11	178	299		
Financing expenses	(316)	(868)	(13)		
	(305)	(690)	286		
Income (loss) before taxes	(73)	(1,786)	(719)		
Tax income (expenses)	-	94	141		
Net income (loss)	(73)	(1,692)	(578)		

1. Revenues

The global recession which started in 2008 is still being strongly felt in the third quarter of 2009 in all the companies in the Group. The Company's revenues in the third quarter of 2009 stood at NIS 11,275 thousand, without any significant changes compared to sales in the second quarter of 2009 which stood at NIS 11,248 thousand, and a decline of 19% compared to sales in the third quarter of 2008 which stood at NIS 13,944 thousand. The main reason for the decline in sales during the period is the crisis in the global economy, which detrimentally affects the level of economic activity in general and the human resources branch in particular.

The following are sales in the local functional currency in NIS terms for the quarter compared to the equivalent period in the previous year, and for convenience also the second quarter of 2009:

	For the three months ended September 30			For the three months ended June 30	
	2009	2008	Change in %	2009	Change in %
Pilat England in NIS thousands	3,257	4,491	(27%)	3,209	1%
Pilat England in £ thousands	518	681	(24%)	510	2%
Pilat USA in NIS thousands	2,921	3,060	(5%)	3,145	(7%)
Pilat USA in \$ thousands	763	877	(13%)	769	(1%)
Pilat Israel in NIS thousands	5,097	6,393	(20%)	4,894	4%
The Group in NIS thousands	11,275	13,944	(19%)	11,248	0%

In Israel, sales during the period aggregated NIS 5,097 thousand compared to NIS 4,894 thousand in the second quarter of 2009, an increase of 4%, and NIS 6,393 thousand during the equivalent period in 2008, a decline of 20%.

The Group's sales in Europe in terms of the local currency – GBP – aggregated GBP 518 thousand, an increase of 2% in the second quarter of 2009 (GBP 510 thousand) and a decline of 24% in sales in the equivalent quarter of 2008 (GBP 681 thousand).

In NIS terms, the Group's sales in Europe aggregated during the period NIS 3,257 thousand, an increase of 1% from sales in the second quarter of 2009 (NIS 3,209 thousand) and a decline of 27% compared to the sales in Europe during the equivalent quarter in 2008 (NIS 4,491 thousand). The reason for the decline in sales in Europe compared to the equivalent quarter in the previous year, in NIS terms, is the weakening of the pound sterling against the NIS over the past year.

In the US the Group's sales in American dollar terms stood at 763 thousand dollars, without any significant change in sales of the second quarter of 2009 which aggregated 769 thousand dollars, and sales of 877 thousand dollars during the equivalent quarter in 2008 (a decline of 13% in dollar terms).

As the dollar strengthened against the NIS in the past year, since the equivalent period in the previous year in NIS terms, US sales stood at NIS 2,921 thousand, a decline of 7% compared to the second quarter of 2009 (NIS 3,145 thousand) and a decline of 5% compared to the equivalent quarter in the previous year (NIS 3,060 thousand).

2. Cost of sales and services

During the period, the cost of sales and services stood at NIS 7,290 thousand compared to NIS 7,606 thousand in the previous quarter and NIS 9,323 thousand in the equivalent quarter in the previous year (a decline of 4% and 22%, respectively).

The reason for the decline in the cost of sales is a cut in Company costs implemented in order to adjust the Company's expenses to the decline in revenues as a result of the economic crisis from which the Israeli and global economies are suffering.

3. Gross profit

Gross profits during the period stood at NIS 3,985 thousand comprising 35% of the Company's sales, compared to NIS 3,642 thousand during the previous quarter (32% of the Company's sales) and NIS 4,621 thousand in the third quarter of 2008 (33% of the Company's sales).

4. Research and development expenses

During the period, research and development expenses aggregated NIS 1,064 thousand, a decline of 10% from the amount in the previous quarter (NIS 1,186 thousand) and a decline of 11% in expenses during the equivalent period in the previous year (NIS 1,191 thousand).

The decline in expenses results from the cuts and efficiency program that the Company's management introduced in order to prepare itself for a decline in operations as a result of the economic crisis.

5. Selling and marketing expenses

Selling and marketing expenses during the period aggregated NIS 675 thousand compared to 836 thousand in the previous quarter (a decline of 19%) and NIS 1,574 thousand during the equivalent period in the previous year (a decline of 57%).

The decline in expenses results from the cuts and efficiency program that the Company's management introduced in order to prepare itself for a decline in operations as a result of the economic crisis.

6. General and administrative expenses

General and administrative expenses aggregated during the period NIS 2,014 thousand compared to NIS 2,716 thousand in the previous quarter (a decline of 26%) and NIS 2,861 thousand during the equivalent quarter in the previous year (a decline of 30%).

The decline in expenses compared to the equivalent quarter in the previous year is a result of the extensive cuts that the Company's management made during the recent quarters, in order to prepare itself for the economic crisis. The cuts were carried out in all the Group's companies and in the Company's head office, including releasing employees and a cut in expenses.

7. Income from regular operations

During the quarter, the Group earned NIS 232 thousand compared to an operating loss of NIS 1,096 thousand during the previous quarter and a loss of NIS 1,005 thousand during the equivalent quarter in the previous year.

The profit for the period results from the general stabilization in the Group's sales, and on the other hand from a cut in expenses

8. Financing revenues

During the period, the Group had financing revenues of NIS 11 thousand compared to financing revenues of NIS 178 thousand during the previous quarter and NIS 299 thousand during the equivalent period in the previous year.

Financing revenues in the quarter comprise mainly interest revenues on deposits.

9. Financing expenses

Financing expenses during the period aggregated NIS 316 thousand compared to expenses of NIS 868 thousand during the previous quarter and NIS 13 thousand in the equivalent quarter in the previous year.

Financing expenses for the period resulted mainly from translation differences and, to a lesser extent, a payment of interest expenses of NIS 21 thousand, mainly as a result of a bank loan that the Company in Israel took towards the end of 2008.

10. Net loss

The Group's net loss for the period stood at NIS 73 thousand compared to a net loss of NIS 1,692 thousand during the previous quarter and the net loss of 578 thousand during the equivalent period in the previous year.

d. Financial position

1. Current assets

Current assets as at June 30, 2009 aggregated NIS 24,899 thousand compared to NIS 27,904 thousand on December 31, 2008. The decline in current assets results mainly from a decline in the customers item, and a decline in cash and cash equivalents, as most of the customers which have not yet been collected during the period are a result of sales during the quarter under report and the decline in customers resulting from a decline in reported sales, compared to the last equivalent period of 2008

Cash equivalents on June 30, 2009 stood at NIS 12,756 thousand compared to NIS 13,739 thousand on December 31, 2008.

Short-term investments on September 30, 2009 stood at NIS 376 thousand, similar to the amount on December 31, 2008. The short-term investments stem from guarantees that Pilat NAI gave for leasing new offices. The amount is to be repaid during the lease period.

The Company's customers' balances on September 30, 2009 stood at NIS 10,749 thousand compared to NIS 12,606 thousand on December 31, 2008. The decline in customers' item stems as aforesaid from decline in sales.

Other receivables at the end of the period stood at NIS 920 thousand compared to NIS 796 thousand on December 31, 2008. The increase in the other receivables stems mainly from the increase in prepaid expenses.

2. Non current assets

Non current assets on September 30, 2009 stood at NIS 2,585 thousand compared to NIS 3,321 thousand on December 31, 2008. The changes in non current assets during the period stemmed from amortization of intangible assets and depreciation of fixed assets.

3. Current liabilities

The Company's current liabilities on September 30, 2009 stood at NIS 9,506 thousand compared to NIS 12,598 thousand on December 31, 2008, a decline of NIS 3,093 thousand. The changes in current liabilities during the nine months stemmed mainly from a decline in trade and other payables balances and a write-off of a liability relating to a subsidiary's operations which was sold during 2006.

4. Long-term liabilities

At the end of the period, the Company's long-term liabilities stood at NIS 2,124 thousand compared to NIS 2,517 thousand on December 31, 2008. Most of the liabilities are the balance of a long-term bank loan that the Company in Israel took towards the end of 2008.

5. Capital

The Company's capital on September 30, 2009 stood at NIS 15,854 thousand compared to NIS 16,110 thousand on December 31, 2008, a decline of NIS 256 thousand.

The decline in capital results mainly from the loss during the period of NIS 1,096 thousand, foreign exchange differences from operations outside of Israel of NIS 478 thousand, issue of shares from realizing option warrants in an amount of NIS 287 thousand, and the cost of share-based payments in an amount of NIS 75 thousand.

6. Financial ratios

	<u>Sept. 30, 2009</u>	<u>Dec. 31, 2008</u>
Ratio of current assets to the balance sheet	91%	89%
Current ratio	2.62	2.21
Capital to the balance sheet	58%	52%

e. Liquidity and sources of financing

During the first nine months of 2009, the balances of the Company's cash balance declined by NIS 983 thousand compared to a decline of NIS 7,673 thousand during the equivalent period in the previous year.

During the second quarter of 2009, the Company's cash balances declined by NIS 1,115 thousand compared to a decline of NIS 462 thousand during the equivalent quarter in the previous year.

Cash flows from operating activities

During the first nine months of 2009, cash used by the Company's operating activities stood at NIS 1,065 thousand during the period compared to NIS 4,302 thousand used for operating activities during the equivalent period in the previous year.

The negative cash flows from operating activities during the first nine months of 2009 stemmed from the net loss of NIS 1,096 thousand during the period, depreciation on fixed assets and amortization of intangible assets of NIS 916 thousand, erosions of foreign currency of NIS 328 thousand, and from changes in assets and liabilities of NIS 1,178 thousand.

During the third quarter of 2009, cash used for the Company's operating activities stood at NIS 1,126 thousand during the period compared to NIS 175 thousand used for operating activities during the equivalent period in the previous year.

The negative cash flows for the quarter stemmed mainly from the erosion of cash in foreign currency of NIS 719 thousand from changes in items of assets and liabilities.

Cash flows from investing activities

During the first nine months of 2009, cash of NIS 115 thousand were used for investing activities, mainly from the purchase of fixed assets.

During the third quarter of 2009, NIS 423 thousand was used for investing activities, mainly from short-term investments.

Cash flows from financing activities

During the first nine months of 2009, cash used for financing activities aggregated NIS 194 thousand, as a result of the repayment of a loan to an Israeli bank of NIS 481 thousand and less neutralizing exercising options of NIS 287 thousand.

During the third quarter of 2009, cash of NIS 127 thousand were used for financing activities as a result of a repayment of a loan to an Israeli bank of NIS 150 thousand

j. Exposure to market risks and the method of their management

The person responsible for managing the Company's market risks and financial risks is Jonathan Berger, the Company's CFO. See clause 36(3) in the Periodic Report.

1. The market risks to which the Company is exposed:

The Company is exposed to a range of market risks through its regular business operations. The operating segments connected with the subject of human resources is mainly exposed to a decline in the level of operations in the economies of the target countries and from the unexpected entry of technology based companies into the market.

The assessment operations of the Company are exposed to regulatory changes by the Israeli legislature.

As most of the Company's expenses relate to salaries, changes in the labor market in the American, British and Israeli economy are likely to affect the Company's business results.

The Company does not have a significant currency exposure from its business operations, as most of the revenues and expenses in each of the countries in which the Group operates are in the same currency.

2. Accounting risks to which the Company is exposed

The Company is exposed to changes in the rates of exchange of cash and foreign currency assets – pounds sterling and American dollars. In the event of a real devaluation, the Company will have financing revenues; and in the event of a real revaluation, the Company will have financing expenses.

As a result of changes in the rates of exchange of the shekel, the pound sterling and the dollar, there were total financing revenues of NIS 505 thousand in the first nine months of 2009, of which interest revenues of NIS 40 thousand, and financing expenses of NIS 932 thousand of which expenses for credits or loans of NIS 112 thousand.

The Company's liquid assets during the period were in Israeli shekels, pounds sterling, American dollars and in the euro.

3. The Company's policy in managing the described market risks:

The Company spreads its operations in a number of geographic markets and various niches in the field of human resources in order to reduce its exposure to conditions in the market in a certain country and to the penetration of new competitors in niches in which it operates.

The Company did not carry out any financial hedging transactions in 2009.

The Company operates in order to adjust, as far as possible, its linkage bases of assets and liabilities and the average time frames of its assets to the average time of its liabilities.

4. Means of supervising and realizing policy:

The Company does not carry out speculative transactions in derivatives. No financial hedging is done without the specific written approval of the Company's Secretary and CFO.

5. Exposure to currency risks:

During the period from the date of the balance sheet until the date of publishing the financial statements for the third quarter of 2009, there were no significant changes in the nature of exposure to rates of exchange and of the NIS, the dollar and pound sterling. Most of the revenues and expenses in each of the countries in which the Company operates are in the same currency, all the subsidiaries invest their surplus cash in deposits in the currency in which it operates.

g. Donations

The Company is committed to the societies in which it operates and feels strongly about being involved in these by donating to organizations that share this vision. During the period, the Company donated NIS 18 thousand.

h. Linkage bases

There were no significant changes since the last annual report of December 31, 2008.

i. Process of approving the financial statements

The Company's Board of Directors is the organ which discusses the financial statements and approves them, after members of the Board of Directors receive the draft financial statements prior to the meeting. The Company does not have a balance sheet committee, and the financial statements are discussed at meetings of the Board of Directors. Members of the Audit Committee meet with the auditors to hear and to study the process of preparing the statements.

During the meeting of the Board of Directors, where the financial statements are discussed and approved, the CFO reviews in detail the main points of the financial statements and the significant questions in the financial reporting, including transactions which are not in the normal course of business, if any, significant evaluations and critical estimates used in the financial statements, and the reasonableness of the data, the accounting policies applied and any changes in them, and the adoption of the principle of proper disclosure in the financial statements and the accompanying information. The Company's CFO reviews the Company's current operations, the effect of the results and emphasizes significant matters.

At the meeting of the Board of Directors where the financial statements were discussed and approved, representatives of the Company's auditor are invited to participate, and they usually add their remarks and clarifications regarding the financial statements and are at the disposal of the Board of Directors for any questions or clarifications about the financial statements prior to their approval.

j. Events after the balance sheet date

In October 2009, a non binding initial expression interest from Adam Milo Ltd. for a merger with the Company.

Adam Milo Ltd. is a private company controlled by S.H. Sky Investments (A.D.M.), Stav 2009 Holdings and Investments Ltd., and Mr. Nimrod Betser (hereinafter: "Sky Group"). The Sky Group is also an interested party in the Company and holds about 23% of its share capital.

Adam Milo is engaged in the field of screening, recruiting, and organizational consulting and placement, and competes with the Company in Israel.

Michael Zukerman,
Chairman of the Board & CEO

Chaim Helfgott,
Secretary and Director

Pilat Technologies International Ltd.

Interim Consolidated Financial Statements

as at September 30, 2009

Unaudited

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Auditor's review report to the shareholders of
Pilat Technologies International Ltd.

Preface

We have reviewed the attached financial information of **Pilat Technologies International Ltd.** and its subsidiaries, which include the condensed consolidated balance sheet as at September 30, 2009 and the condensed consolidated statements of income, of comprehensive income, changes in shareholders' equity and cash flows for the periods of nine months and three months then ended. The Board of Directors and Management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with International Accounting Standard IAS 34 "Financial Reporting for Interim Periods", and they are also responsible for the preparation of the financial information for these interim periods under Chapter D. of the Securities Regulations (Interim and Immediate Reports) - 1970. Our responsibility is to express a conclusion only the financial information for these interim periods based on our review.

We did not review the condensed financial information for interim periods of consolidated companies whose assets included in the consolidation comprise 32% of all the consolidated assets as at September 30, 2009, and whose revenues included in the consolidation comprise 56% and 55% of total consolidated revenues for the periods of nine months and three months then ended, respectively. The condensed financial information for the interim periods for those companies were reviewed by other auditors whose review reports were furnished to us, and our conclusions, to the extent that they relate to the financial information for those companies, are based on the review reports of the other auditors.

Scope of the review

We carried out our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel "Review of financial information for interim periods prepared by the entity's auditor". A review of financial information for interim periods comprises clarifications, mainly with the people responsible for financial and accounting matters, and the use of other analytical review procedures. A review is considerably more limited in scope than an audit carried out in accordance with generally accepted auditing standards in Israel, and therefore does not enable us to obtain with sufficient certainty that we will be aware of all significant matters which could have been identified in an audit. Consequently we are not expressing an opinion of an audit.

Conclusion

Based on our review and on the review reports of the other auditors, we are not aware of any fact which would cause us to think that the above financial information has not been prepared, from all significant aspects, in accordance with international accounting standard IAS 34.

In addition to the remarks in the previous paragraph, based on our review and on the review reports of other auditors, we are not aware of anything which could cause us to think that the above financial information does not meet, from all significant aspects, the disclosure provisions pursuant to Chapter D of the Securities Regulations (Periodic and Immediate Reports) – 1970.

Tel Aviv,
November 26, 2009

Troyaner Gelbar Aloni
Certified Public Accountants

Pilat Technologies International Ltd.

Condensed consolidated balance sheets

	As at		As at
	September 30,		December 31,
	2009	2008	2008
	Unaudited		Audited
	NIS thousands		NIS thousands
<u>Current assets</u>			
Cash and cash equivalents	12,756	10,918	13,739
Short-term investments	376	430	379
Trade receivables	10,749	15,224	12,606
Other receivables	920	1,237	796
Taxes receivable	98	472	384
	<u>24,899</u>	<u>28,281</u>	<u>27,904</u>
<u>Non-current assets</u>			
Long-term receivables	490	47*	480
Prepaid expense for operative leasing, net	153	147*	132
Fixed assets, net	1,220	1,826	1,595
Intangible assets, net	722	1,415	1,114
Assets for benefits to employees	-	405	-
Deferred taxes	-	143	-
	<u>2,585</u>	<u>3,983</u>	<u>3,321</u>
<u>Total assets</u>	<u>27,484</u>	<u>32,264</u>	<u>31,225</u>

* Reclassified

The notes to these financial statements are an integral part thereof.

Pilat Technologies International Ltd.

Condensed consolidated balance sheets

	As at		As at
	September 30,		December 31,
	2009	2008	2008
	Unaudited		Audited
	NIS thousands		NIS thousands
<u>Current liabilities</u>			
Current maturities for long-term loans	610	48	634
Trade payables	1,541	2,515	2,067
Other payables	7,355	8,991	9,797
Dividend declared	-	2,504	-
Taxes payable	-	66	-
Liabilities relating to discontinued operations	-	100	100
	<u>9,506</u>	<u>14,224</u>	<u>12,598</u>
<u>Long-term liabilities</u>			
Loans from banks	1,852	-	2,304
Liabilities for benefits to employees	272	34	213
	<u>2,124</u>	<u>34</u>	<u>2,517</u>
Total liabilities	<u>11,630</u>	<u>14,258</u>	<u>15,115</u>
<u>Shareholders' equity relating to the Company's shareholders</u>			
Share capital	383	378	378
Premium on shares	55,915	55,633	55,633
Treasury stock	(751)	(751)	(751)
Balance of loss	(37,820)	(34,711)	(36,724)
Capital reserve from translating differences	(2,455)	(3,017)	(2,933)
Other capital reserves	582	474	507
	<u>15,854</u>	<u>18,006</u>	<u>16,110</u>
<u>Total liabilities and capital</u>	<u>27,484</u>	<u>32,264</u>	<u>31,225</u>

The notes to these financial statements are an integral part thereof.

November 26, 2009			
Date of approval of the financial statements	Michael Zuckerman Chairman of the Board and CEO	Chaim Helfgott Director	Jonathan Berger CFO

Condensed consolidated statement of income

	For the 9 months ended		For the 3 months ended		For the year ended
	September 30,		September 30,		December 31,
	2009	2008	2009	2008	2008
	Unaudited		Unaudited		Audited
	NIS thousands		NIS thousands		NIS thousands
Note	(Excluding data on net earnings (loss) per share)				
Revenues from sales and service	34,786	44,537	11,275	13,944	56,744
Cost of sales and service	22,764	28,379	7,290	9,323	37,753
Gross profit	12,022	16,158	3,985	4,621	18,991
Research and development expenses	3,227	3,794	1,064	1,191	4,741
Selling and marketing expenses	2,529	5,089	675	1,574	6,005
General and administrative expenses	7,062	9,101	2,014	2,861	12,636
Other expenses, net	-	200	-	-	208
Income (loss) from regular operations	(796)	(2,026)	232	(1,005)	(4,599)
Other revenues (expenses), net	25	6	-	-	41
Financing revenues	505	271	11	299	902
Financing expenses	4 (932)	(800)	(316)	(13)	(1,122)
Loss before taxes on income	(1,198)	(2,549)	(73)	(719)	(4,778)
Tax revenues on income	102	268	-	141	393
Loss	<u>(1,096)</u>	<u>(2,281)</u>	<u>(73)</u>	<u>(578)</u>	<u>(4,385)</u>
<u>Net earnings (loss) per share – in NIS</u>					
Net earnings (loss) – basic and diluted	<u>(0.043)</u>	<u>(0.089)</u>	<u>(0.003)</u>	<u>(0.023)</u>	<u>(0.17)</u>

The notes to these financial statements are an integral part thereof.

Condensed consolidated statements of comprehensive income

	For the 9 months ended September 30,		For the 3 months ended September 30,		For the year ended December 31,
	2009	2008	2009	2008	2008
	Unaudited		Unaudited		Audited
NIS thousands (Excluding data on net earnings (loss) per share)					
Loss	(1,096)	(2,281)	(73)	(578)	(4,385)
Other comprehensive income (loss):					
Adjustments resulting from translation of financial statements of foreign operations	187	(1,140)	(299)	(246)	(1,056)
Transfer to statement of income from realizing a loan in foreign operations	291	-	-	-	-
Other comprehensive income (loss), net	478	(1,140)	(299)	(246)	(1,056)
Total comprehensive loss	(618)	(3,421)	(372)	(824)	(5,441)
Relating to:					
The Company's shareholders	(618)	(3,421)	(372)	(824)	(5,441)

The notes to these financial statements are an integral part thereof.

Condensed consolidated statements of changes in shareholders' equity

	Share capital	Premium on shares	Capital reserve from translating financial statements of foreign operations	Other capital reserves	Balance of loss	Treasury stock	Total
	Unaudited						
	NIS thousands						
<u>Balance as at January 1, 2009</u> <u>(audited)</u>	378	55,633	(2,933)	507	(36,724)	(751)	16,110
Total comprehensive income (loss)	-	-	478	-	(1,096)	-	(618)
Issue of shares from exercising option warrants	5	282	-	-	-	-	287
Cost of share-based payment	-	-	-	75	-	-	75
<u>Balance as at September 30, 2009</u>	<u>383</u>	<u>55,915</u>	<u>(2,455)</u>	<u>582</u>	<u>(37,820)</u>	<u>(751)</u>	<u>15,854</u>
<u>Balance as at January 1, 2008</u> <u>(audited)</u>	378	55,627	(1,877)	366	(28,153)	(751)	25,590
Total comprehensive loss	-	-	(1,140)	-	(2,281)	-	(3,421)
Issue of shares from exercising option warrants	*	6	-	-	-	-	6
Cost of share-based payment	-	-	-	108	-	-	108
Erosion of dividend	-	-	-	-	115	-	115
Dividend declared	-	-	-	-	(4,392)	-	(4,392)
<u>Balance as at September 30, 2008</u>	<u>378</u>	<u>55,633</u>	<u>(3,017)</u>	<u>474</u>	<u>(34,711)</u>	<u>751</u>	<u>18,006</u>

* Less than NIS 1 thousand.

The notes to these financial statements are an integral part thereof.

Condensed consolidated statements of changes in shareholders' equity

	Share capital	Premium on shares	Capital reserve from translating financial statements of foreign operations	Other capital reserves	Balance of loss	Treasury stock	Total
	Unaudited						
	NIS thousands						
<u>Balance as at July 1, 2009</u>	383	55,915	(2,156)	558	(37,749)	(751)	16,202
Total comprehensive income (loss)	-	-	(299)	-	(73)	-	(372)
Cost of share-based payment	-	-	-	24	-	-	24
<u>Balance as at September 30, 2009</u>	<u>383</u>	<u>55,915</u>	<u>(2,455)</u>	<u>582</u>	<u>(37,822)</u>	<u>(751)</u>	<u>15,854</u>
<u>Balance as at July 1, 2008</u>	378	55,633	(2,771)	438	(31,629)	(751)	21,298
Total comprehensive loss	-	-	(246)	-	(578)	-	(824)
Cost of share-based payment	-	-	-	36	-	-	36
Erosion of dividend declared	-	-	-	-	115	-	115
Dividend declared	-	-	-	-	(2,619)	-	(2,619)
<u>Balance as at September 30, 2008</u>	<u>378</u>	<u>55,633</u>	<u>(3,017)</u>	<u>474</u>	<u>(34,711)</u>	<u>(751)</u>	<u>18,006</u>
	Audited						
	NIS thousands						
<u>Balance as at January 1, 2008</u>	378	55,627	(1,877)	366	(28,153)	(751)	25,590
Total comprehensive loss	-	-	(1,056)	-	(4,385)	-	(5,441)
Issue of shares from exercising option warrants	*	6	-	-	-	-	6
Cost of share-based payment	-	-	-	141	-	-	141
Erosion of dividend	-	-	-	-	206	-	206
Dividend declared	-	-	-	-	(4,392)	-	(4,392)
<u>Balance as at December 31, 2008</u>	<u>378</u>	<u>55,633</u>	<u>(2,933)</u>	<u>507</u>	<u>(36,724)</u>	<u>(751)</u>	<u>16,110</u>

* Lower than NIS 1 thousand.

The notes to these financial statements are an integral part thereof.

Pilat Technologies International Ltd.

Condensed consolidated statement of cash flows

	For the 9 months ended		For the 3 months ended		For the year ended
	September 30,		September 30,		December 31,
	2009	2008	2009	2008	2008
	Unaudited				Audited
	NIS thousands				
Cash flows from operating activities					
Loss	(1,096)	(2,281)	(73)	(578)	(4,385)
Adjustments:					
Cost of share-based payment	75	108	24	36	141
Amortization of fixed and intangible assets	916	962	289	298	1,483
Deferred taxes, net	-	(89)	-	(75)	54
Change in liabilities for benefits to employees, net	59	6	30	29	590
Capital (gain) loss from realizing fixed assets	-	(6)	-	-	10
Revaluation of loans between the Company and the subsidiaries	196	-	(107)	-	-
Loss from realizing loan of foreign operations	291	-	-	-	-
Erosion of cash in foreign currency	(328)	(267)*	(719)	(38)*	(126)*
	113	(1,567)	(556)	(328)	(2,233)
Changes in items of assets and liabilities:					
(Increase) decrease in trade receivables	2,143	(924)	(63)	563	1,550
(Increase) decrease in other receivables	(75)	275	47	150	209
Decrease in taxes receivable	286	(16)	114	(76)	72
Decrease in trade payables	(631)	(1)	(30)	(403)	(341)
Decrease in other payables	(2,801)	(1,728)	(638)	436	(743)
Decrease in taxes payable	-	(341)	-	(167)	(407)
Decrease in liabilities relating to discontinued operations	(100)	-	-	-	-
	(1,178)	(2,735)	(570)	503	340
Net cash provided by (used for) operating activities	(1,065)	(4,302)	(1,126)	175	(1,893)

* Reclassified

The notes to these financial statements are an integral part thereof.

Consolidated statement of cash flows

	For the 9 months ended		For the 3 months ended		For the year ended
	September 30,		September 30,		December 31,
	2009	2008	2009	2008	2008
	Unaudited		Unaudited		Audited
	NIS thousands		NIS thousands		NIS thousands
<u>Cash flows from investing activities</u>					
Purchase of fixed assets	(118)	(519)	(47)	(79)	(505)
Proceeds from realizing fixed assets	-	83	-	1	75
Short-term investments, net	3	707	(376)	567	758
Acquisition of intangible assets	-	(1,160)	-	-	(1,181)
Net cash provided by (used for) investing activities	(115)	(889)	(423)	489	(853)
<u>Cash flows from financing activities</u>					
Issue of share capital from exercising option warrants	287	6	-	-	6
Receipt of long-term loans from banks	-	-	-	-	3,000
Repayment of long-term loans to banks	(481)	(59)	(150)	(20)	(186)
Dividend paid	-	(1,773)	-	-	(4,186)
Net cash used for financing activities	(194)	(1,826)	(150)	(20)	(1,366)
<u>Rate differences of balances of cash and cash equivalents</u>	391	(656)*	584	(182)*	(740)
<u>Increase (decrease) in cash and cash equivalents</u>	(983)	(7,673)	(1,115)	462	(4,852)
<u>Balance of cash and cash equivalents at beginning of period</u>	13,739	18,591	13,871	10,456	18,591
<u>Balance of cash and cash equivalents at end of period</u>	12,756	10,918	12,756	10,918	13,739
<u>(a) Significant non cash activities</u>					
Purchase of intangible assets	-	350	-	-	350
Dividend declared and not yet paid	-	2,504	-	2,504	-
<u>(b) Additional information on cash flows:</u>					
Interest paid	70	10	22	3	45
Taxes paid	10	16	4	6	325
Dividend paid	-	1,773	-	1,773	4,186
Interest received	40	271	8	72	356

* Reclassified

The notes to these financial statements are an integral part thereof.

Notes to the interim financial statements

Note 1 - General

These financial statements were prepared in a condensed format as at September 30, 2009 and for the periods of nine months and three months then ended (hereinafter - the interim consolidated financial statements"). These statements should be studied in correlation with the Company's annual financial statements as at December 31, 2008 and for the year then ended and the notes accompanying them (hereinafter: the annual financial statements).

Note 2 - Significant accounting principles

a. Format of preparation of the interim consolidated financial statements

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as set forth in International Accounting Standard IAS 34 – "Financial Reporting for Interim Periods", and according to the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports) – 1970.

The significant accounting principles and methods of calculation implemented in the preparation of the interim consolidated financial statements are consistent with those implemented in the preparation of the annual financial statements, excluding the following:

b. IAS 1 (Amended) – Presentation of financial statements

According to IAS 1 an additional and separate statement must be presented – "Statement of Comprehensive Income" in which the following will be presented: apart from the net income taken from the statement of income, all the items which were recorded during the period of report directly to shareholders' equity and which do not result from transactions with shareholders as shareholders (other comprehensive income), such as adjustments resulting from the translation of financial statements of foreign operations, adjustment of fair value of financial assets classified as available for sale, adjustments to the revaluation reserve of fixed assets etc... and the tax effect of these items also recorded directly to shareholders' equity, with suitable allocation between the Company and between the rights which do not give control. Alternatively, it is possible to present the items of the other comprehensive income together with the items of the statement of income in one statement, to be called: "Statement of Comprehensive Income" which will replace the statement of income, with suitable allocation between the Company and the rights which do not give control. Items recorded to shareholders' equity which result from transactions with shareholders as shareholders (such as the issue of capital, the distribution of dividend etc.) will be presented in the statement of changes in shareholders' equity, as well as the summary line transferred from the comprehensive statement of income, with suitable allocation between the Company and between rights which do not give control.

Notes to the consolidated interim financial statements

Note 2 - Significant accounting principles – contd.

b. IAS 1 (Amended) – Presentation of financial statements – contd.

In addition, the Standard stipulates that in cases of a change in comparative figures, as a result of a change in accounting policy implemented retrospectively, restatement or reclassification, the annual financial statements must be presented in the balance sheet also at the beginning of the period of comparative figures for which the change was made.

The amendment was implemented as from January 1, 2009 with retrospective presentation of comparative figures.

c. IFRS 8 – Operational segments

IFRS 8 deals with the method of presentation of operational segments and replaces IAS 14. According to the Standard, the Company has adopted the "management approach" in reporting on financial performance of operational segments. Segment operation is information that management uses internally in order to evaluate the performance of the segments and to make decisions on the method of allocating resources to the operational segments.

The Company has adopted the provisions of IFRS 8 as from January 1, 2009 while retrospectively applying theme to the comparative figures.

d. IFRS 2 (Amended) – Share-based payment

According to the amended IFRS 2, the definition of vesting conditions includes only the terms of service and conditions of performance and a settling of a grant which includes conditions which are not vesting conditions, whether by the Company or by the other party, will be handled by accelerating vesting and not by forfeiture.

The vesting conditions include only the service conditions and performance conditions. Conditions which are not service or performance conditions will be considered as conditions which are not vesting conditions and therefore they should be taken into account in estimating the fair value of the instrument granted.

The amendment has been adopted as from January 1, 2009. First adoption of the Standard does not have any significant effect on the interim financial statements.

e. IAS 38 (Amended) – Intangible assets

According to the amended IAS 38, expenses incurred for advertising, marketing, and sales promotion activities will be recognized as an expense on the date on which the Company has access to advertising products or when the service for these activities has been provided to the Company. For this purpose, these actions include also the production of catalogs and advertising pamphlets.

Notes to the consolidated interim financial statements

Note 2 - Significant accounting principles – contd.

e. IAS 38 (Amended) – Intangible assets – contd.

Furthermore, the assumption, in the rare event, if at all, that the amortization for intangible assets with a defined lifespan by the production-unit method will be lower than the straight-line method was cancelled, and therefore amortization according to the production units will be made possible without the above restriction.

The amendment has been applied as from January 1, 2009.

First implementation of the Standard did not have any significant effect on the financial statements.

f. The effect of new accounting standards during the period prior to their implementation which can have an effect on the financial statements:

In April 2009, the IASB published amendments to 12 International Accounting Standards, International Financial Reporting Standards and clarifications to International Financial Reporting Standards (hereinafter: "the Amendment"), and this in the framework of the project to improve international standards. Most of the amendments apply retrospectively from the annual periods starting January 1, 2010 or thereafter. The amendments can be adopted earlier subject to certain conditions.

The following is a review of the significant amendments:

1. International Accounting Standard 1 regarding the presentation of financial statements

The amendment stipulates that should, when the conditions of a liability include the possibility given to the other party to convert the debt of the entity to capital instruments of the entity, this would not affect the classification of the liability as a current liability or non current liability. Therefore, convertible bonds linked to the index or linked to foreign currency (classified in the balance sheet in the framework of liabilities) and the liability component of convertible bonds (which include the liability component and the capital component) will be classified according to the repayment dates in cash of the bonds, and not according to their conversion date.

2. International Accounting Standard 7 regarding statements of cash flows

According to the Standard, only expenses leading to the recognition of assets can be classified as investment activities in the statement of cash flows.

3. International Accounting Standard 36 - Impairment in Value of Assets

According to the Standard, every cash-generating unit or group of cash-generating units, to which goodwill has been allocated, will not be greater than the segment of operations as defined in International Financial Reporting Standard 8 prior to combining operating segments to one operating segment.

Notes to the consolidated interim financial statements

Note 2 - Significant accounting principles – contd.

f. Effect of new accounting standards during the period prior to their implementation, which can have an effect on the financial statements:

4. International Accounting Standard 18 - Revenues

The amendment adds an example to the Standard, whose object is to assist in determining whether an entity operates as an agent, and therefore its revenues and commissions are commissions only and will be reported according to the net amount, or whether the entity operates as a main supplier and therefore its revenues will be reported according to the gross amount for which the customer was debited.

In the Company's opinion, the effect of the amendment on the results of operations and financial position, shareholders' equity and cash flows is not expected to be significant.

Note 3 - The following are exchange rate data of the US dollar and the pound sterling

	<u>Exchange rate of 1 US dollar NIS</u>	<u>Exchange rate of 1 pound sterling NIS</u>
<u>As at</u>		
September 30, 2009	3.758	6.0472
September 30, 2008	3.421	6.2876
December 31, 2008	3.802	5.5481
<u>Rate of change during the period</u>		
	<u>%</u>	<u>%</u>
September 2009 (9 months)	(1.16)	9
September 2008 (9 months)	(11.05)	(18.45)
September 2009 (3 months)	(4.11)	(7.09)
September 2008 (3 months)	2.06	(5.77)
December 2008 (12 months)	(1.14)	(28.04)

Note 4 - Financing expenses

During the period of report, financing expenses include an amount of NIS 291 thousand rate of exchange differences expenses due to the transfer of the amount of the capital reserve in the financial statements of foreign operations to the statement of income from realizing a loan in foreign operations.

Notes to the consolidated interim financial statements

Note 5 - Operating segments

As from January 1, 2009, the Company has adopted IFRS 8 according to which the operating segments are presented according to the internal reporting format for the Company's chief operating decision maker.

a. General

The Company and its subsidiaries are engaged in the field of human resources.

The group of companies operates in three operational segments:

1. Israel
2. Europe
3. North America

Management follows the results of operations of operating segments separately, in order to take decisions regarding the allocation of resources and evaluating performance.

b. Reporting relating to operating segments

	For the 9 months ended September 30, 2009				
	Israel	Europe	N. America	Adjustments	Total
	Unaudited				
	NIS thousands				
Revenues from external customers	15,277	10,205	9,304	-	34,786
Between segments	-	1,007	289	(1,296)	-
Total revenues	<u>15,277</u>	<u>11,212</u>	<u>9,593</u>	<u>(1,296)</u>	<u>34,786</u>
Results of the segment	<u>(251)</u>	<u>271</u>	<u>1,208</u>	<u>-</u>	<u>1,208</u>
Expenses not allocated to segments					<u>(2,024)</u>
Loss from regular operations					<u>(796)</u>

	For the 9 months ended September 30, 2008				
	Israel	Europe	N. America	Adjustments	Total
	Unaudited				
	NIS thousands				
Revenues from external customers	20,213	14,212	10,112	-	44,537
Between segments	-	416	-	(416)	-
Total revenues	<u>20,213</u>	<u>14,628</u>	<u>10,112</u>	<u>(416)</u>	<u>44,537</u>
Results of the segment	<u>347</u>	<u>826</u>	<u>(136)</u>	<u>-</u>	<u>1,037</u>
Expenses not allocated to segments					<u>(3,063)</u>
Loss from regular activities					<u>(2,026)</u>

Pilat Technologies International Ltd.

Notes to the consolidated interim financial statements

Note 5 - Operating segments – contd.

	For the 3 months ended September 30, 2009				
	Israel	Europe	N. America	Adjustments	Total
	Unaudited				
NIS thousands					
Revenues from external customers	5,097	3,257	2,921	-	11,275
Between segments	-	493	-	(493)	-
Total revenues	5,097	3,750	2,921	(493)	11,275
Results of the segment	107	324	458	-	889
Expenses not allocated to segments					(657)
Income from regular operations					232

	For the 3 months ended September 30, 2008				
	Israel	Europe	N. America	Adjustments	Total
	Unaudited				
NIS thousands					
Revenues from external customers	6,393	4,491	3,060	-	13,944
Between segments	-	106	-	(106)	-
Total revenues	6,393	4,597	3,060	(106)	13,944
Results of the segment	(387)	454	(245)	-	(178)
Expenses not allocated to segments					(827)
Loss from regular operations					(1,005)

	For the year ended December 31, 2008				
	Israel	Europe	N. America	Adjustments	Total
	Unaudited				
NIS thousands					
Revenues from external customers	26,303	17,265	13,176	-	56,744
Between segments	-	518	70	(588)	-
Total revenues	26,303	17,783	13,246	(588)	56,744
Results of the segment	(436)	166	410	-	140
Expenses not allocated to segments					(4,739)
Loss from regular operations					(4,599)

Notes to the consolidated interim financial statements

Note 6 - Contingent liabilities

In 2008 Pilat Israel Ltd., a subsidiary, (hereinafter; "Pilat Israel") received a letter from the Registrar of Data Bases in the Ministry of Justice (hereinafter: "the Registrar") according to which Pilat Israel does not meet the provisions of the Protection of Privacy Law -1981 – (hereinafter "the Law") in connection with two data bases that Pilat Israel maintains.

In addition Pilat Israel was informed that due to these violations and in view of the inquiry's findings, the Registrar intends to order that the recording of the two data bases be deleted, and if no objection is received from Pilat Israel, the date of the deletions will be August 15, 2008.

Pilat Israel does not accept the Registrar's allegations and its opinion is that it meets all the provisions of the law and to the best of its knowledge it protects and uses the information of those tested and candidates, according to accepted practice in the branch.

The Company presented its opinion to the Registrar and was given a postponement until a meeting which took place in December 2008 with the Registrar at which the matters will be clarified. In the opinion of the Company's legal advisors it is not possible to estimate the Company's exposure in this matter, although the Company has serious arguments as a result of which it is reasonable to assume that it will change the Registrar's opinion whose results will be different to the Registrar's original decision.

During 2009 no additional request was received from the Registrar, and no new demand was received on this subject.

In the opinion of the Company's management no significant negative effect on the financial results is expected due to this event.

Note 7 - Significant events during the reported period

In 2005, the amendment to the Income Tax Ordinance stipulated a gradual decrease in the rate of companies tax to 25% in the 2010 tax year and thereafter.

In July 2009 the Knesset passed the Economy Efficiency Law (Legislative Amendments to Implement the Economic Program for the years 2009 and 2010) – 2009, which stipulates, inter alia, another gradual decrease in the rate of the companies tax starting in 2011 to the following tax rates: 2011 – 24%, 2012 – 23%, 2013 – 22%, 2014 – 21%, 2015 – 20%, 2016 and thereafter – 18%. The Company does not expect any substantial effect as a result of implementing the above change.

Notes to the consolidated interim financial statements

Note 8 - Significant events after the balance sheet date

During October 2009, a non-binding initial expression of interest in a merger with the Company was received from Adam Milo Ltd.

Adam Milo Ltd. is a private company controlled by S.H. Sky Investments (A.D.M) Stav 2009 Holdings and Investments Ltd. and Mr. Nimrod Betser (hereinafter: ""the Sky Group"). The Sky Group is also an interested party in the Company and holds 23% of its share capital.

Adam Milo is engaged in the fields of screening, recruiting, organizational consulting and placement and competes with the Company's businesses in Israel.