2008

Annual Financial Report

Metis Capital Ltd.

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INVESTMENT HOUSE

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C o n t e n t

Interim Condensed Consolidated Financial Report as of December 31, 2008

Company status review

1. Status Review to the Board of Directors - December 31, 2008

We are hereby presenting, in accordance with the rules and regulations of the Deutsche Börse, a report referring to the financial statements of the Company as of December 31, 2008, prepared in accordance with International Financial Reporting Standards.

This report is presented in Euros. An additional management discussion and analysis report is published for the Israeli public, which refers to the financial data as presented in the statements prepared in NIS, according to International Financial Reporting Standards.

2. Corporate Description

As of January 1, 2007 the Company is active in five areas of activities:

A. Import, distribution and sale of vehicles.

B. Import, distribution and sale of spare parts and provision of garage services.

C. Income yielding real estate.

D. Car rental.

E. Operational leasing (A transaction has been completed for selling the leasing operations from Metis Capital Leasing Ltd. on November 16, 2008).

As of the reported period, the activities of car rental and operational leasing are classified in the financial statements as discontinued operations.

Changes in the Corporate Business and Subsequent Events

2.1

On February 11, 2007, Electronics Line 3000 Ltd. ("EL3000") addressed the Company in a letter claiming that the property on Ha'amal St., Petach Tikva ("the property") is built using the Pal-kal method (rippled tin), based on an opinion and tests conducted by an engineer on behalf of EL3000 and the Israeli Standards Institute.

The Company received an engineer's opinion which was prepared for Ormor on March 27, 2007 that determines that the ceilings are absolutely firm and do not constitute a danger both as ceilings and as part of the entire property and, accordingly, there is no safety problem if the ceilings/floors bear additional usage loading of 500 kg per sq.m. (as argued by EL3000).

On November 18, 2007, the Company received an engineer's opinion according to which ceilings 6+ and 9+ bear additional usage loading of 200 kg per sq.m. that is the maximal loading for the use of offices according to the Israeli standard. Also, as to an answer to the production activity preformed by EL3000 in part of ceiling 9+, it is offered by the engineer's opinion that this activity will be transferred to ceiling 12+ or, alternatively, that a reinforcement of loading of 500 kg per sq.m. will be made to this part with cost estimated at approximately € 21.36 thousand that will last about 7 work days. Also, the engineer's opinion indicates that the production activity does not immediately endanger ceiling 9+ and its fastening may take place at times that are convenient to EL3000 without discontinuing production. The Company intends to start reinforcement of ceiling 9+ during July 2008. While cooperating with Ormor and EL 3000, the Company estimates that the cost of reinforcing the ceiling 9+ shall amount to € 195.84 thousand and shall take 25 working days.

2.2 Agreement between Barzilay and Harel

. On January 9, 2008, Mr. Amnon Barzilay ("Barzilay"), a controlling shareholder in the Company, entered himself and companies under his control into an agreement with Mr. Shimon Harel ("Harel") and company owned by him, S. Harmon Holdings and Properties Ltd. ("Harmon") whose principles are as follows:

a) A private company owned by Barzilay (50.5% of its share capital is owned by Barzilay and 49.5% by Harmon) ("the private company") will act to acquire about 47.72% of the issued share capital of the Company (before dilution) according to a right assigned to Barzilay in an agreement between him and Mr. Eyal Yona. The acquisition carried out by an offer tender according to a prospectus published by Gmul and the Company on August 1, 2007 ("the prospectus").

b) To finance the acquisition, the private company took loans from a financial entity and from Harmon and Mr. Barzilay extended to it a complementary loan.

c) The parties agreed that they will use their voting power in the private company and through it in the Company so that after the exercise of the right to acquire Company shares according to a prospectus, the Company's Board shall appoint eight directors: two outside directors, four directors to be recommended by Barzilay and additional two directors to be recommended by Harmon. Also, the parties have committed to use their voting power so that Barzilay continues to act as the Company's chairman, Harel be appointed as a deputy and vice chairman and Mr. Itsik Cohen, the present CEO continues his office for additional four years.

On January 30, 2008, Barzilay delivered a "response notice" according to which a private company under his control acquires from Gmul 3,841,470 of the Company's Ordinary shares, representing about 47.72% of total issued and outstanding share capital of the Company and all as per an offer tender according to a prospectus published by Gmul and the Company on August 1, 2007 in consideration of € 16,100,679. The date to complete the acquisition as required according to the prospectus is January 31, 2008.

A business dispute broke between Barzilay and Harel, in the context of which the parties raise different arguments one against the other both in the level of their relations with the private company through which they hold the Company's shares and the financing agreements assumed and in the level of the Company's mode of operation.

On October 30, 2008 the Company announces that Amnon Barzilay and Shimon (Moni) Harel, who are the indirect holders of Metis Capital Ltd. through Ofakim Capital Ltd., informed the Company that they had reached an agreement between them.

Pursuant to said arrangement, all the controversies between them were settled in connection with the financing of the acquisition of the Company's shares by Ofakim Capital Ltd.

Likewise, arrangements were laid down between the parties with a view to a possible separation between the parties, by way of licitation, if and when either of the parties may be interested in that.

Further, an understanding was reached to the effect that the parties would immediately file petitions for striking out all the mutual claims, of any kind or nature, that have been filed between them. The parties announced that they would engage in cooperation for the sake of the Company's success.

2.3

On January 24, 2008, addendum No. 3 to the agreement with the lessee of Hotel Cerna was signed pursuant to which the monthly rental fees for the first three months of 2008 are lowered to € 5,000 a month due to the renovation of the hotel in that period. Starting April 1, 2008, the monthly rental fees were restored to € 45,000 a month.

On February 4, 2008, Finit's name was changed to Metis Cerna Property S.R.L.

During the month of January 2009 was made a requirement of the renter to reduce the monthly rental fee during the year 2009 to -35,000 Euro / month. Explained to the renter must request the new economic situation in Romania affect the hotel capacity. Also they not paid the rental fees starting in January 2009.
The company not decided yet about her position.

2.4

On January 13, 2008, the Board of Japan Auto Holdings, as per the approval of the general meeting of holders of debentures (series A) of Japan Auto Holdings, decided to pay additional monthly management fees of approximately € 60.55 thousand to the controlling shareholders in Japan Auto Holdings, Mirage and the company (a total of approximately € 0.72 million a year) regarding the expansion in the scope of services provided by them to the Group effective January 1, 2008.

On April 10, 2008, an amendment was signed to the marketing service agreement signed between the Company and Japan Auto such that as of January 1, 2008, the Company will grant Japan Auto Holdings additional services as follows: placing a representative in a credit committee and an executive committee, administrative counseling on Japan Auto Holdings' strategic and business moves and developing business relations, counseling in negotiations with potential business partners, goal and target planning for Japan Auto Holdings' activities, promoting business relations in Israel, locating business opportunities for Japan Auto Holdings that match the nature of its activities and counseling on holding negotiations with any institution or authority, including banks and various professional advisors ("the additional services"). In return for the additional services, Japan Auto Holdings will pay the Company monthly fees of € 47.87 thousand plus legally required VAT.

It was also agreed that the marketing service agreement will be named "the agreement for granting strategic counseling and business relations development services" and will be in effect as long as the Company holds at least 22.5% of the share capital of Japan Auto Holdings. The remaining provisions of the marketing agreement, including the term of the agreement, will remain in tact.

2.5

On January 13, 2008, the Company's audit committee and Board approved the commitment of Metis Auto group with Savana Garage owned by Mr. Pinhas Cohen, the father of the Company's CEO. The total commitment scope in 2007 amounts to € 226 thousand.

The total commitment scope in 2008 amounts to € 170 thousand.

2.6

According to the agreement signed between the Company and the management company controlled by the Company's chairman of the Board, in the course of 2007, based on the monetary results of each quarter, the Company assigned to the management company an amount of € 159.13 thousand (before VAT) as an advance on account of the annual bonus payable to the management company in respect of 2007. According to this agreement, the final settling of accounts between the management company and the Company will be done within 15 days from the date of the approval of the financial statements in respect of each calendar year for the grants carried over that calendar year.

According to the final settling of accounts under the agreement for rendering of management services by the chairman of the Board, the debit balance as of April 15, 2008 plus interest and linkage differences was € 191,916 (including VAT).

On April 16, 2008, an amount of € 183,605 (based on the exchange rate of NIS 5.5241) was assigned to the Company's account as disbursement of this debit balance.

From the outset, the agreement that was presented for approval and signed included the controlling shareholder's right to receive advances based on quarterly results, and the liabilities of the Company and the controlling shareholder to carry out a final settling of accounts for the entire calendar year at the end of the of that year, within 15 days of the approval of the financial statements. However, this specific detail was not indicated separately in the summons for the general meeting for the approval of the terms of his employment. In the Company's opinion, there is nothing in this matter that would impair the force of the agreement between the controlling shareholder and the Company. The Company, together with its legal advisors, will study if it is necessary to raise this issue separately for approval before the general meeting insofar as it concerns the remaining period of the agreement.

2.7

On February 18, 2008 and March 6, 2008, Japan Auto received a claim from the Herzliya Municipality for payment of approximately € 0.85 million in respect of different levies (laying water pipe, sewage, sewerage and road paving).

Japan Auto applied to the Herzliya Municipality for an extension in order to allow negotiations with the city's representatives in the matter of the payment claim and in order to produce documents as far as required. The appeal was approved by the Herzliya Municipality.

We are speaking of amounts that if ultimately Japan Auto will be liable to, they may have no effect on the operating results as they are charged to cost of land. No provision was recorded in the financial statements in respect of the aforesaid.

2.8

On March 3, 2008, a subsidiary of the Company, Metis Austria Immobilien und Beteiligungsgesellschaft mbH ("Metis Austria") signed an agreement ("the agreement") for the acquisition of a hotel in Vienna ("the hotel").

Description of the hotel:

The hotel is a 4-star hotel and is expected to be opened in September 2008. The hotel has 8 stories above a lobby and underground parking and it shall comprise about 67 rooms. The hotel is built on a plot with area of 347 sq.m. with about 2,700 sq.m. built area located in Landstrasse. Metis Austria intends to sign an agreement with a company specializing in operating hotels for the rental of the hotel.

According the agreement, delivery of the hotel after building is completed will be at the latest on June 30, 2008 ("the first delivery date"). Delivery of the hotel when it is ready for operation will be at the latest on August 31, 2008 ("the second delivery date"). The hotel's construction, furnishing and preparation for operation have been completed in the course of June 2008. The hotel will be delivered to the Company's possession once all the prerequisites for obtaining a municipal approval for operating a hotel are finalized. The Company estimates that the hotel's delivery as ready for operation will be during August-September 2008.

The principles of the transaction:

According to the agreement, Metis Austria will acquire the hotel when it is ready for operation, including furniture and equipment, with cost of € 7.5 million (plus VAT), as follows: € 4.9 million, not in cash, by acquiring the seller's debts to Erste Bank der Oesterreichischen Sparkassen AG ("the credit provider"), € 1.85 million for the plot and € 750,000 for the furniture and equipment. Metis Austria will also pay € 375 thousand to a third party for brokerage and consulting services on the acquisition and for assisting in obtaining the bank financing for the transaction ("the brokerage services") and additional approximately € 365 thousand for land and registration taxes.

The acquisition of all of the seller's debts to the credit provider amounting € 4.9 million and the payment of € 365 thousand for land and registration taxes is within five business days from the end of the month of the first delivery date. Additional € 600 thousand is payable to the seller after the rights are registered in favor of Metis Austria with the Land Registry. Additional € 1.85 million is payable the seller after the second delivery date. Additional € 150 thousand is held in a trust account as the seller's guarantee in favor of Metis Austria over three years from the second delivery date. The seller is entitled to receive such amount against the provision of a counter bank guarantee. The payment for the brokerage services shall be made after the second delivery date. An amount of € 100,000 was paid on account of the brokerage fees in August 2008. The remaining payments as detailed above have yet to be made.

Simultaneously, Metis Austria contacted the credit provider to extend financing for the acquisition of the hotel with up to € 6.8 million for a period of 12 years. In the first two years, Metis Austria pays the interest only. The outstanding principal is repayable in 40 unequal installments. The first four installments amount to € 50,000, additional eight installments - € 75,000, additional 27 installments - € 100,000 and the last payment - € 3.3 million. The loan bears interest at the Euribor rate for three months + 1.4% per annum.

For the purpose of receiving the credit, a mortgage on the hotel, a charge on Metis Austria shares, a charge on Metis Austria bank accounts and a charge on Metis Austria notes were placed in favor of the credit provider. Repayment of shareholders' loans and the respective interest thereon, dividends and other payments are subordinated to the bank financing.

The financial covenants of the loan are a maximal ratio of 80% between the loan and the hotel value and accumulated ratio of over 1.05 between the EBITDA and DSCR starting July 2009.

The suspending conditions to receive the financing are: an independent valuation of the hotel, fulfillment of all permits and licenses and approval of an expert as to completion of the building the hotel. During April 2008, a valuation about 8.5 million was received.

The Company provided a guarantee to secure the financing in favor of Metis Austria. Also, the Company provided Metis Austria with loan of € 1.7 million to finance the shareholders' equity necessary for the acquisition of the hotel. The credit provider will provide against such amount a bank guarantee of € 2.6 million in favor of the seller. The acquisition transaction was closed after a due diligence procedure that the Company conducted by consultants.

As of the date of the approval of the financial statements, the hotel's acquisition has not yet been completed.

On November 9, 2008 the Company announces, that a company under the full control of Metis Capital Ltd., Metis Austria Immobilien- und Beteiligungsgesellschaft mbH, completed on November 7s, 2008 the purchase of the hotel in Vienna on LANDSTRASSER HAUPTSTR., and this after all the payments had been transferred to the seller pursuant to the purchase agreement, with the exception of 150 thousand Euros that are held in trust with a view to ensuring the seller's liability for the construction work. The seller is entitled to furnish a bank guarantee, as well as to receive the above-mentioned amount from the trustee.

Metis Austria signed a tenancy agreement with a company from the HOTUSA Group, for the purpose of operating the Hotel for a period of 15 years, whereby the lessee shall have a one-time right to terminate the agreement upon the termination of the seventh year, and this by 9-month advance notice. Metis Austria is entitled to a permanent rent in the amount of 536 thousand Euros per year plus VAT. To the permanent rent shall be added linkage to the consumer price index. Additionally, the Lessee shall pay Metis Austria 25% of the operating profit of the Hotel, as defined in the tenancy agreement for each of the years of tenancy. Notwithstanding the foregoing, this Additional Rent for the years 2008 and 2009 shall be calculated in such manner that, in case the Lessee should incur an operational loss in the year 2009, the Lessee shall be entitled to offset it against up to 50% of the operational profit for the year 2008. Payment of the additional rent for the years 2008 and 2009 combined shall be effected by March 31, 2010, whereas the Additional Rent on account of the year 2010 and the years following it shall be paid to Metis Austria by the 31st day of March consecutive to each calendar year, respectively.

2.9

On March 4, 2008, the Company received from Israel Lands Administration a demand for payment of € 0.26 million in respect permit fees of the property located in Granite St. Petach Tikva, which has been sold to Isralom Properties Ltd. On 2006.

The demand is in accordance with a valuation of a real estate appraiser and is based on 2 plans: municipal building scheme Petach Tikva/2000 from 1992 and municipal building scheme Petach Tikva 1241/90 from 2006.

The demand is under a legal and appraising review and with the representatives of the Israel Lands Administration including the charge in itself and to the party it applies since in respect of the construction done in the asset under municipal building scheme Petach Tikva/2000, permit fees, among others, were paid to Israel Lands Administration and since under the sale agreement to Isralum it was determined that it will pay the permit fees to the Israel Lands Administration for exercising the rights according to the new municipal building scheme Petach Tikva 1241/90.

On 31 December 2008 received a payment demand from the Israel Lands Administration . According to the demand part of the company is approximately -308 thousand □. Also the company is required to pay tax on the purchase amount in a 5%. The company reached an agreement with Isralom to transfer her part. Isralom confirming that has no other requirements from the company regarding

real estate taxes. After making a payment ,Isralom will return the amount of the deposit account which is loyalty.
Based on the above, and their opinion of legal advisers, the company recorded a financial provision to the financial statements, which reflect the amount of exposure for the above requirement.

2.10

On April 15, 2008, the Company and Mirage signed an agreement regarding Japan Auto Holdings, a company in which the Company and Mirage each hold 50% of the issued and outstanding share capital, according to which:

The parties will act together to convene a meeting of Japan Auto Holdings's Board by April 15, 2008 on which agenda shall be brought the issue of the issuance of Japan Auto Holdings on the basis of its annual financial statements as of December 31, 2007 and distribution of dividends to the extent possible based on the undertakings toward the holders of debentures (series A) of Japan Auto Holdings.

The parties will support the acceptance of the decisions and their implementation as far as they relate to any of them or requires their approval as far as the decisions are for the benefit of the Company and its holders of rights and subject to any law.

If dividends, as above, are distributed and shares, stock options and debentures of the Company are issued to the public, the Company shall be conferred a Put option ("the option") according to which, during a period of 18 months from the date of effecting the issuance that is the subject of a' above, the Company is entitled to compel Mirage to buy from its entire stake in Japan Auto Holdings at company value of € 71.9 million provided that from the date of the approval of this agreement until the date of exercise of the option, the Company will not sell and/or transfer to any third party shares of Japan Auto Holdings which it holds. The value for Japan Auto Holdings, as above, will be adjusted for circumstances of distribution of dividends (except the dividends that are the subject of a. above) in Japan Auto Holdings and/or for circumstances of a change in the capital structure of Japan Auto Holdings.

With the completion of the option transaction, Mirage shall acquire the balance of a shareholders' loan given to Japan Auto Holdings by the Company, according to the amount appearing in Japan Auto Holdings's books at that time.

The funds to be raised in the context of the public issuance will serve as repayment of shareholders' loans to the extent possible based on the terms of debentures (series A) of Japan Auto Holdings, as determined by the general meeting of holders of debentures of Japan Auto Holdings on December 30, 2007.

According to what was discussed above, on April 15, 2008, the Board of Japan Auto Holdings approved to file an updated draft prospectus on the basis of the financial statements as of December 31, 2007 with the Securities Authority. On

May 21, 2008, Japan Auto Holdings announced that the handling of the Company's prospectus was halted and that it will not offer shares based on the financial statements as of December 31, 2007.

Further, the Board of Japan Auto Holdings approved to distribute to its shareholders on April 29, 2008 dividends in the amount of € 3,100 thousand, representing 18.29796% of the issued and outstanding share capital of Japan Auto Holdings. The actual payment was effected on May 7, 2008, after additional details had been provided to the trustee of the debentures (series A) of Japan Auto Holdings at the trustee's request.

The Company and Mirage hand over to Japan Auto Holdings, before the actual distribution, promissory notes according to which if Japan Auto Holdings needs in the future additional financial sources in order to satisfy its future obligations, they will provide the funds required by Japan Auto Holdings immediately upon demand up to the amount of the dividends distributed, pro rata, as loans according to the terms of the existing shareholders' loans.

If Japan Auto Holdings raises capital from the issuance of its shares to the public under a prospectus, the promissory notes will be cancelled and restored with the Company and Mirage.

The retained earnings of Japan Auto Holdings, before the distribution, as defined in section 302 to the Companies Law, 1999 amount to € 10,676 thousand.

The retained earnings of Japan Auto Holdings, after the distribution, as defined in section 302 to the Companies Law, 1999 amount to € 7,576 thousand.

On May 22, 2008, the Company announced that the handling of Japan Auto Holdings prospectus was stopped and will be postponed. It will not be executed on the basis of the financial statements of December 31, 2007.

2.11

On April 16, 2008, the Company received from Mirage a notice that on May 18, 2008, Mirage intends to make an early repayment of the loan.

On May 18, 2008, Mirage repaid the remaining loan- loan (including principal, interest and linkage differences) amounting to € 3,866,446.

2.12

During the reported period, Metis Real Estate sold 8,053,114 par value of debentures (Series A). Metis Real Estate received a total amount of approximately € 1,470 thousand from sales during the reported period, net of commissions.

On August 28, 2008 the Board of Directories of the Company has decided to approve purchasing debentures (Series A) of the company by a subsidiary of the Company in accumulated amount of NIS 45 million . As of December 31, 2008, Metis Real Estate purchased 38,551,849 par value of debentures (Series A) in consideration of NIS 25.9 million. As a result of the purchase, Metis Real Estate derived a gain from early redemption of € 2.3 million. As of the date of the approval of the financial statements, there is not change on the scope of acquisition debentures

2.13

On May 28, 2008, the meeting of the Company's Board decided to extend to Metis Car Rental Group the financing it requires to cover all its liabilities in the coming year and simultaneously to act to dispose of the holdings in the Metis Car Rental Group, representing two operating segments - the car rental segment and the motor vehicle operating lease segment - as soon as possible. As of the reported period, the activities of these segments are classified in the financial statements as discontinued operations.

On August 28, 2008, the Company's Board of Directors approved the engagement of Metis Capital Leasing, a registered general partnership ("the partnership"), which is held by the Company through wholly owned corporations, in an agreement with Ampa Capital Car Lease Ltd. ("Ampa") whereby Ampa will purchase from the partnership its leasing activity, including some 785 cars, automobile leasing agreements, maintenance agreements and payments expected to be received by the partnership from its customers, all against assuming the partnership's liabilities towards the entities that extended it bank and off-bank financing in connection with purchasing the sold automobiles and a cash disbursement to leasing portfolio of approximately € 8.7 million. Ampa also committed to utterly release the Company from all

On November 16, 2008 the transaction has been completed for selling the leasing operations from Metis Capital Leasing Ltd. - Registered General Partnership, to the company Ampa Capital Car-Lease Ltd.

The Company signed in the month of November 2008 an agreement on principles for selling its holdings in Metis Capital Car Rental Ltd. and in the corporations held by it with a third party, which is not associated with the Company, and this subject to various terms, including the approval by the Company's Board of Directors and terms that are mandatory according to any law.

The Company currently works with said third party, as stated, towards elaborating a detailed agreement that shall be submitted to the Company's Board of Directors. On 10 December 2008 the company signed an agreement abolishing the agreement on principles . Instead agreed with the parties to the Agreement of Principles that will buy 64 vehicles in exchange for total of € 0.7 million, which was paid .

As a day editing financial reports the company sold all the vehicle. The company also canceled most of the agreements except two agreements for a period of three more years .
The franchise agreement with Europcar is until 2011. The company tries to find a franchisee substitutable coordination with Europcarr. Simultaneously, the company manage negotiations with Europcar to cancel the franchise agreement.

2.14

On June 12, 2008, the Company received a letter of claim and request to appoint a special director filed by Gmul Investment Company Ltd. ("Gmul") against the Company, Ofakim and the shareholders in Ofakim (directly and indirectly). The filing was not preceded by any address from Gmul to the Company.

The abovementioned claim and request are asking the court to declare that the Company's affairs are conducted in a manner that deprives Gmul's rights as shareholder and the rights of shareholders from the public and to appoint a special director for the Company that will assume the authorities of the Board.

On June 25, 2008, the Company received the request filed by Gmul with the court to strike the letter of claim and the request for appointing a special director that had been filed against the Company, Ofakim and the shareholders in Ofakim (directly and indirectly).

On June 25, 2008, the court (the Hon. Judge Zaft) decided to strike (at Gmul's request) the claim and request for a temporary remedy without harming the rights of Ofakim, the Company, S.M.S and Barzilay to appeal for a ruling on expenses.

On July 1, 2008, the Company and Ofakim filed a request to award them expenses against Gmul, arguing, among other things, that Gmul's request for appointing a special director had been filed based on facts that were not really known to Gmul and that Gmul had dragged the Company and Ofakim in vain and in collaboration with Haerl and Harmon into unnecessary legal proceedings.

On July 27, 2008, the court (the Hon. Judge Zaft) ruled that Gmul shall pay the Company and Ofakim a sum of € 2,838 plus VAT as well as an additional sum of € 2,838 plus VAT to S.M.S and Barzilay.

2.15

On July 27, 2008, the Company's Board approved the acquisition of 99.9% of the shares of Wallagasse 23 ("the acquired company"), which owns a hotel in Vienna ("the hotel") from a third party ("the seller") through a company that is wholly controlled by Amorazur Holdings Limited ("the acquiring subsidiary"). The acquisition transaction was performed after a due diligence procedure effected by the Company through advisors.

The transaction consists of the following:

According to the agreement, the acquiring subsidiary will purchase the acquired company for approximately € 1.3 million based on a hotel valuation of € 6,920 thousand less liabilities and with the addition of the assets as they appear in the draft of the financial statements of the acquired company as of February 29, 2008.

The acquiring subsidiary will also pay an amount of approximately € 100 thousand to a third party for brokerage fees (1.5% of the hotels' value) and approximately € 200 thousand for consulting fees, land registry taxes and other acquisition costs. The Company has guaranteed the subsidiary's fulfillment of its obligations under the agreement.

According to the agreement and based on the Board's decision as above, on July 27, 2008, the acquiring subsidiary announced the Board's approval of its engagement in said agreement. Under the agreement, within 10 days from the acquiring subsidiary's announcement as above, the transaction consideration totaling approximately € 1.3 million will be transferred to a trustee. Within 7 days following the above transfer, the parties will perform a final settling of accounts in respect of the differences as they might be based on the acquired company's final financial statements as of February 29, 2008. Within the following 7 work days, the process of swapping managers and the transfer of shares (including registering the change in the Registrar of Companies) will take place in the acquired company. The completion of the transfer of shares will be executed by the seller no later than by October 31, 2008. The transfer of the transaction consideration to the seller will be performed by the trustee after the completion of the transfer of shares as above. On August 7, 2008, the trustee was assigned an amount of approximately € 1.3 million. The final settling of accounts between the parties also took place according to which the price remained in tact.

The acquired company leases the hotel to Golden Tulip Hospitality Management Ltd. ("Golden Tulip") according to a lease agreement in effect until November 30, 2024. According to the lease agreement, the annual lease fees for 2008 totaled € 430 thousand. As of 2009, the annual lease fees will be € 500 thousand, linked to the CPI. Upon the change of ownership in the acquired company, the acquired company has the right to cancel the above lease agreement with Golden Tulip by providing a six-month advance notice and paying an agreed upon compensation. The Company has considered cancelling the lease agreement and is simultaneously holding negotiations with several entities including Golden Tulip for an upgraded lease agreement under improved terms compared to the existing lease agreement. On August 20, 2008, the acquired company notified Golden Tulip of the cancellation of the existing lease agreement. The Company is contemplating carrying out renovation work at a scope of up to € 1.5 million.

As part of the acquisition, the Company entered into a financing agreement with Hypo Bank Vorlaberg ("the financing agreement") under which the acquired company will receive a new loan of approximately € 5.8 million representing about 80% of the hotel's price to replace the existing loan in the acquired company as of February 29, 2008 totaling approximately € 5.2 million. The loan bears annual interest of Euribor + 0.9%. The term of the loan is 23 years including a grace period (of interest payments only) of three years. The principal (starting from the fourth year) and interest will be repaid in equal quarterly installments. The acquired company will be entitled to repay the loan by a six-month advance notice with no early repayment commission.

As of the date of the approval of the financial statements, the transaction has not yet been completed.

Hotel description:

The four-star hotel was built in 1970 and renovated in 2005. It consists of eight stories built above a lobby and underground parking. It includes 77 rooms, underground parking, a lobby, a dining room and conference hall. It is built on a plot covering an area of 857 sq. m. located on Wallagasse Street in the sixth quarter of Vienna.

On November 10, 2008 the Company announces, that on November 10, 2008 the acquisition from a third party of 99.9% of the shares of a company by the name of WALLAGASSE 23, that owns a hotel in Vienna, was completed, and this through a company under full control of the company Amorazur Holdings Limited.

The Acquired Company revoked the tenancy agreement between it and thecompany GOLDEN TULIP HOSPITALITY MANAGEMENT LTD., and this in accordance with the right granted to the Acquired Company pursuant to the tenancy agreement. According to the above-mentioned tenancy agreement, Golden Tulip undertook to evacuate the Hotel on February 28, 2009.

On March 4, 2009 Golden Tolif left the hotel. Starting from this time the company will operate the hotel as an independent by a subsidiary. The company signed a consulting agreement with a expert third party.The consulting agreement is for a period of one year with option for another year

2.16

Ofakim, who holds about 47.72% of the issued share capital of the Company (before full dilution) made it known to the Company, that on September 3, 2008, it had received a letter from Mizrachi Bank, in which the latter decided to demand the immediate repayment of the credit made available to Ofakim for the purpose of acquiring the Company's shares in the amount of 42,500,000 NIS. The shares are pledged with Mizrachi Bank as a security for credit. The bank explained the demand for immediate repayment of the loan amount by all of these:

1. The acute dispute that broke out among the shareholders in Ofakim, as part of which a petition was likewise filed for liquidating Ofakim: among others, immediate repayment was apparently demanded of the loan made available to Harmon by Ofakim.

2. The lawsuit filed by Gad Zeevi and Mirage Israel Development Ltd. against the Company and Barzilay.

3. The market value of the Company shares pledged with Mizrachi Bank had fallen by about 30% since the loan was made available, and the bank holds the view that the acute disputes among the shareholders in Ofakim and in the Company are expected to adversely affect the value of the securities it holds.

On June 17, 2008, the bank notified Ofakim that it has the intention of realizing the securities furnished to it, including by way of selling Ofakim's shares in the Company to the highest bidder.

On June 22, Ofakim filed a lawsuit by way of an originating summons against Mizrachi Bank, at which the District Court in Tel-Aviv-Jaffa was requested to declare and to order that Mizrachi Bank is not entitled to demand immediate repayment of its loan to Ofakim, and that it is not entitled to realize the pledge of the Company's shares held by Ofakim. Concurrently with the originating summons, Ofakim filed an urgent petition for issuing a preliminary injunction that shall order the bank to refrain from realizing the pledge of the Company's shares held by Ofakim up until the action has been adjudicated on ("the Petition for Issuing a Preliminary Injunction").

On June 23, 2008, the Court (the Honorable Judge Ronen) decided to issue an interim injunction, which shall be in effect until such time as another decision is made, pursuant to which the bank is forbidden from realizing the pledge of the Company's shares held by Ofakim. On July 3, 2008, the replies of Mizrachi Bank and Harmon to Ofakim's petition were submitted, and on July 20, 2008, Ofakim's rejoinder to their replies was submitted.

on December 7th, 2008, the District Court in Tel Aviv (the Honorable Judge Dania Keret) announced the striking out of Ofakim's action against the bank, as well as the revocation of the interim injunction issued as part of it without an order for cost, and this following the joint petition made by Ofakim and Mizrachi Tefachot Bank ("the Bank"), by mutual consent, for striking out said action.

At the petition, the parties indicated that they were conducting out-of-court negotiations and that, in their estimation, these negotiations would bring about the liquidation and settlement of all of the differences between them. The parties likewise pointed out that, at any rate, since the commencement of the procedure in question, the circumstances relevant for the matter at hand had changed. Said petition was filed without prejudice to the pleas of either party, or its right to take any measure or proceeding that shall be deemed proper, should said negotiations not ripen into an understanding.

2.17

Mr. Gad Ze'evi ("Ze'evi") and Mirage Israel Development Ltd. ("Mirage Development"), a company controlled by Ze'evi, addressed Mr. Barzilay in a letter dated January 30, 2008 and in another letter dated January 31, 2008 with various claims alleging that the engagement between Mr. Amnon Barzilay and Mr. Harel and the company under his control are in violation of the provisions of agreement of February 27, 2008 signed between them and Mr. Barzilay and are therefore interested in appointing an arbitrator in the dispute between the parties.

On June 1, 2008, the Company received a letter of claim filed before the arbitrator, the Hon. (retired) Judge Theodore Orr. In the letter of claim, Ze'evi and Mirage Development argue that the engagement between Mr. Barzilay and Mr. Harel constitutes a violation of the provisions of the agreement regarding the right of refusal. Mirage Development and Ze'evi also argue that Barzilay and the Company thwarted the process of raising capital in Japan Auto Holdings, a subsidiary (50% held) of the Company, which would have allegedly led to a significant increase in the value of the plaintiffs' holdings in Japan Auto Holdings.

Ze'evi and Mirage Development demand that Barzilay and the Company enforce the agreement of right of refusal, including an order whereby the shares of Ofakim allocated to the Company controlled by Mr. Harel will be recovered to Mr. Barzilay and an order that will allow Ze'evi and Mirage Development to acquire the controlling shares in the Company under terms identical to those agreed upon in writing and orally between Mr. Barzilay and Mr. Harel. They are also demanding to divulge documents and receive monetary compensation totaling € 36.35 million for the alleged thwarting of the capital raising process in Japan Auto Holdings.

On July 22, 2008, the Company and Japan Auto Holdings received separate appeals from Mr. Amnon Barzilay, the Chairman of the Company's Board and the controlling shareholder therein and the Chairman of Japan Auto Holdings' Board regarding this claim. According to Mr. Barzilay, the letter of claim raises various arguments against him that are included in the letters of quittance and indemnity given to him by the Company and Japan Auto Holdings according to which he is entitled to receive indemnification from the Company and Japan Auto Holdings in respect of this proceeding. Accordingly, Mr. Barzilay requested from the Company and from Japan Auto Holdings, severally, the following:

1. To deliver a notice to the insurance company where its directors and officers are insured according to which the abovementioned claim had been filed against him.
2. Without derogating from the insurance arrangements and policy terms, to indemnify him for all the expenses, costs and claims which he is or will be required to pay in the future.

On February 27, 2005, the Company's audit committee and Board, on July 19, 2005, the Company's Board and on June 21, 2005 and August 18, 2005, the general meeting of the Company approved the grant of quittance to directors and officers in the Company (excluding the Chairman of the Board), the grant of a commitment of indemnity to directors and officers in the Company (excluding the Chairman of the Board) up to an amount of $ 10 million and the issuance of letters of indemnity to directors and officers in the Company (excluding the Chairman of the Board), all subject to the provisions of the Companies Law.

On August 18, 2005, the Company's general meeting approved the grant of an advance indemnity, the issuance of a letter of indemnity and the grant of quittance to the Chairman of the Company's Board, who is the controlling shareholder in the Company, as granted to the other directors and officers in the Company.

On May 24, 2006, the Company's audit committee and Board and on June 29, 2006, the Company's general meeting approved the purchase of a liability insurance policy for directors and officers in the Company for any liability to be imposed on them due to an act, a failure to act or any action committed or to be committed in their capacity as officers in the Company, its subsidiaries and/or investees ("the purchased policy") with respect to all the directors and officers in the Company, including the Chairman of the Board, Mr. Barzilay. The purchased policy's insurance coverage is up to $ 15 million per claim and in the aggregate for the insurance period.

Simultaneously, Japan Auto Holdings received an appeal from Mirage Development arguing that an extensive portion of the provisions of the letter of claim against the Company and Mr. Barzilay does not pertain to Mr. Barzilay's office as Chairman of Japan Auto Holdings' Board and with respect to the remaining claim, the provisions of the letter of indemnity issued by Japan Auto Holdings to Mr. Barzilay do not apply, thereby not entitling Mr. Barzilay to any indemnification from Japan Auto Holdings. Nevertheless, Mirage Development does not object to bringing Mr. Barzilay's letter to the attention of the insurance company by enclosing Mirage Development's response.

The Company delivered a notice to the insurance company regarding the claim for indemnification. The Company is also examining Mr. Barzilay's appeal and is considering its reaction.

On July 27, 2008, the Company addressed a letter to Japan Auto Holdings regarding said claim in connection with the letter of claim filed by Ze'evi and Mirage Development against the Company and Mr. Barzilay.

In the letter, the Company informs Japan Auto Holdings that said letter of claim raises various arguments against it included in the letters of quittance and indemnity granted to the Company by Japan Auto Holdings according to the management services agreement signed between them on December 28, 2005 and based on the agreement for providing marketing services signed between them on December 28, 2005 and its amendment of April 4, 2008 and accordingly, the Company is entitled to receive from Japan Auto Holdings indemnification for this proceeding.

Accordingly, the Company is asking Japan Auto Holdings to indemnify it for all the expenses, costs and claims that it is or will be required to pay in the future.

On July 28, 2008, Japan Auto Holdings received Mirage Development's response to the Company's letter arguing that the letter of claim does not pertain to the services rendered by the Company to Japan Auto Holdings by virtue of the agreements signed between the parties based on which the Company is asking for indemnification by Japan Auto Holdings and that claim has nothing to do with Japan Auto Holdings' actions according to these agreements. Therefore, Mirage Development is of the opinion that the Company is not entitled to any kind of indemnification from Japan Auto Holdings.

On August 6, 2008, the Company filed with the arbitrator a motion to strike the claim in limine ("the motion to strike"). Concurrently with the motion to strike, the Company filed a request for extending the date for filing a statement of defense by 30 days following the decision on the motion to strike. In the motion to strike, the Company argued, among other things, that the plaintiffs had requested remedies that are likely to harm third parties that are not parties to the arbitration proceeding and arbitration agreement based on which said claim had been filed, which the arbitrator is not qualified to award, and that the cause of the clam, as far as there is any, for thwarting the public offering of Japan Auto Holdings, pertains to Japan Auto Holdings and not to the plaintiffs.

On August 11, 2008, the arbitrator decided that the plaintiffs will file their response to the motion to strike within 21 days and that the defendants will receive an extension on filing the statement of defense. The arbitrator also decided that dates will be coordinated during September-October 2008 for hearing the motion to strike. At this stage, a date for filing the statement of defense by the Company has not yet been scheduled.

In a letter of August 11, 2008, Japan Auto Holdings' insurance company informed Japan Auto Holdings that the above claims are not included in the insurance policy.

Following the filing of a statement of defense, the Company will examine with its legal counsel if it has any exposure in respect of said claims for indemnification and to what extent.

Based on the Company's legal advisors, in view of the filing of the motion to strike and in view of the fact that the arbitration proceeding is in preliminary stages and the Company has not yet filed a statement of defense, The financial statements do not include a provision in respect of the above claims.

2.18

The Company insured its officers and directors up until July 31, 2008 in the insurance policy of said directors and officers insurance for a total sum insured of 15 million US dollars with the insurance company AIG, and this upon the terms approved by the audit committee and the Company's Board of Directors on May 24, 2006 and also at the General Meeting of the Company of September 29, 2006.

AIG did not agree to renew the policy for another year on similar terms, and this, in all probability, against the background of the dispute among the shareholders in

Ofakim and the arbitration lawsuit filed by Mirage Development and Gad Zeevi against it and against Amnon Barzilay, the Company's controlling shareholder and the Chairman of its Board of Directors. The Company holds the view that, in light of the provisions of the insurance policy, the Company is entitled to buy from AIG, for the amount of about 15,000 US dollars, an additional discovery period upon the terms of the policy. AIG rejected the statement made in the Company's announcement concerning the exercise of its right to buy the discovery period, as by its own account the conditions provided for that in the policy had not been fulfilled.

The Company currently contemplates its future course of action as regards the continuation of its actions against AIG.

On December 1, 2008 the company insured by the Phoenix Insurance Company Ltd. in directors & officers liability insurance for a total sum insured of 2 million US dollars For a year.

Insurance premium required for this integrand by 35 thousand U.S. dollars.

2.19

The Company is holding preliminary negotiations with the Azrieli Group for examining the possibility of selling its stake in Japan Auto Holdings (50%) and in other investees. No understandings or agreements have been reached yet between the parties and there is no certainty that these negotiations will mature into a transaction.

On November 4, 2008 the Company announces, that the Company and Granite Hacarmel Investments Ltd. have not been able to reach any understanding between them concerning the terms of the deal involving the acquisition of the Company's holdings in Japan Auto Ltd. and in G. T. Spare Parts Trading Ltd. The parties are currently looking into a transaction that is to proceed with a different plan of action, and this without any obligation on the part of Metis Capital Ltd. to not conduct negotiations with other entities.

2.20

On September 18, 2008, the Board of Directors of Japan Auto Israel Automobile Co. Ltd., a subsidiary under full control of Japan Auto Holdings, which is a subsidiary jointly held by Metis Capital Ltd. and by Mirage Israel Development Ltd. at a rate of 50% each, passed a resolution for entering into an agreement with Mirage Israel Development Real Estates Ltd., a company controlled by Mirage Development, for purchasing an area under the ownership of Mirage Real Estates located in the Northern Industrial Zone in Lod. Japan Auto Automobile has the intention of establishing in it the logistics centre, as well as its offices.

In exchange for the rights of Mirage Real Estates in the plot, Japanauto Automobile shall pay the amount of 30 million NIS plus VAT, upon signature of the formal agreement in question. The completion of the transaction shall be subject to the signature of a formal agreement and the approval by the Board of Directors of Metis Capital Ltd.

2.21

During the reported period until the date of the approval of the financial statements

Shares to purchase by concern owner: GMUL INVESTMANT COMPANY Ltd. and TRADE AND VALUE AG.

According to January 1, 2009 GMUL INVESTMENT COMPANY Ltd, holds 1,998,861 shares (24.83%) and TRADE AND VALUE AG holds 872,357 shares (10.84%) in Metis Capital Ltd.

On December 25, 2008 Gmul Investment Company Ltd. entered into an agreement for selling all of its holdings in Metis Capital Ltd. As part of the agreement, Gmul will transfer until January 8, 2009 1,998,861 ordinary shares of Metis Capital Ltd., which are held by it, to the buyer Mirage Development Israel Ltd., and this for an amount equivalent to 11.17396 per ordinary share, and in total for the amount of € 4.2 million. The transfer of the shares thus sold shall be performed at the date of completing the transaction.

on March 5, 2009, Trade & Value AG, a German Corporation and shareholder of Metis Capital Ltd., has informed the company that it has entered an agreement with GMV Ltd ,(a company which its final beneficiary is the same as of Mirage Development Israel Ltd). pursuant to which 522,357 shares of Metis Capital Ltd. were sold to GMV Ltd. at a price of € 2.42 per share on March 4th, 2009. The sale was made outside of the stock market.

The said agreement further provides for an additional sale of 350,000 shares of Metis by September 30th, 2009, at a price of € 2.42 per share plus agreed interest. GMV Ltd. undertook to make a down payment of Euro 55,000 on account of the second sale.
The agreement also includes understandings pursuant to which Trade & Value AG will vote its remaining shares as instructed by GMV Ltd. until the earlier of: (i) the completion of the second sale; or (ii) 30.9.2009. It has further been agreed that during the said period GMV Ltd. will use its voting rights against any proposal to delist the shares of Metis from trade at the German stock market or to reduce ist

transparency reporting standard. The understandings pursuant to this paragraph are subject to compliance with all applicable laws.

on March 10, 2009 GMV Ltd. bought further 300,000 shares outside the stock exchange . As a result GMV Ltd holds 1.84% and 1.78% in full dilution

SILON SPORT (1989) LTD a company held by Shimon (Moni) Harel an indirect holder of Metis by Ofakim Capital ltd bought from March 30,2009 until 2 April 2009 148,244 shares. As a result SILON SPORT (1989) LTD holds 1.84% and 1.78% in full dilution

2.22

On October 29, 2008 Amnon Barzilay the controlling shareholder of Metis Capital Ltd., who holds through Ofakim Capital Ltd., announces that he is not able to complete the agreement that he signed between with Trade & Value AG and Markus Wülfing for acquiring 875,000 shares in Metis Capital Ltd.

Barzilay informed the Company that he consider the activity to complete the acquiring off the shares.

2.23

On November 17, 2008 – the Company announces that pursuant to the decision of the Company's Board of Directors and in accordance with those, the Company performed the following acts:

1. It has acquired over the last period 84,371,313 bonds (Series A) at their nominal value of the company Ameris Holdings Ltd., in the course of the trade done at the Tel Aviv Stock Exchange Ltd., as well as at transactions concluded outside of the Exchange, for the total amount of 16,955,679 NIS. The acquired bonds account for about 47.38% of the total nominal value of the bond series in circulation.
To the best of the Company's knowledge, the bonds are secured, by way of a senior lien, by pledge of 7,751,364 shares of the company Petro Group Ltd. owned by Ameris, which account for 48% of the whole of the issued and paid-up capital share at Petro Group, and by assignment by way of lien on Ameris' rights to obtain amounts as part of its holdings in a certain real estate project.

2. The Company granted Ameris a loan in the total amount of 2 million NIS, which shall become due for repayment on April 30, 2009, bearing a 6% interest rate for the duration of the loan period, and this against pledge of 2,106,440 Petro Group shares held by Ameris, which account for about 13.18% of the share capital of Petro Group.

3. The Company acquired 896,543 shares in Petro Group, which account for about 5.61% of the whole of the issued and paid-up share capital of Petro Group for the total amount of 1,865,082 NIS

In the Company's estimation, said acts will enable the Company to get integrated into any arrangement involving the discharge of the bonds in such way as to produce a positive return on its investment in the bonds and in the shares.

The Company postponed issuing this report concerning the adoption of the above-mentioned decision and about said acts up until the completion of the acquisition of the amount of bonds and shares that it had set itself as goal, and this after the Company had become convinced that publication of the above-mentioned decisions and the acts it had performed, as stated, might prevent the actual implementation of the Company's plans, or else considerably worsen the terms of the transaction. The Company may acquire additional bonds and/or additional shares in Petro Group

on January 4, 2009 it exercised its right, pursuant to the terms of the loan agreement between the Company and Ameris Holdings Ltd, dated 30.10.08, and that it acquired from Ameris 2,106,440 shares of Petro Group Ltd., which is controlled by Ameris, at a nominal value of 1.00 NIS each, which shares account for about 13.18% of Petro Group's share capital, and this for a gross (*) consideration in the amount of 3,781,113 NIS (in addition to the amount of 2 million NIS, which Metis Capital gave as a loan to Ameris pursuant to the loan agreement, as stated).

On February 2, 2009 the Company announces that pursuant to the resolution of the Company's Board of Directors of 29.1.09, the Company made an offer on 29.1.09 to the official receiver appointed to be in charge of the shares of Petro Group Ltd., which were pledged as a security in favor of the holders of the bonds (series A) of Ameris Holdings Ltd. - for acquiring 9,857,804 shares of Petro Group.

on February 17, 2009 the Company announces that at a licitation conducted on February 16th, 2009, the Company's offer to acquire Petro's shares from the official receiver was declared as the winning bid.

The Company's winning bid stands at a value of about 5.1977 NIS per Petro share, and it is higher by about 64% than the closing rate of said share at the Exchange as indicated on February 16th, 2009 (about 3.162 NIS per share). Said offer reflects for Petro a company value of 83 million NIS.

The total of the shares to be acquired from the official receiver account for about 48.48% of Petro's issued and paid-up shares, and together with the Company's existing holdings in the Petro shares (about 24.95%), the Company shall hold a proportionate share of about 73.44% in the shares of Petro. The completion of the acquisition of the shares from the official receiver is subject to the approval of the Court.

On February 23, 2009 – Further to the report of of February 17th, 2009 to the effect that its offer to acquire the shares of Petro Group from the official receiver has been declared to be the winning bid, Ameris Holdings Ltd. published the results of the Meeting of Bondholders (Series A), which was held on February 19th, 2009: The resolution to approve the sale of 7,751,364 ordinary shares of Petro Group Ltd. at a nominal value of 1 NIS each to Metis Capital was not passed due to the absence of the majority required.

On February 24, 2009 –with the request of the Securities Authority, Metis clarifies as follows:

As far as known to Metis, Mr. Arkady Gaidamak and the Elecsar System LTD. filed a petition with the Court on February 16th, 2009 for joining as respondents in the receivership case, for staying the licitation proceedings, as well as for enabling further bidders to make bids concerning the shares thus sold. The District Court in Tel Aviv ruled that, as the licitation proceeding had been conducted, there was no longer point in this part of the petition, and also that the above petitioners and the Company would be brought in as respondents to the receivership case. The official receiver, Dr. Yossi Cohen, informed the Court that he was about to make application for instructions, pursuant to which the Court would be requested to approve the sale of the shares to Metis as soon as possible.

The Court ruled that a hearing on the official receiver's petition for approving the sale as stated, as well as on the above petitioners' objection, would be held at the beginning of next week.

It is the Company's intention to make its position known in the next few days concerning the objection on the part of that small fraction of bondholders at the General Meeting, as well as about the position taken by the above petitioners. Put succinctly, the Company holds the position that the winning bid at the licitation has to be approved immediately.

In its comments, it will make reference to the fact that the opponents are an exceedingly small minority among the bondholders that holds about 5.4% of the total nominal value of the series of bonds in question, and also to the fact that no other offer has been received that outbids the Company's offer, which was established as the winner in the licitation proceeding, and this despite the long period of time that has elapsed from the publication of the licitation proceeding about two months ago till the present.

On February 26, 2009 the company announces that on February 24th the Company filed an urgent petition with the District Court for approving the results of the licitation and the sale of the shares in Petro Group Ltd. to the Company without any further delay. As part of said petition, the Metis Capital states its position that the continuation of the realization proceedings might result in a substantial decrease in the value of Petro Group Ltd. as well as irreversible damages.

On March 8, 2009 the Honorable Court made a decision, pursuant to which the licitation would be cancelled, and that the official receiver would conduct a new licitation to be conducted 60 days after the Date of the Decision.

Likewise, it was established that the bank guarantee put up by Metis Capital Ltd. as part of the licitation would be returned to the Company, and that the official receiver would place at the disposal of anyone interested the financial statements of the GPM Company (the subsidiary of Petro Group, in which all its operations are concentrated), along with additional material that has been gathered by him during his visit to the United States or any further material that will subsequently be gathered by him.

2.24

At the General Meeting of the shareholders that was hold on November 6, 2008 external directors were appointed:

1. Haim Glick – having professional qualification.
2. Anat Winner – having accounting and financing expertise.

The external directors will receive annual payment and participation payment for every meeting. The payment will be the maximum accordingly them specialist and regulation.

2.25

On September 2, 2008, Yaakov Dovrat, the Company's CFO announced his resignation from his position. On September 2, 2008, after the three-month period of advance notice has elapsed, he terminated his work at the Company in this capacity. On August 28, 2008, the Company's Board of Directors approved the appointment of Ilan Engel as the CFO and secretary of the Company beginning from September 1, 2008.

On November 20, 2008 Itzik Cohen, the CEO of the Company, notified it of the termination of his term of office in his capacity of CEO of the company, effective from December 1, 2008, and this due to his intention switch to private business activities and to embark upon on a new career track.

On November 30, 2008, the Company's Board of Directors approved the appointment of appoint Shimon (Moni) Harel, as the CEO of the Company beginning from December 1, 2008.
Shimon (Moni) Harel is the Vice Chairman of the Company's Board of Directors, and has shares in the Company's

2.26

On 30th December 2008 the Company's Board of Directors has authorized the delisting of the Company's shares from the the Frankfurt Stock Exchange. Furthermore, it authorized the filing of an application for the revocation of the admission to trading of the Company's shares on the regulated market (Regulierter Markt) of the Frankfurt Stock Exchange and to take all required actions to effect delisting at the earliest effective date pursuant to applicable laws and regulations.

Apart from the listing on the Frankfurt Stock Exchange the Company's shares are admitted to trading on the Tel Aviv Stock Exchange. Following effectiveness of the revocation of the admission to trading on the regulated market (Regulierter Markt) of the Frankfurt Stock Exchange all of the Company's shares will be tradable at the Tel Aviv Stock Exchange.

Trade & Value AG & GMV Ltd. Announced that they will use its voting rights against any proposal to delist the shares of Metis from trade at the German stock market or to reduce ist transparency reporting standard. The understandings pursuant to this paragraph are subject to compliance with all applicable laws.

2.26

On March 31, 2009 – the Company announces that the Company will conduct negotiations with a private company under the ownership of an unrelated third party for selling the Company's share in the asset situated on Amal Street in Petach Tikva.
Metis Capital Ltd. has leasing rights form the Israel Land Administration on the second floor, as well as on most of the first floor in a 4-storied building on 58 Amal Street in Kiryat Arie, Petach Tivka.
Likewise, the Company is bound by a lease agreement with the company Krubiner-Ormor Assets and Investments Ltd. concerning the third and fourth floors of the asset, which are expected to be sold concurrently to the same buyer. The asset is rented out to Electronics Line 3000 Ltd.

The Company's share in the asset is expected to be sold for a price of about 10 million NIS plus VAT, whereby the Company's rights in the rent received from the asset shall be conferred upon the buyer commencing from a date to be set under the agreement

3. General Results Review

3.1 Statement of Income

Total revenues of the consolidated company in the fiscal year 2008 amounted to € 85 million, compared to € 98.7 million in the fiscal year 2007.

Of the total revenues, € 83.3 million were derived from the sales of cars and spare parts, compared to € 97.5 million in the fiscal year 2007 (decrease in selling cars due to lack of B3 sedan model in part of the year and negative influence of the finance crisis in the end of the year), € 1.4 million were derived from rental income compared to € 1 million in the fiscal year 2007, € 0.4 million were derived from business consulting services (to Japan Auto) compared to € 0.2 million in the fiscal year 2007.

The total cost of revenues of the consolidated company in the fiscal year 2008 amounted to € 71.5 million, compared to € 82.2 million in the fiscal year 2007.

Of the total cost of revenues, € 71.2 million were derived from the cost of cars and spare parts (due to a decrease in the selling cars as explained before), compared to € 81.9 million in the fiscal year 2007, € 0.3 million were derived from property maintenance costs, compared to the same amount in the fiscal year 2007.

The gross profit of the consolidated company in the fiscal year 2008 amounted to € 13.5 million, – 15.9%, compared to € 16.4 million – 16.7% in the fiscal year 2007.

The decrease in value of investment property of the consolidated company in the fiscal year 2008 amounted to € 3.7 million (derives mainly from hotel in Romania and hotel in Austria) compared to increase of € 1.9 million in the fiscal year 2007.

The selling and marketing expenses of the consolidated company in the fiscal year 2008 amounted to € 3.2 million, compared to € 2.3 million in the previous year. The increase is mainly due to an advertising campaign by Japan Auto.

The general and administrative expenses of the consolidated company in the fiscal year 2008 amounted to € 5.7 million, compared to € 5 million in the fiscal year 2007.

The operating profit of the consolidated company in the fiscal year 2008 amounted to € 0.9 million – 1.1%, compared to € 10.9 million – 11.1% in the fiscal year 2007.

The financing income of the consolidated company in the fiscal year 2008 amounted to € 6.4 million, compared to € 2 million in the fiscal year 2007. The increase is mainly due to gain on early redemption of debentures and forward transactions and derivatives.

all numbers are in thousand of Euros, except share and per share data.

The financing expenses of the consolidated company in the fiscal year 2008 amounted to € 12.2 million, compared to € 7.8 million in the fiscal year 2007. The increase is mainly due to: financing expenses related to dentures, impairment of available for sale financial investments and from foreign exchange differences.

The profit (loss) before income taxes of the consolidated company in the fiscal year 2008 amounted to (€ 4.8) million – (5.7%), compared to € 5.1 million – 5.2% in the fiscal year 2007.

The income taxes of the consolidated company in the fiscal year 2008 amounted to € 0.3 million, compared to € 1.9 million in the fiscal year 2007. The decrease is mainly due to decrease in profits of Japan Auto.

The profit (loss) from continued operations of the consolidated company in the fiscal year 2008 amounted to (€ 5.2) million, compared to € 3.2 million in the fiscal year 2007.

The loss from discontinued operations of the consolidated company in the fiscal year 2008 amounted to € 11.6 million, compared to € 2 million in the fiscal year 2007. This loss derives from Metis Car Rental Group operations: the car rental segment (discontinued at the end of year 2008) and motor vehicle operating lease segment (transaction of selling leasing operations was completed in November 2008).

The net profit (loss) of the consolidated company in the fiscal year 2008 amounted to (€ 16.8) million – (19.7%), compared to € 1.2 million – 1.2% in the fiscal year 2007.

The net profit (loss) per share from continuing operations of the consolidated company in the fiscal year 2008 amounted to (€ 0.64), compared to € 0.39 in the fiscal year 2007. The net profit (loss) per share from discontinuing operations of the consolidated company in the fiscal year 2008 amounted to (€ 1.44), compared to (€ 0.25) in the fiscal year 2007.

3.2 Balance Sheet

Financial Ratios:

Finance Ratio	December 31, 2008	December 31, 2007
Current Ratio	1.62	1.61
Quick Ratio	0.68	1.21

The current assets of the consolidated Company as of December 31, 2008 amounted to € 48.8 million, compared to € 62.2 million by the end of 2007. The decrease derives mainly from:

Classification of car rental segment and the motor vehicle operating lease segment as discontinued operations (this reason caused a decrease, in trade receivables, prepaid expenses, advances to suppliers and other receivables), decrease in cash and cash equivalents of the consolidated Company that as of December 31, 2008, amounted to € 5.2 million, compared to € 17.7 million by the end of 2007, decrease in trade receivables in Japan Auto due to decrease in selling cars, decrease in short-term investments amounted to € 9.1 million compared to € 10.5 million by the end of 2007, decrease in loan to Mirage amounted to € 0 million (due to repayment of loan by Mirage) compared to € 3.9 million by the end of 2007, decrease in current maturities of loan to jointly controlled entity (due to classification from short to long term) and a decrease in restricted deposit of the consolidated company as of December 31, 2008 amounted to € 0 million, compared to amount of € 2.8 million by the end of 2007.

The said decrease is offset mainly by an increase in inventories of Japan Auto (due to heightened vehicles purchase and slowdown in cars selling) as of December 31, 2008, amounted to € 28.4 million, compared to € 15.5 million by the end of 2007.

The assets attributed to discontinued operations as of December 31, 2008 amounted to € 2.9 million. This amount includes mainly: cash and cash equivalents, motor vehicles, trade receivables and other receivables.

The non current assets of the consolidated Company as of December 31, 2008 amounted to € 57.9 million, compared to € 63.7 million by the end of 2007. The decrease derives mainly from classification of car rental segment and the motor vehicle operating lease segment as discontinued operations (this reason caused a decrease, in motor vehicles for leasing and operating lease from € 22.6 in the end of 2007 to 0 as of December 31, 2008). This said decrease is offset mainly by increase in investment property of the consolidated company as of December 31, 2008 amounted to € 21.6 million compared to € 8.6 million by the end of 2007 (due to new investments offset by decrease in value of investment property) and increase in loan to a jointly controlled entity (due to classification from short to long term) of the consolidated Company as of December 31, 2008 amounted to € 5.7 million, compared to € 2 million by the end of 2007.

The current liabilities of the consolidated Company as of December 31, 2008, amounted to € 30.2 million, compared to € 38.5 million by the end of 2007.

The decrease derives mainly from: classification of car rental segment and the motor vehicle operating lease segment as discontinued operations (this reason caused a decrease, in loans from jointly controlled entities and credit from bank and others which as of December 31, 2008 amounted together € 5 compared to € 8.1 in the end of 2007), a decrease in trade payables of the consolidated Company as of December 31, 2008, amounted to € 18.2 million, compared to € 19.9 million by the end of 2007 and decrease in maturities of loan to jointly controlled entity from Mirage (due to classification from short to long term).

The said decrease is offset mainly by an increase in current maturities of debentures of the consolidated Company as of December 31, 2008 amounted to € 1.9 million (paid by Japan auto in February 2009) compared to 0 by the end of 2007.

The liabilities attributed to discontinued operations as of December 31, 2008 amounted to € 2 million. This amount includes mainly trade payables and other payables.

The non-current liabilities of the consolidated Company as of December 31, 2008, amounted to € 59.2 million, compared to € 55.0 million by the end of 2007. The increase derives mainly from:

Increase in loan to jointly controlled entities from Mirage of the consolidated company as of December 31, 2008 amounted to € 5.4 million compared to 2.3 by the end of 2007 (due to classification from short to long tern) and increase in loans from bank and others of the consolidated company as of December 31, 2008 amounted to € 14.4 million compared to 7.9 by the end of 2007 (mainly due to loan granted to subsidiary in Austria to purchase hotel and loan which includes in balance sheet of new subsidiary consolidated.

The said increase is offset mainly by a decrease in debentures (mainly due to purchasing of debentures by subsidiaries (of the company and Japan auto ,classification of current maturities of debentures to current liabilities and strengthening of NIS compared with €) of the consolidated company as of December 31, 2008 amounted to € 31.4 million compared to 35.9 by the end of 2007.

3.3 Liquidity

The liquid assets (cash, cash equivalent short term investments and restricted deposit) of the consolidated Company as of December 31, 2008 amounted to € 14.3 million, compared to € 29.1 million by the end of 2007.

3.4 Cash Flow

The net cash used in operating activities of the consolidated Company in the fiscal year 2008 amounted to € 12.9 million, compared to net cash provided by activities € 2.1 million in the fiscal year 2007. This is mainly due to net loss in the fiscal year 2008 and increase in the inventories.

The net cash provided by investing activities of the consolidated Company in the fiscal year 2008 amounted to € 0.6 million, compared to net cash used in investing activities of € 28.2 million in the fiscal year 2007. The cash flow from investing activities was affected mainly by proceeds from sales of vehicles for leasing and operating lease offset by purchase of investment property.

The net cash used in financing activities of the consolidated Company in the fiscal year 2008 amounted to € 1 million, compared to net cash provided by financing activities that amounted to € 34.2 million in the fiscal year 2007. The cash flow from financing activities was affected mainly by purchase of company debentures by subsidiaries and repayment/ receipt of long-term loans from banks and others.

3.5 Financing Sources

The total equity of the Company as of December 31, 2008 amounted to € 18.2 million, bringing its proportion in the balance sheet total as of the same date to 16.6%, compared to € 32.4 million and 25.8%, by the end of 2007.

The total credit extended to the consolidated Company (excluding credit to Metis rent a car Group which was classified to liabilities attributed to discontinued activities and loans to jointly controlled entities from Mirage) as of December 31, 2008, amounted to € 52.7 million compared to € 51.9 million by the end of 2007.

4. Reporting on Exposure to and Management of Market Risk

4.1 The Japan Auto Group

Description of Market Risks - The Japan Auto Group is exposed to market risks of which the most serious are currency exposure in the linkage balance (owing to the impossibility of fully indexing the vehicle sale prices to the exchange rate of the Japanese yen, in which the import transactions are denominated), changes in the exchange rates of the import countries, changes of bank interest rates in Israel and abroad, changes of the exchange rates used by competing importers.

The policy of the Japan Auto Group in the management of market risks - The Japan Auto Group routinely maintains follow-up of the exposure coming about in the market and that is created by exchange rates and interest rate changes. Accordingly, it concludes various types of hedging transactions. The decision to conclude hedging transactions and the type of transaction is at the discretion of those responsible for managing market risks in the Japan Auto Group and is made in accordance with the policy established by a committee appointed by the Board of Directors of Japan Auto Holdings, whose function is to discuss hedging policy and establish guidelines for the officers responsible for market risks management in the Japan Auto Group. It convenes every three months. The policy is one of the hedging of import value (including with reference to the customs value) of the new motor vehicles imported by the Japan Auto Group commencing from date of the order being placed with the manufacturer and until date of actual payment. This policy is modifiable in accordance with the level of exposure and the actual cost of hedging. The most frequent transactions pursuant to this hedging policy are of the options and forward type. All hedging transactions in the Japan Auto Group are concluded by means of banking corporations that are committed to compliance with capital adequacy.

Supervision of market risks management policy and how it is implemented - The policy of the Japan Auto Group as regards the handling of market risks and the management thereof was adopted by the Japan Auto Group management. This policy includes a monthly meeting of officers responsible for market risks management, addressing the topic of market risks management, and a quarterly report to the Board of Directors of the Japan Auto Group. The report covers the state of exposures to market risks and the hedging transactions being adopted in order to reduce exposure.

Officers responsible for market risks management in the Japan Auto Group - The officers responsible for market risks management in the Japan Auto Group are the CEO and the CFO, who consult regularly with an economic company specializing in the foreign currency market.

4.2 The Company

Company officers responsible for market risks management are the CEO and the CFO, who coordinate the handling of the matter within an internal Company committee, while regularly consulting with an economic Company that specializes in the foreign currency market.

4.3 Changes in economic environment.

These days, there is a crisis at the global financial markets. Events related to financial crisis impact on the capital market in Israel, including the liquidity fund, status of business corporations in Israel's ability to obtain funding ongoing operations and long-term. The company explores the implications of financial crisis on business activities, and sources of funding . The company is eligible for the activities and conducted accordingly .

5. Donations

The Company has a policy of making donations to entities whose object is to assist the community in activity related to health, welfare, care for children with disabilities and the elderly.

The Company’s total donations for the fiscal year 2008 amounted to € 4.5 thousand.

6. Financial reports approval procedure in the company

The Board of Directors is the Company's organ that supervises its activities. Prior to the Board of Directors meeting, a draft of the consolidated financial statements and the management summery is sent to the directors to be reviewed by them.

Prior to the approval of the consolidated financial statements by the Board of Directors, a thorough discussion is conducted. The discussion is held with the participation of the CEO Shimon Harel, the CFO Ilan Engel and the external auditor representatives, during which the consolidated financial results (including comparison to prior periods of the Company activity) as well as relevant important issues or any irregular transaction are being analyzed and reviewed. In addition, a discussion is conducted regarding the auditing policies and methods that were implemented and about major estimates.

Amnon Barzilay	Shimon Harel	Ilan Engel	Date
Chairman of the Board	chief Executive Officer	Chief Financial Officer	April 3, 2009

2008

Annual Financial Report

Metis Capital Ltd.

C o n t e n t

Interim Condensed Consolidated Financial Report as of December 31, 2008

Company status review

1. Status Review to the Board of Directors - December 31, 2008

We are hereby presenting, in accordance with the rules and regulations of the Deutsche Börse, a report referring to the financial statements of the Company as of December 31, 2008, prepared in accordance with International Financial Reporting Standards.

This report is presented in Euros. An additional management discussion and analysis report is published for the Israeli public, which refers to the financial data as presented in the statements prepared in NIS, according to International Financial Reporting Standards.

2. Corporate Description

As of January 1, 2007 the Company is active in five areas of activities:

A. Import, distribution and sale of vehicles.

B. Import, distribution and sale of spare parts and provision of garage services.

C. Income yielding real estate.

D. Car rental.

E. Operational leasing (A transaction has been completed for selling the leasing operations from Metis Capital Leasing Ltd. on November 16, 2008).

As of the reported period, the activities of car rental and operational leasing are classified in the financial statements as discontinued operations.

Changes in the Corporate Business and Subsequent Events

2.1

On February 11, 2007, Electronics Line 3000 Ltd. ("EL3000") addressed the Company in a letter claiming that the property on Ha'amal St., Petach Tikva ("the property") is built using the Pal-kal method (rippled tin), based on an opinion and tests conducted by an engineer on behalf of EL3000 and the Israeli Standards Institute.

The Company received an engineer's opinion which was prepared for Ormor on March 27, 2007 that determines that the ceilings are absolutely firm and do not constitute a danger both as ceilings and as part of the entire property and, accordingly, there is no safety problem if the ceilings/floors bear additional usage loading of 500 kg per sq.m. (as argued by EL3000).

On November 18, 2007, the Company received an engineer's opinion according to which ceilings 6+ and 9+ bear additional usage loading of 200 kg per sq.m. that is the maximal loading for the use of offices according to the Israeli standard. Also, as to an answer to the production activity preformed by EL3000 in part of ceiling 9+, it is offered by the engineer's opinion that this activity will be transferred to ceiling 12+ or, alternatively, that a reinforcement of loading of 500 kg per sq.m. will be made to this part with cost estimated at approximately € 21.36 thousand that will last about 7 work days. Also, the engineer's opinion indicates that the production activity does not immediately endanger ceiling 9+ and its fastening may take place at times that are convenient to EL3000 without discontinuing production. The Company intends to start reinforcement of ceiling 9+ during July 2008. While cooperating with Ormor and EL 3000, the Company estimates that the cost of reinforcing the ceiling 9+ shall amount to € 195.84 thousand and shall take 25 working days.

2.2 Agreement between Barzilay and Harel

. On January 9, 2008, Mr. Amnon Barzilay ("Barzilay"), a controlling shareholder in the Company, entered himself and companies under his control into an agreement with Mr. Shimon Harel ("Harel") and company owned by him, S. Harmon Holdings and Properties Ltd. ("Harmon") whose principles are as follows:

a) A private company owned by Barzilay (50.5% of its share capital is owned by Barzilay and 49.5% by Harmon) ("the private company") will act to acquire about 47.72% of the issued share capital of the Company (before dilution) according to a right assigned to Barzilay in an agreement between him and Mr. Eyal Yona. The acquisition carried out by an offer tender according to a prospectus published by Gmul and the Company on August 1, 2007 ("the prospectus").

b) To finance the acquisition, the private company took loans from a financial entity and from Harmon and Mr. Barzilay extended to it a complementary loan.

c) The parties agreed that they will use their voting power in the private company and through it in the Company so that after the exercise of the right to acquire Company shares according to a prospectus, the Company's Board shall appoint eight directors: two outside directors, four directors to be recommended by Barzilay and additional two directors to be recommended by Harmon. Also, the parties have committed to use their voting power so that Barzilay continues to act as the Company's chairman, Harel be appointed as a deputy and vice chairman and Mr. Itsik Cohen, the present CEO continues his office for additional four years.

On January 30, 2008, Barzilay delivered a "response notice" according to which a private company under his control acquires from Gmul 3,841,470 of the Company's Ordinary shares, representing about 47.72% of total issued and outstanding share capital of the Company and all as per an offer tender according to a prospectus published by Gmul and the Company on August 1, 2007 in consideration of € 16,100,679. The date to complete the acquisition as required according to the prospectus is January 31, 2008.

A business dispute broke between Barzilay and Harel, in the context of which the parties raise different arguments one against the other both in the level of their relations with the private company through which they hold the Company's shares and the financing agreements assumed and in the level of the Company's mode of operation.

On October 30, 2008 the Company announces that Amnon Barzilay and Shimon (Moni) Harel, who are the indirect holders of Metis Capital Ltd. through Ofakim Capital Ltd., informed the Company that they had reached an agreement between them.

Pursuant to said arrangement, all the controversies between them were settled in connection with the financing of the acquisition of the Company's shares by Ofakim Capital Ltd.

Likewise, arrangements were laid down between the parties with a view to a possible separation between the parties, by way of licitation, if and when either of the parties may be interested in that.

Further, an understanding was reached to the effect that the parties would immediately file petitions for striking out all the mutual claims, of any kind or nature, that have been filed between them. The parties announced that they would engage in cooperation for the sake of the Company's success.

2.3

On January 24, 2008, addendum No. 3 to the agreement with the lessee of Hotel Cerna was signed pursuant to which the monthly rental fees for the first three months of 2008 are lowered to € 5,000 a month due to the renovation of the hotel in that period. Starting April 1, 2008, the monthly rental fees were restored to € 45,000 a month.

On February 4, 2008, Finit's name was changed to Metis Cerna Property S.R.L.

During the month of January 2009 was made a requirement of the renter to reduce the monthly rental fee during the year 2009 to -35,000 Euro / month. Explained to the renter must request the new economic situation in Romania affect the hotel capacity. Also they not paid the rental fees starting in January 2009.

The company not decided yet about her position.

2.4

On January 13, 2008, the Board of Japan Auto Holdings, as per the approval of the general meeting of holders of debentures (series A) of Japan Auto Holdings, decided to pay additional monthly management fees of approximately € 60.55 thousand to the controlling shareholders in Japan Auto Holdings, Mirage and the company (a total of approximately € 0.72 million a year) regarding the expansion in the scope of services provided by them to the Group effective January 1, 2008.

On April 10, 2008, an amendment was signed to the marketing service agreement signed between the Company and Japan Auto such that as of January 1, 2008, the Company will grant Japan Auto Holdings additional services as follows: placing a representative in a credit committee and an executive committee, administrative counseling on Japan Auto Holdings' strategic and business moves and developing business relations, counseling in negotiations with potential business partners, goal and target planning for Japan Auto Holdings' activities, promoting business relations in Israel, locating business opportunities for Japan Auto Holdings that match the nature of its activities and counseling on holding negotiations with any institution or authority, including banks and various professional advisors ("the additional services"). In return for the additional services, Japan Auto Holdings will pay the Company monthly fees of € 47.87 thousand plus legally required VAT.

It was also agreed that the marketing service agreement will be named "the agreement for granting strategic counseling and business relations development services" and will be in effect as long as the Company holds at least 22.5% of the share capital of Japan Auto Holdings. The remaining provisions of the marketing agreement, including the term of the agreement, will remain in tact.

2.5

On January 13, 2008, the Company's audit committee and Board approved the commitment of Metis Auto group with Savana Garage owned by Mr. Pinhas Cohen, the father of the Company's CEO. The total commitment scope in 2007 amounts to € 226 thousand.

The total commitment scope in 2008 amounts to € 170 thousand.

2.6

According to the agreement signed between the Company and the management company controlled by the Company's chairman of the Board, in the course of 2007, based on the monetary results of each quarter, the Company assigned to the management company an amount of € 159.13 thousand (before VAT) as an advance on account of the annual bonus payable to the management company in respect of 2007. According to this agreement, the final settling of accounts between the management company and the Company will be done within 15 days from the date of the approval of the financial statements in respect of each calendar year for the grants carried over that calendar year.

According to the final settling of accounts under the agreement for rendering of management services by the chairman of the Board, the debit balance as of April 15, 2008 plus interest and linkage differences was € 191,916 (including VAT).

On April 16, 2008, an amount of € 183,605 (based on the exchange rate of NIS 5.5241) was assigned to the Company's account as disbursement of this debit balance.

From the outset, the agreement that was presented for approval and signed included the controlling shareholder's right to receive advances based on quarterly results, and the liabilities of the Company and the controlling shareholder to carry out a final settling of accounts for the entire calendar year at the end of the of that year, within 15 days of the approval of the financial statements. However, this specific detail was not indicated separately in the summons for the general meeting for the approval of the terms of his employment. In the Company's opinion, there is nothing in this matter that would impair the force of the agreement between the controlling shareholder and the Company. The Company, together with its legal advisors, will study if it is necessary to raise this issue separately for approval before the general meeting insofar as it concerns the remaining period of the agreement.

2.7

On February 18, 2008 and March 6, 2008, Japan Auto received a claim from the Herzliya Municipality for payment of approximately € 0.85 million in respect of different levies (laying water pipe, sewage, sewerage and road paving).

Japan Auto applied to the Herzliya Municipality for an extension in order to allow negotiations with the city's representatives in the matter of the payment claim and in order to produce documents as far as required. The appeal was approved by the Herzliya Municipality.

We are speaking of amounts that if ultimately Japan Auto will be liable to, they may have no effect on the operating results as they are charged to cost of land. No provision was recorded in the financial statements in respect of the aforesaid.

2.8

On March 3, 2008, a subsidiary of the Company, Metis Austria Immobilien und Beteiligungsgesellschaft mbH ("Metis Austria") signed an agreement ("the agreement") for the acquisition of a hotel in Vienna ("the hotel").

Description of the hotel:

The hotel is a 4-star hotel and is expected to be opened in September 2008. The hotel has 8 stories above a lobby and underground parking and it shall comprise about 67 rooms. The hotel is built on a plot with area of 347 sq.m. with about 2,700 sq.m. built area located in Landstrasse. Metis Austria intends to sign an agreement with a company specializing in operating hotels for the rental of the hotel.

According the agreement, delivery of the hotel after building is completed will be at the latest on June 30, 2008 ("the first delivery date"). Delivery of the hotel when it is ready for operation will be at the latest on August 31, 2008 ("the second delivery date"). The hotel's construction, furnishing and preparation for operation have been completed in the course of June 2008. The hotel will be delivered to the Company's possession once all the prerequisites for obtaining a municipal approval for operating a hotel are finalized. The Company estimates that the hotel's delivery as ready for operation will be during August-September 2008.

The principles of the transaction:

According to the agreement, Metis Austria will acquire the hotel when it is ready for operation, including furniture and equipment, with cost of € 7.5 million (plus VAT), as follows: € 4.9 million, not in cash, by acquiring the seller's debts to Erste Bank der Oesterreichischen Sparkassen AG ("the credit provider"), € 1.85 million for the plot and € 750,000 for the furniture and equipment. Metis Austria will also pay € 375 thousand to a third party for brokerage and consulting services on the acquisition and for assisting in obtaining the bank financing for the transaction ("the brokerage services") and additional approximately € 365 thousand for land and registration taxes.

The acquisition of all of the seller's debts to the credit provider amounting € 4.9 million and the payment of € 365 thousand for land and registration taxes is within five business days from the end of the month of the first delivery date. Additional € 600 thousand is payable to the seller after the rights are registered in favor of Metis Austria with the Land Registry. Additional € 1.85 million is payable the seller after the second delivery date. Additional € 150 thousand is held in a trust account as the seller's guarantee in favor of Metis Austria over three years from the second delivery date. The seller is entitled to receive such amount against the provision of a counter bank guarantee. The payment for the brokerage services shall be made after the second delivery date. An amount of € 100,000 was paid on account of the brokerage fees in August 2008. The remaining payments as detailed above have yet to be made.

Simultaneously, Metis Austria contacted the credit provider to extend financing for the acquisition of the hotel with up to € 6.8 million for a period of 12 years. In the first two years, Metis Austria pays the interest only. The outstanding principal is repayable in 40 unequal installments. The first four installments amount to € 50,000, additional eight installments - € 75,000, additional 27 installments - € 100,000 and the last payment - € 3.3 million. The loan bears interest at the Euribor rate for three months + 1.4% per annum.

For the purpose of receiving the credit, a mortgage on the hotel, a charge on Metis Austria shares, a charge on Metis Austria bank accounts and a charge on Metis Austria notes were placed in favor of the credit provider. Repayment of shareholders' loans and the respective interest thereon, dividends and other payments are subordinated to the bank financing.

The financial covenants of the loan are a maximal ratio of 80% between the loan and the hotel value and accumulated ratio of over 1.05 between the EBITDA and DSCR starting July 2009.

The suspending conditions to receive the financing are: an independent valuation of the hotel, fulfillment of all permits and licenses and approval of an expert as to completion of the building the hotel. During April 2008, a valuation about 8.5 million was received.

The Company provided a guarantee to secure the financing in favor of Metis Austria. Also, the Company provided Metis Austria with loan of € 1.7 million to finance the shareholders' equity necessary for the acquisition of the hotel. The credit provider will provide against such amount a bank guarantee of € 2.6 million in favor of the seller. The acquisition transaction was closed after a due diligence procedure that the Company conducted by consultants.

As of the date of the approval of the financial statements, the hotel's acquisition has not yet been completed.

On November 9, 2008 the Company announces, that a company under the full control of Metis Capital Ltd., Metis Austria Immobilien- und Beteiligungsgesellschaft mbH, completed on November 7s, 2008 the purchase of the hotel in Vienna on LANDSTRASSER HAUPTSTR., and this after all the payments had been transferred to the seller pursuant to the purchase agreement, with the exception of 150 thousand Euros that are held in trust with a view to ensuring the seller's liability for the construction work. The seller is entitled to furnish a bank guarantee, as well as to receive the above-mentioned amount from the trustee.

Metis Austria signed a tenancy agreement with a company from the HOTUSA Group, for the purpose of operating the Hotel for a period of 15 years, whereby the lessee shall have a one-time right to terminate the agreement upon the termination of the seventh year, and this by 9-month advance notice. Metis Austria is entitled to a permanent rent in the amount of 536 thousand Euros per year plus VAT. To the permanent rent shall be added linkage to the consumer price index. Additionally, the Lessee shall pay Metis Austria 25% of the operating profit of the Hotel, as defined in the tenancy agreement for each of the years of tenancy. Notwithstanding the foregoing, this Additional Rent for the years 2008 and 2009 shall be calculated in such manner that, in case the Lessee should incur an operational loss in the year 2009, the Lessee shall be entitled to offset it against up to 50% of the operational profit for the year 2008. Payment of the additional rent for the years 2008 and 2009 combined shall be effected by March 31, 2010, whereas the Additional Rent on account of the year 2010 and the years following it shall be paid to Metis Austria by the 31st day of March consecutive to each calendar year, respectively.

2.9

On March 4, 2008, the Company received from Israel Lands Administration a demand for payment of € 0.26 million in respect permit fees of the property located in Granite St. Petach Tikva, which has been sold to Isralom Properties Ltd. On 2006.

The demand is in accordance with a valuation of a real estate appraiser and is based on 2 plans: municipal building scheme Petach Tikva/2000 from 1992 and municipal building scheme Petach Tikva 1241/90 from 2006.

The demand is under a legal and appraising review and with the representatives of the Israel Lands Administration including the charge in itself and to the party it applies since in respect of the construction done in the asset under municipal building scheme Petach Tikva/2000, permit fees, among others, were paid to Israel Lands Administration and since under the sale agreement to Isralum it was determined that it will pay the permit fees to the Israel Lands Administration for exercising the rights according to the new municipal building scheme Petach Tikva 1241/90.

On 31 December 2008 received a payment demand from the Israel Lands Administration . According to the demand part of the company is approximately - 308 thousand ☐. Also the company is required to pay tax on the purchase amount in a 5%. The company reached an agreement with Isralom to transfer her part. Isralom confirming that has no other requirements from the company regarding

real estate taxes. After making a payment ,Isralom will return the amount of the deposit account which is loyalty.
Based on the above, and their opinion of legal advisers, the company recorded a financial provision to the financial statements, which reflect the amount of exposure for the above requirement.

2.10

On April 15, 2008, the Company and Mirage signed an agreement regarding Japan Auto Holdings, a company in which the Company and Mirage each hold 50% of the issued and outstanding share capital, according to which:

The parties will act together to convene a meeting of Japan Auto Holdings's Board by April 15, 2008 on which agenda shall be brought the issue of the issuance of Japan Auto Holdings on the basis of its annual financial statements as of December 31, 2007 and distribution of dividends to the extent possible based on the undertakings toward the holders of debentures (series A) of Japan Auto Holdings.

The parties will support the acceptance of the decisions and their implementation as far as they relate to any of them or requires their approval as far as the decisions are for the benefit of the Company and its holders of rights and subject to any law.

If dividends, as above, are distributed and shares, stock options and debentures of the Company are issued to the public, the Company shall be conferred a Put option ("the option") according to which, during a period of 18 months from the date of effecting the issuance that is the subject of a' above, the Company is entitled to compel Mirage to buy from its entire stake in Japan Auto Holdings at company value of € 71.9 million provided that from the date of the approval of this agreement until the date of exercise of the option, the Company will not sell and/or transfer to any third party shares of Japan Auto Holdings which it holds. The value for Japan Auto Holdings, as above, will be adjusted for circumstances of distribution of dividends (except the dividends that are the subject of a. above) in Japan Auto Holdings and/or for circumstances of a change in the capital structure of Japan Auto Holdings.

With the completion of the option transaction, Mirage shall acquire the balance of a shareholders' loan given to Japan Auto Holdings by the Company, according to the amount appearing in Japan Auto Holdings's books at that time.

The funds to be raised in the context of the public issuance will serve as repayment of shareholders' loans to the extent possible based on the terms of debentures (series A) of Japan Auto Holdings, as determined by the general meeting of holders of debentures of Japan Auto Holdings on December 30, 2007.

According to what was discussed above, on April 15, 2008, the Board of Japan Auto Holdings approved to file an updated draft prospectus on the basis of the financial statements as of December 31, 2007 with the Securities Authority. On

May 21, 2008, Japan Auto Holdings announced that the handling of the Company's prospectus was halted and that it will not offer shares based on the financial statements as of December 31, 2007.

Further, the Board of Japan Auto Holdings approved to distribute to its shareholders on April 29, 2008 dividends in the amount of € 3,100 thousand, representing 18.29796% of the issued and outstanding share capital of Japan Auto Holdings. The actual payment was effected on May 7, 2008, after additional details had been provided to the trustee of the debentures (series A) of Japan Auto Holdings at the trustee's request.

The Company and Mirage hand over to Japan Auto Holdings, before the actual distribution, promissory notes according to which if Japan Auto Holdings needs in the future additional financial sources in order to satisfy its future obligations, they will provide the funds required by Japan Auto Holdings immediately upon demand up to the amount of the dividends distributed, pro rata, as loans according to the terms of the existing shareholders' loans.

If Japan Auto Holdings raises capital from the issuance of its shares to the public under a prospectus, the promissory notes will be cancelled and restored with the Company and Mirage.

The retained earnings of Japan Auto Holdings, before the distribution, as defined in section 302 to the Companies Law, 1999 amount to € 10,676 thousand.

The retained earnings of Japan Auto Holdings, after the distribution, as defined in section 302 to the Companies Law, 1999 amount to € 7,576 thousand.

On May 22, 2008, the Company announced that the handling of Japan Auto Holdings prospectus was stopped and will be postponed. It will not be executed on the basis of the financial statements of December 31, 2007.

2.11

On April 16, 2008, the Company received from Mirage a notice that on May 18, 2008, Mirage intends to make an early repayment of the loan.

On May 18, 2008, Mirage repaid the remaining loan- loan (including principal, interest and linkage differences) amounting to € 3,866,446.

2.12

During the reported period, Metis Real Estate sold 8,053,114 par value of debentures (Series A). Metis Real Estate received a total amount of approximately € 1,470 thousand from sales during the reported period, net of commissions.

On August 28, 2008 the Board of Directories of the Company has decided to approve purchasing debentures (Series A) of the company by a subsidiary of the Company in accumulated amount of NIS 45 million . As of December 31, 2008, Metis Real Estate purchased 38,551,849 par value of debentures (Series A) in consideration of NIS 25.9 million. As a result of the purchase, Metis Real Estate derived a gain from early redemption of € 2.3 million. As of the date of the approval of the financial statements, there is not change on the scope of acquisition debentures

2.13

On May 28, 2008, the meeting of the Company's Board decided to extend to Metis Car Rental Group the financing it requires to cover all its liabilities in the coming year and simultaneously to act to dispose of the holdings in the Metis Car Rental Group, representing two operating segments - the car rental segment and the motor vehicle operating lease segment - as soon as possible. As of the reported period, the activities of these segments are classified in the financial statements as discontinued operations.

On August 28, 2008, the Company's Board of Directors approved the engagement of Metis Capital Leasing, a registered general partnership ("the partnership"), which is held by the Company through wholly owned corporations, in an agreement with Ampa Capital Car Lease Ltd. ("Ampa") whereby Ampa will purchase from the partnership its leasing activity, including some 785 cars, automobile leasing agreements, maintenance agreements and payments expected to be received by the partnership from its customers, all against assuming the partnership's liabilities towards the entities that extended it bank and off-bank financing in connection with purchasing the sold automobiles and a cash disbursement to leasing portfolio of approximately € 8.7 million. Ampa also committed to utterly release the Company from all

On November 16, 2008 the transaction has been completed for selling the leasing operations from Metis Capital Leasing Ltd. - Registered General Partnership, to the company Ampa Capital Car-Lease Ltd.

The Company signed in the month of November 2008 an agreement on principles for selling its holdings in Metis Capital Car Rental Ltd. and in the corporations held by it with a third party, which is not associated with the Company, and this subject to various terms, including the approval by the Company's Board of Directors and terms that are mandatory according to any law.

The Company currently works with said third party, as stated, towards elaborating a detailed agreement that shall be submitted to the Company's Board of Directors. On 10 December 2008 the company signed an agreement abolishing the agreement on principles . Instead agreed with the parties to the Agreement of Principles that will buy 64 vehicles in exchange for total of € 0.7 million, which was paid .

As a day editing financial reports the company sold all the vehicle. The company also canceled most of the agreements except two agreements for a period of three more years .
The franchise agreement with Europcar is until 2011. The company tries to find a franchisee substitutable coordination with Europcarr. Simultaneously, the company manage negotiations with Europcar to cancel the franchise agreement.

2.14

On June 12, 2008, the Company received a letter of claim and request to appoint a special director filed by Gmul Investment Company Ltd. ("Gmul") against the Company, Ofakim and the shareholders in Ofakim (directly and indirectly). The filing was not preceded by any address from Gmul to the Company.

The abovementioned claim and request are asking the court to declare that the Company's affairs are conducted in a manner that deprives Gmul's rights as shareholder and the rights of shareholders from the public and to appoint a special director for the Company that will assume the authorities of the Board.

On June 25, 2008, the Company received the request filed by Gmul with the court to strike the letter of claim and the request for appointing a special director that had been filed against the Company, Ofakim and the shareholders in Ofakim (directly and indirectly).

On June 25, 2008, the court (the Hon. Judge Zaft) decided to strike (at Gmul's request) the claim and request for a temporary remedy without harming the rights of Ofakim, the Company, S.M.S and Barzilay to appeal for a ruling on expenses.

On July 1, 2008, the Company and Ofakim filed a request to award them expenses against Gmul, arguing, among other things, that Gmul's request for appointing a special director had been filed based on facts that were not really known to Gmul and that Gmul had dragged the Company and Ofakim in vain and in collaboration with Haerl and Harmon into unnecessary legal proceedings.

On July 27, 2008, the court (the Hon. Judge Zaft) ruled that Gmul shall pay the Company and Ofakim a sum of € 2,838 plus VAT as well as an additional sum of € 2,838 plus VAT to S.M.S and Barzilay.

2.15

On July 27, 2008, the Company's Board approved the acquisition of 99.9% of the shares of Wallagasse 23 ("the acquired company"), which owns a hotel in Vienna ("the hotel") from a third party ("the seller") through a company that is wholly controlled by Amorazur Holdings Limited ("the acquiring subsidiary"). The acquisition transaction was performed after a due diligence procedure effected by the Company through advisors.

The transaction consists of the following:

According to the agreement, the acquiring subsidiary will purchase the acquired company for approximately € 1.3 million based on a hotel valuation of € 6,920 thousand less liabilities and with the addition of the assets as they appear in the draft of the financial statements of the acquired company as of February 29, 2008.

The acquiring subsidiary will also pay an amount of approximately € 100 thousand to a third party for brokerage fees (1.5% of the hotels' value) and approximately € 200 thousand for consulting fees, land registry taxes and other acquisition costs. The Company has guaranteed the subsidiary's fulfillment of its obligations under the agreement.

According to the agreement and based on the Board's decision as above, on July 27, 2008, the acquiring subsidiary announced the Board's approval of its engagement in said agreement. Under the agreement, within 10 days from the acquiring subsidiary's announcement as above, the transaction consideration totaling approximately € 1.3 million will be transferred to a trustee. Within 7 days following the above transfer, the parties will perform a final settling of accounts in respect of the differences as they might be based on the acquired company's final financial statements as of February 29, 2008. Within the following 7 work days, the process of swapping managers and the transfer of shares (including registering the change in the Registrar of Companies) will take place in the acquired company. The completion of the transfer of shares will be executed by the seller no later than by October 31, 2008. The transfer of the transaction consideration to the seller will be performed by the trustee after the completion of the transfer of shares as above. On August 7, 2008, the trustee was assigned an amount of approximately € 1.3 million. The final settling of accounts between the parties also took place according to which the price remained in tact.

The acquired company leases the hotel to Golden Tulip Hospitality Management Ltd. ("Golden Tulip") according to a lease agreement in effect until November 30, 2024. According to the lease agreement, the annual lease fees for 2008 totaled € 430 thousand. As of 2009, the annual lease fees will be € 500 thousand, linked to the CPI. Upon the change of ownership in the acquired company, the acquired company has the right to cancel the above lease agreement with Golden Tulip by providing a six-month advance notice and paying an agreed upon compensation. The Company has considered cancelling the lease agreement and is simultaneously holding negotiations with several entities including Golden Tulip for an upgraded lease agreement under improved terms compared to the existing lease agreement. On August 20, 2008, the acquired company notified Golden Tulip of the cancellation of the existing lease agreement. The Company is contemplating carrying out renovation work at a scope of up to € 1.5 million.

As part of the acquisition, the Company entered into a financing agreement with Hypo Bank Vorlaberg ("the financing agreement") under which the acquired company will receive a new loan of approximately € 5.8 million representing about 80% of the hotel's price to replace the existing loan in the acquired company as of February 29, 2008 totaling approximately € 5.2 million. The loan bears annual interest of Euribor + 0.9%. The term of the loan is 23 years including a grace period (of interest payments only) of three years. The principal (starting from the fourth year) and interest will be repaid in equal quarterly installments. The acquired company will be entitled to repay the loan by a six-month advance notice with no early repayment commission.

As of the date of the approval of the financial statements, the transaction has not yet been completed.

Hotel description:

The four-star hotel was built in 1970 and renovated in 2005. It consists of eight stories built above a lobby and underground parking. It includes 77 rooms, underground parking, a lobby, a dining room and conference hall. It is built on a plot covering an area of 857 sq. m. located on Wallagasse Street in the sixth quarter of Vienna.

On November 10, 2008 the Company announces, that on November 10, 2008 the acquisition from a third party of 99.9% of the shares of a company by the name of WALLAGASSE 23, that owns a hotel in Vienna, was completed, and this through a company under full control of the company Amorazur Holdings Limited.

The Acquired Company revoked the tenancy agreement between it and thecompany GOLDEN TULIP HOSPITALITY MANAGEMENT LTD., and this in accordance with the right granted to the Acquired Company pursuant to the tenancy agreement. According to the above-mentioned tenancy agreement, Golden Tulip undertook to evacuate the Hotel on February 28, 2009.

On March 4, 2009 Golden Tolif left the hotel. Starting from this time the company will operate the hotel as an independent by a subsidiary. The company signed a consulting agreement with a expert third party.The consulting agreement is for a period of one year with option for another year

2.16

Ofakim, who holds about 47.72% of the issued share capital of the Company (before full dilution) made it known to the Company, that on September 3, 2008, it had received a letter from Mizrachi Bank, in which the latter decided to demand the immediate repayment of the credit made available to Ofakim for the purpose of acquiring the Company's shares in the amount of 42,500,000 NIS. The shares are pledged with Mizrachi Bank as a security for credit. The bank explained the demand for immediate repayment of the loan amount by all of these:

1. The acute dispute that broke out among the shareholders in Ofakim, as part of which a petition was likewise filed for liquidating Ofakim: among others, immediate repayment was apparently demanded of the loan made available to Harmon by Ofakim.

2. The lawsuit filed by Gad Zeevi and Mirage Israel Development Ltd. against the Company and Barzilay.

3. The market value of the Company shares pledged with Mizrachi Bank had fallen by about 30% since the loan was made available, and the bank holds the view that the acute disputes among the shareholders in Ofakim and in the Company are expected to adversely affect the value of the securities it holds.

On June 17, 2008, the bank notified Ofakim that it has the intention of realizing the securities furnished to it, including by way of selling Ofakim's shares in the Company to the highest bidder.

On June 22, Ofakim filed a lawsuit by way of an originating summons against Mizrachi Bank, at which the District Court in Tel-Aviv-Jaffa was requested to declare and to order that Mizrachi Bank is not entitled to demand immediate repayment of its loan to Ofakim, and that it is not entitled to realize the pledge of the Company's shares held by Ofakim. Concurrently with the originating summons, Ofakim filed an urgent petition for issuing a preliminary injunction that shall order the bank to refrain from realizing the pledge of the Company's shares held by Ofakim up until the action has been adjudicated on ("the Petition for Issuing a Preliminary Injunction").

On June 23, 2008, the Court (the Honorable Judge Ronen) decided to issue an interim injunction, which shall be in effect until such time as another decision is made, pursuant to which the bank is forbidden from realizing the pledge of the Company's shares held by Ofakim. On July 3, 2008, the replies of Mizrachi Bank and Harmon to Ofakim's petition were submitted, and on July 20, 2008, Ofakim's rejoinder to their replies was submitted.

on December 7th, 2008, the District Court in Tel Aviv (the Honorable Judge Dania Keret) announced the striking out of Ofakim's action against the bank, as well as the revocation of the interim injunction issued as part of it without an order for cost, and this following the joint petition made by Ofakim and Mizrachi Tefachot Bank ("the Bank"), by mutual consent, for striking out said action.

At the petition, the parties indicated that they were conducting out-of-court negotiations and that, in their estimation, these negotiations would bring about the liquidation and settlement of all of the differences between them. The parties likewise pointed out that, at any rate, since the commencement of the procedure in question, the circumstances relevant for the matter at hand had changed. Said petition was filed without prejudice to the pleas of either party, or its right to take any measure or proceeding that shall be deemed proper, should said negotiations not ripen into an understanding.

2.17

Mr. Gad Ze'evi ("Ze'evi") and Mirage Israel Development Ltd. ("Mirage Development"), a company controlled by Ze'evi, addressed Mr. Barzilay in a letter dated January 30, 2008 and in another letter dated January 31, 2008 with various claims alleging that the engagement between Mr. Amnon Barzilay and Mr. Harel and the company under his control are in violation of the provisions of agreement of February 27, 2008 signed between them and Mr. Barzilay and are therefore interested in appointing an arbitrator in the dispute between the parties.

On June 1, 2008, the Company received a letter of claim filed before the arbitrator, the Hon. (retired) Judge Theodore Orr. In the letter of claim, Ze'evi and Mirage Development argue that the engagement between Mr. Barzilay and Mr. Harel constitutes a violation of the provisions of the agreement regarding the right of refusal. Mirage Development and Ze'evi also argue that Barzilay and the Company thwarted the process of raising capital in Japan Auto Holdings, a subsidiary (50% held) of the Company, which would have allegedly led to a significant increase in the value of the plaintiffs' holdings in Japan Auto Holdings.

Ze'evi and Mirage Development demand that Barzilay and the Company enforce the agreement of right of refusal, including an order whereby the shares of Ofakim allocated to the Company controlled by Mr. Harel will be recovered to Mr. Barzilay and an order that will allow Ze'evi and Mirage Development to acquire the controlling shares in the Company under terms identical to those agreed upon in writing and orally between Mr. Barzilay and Mr. Harel. They are also demanding to divulge documents and receive monetary compensation totaling € 36.35 million for the alleged thwarting of the capital raising process in Japan Auto Holdings.

On July 22, 2008, the Company and Japan Auto Holdings received separate appeals from Mr. Amnon Barzilay, the Chairman of the Company's Board and the controlling shareholder therein and the Chairman of Japan Auto Holdings' Board regarding this claim. According to Mr. Barzilay, the letter of claim raises various arguments against him that are included in the letters of quittance and indemnity given to him by the Company and Japan Auto Holdings according to which he is entitled to receive indemnification from the Company and Japan Auto Holdings in respect of this proceeding. Accordingly, Mr. Barzilay requested from the Company and from Japan Auto Holdings, severally, the following:

1. To deliver a notice to the insurance company where its directors and officers are insured according to which the abovementioned claim had been filed against him.
2. Without derogating from the insurance arrangements and policy terms, to indemnify him for all the expenses, costs and claims which he is or will be required to pay in the future.

On February 27, 2005, the Company's audit committee and Board, on July 19, 2005, the Company's Board and on June 21, 2005 and August 18, 2005, the general meeting of the Company approved the grant of quittance to directors and officers in the Company (excluding the Chairman of the Board), the grant of a commitment of indemnity to directors and officers in the Company (excluding the Chairman of the Board) up to an amount of $ 10 million and the issuance of letters of indemnity to directors and officers in the Company (excluding the Chairman of the Board), all subject to the provisions of the Companies Law.

On August 18, 2005, the Company's general meeting approved the grant of an advance indemnity, the issuance of a letter of indemnity and the grant of quittance to the Chairman of the Company's Board, who is the controlling shareholder in the Company, as granted to the other directors and officers in the Company.

On May 24, 2006, the Company's audit committee and Board and on June 29, 2006, the Company's general meeting approved the purchase of a liability insurance policy for directors and officers in the Company for any liability to be imposed on them due to an act, a failure to act or any action committed or to be committed in their capacity as officers in the Company, its subsidiaries and/or investees ("the purchased policy") with respect to all the directors and officers in the Company, including the Chairman of the Board, Mr. Barzilay. The purchased policy's insurance coverage is up to $ 15 million per claim and in the aggregate for the insurance period.

Simultaneously, Japan Auto Holdings received an appeal from Mirage Development arguing that an extensive portion of the provisions of the letter of claim against the Company and Mr. Barzilay does not pertain to Mr. Barzilay's office as Chairman of Japan Auto Holdings' Board and with respect to the remaining claim, the provisions of the letter of indemnity issued by Japan Auto Holdings to Mr. Barzilay do not apply, thereby not entitling Mr. Barzilay to any indemnification from Japan Auto Holdings. Nevertheless, Mirage Development does not object to bringing Mr. Barzilay's letter to the attention of the insurance company by enclosing Mirage Development's response.

The Company delivered a notice to the insurance company regarding the claim for indemnification. The Company is also examining Mr. Barzilay's appeal and is considering its reaction.

On July 27, 2008, the Company addressed a letter to Japan Auto Holdings regarding said claim in connection with the letter of claim filed by Ze'evi and Mirage Development against the Company and Mr. Barzilay.

In the letter, the Company informs Japan Auto Holdings that said letter of claim raises various arguments against it included in the letters of quittance and indemnity granted to the Company by Japan Auto Holdings according to the management services agreement signed between them on December 28, 2005 and based on the agreement for providing marketing services signed between them on December 28, 2005 and its amendment of April 4, 2008 and accordingly, the Company is entitled to receive from Japan Auto Holdings indemnification for this proceeding.

Accordingly, the Company is asking Japan Auto Holdings to indemnify it for all the expenses, costs and claims that it is or will be required to pay in the future.

On July 28, 2008, Japan Auto Holdings received Mirage Development's response to the Company's letter arguing that the letter of claim does not pertain to the services rendered by the Company to Japan Auto Holdings by virtue of the agreements signed between the parties based on which the Company is asking for indemnification by Japan Auto Holdings and that claim has nothing to do with Japan Auto Holdings' actions according to these agreements. Therefore, Mirage Development is of the opinion that the Company is not entitled to any kind of indemnification from Japan Auto Holdings.

On August 6, 2008, the Company filed with the arbitrator a motion to strike the claim in limine ("the motion to strike"). Concurrently with the motion to strike, the Company filed a request for extending the date for filing a statement of defense by 30 days following the decision on the motion to strike. In the motion to strike, the Company argued, among other things, that the plaintiffs had requested remedies that are likely to harm third parties that are not parties to the arbitration proceeding and arbitration agreement based on which said claim had been filed, which the arbitrator is not qualified to award, and that the cause of the clam, as far as there is any, for thwarting the public offering of Japan Auto Holdings, pertains to Japan Auto Holdings and not to the plaintiffs.

On August 11, 2008, the arbitrator decided that the plaintiffs will file their response to the motion to strike within 21 days and that the defendants will receive an extension on filing the statement of defense. The arbitrator also decided that dates will be coordinated during September-October 2008 for hearing the motion to strike. At this stage, a date for filing the statement of defense by the Company has not yet been scheduled.

In a letter of August 11, 2008, Japan Auto Holdings' insurance company informed Japan Auto Holdings that the above claims are not included in the insurance policy.

Following the filing of a statement of defense, the Company will examine with its legal counsel if it has any exposure in respect of said claims for indemnification and to what extent.

Based on the Company's legal advisors, in view of the filing of the motion to strike and in view of the fact that the arbitration proceeding is in preliminary stages and the Company has not yet filed a statement of defense, The financial statements do not include a provision in respect of the above claims.

2.18

The Company insured its officers and directors up until July 31, 2008 in the insurance policy of said directors and officers insurance for a total sum insured of 15 million US dollars with the insurance company AIG, and this upon the terms approved by the audit committee and the Company's Board of Directors on May 24, 2006 and also at the General Meeting of the Company of September 29, 2006.

AIG did not agree to renew the policy for another year on similar terms, and this, in all probability, against the background of the dispute among the shareholders in

Ofakim and the arbitration lawsuit filed by Mirage Development and Gad Zeevi against it and against Amnon Barzilay, the Company's controlling shareholder and the Chairman of its Board of Directors. The Company holds the view that, in light of the provisions of the insurance policy, the Company is entitled to buy from AIG, for the amount of about 15,000 US dollars, an additional discovery period upon the terms of the policy. AIG rejected the statement made in the Company's announcement concerning the exercise of its right to buy the discovery period, as by its own account the conditions provided for that in the policy had not been fulfilled.

The Company currently contemplates its future course of action as regards the continuation of its actions against AIG.

On December 1, 2008 the company insured by the Phoenix Insurance Company Ltd. in directors & officers liability insurance for a total sum insured of 2 million US dollars For a year.

Insurance premium required for this integrand by 35 thousand U.S. dollars.

2.19

The Company is holding preliminary negotiations with the Azrieli Group for examining the possibility of selling its stake in Japan Auto Holdings (50%) and in other investees. No understandings or agreements have been reached yet between the parties and there is no certainty that these negotiations will mature into a transaction.

On November 4, 2008 the Company announces, that the Company and Granite Hacarmel Investments Ltd. have not been able to reach any understanding between them concerning the terms of the deal involving the acquisition of the Company's holdings in Japan Auto Ltd. and in G. T. Spare Parts Trading Ltd. The parties are currently looking into a transaction that is to proceed with a different plan of action, and this without any obligation on the part of Metis Capital Ltd. to not conduct negotiations with other entities.

2.20

On September 18, 2008, the Board of Directors of Japan Auto Israel Automobile Co. Ltd., a subsidiary under full control of Japan Auto Holdings, which is a subsidiary jointly held by Metis Capital Ltd. and by Mirage Israel Development Ltd. at a rate of 50% each, passed a resolution for entering into an agreement with Mirage Israel Development Real Estates Ltd., a company controlled by Mirage Development, for purchasing an area under the ownership of Mirage Real Estates located in the Northern Industrial Zone in Lod. Japan Auto Automobile has the intention of establishing in it the logistics centre, as well as its offices.

In exchange for the rights of Mirage Real Estates in the plot, Japanauto Automobile shall pay the amount of 30 million NIS plus VAT, upon signature of the formal agreement in question. The completion of the transaction shall be subject to the signature of a formal agreement and the approval by the Board of Directors of Metis Capital Ltd.

2.21

During the reported period until the date of the approval of the financial statements

Shares to purchase by concern owner: GMUL INVESTMANT COMPANY Ltd. and TRADE AND VALUE AG.

According to January 1, 2009 GMUL INVESTMENT COMPANY Ltd, holds 1,998,861 shares (24.83%) and TRADE AND VALUE AG holds 872,357 shares (10.84%) in Metis Capital Ltd.

On December 25, 2008 Gmul Investment Company Ltd. entered into an agreement for selling all of its holdings in Metis Capital Ltd. As part of the agreement, Gmul will transfer until January 8, 2009 1,998,861 ordinary shares of Metis Capital Ltd., which are held by it, to the buyer Mirage Development Israel Ltd., and this for an amount equivalent to 11.17396 per ordinary share, and in total for the amount of € 4.2 million. The transfer of the shares thus sold shall be performed at the date of completing the transaction.

on March 5, 2009, Trade & Value AG, a German Corporation and shareholder of Metis Capital Ltd., has informed the company that it has entered an agreement with GMV Ltd ,(a company which its final beneficiary is the same as of Mirage Development Israel Ltd). pursuant to which 522,357 shares of Metis Capital Ltd. were sold to GMV Ltd. at a price of € 2.42 per share on March 4th, 2009. The sale was made outside of the stock market.

The said agreement further provides for an additional sale of 350,000 shares of Metis by September 30th, 2009, at a price of € 2.42 per share plus agreed interest. GMV Ltd. undertook to make a down payment of Euro 55,000 on account of the second sale.
The agreement also includes understandings pursuant to which Trade & Value AG will vote its remaining shares as instructed by GMV Ltd. until the earlier of: (i) the completion of the second sale; or (ii) 30.9.2009. It has further been agreed that during the said period GMV Ltd. will use its voting rights against any proposal to delist the shares of Metis from trade at the German stock market or to reduce ist

transparency reporting standard. The understandings pursuant to this paragraph are subject to compliance with all applicable laws.

on March 10, 2009 GMV Ltd. bought further 300,000 shares outside the stock exchange . As a result GMV Ltd holds 1.84% and 1.78% in full dilution

SILON SPORT (1989) LTD a company held by Shimon (Moni) Harel an indirect holder of Metis by Ofakim Capital ltd bought from March 30,2009 until 2 April 2009 148,244 shares. As a result SILON SPORT (1989) LTD holds 1.84% and 1.78% in full dilution

2.22

On October 29, 2008 Amnon Barzilay the controlling shareholder of Metis Capital Ltd., who holds through Ofakim Capital Ltd., announces that he is not able to complete the agreement that he signed between with Trade & Value AG and Markus Wülfing for acquiring 875,000 shares in Metis Capital Ltd.

Barzilay informed the Company that he consider the activity to complete the acquiring off the shares.

2.23

On November 17, 2008 – the Company announces that pursuant to the decision of the Company's Board of Directors and in accordance with those, the Company performed the following acts:

1. It has acquired over the last period 84,371,313 bonds (Series A) at their nominal value of the company Ameris Holdings Ltd., in the course of the trade done at the Tel Aviv Stock Exchange Ltd., as well as at transactions concluded outside of the Exchange, for the total amount of 16,955,679 NIS. The acquired bonds account for about 47.38% of the total nominal value of the bond series in circulation.
To the best of the Company's knowledge, the bonds are secured, by way of a senior lien, by pledge of 7,751,364 shares of the company Petro Group Ltd. owned by Ameris, which account for 48% of the whole of the issued and paid-up capital share at Petro Group, and by assignment by way of lien on Ameris' rights to obtain amounts as part of its holdings in a certain real estate project.

2. The Company granted Ameris a loan in the total amount of 2 million NIS, which shall become due for repayment on April 30, 2009, bearing a 6% interest rate for the duration of the loan period, and this against pledge of 2,106,440 Petro Group shares held by Ameris, which account for about 13.18% of the share capital of Petro Group.

3. The Company acquired 896,543 shares in Petro Group, which account for about 5.61% of the whole of the issued and paid-up share capital of Petro Group for the total amount of 1,865,082 NIS

In the Company's estimation, said acts will enable the Company to get integrated into any arrangement involving the discharge of the bonds in such way as to produce a positive return on its investment in the bonds and in the shares.

The Company postponed issuing this report concerning the adoption of the above-mentioned decision and about said acts up until the completion of the acquisition of the amount of bonds and shares that it had set itself as goal, and this after the Company had become convinced that publication of the above-mentioned decisions and the acts it had performed, as stated, might prevent the actual implementation of the Company's plans, or else considerably worsen the terms of the transaction. The Company may acquire additional bonds and/or additional shares in Petro Group

on January 4, 2009 it exercised its right, pursuant to the terms of the loan agreement between the Company and Ameris Holdings Ltd, dated 30.10.08, and that it acquired from Ameris 2,106,440 shares of Petro Group Ltd., which is controlled by Ameris, at a nominal value of 1.00 NIS each, which shares account for about 13.18% of Petro Group's share capital, and this for a gross (*) consideration in the amount of 3,781,113 NIS (in addition to the amount of 2 million NIS, which Metis Capital gave as a loan to Ameris pursuant to the loan agreement, as stated).

On February 2, 2009 the Company announces that pursuant to the resolution of the Company's Board of Directors of 29.1.09, the Company made an offer on 29.1.09 to the official receiver appointed to be in charge of the shares of Petro Group Ltd., which were pledged as a security in favor of the holders of the bonds (series A) of Ameris Holdings Ltd. - for acquiring 9,857,804 shares of Petro Group.

on February 17, 2009 the Company announces that at a licitation conducted on February 16th, 2009, the Company's offer to acquire Petro's shares from the official receiver was declared as the winning bid.

The Company's winning bid stands at a value of about 5.1977 NIS per Petro share, and it is higher by about 64% than the closing rate of said share at the Exchange as indicated on February 16th, 2009 (about 3.162 NIS per share). Said offer reflects for Petro a company value of 83 million NIS.

The total of the shares to be acquired from the official receiver account for about 48.48% of Petro's issued and paid-up shares, and together with the Company's existing holdings in the Petro shares (about 24.95%), the Company shall hold a proportionate share of about 73.44% in the shares of Petro. The completion of the acquisition of the shares from the official receiver is subject to the approval of the Court.

On February 23, 2009 – Further to the report of of February 17th, 2009 to the effect that its offer to acquire the shares of Petro Group from the official receiver has been declared to be the winning bid, Ameris Holdings Ltd. published the results of the Meeting of Bondholders (Series A), which was held on February 19th, 2009: The resolution to approve the sale of 7,751,364 ordinary shares of Petro Group Ltd. at a nominal value of 1 NIS each to Metis Capital was not passed due to the absence of the majority required.

On February 24, 2009 –with the request of the Securities Authority, Metis clarifies as follows:

As far as known to Metis, Mr. Arkady Gaidamak and the Elecsar System LTD. filed a petition with the Court on February 16th, 2009 for joining as respondents in the receivership case, for staying the licitation proceedings, as well as for enabling further bidders to make bids concerning the shares thus sold. The District Court in Tel Aviv ruled that, as the licitation proceeding had been conducted, there was no longer point in this part of the petition, and also that the above petitioners and the Company would be brought in as respondents to the receivership case. The official receiver, Dr. Yossi Cohen, informed the Court that he was about to make application for instructions, pursuant to which the Court would be requested to approve the sale of the shares to Metis as soon as possible.

The Court ruled that a hearing on the official receiver's petition for approving the sale as stated, as well as on the above petitioners' objection, would be held at the beginning of next week.

It is the Company's intention to make its position known in the next few days concerning the objection on the part of that small fraction of bondholders at the General Meeting, as well as about the position taken by the above petitioners. Put succinctly, the Company holds the position that the winning bid at the licitation has to be approved immediately.

In its comments, it will make reference to the fact that the opponents are an exceedingly small minority among the bondholders that holds about 5.4% of the total nominal value of the series of bonds in question, and also to the fact that no other offer has been received that outbids the Company's offer, which was established as the winner in the licitation proceeding, and this despite the long period of time that has elapsed from the publication of the licitation proceeding about two months ago till the present.

On February 26, 2009 the company announces that on February 24th the Company filed an urgent petition with the District Court for approving the results of the licitation and the sale of the shares in Petro Group Ltd. to the Company without any further delay. As part of said petition, the Metis Capital states its position that the continuation of the realization proceedings might result in a substantial decrease in the value of Petro Group Ltd. as well as irreversible damages.

On March 8, 2009 the Honorable Court made a decision, pursuant to which the licitation would be cancelled, and that the official receiver would conduct a new licitation to be conducted 60 days after the Date of the Decision.

Likewise, it was established that the bank guarantee put up by Metis Capital Ltd. as part of the licitation would be returned to the Company, and that the official receiver would place at the disposal of anyone interested the financial statements of the GPM Company (the subsidiary of Petro Group, in which all its operations are concentrated), along with additional material that has been gathered by him during his visit to the United States or any further material that will subsequently be gathered by him.

2.24

At the General Meeting of the shareholders that was hold on November 6, 2008 external directors were appointed:

1. Haim Glick – having professional qualification.

2. Anat Winner – having accounting and financing expertise.

The external directors will receive annual payment and participation payment for every meeting. The payment will be the maximum accordingly them specialist and regulation.

2.25

On September 2, 2008, Yaakov Dovrat, the Company's CFO announced his resignation from his position. On September 2, 2008, after the three-month period of advance notice has elapsed, he terminated his work at the Company in this capacity. On August 28, 2008, the Company's Board of Directors approved the appointment of Ilan Engel as the CFO and secretary of the Company beginning from September 1, 2008.

On November 20, 2008 Itzik Cohen, the CEO of the Company, notified it of the termination of his term of office in his capacity of CEO of the company, effective from December 1, 2008, and this due to his intention switch to private business activities and to embark upon on a new career track.

On November 30, 2008, the Company's Board of Directors approved the appointment of appoint Shimon (Moni) Harel, as the CEO of the Company beginning from December 1, 2008.

Shimon (Moni) Harel is the Vice Chairman of the Company's Board of Directors, and has shares in the Company's

2.26

On 30th December 2008 the Company's Board of Directors has authorized the delisting of the Company's shares from the the Frankfurt Stock Exchange. Furthermore, it authorized the filing of an application for the revocation of the admission to trading of the Company's shares on the regulated market (Regulierter Markt) of the Frankfurt Stock Exchange and to take all required actions to effect delisting at the earliest effective date pursuant to applicable laws and regulations.

Apart from the listing on the Frankfurt Stock Exchange the Company's shares are admitted to trading on the Tel Aviv Stock Exchange. Following effectiveness of the revocation of the admission to trading on the regulated market (Regulierter Markt) of the Frankfurt Stock Exchange all of the Company's shares will be tradable at the Tel Aviv Stock Exchange.

Trade & Value AG & GMV Ltd. Announced that they will use its voting rights against any proposal to delist the shares of Metis from trade at the German stock market or to reduce ist transparency reporting standard. The understandings pursuant to this paragraph are subject to compliance with all applicable laws.

2.26

On March 31, 2009 – the Company announces that the Company will conduct negotiations with a private company under the ownership of an unrelated third party for selling the Company's share in the asset situated on Amal Street in Petach Tikva.

Metis Capital Ltd. has leasing rights form the Israel Land Administration on the second floor, as well as on most of the first floor in a 4-storied building on 58 Amal Street in Kiryat Arie, Petach Tivka.

Likewise, the Company is bound by a lease agreement with the company Krubiner-Ormor Assets and Investments Ltd. concerning the third and fourth floors of the asset, which are expected to be sold concurrently to the same buyer. The asset is rented out to Electronics Line 3000 Ltd.

The Company's share in the asset is expected to be sold for a price of about 10 million NIS plus VAT, whereby the Company's rights in the rent received from the asset shall be conferred upon the buyer commencing from a date to be set under the agreement

3. General Results Review

3.1 Statement of Income

Total revenues of the consolidated company in the fiscal year 2008 amounted to € 85 million, compared to € 98.7 million in the fiscal year 2007.

Of the total revenues, € 83.3 million were derived from the sales of cars and spare parts, compared to € 97.5 million in the fiscal year 2007 (decrease in selling cars due to lack of B3 sedan model in part of the year and negative influence of the finance crisis in the end of the year), € 1.4 million were derived from rental income compared to € 1 million in the fiscal year 2007, € 0.4 million were derived from business consulting services (to Japan Auto) compared to € 0.2 million in the fiscal year 2007.

The total cost of revenues of the consolidated company in the fiscal year 2008 amounted to € 71.5 million, compared to € 82.2 million in the fiscal year 2007.

Of the total cost of revenues, € 71.2 million were derived from the cost of cars and spare parts (due to a decrease in the selling cars as explained before), compared to € 81.9 million in the fiscal year 2007, € 0.3 million were derived from property maintenance costs, compared to the same amount in the fiscal year 2007.

The gross profit of the consolidated company in the fiscal year 2008 amounted to € 13.5 million, – 15.9%, compared to € 16.4 million – 16.7% in the fiscal year 2007.

The decrease in value of investment property of the consolidated company in the fiscal year 2008 amounted to € 3.7 million (derives mainly from hotel in Romania and hotel in Austria) compared to increase of € 1.9 million in the fiscal year 2007.

The selling and marketing expenses of the consolidated company in the fiscal year 2008 amounted to € 3.2 million, compared to € 2.3 million in the previous year. The increase is mainly due to an advertising campaign by Japan Auto.

The general and administrative expenses of the consolidated company in the fiscal year 2008 amounted to € 5.7 million, compared to € 5 million in the fiscal year 2007.

The operating profit of the consolidated company in the fiscal year 2008 amounted to € 0.9 million – 1.1%, compared to € 10.9 million – 11.1% in the fiscal year 2007.

The financing income of the consolidated company in the fiscal year 2008 amounted to € 6.4 million, compared to € 2 million in the fiscal year 2007. The increase is mainly due to gain on early redemption of debentures and forward transactions and derivatives.

all numbers are in thousand of Euros, except share and per share data.

The financing expenses of the consolidated company in the fiscal year 2008 amounted to € 12.2 million, compared to € 7.8 million in the fiscal year 2007. The increase is mainly due to: financing expenses related to dentures, impairment of available for sale financial investments and from foreign exchange differences.

The profit (loss) before income taxes of the consolidated company in the fiscal year 2008 amounted to (€ 4.8) million – (5.7%), compared to € 5.1 million – 5.2% in the fiscal year 2007.

The income taxes of the consolidated company in the fiscal year 2008 amounted to € 0.3 million, compared to € 1.9 million in the fiscal year 2007. The decrease is mainly due to decrease in profits of Japan Auto.

The profit (loss) from continued operations of the consolidated company in the fiscal year 2008 amounted to (€ 5.2) million, compared to € 3.2 million in the fiscal year 2007.

The loss from discontinued operations of the consolidated company in the fiscal year 2008 amounted to € 11.6 million, compared to € 2 million in the fiscal year 2007. This loss derives from Metis Car Rental Group operations: the car rental segment (discontinued at the end of year 2008) and motor vehicle operating lease segment (transaction of selling leasing operations was completed in November 2008).

The net profit (loss) of the consolidated company in the fiscal year 2008 amounted to (€ 16.8) million – (19.7%), compared to € 1.2 million – 1.2% in the fiscal year 2007.

The net profit (loss) per share from continuing operations of the consolidated company in the fiscal year 2008 amounted to (€ 0.64), compared to € 0.39 in the fiscal year 2007. The net profit (loss) per share from discontinuing operations of the consolidated company in the fiscal year 2008 amounted to (€ 1.44), compared to (€ 0.25) in the fiscal year 2007.

3.2 Balance Sheet

Financial Ratios:

Finance Ratio	December 31, 2008	December 31, 2007
Current Ratio	1.62	1.61
Quick Ratio	0.68	1.21

The current assets of the consolidated Company as of December 31, 2008 amounted to € 48.8 million, compared to € 62.2 million by the end of 2007. The decrease derives mainly from:

Classification of car rental segment and the motor vehicle operating lease segment as discontinued operations (this reason caused a decrease, in trade receivables, prepaid expenses, advances to suppliers and other receivables), decrease in cash and cash equivalents of the consolidated Company that as of December 31, 2008, amounted to € 5.2 million, compared to € 17.7 million by the end of 2007, decrease in trade receivables in Japan Auto due to decrease in selling cars, decrease in short-term investments amounted to € 9.1 million compared to € 10.5 million by the end of 2007, decrease in loan to Mirage amounted to € 0 million (due to repayment of loan by Mirage) compared to € 3.9 million by the end of 2007, decrease in current maturities of loan to jointly controlled entity (due to classification from short to long term) and a decrease in restricted deposit of the consolidated company as of December 31, 2008 amounted to € 0 million, compared to amount of € 2.8 million by the end of 2007.

The said decrease is offset mainly by an increase in inventories of Japan Auto (due to heightened vehicles purchase and slowdown in cars selling) as of December 31, 2008, amounted to € 28.4 million, compared to € 15.5 million by the end of 2007.

The assets attributed to discontinued operations as of December 31, 2008 amounted to € 2.9 million. This amount includes mainly: cash and cash equivalents, motor vehicles, trade receivables and other receivables.

The non current assets of the consolidated Company as of December 31, 2008 amounted to € 57.9 million, compared to € 63.7 million by the end of 2007. The decrease derives mainly from classification of car rental segment and the motor vehicle operating lease segment as discontinued operations (this reason caused a decrease, in motor vehicles for leasing and operating lease from € 22.6 in the end of 2007 to 0 as of December 31, 2008). This said decrease is offset mainly by increase in investment property of the consolidated company as of December 31, 2008 amounted to € 21.6 million compared to € 8.6 million by the end of 2007 (due to new investments offset by decrease in value of investment property) and increase in loan to a jointly controlled entity (due to classification from short to long term) of the consolidated Company as of December 31, 2008 amounted to € 5.7 million, compared to € 2 million by the end of 2007.

The current liabilities of the consolidated Company as of December 31, 2008, amounted to € 30.2 million, compared to € 38.5 million by the end of 2007.

The decrease derives mainly from: classification of car rental segment and the motor vehicle operating lease segment as discontinued operations (this reason caused a decrease, in loans from jointly controlled entities and credit from bank and others which as of December 31, 2008 amounted together € 5 compared to € 8.1 in the end of 2007), a decrease in trade payables of the consolidated Company as of December 31, 2008, amounted to € 18.2 million, compared to € 19.9 million by the end of 2007 and decrease in maturities of loan to jointly controlled entity from Mirage (due to classification from short to long term).

The said decrease is offset mainly by an increase in current maturities of debentures of the consolidated Company as of December 31, 2008 amounted to € 1.9 million (paid by Japan auto in February 2009) compared to 0 by the end of 2007.

The liabilities attributed to discontinued operations as of December 31, 2008 amounted to € 2 million. This amount includes mainly trade payables and other payables.

The non-current liabilities of the consolidated Company as of December 31, 2008, amounted to € 59.2 million, compared to € 55.0 million by the end of 2007. The increase derives mainly from:

Increase in loan to jointly controlled entities from Mirage of the consolidated company as of December 31, 2008 amounted to € 5.4 million compared to 2.3 by the end of 2007 (due to classification from short to long tern) and increase in loans from bank and others of the consolidated company as of December 31, 2008 amounted to € 14.4 million compared to 7.9 by the end of 2007 (mainly due to loan granted to subsidiary in Austria to purchase hotel and loan which includes in balance sheet of new subsidiary consolidated.

The said increase is offset mainly by a decrease in debentures (mainly due to purchasing of debentures by subsidiaries (of the company and Japan auto ,classification of current maturities of debentures to current liabilities and strengthening of NIS compared with €) of the consolidated company as of December 31, 2008 amounted to € 31.4 million compared to 35.9 by the end of 2007.

3.3 Liquidity

The liquid assets (cash, cash equivalent short term investments and restricted deposit) of the consolidated Company as of December 31, 2008 amounted to € 14.3 million, compared to € 29.1 million by the end of 2007.

3.4 Cash Flow

The net cash used in operating activities of the consolidated Company in the fiscal year 2008 amounted to € 12.9 million, compared to net cash provided by activities € 2.1 million in the fiscal year 2007. This is mainly due to net loss in the fiscal year 2008 and increase in the inventories.

The net cash provided by investing activities of the consolidated Company in the fiscal year 2008 amounted to € 0.6 million, compared to net cash used in investing activities of € 28.2 million in the fiscal year 2007. The cash flow from investing activities was affected mainly by proceeds from sales of vehicles for leasing and operating lease offset by purchase of investment property.

The net cash used in financing activities of the consolidated Company in the fiscal year 2008 amounted to € 1 million, compared to net cash provided by financing activities that amounted to € 34.2 million in the fiscal year 2007. The cash flow from financing activities was affected mainly by purchase of company debentures by subsidiaries and repayment/ receipt of long-term loans from banks and others.

3.5 Financing Sources

The total equity of the Company as of December 31, 2008 amounted to € 18.2 million, bringing its proportion in the balance sheet total as of the same date to 16.6%, compared to € 32.4 million and 25.8%, by the end of 2007.

The total credit extended to the consolidated Company (excluding credit to Metis rent a car Group which was classified to liabilities attributed to discontinued activities and loans to jointly controlled entities from Mirage) as of December 31, 2008, amounted to € 52.7 million compared to € 51.9 million by the end of 2007.

4. Reporting on Exposure to and Management of Market Risk

4.1 The Japan Auto Group

Description of Market Risks - The Japan Auto Group is exposed to market risks of which the most serious are currency exposure in the linkage balance (owing to the impossibility of fully indexing the vehicle sale prices to the exchange rate of the Japanese yen, in which the import transactions are denominated), changes in the exchange rates of the import countries, changes of bank interest rates in Israel and abroad, changes of the exchange rates used by competing importers.

The policy of the Japan Auto Group in the management of market risks - The Japan Auto Group routinely maintains follow-up of the exposure coming about in the market and that is created by exchange rates and interest rate changes. Accordingly, it concludes various types of hedging transactions. The decision to conclude hedging transactions and the type of transaction is at the discretion of those responsible for managing market risks in the Japan Auto Group and is made in accordance with the policy established by a committee appointed by the Board of Directors of Japan Auto Holdings, whose function is to discuss hedging policy and establish guidelines for the officers responsible for market risks management in the Japan Auto Group. It convenes every three months. The policy is one of the hedging of import value (including with reference to the customs value) of the new motor vehicles imported by the Japan Auto Group commencing from date of the order being placed with the manufacturer and until date of actual payment. This policy is modifiable in accordance with the level of exposure and the actual cost of hedging. The most frequent transactions pursuant to this hedging policy are of the options and forward type. All hedging transactions in the Japan Auto Group are concluded by means of banking corporations that are committed to compliance with capital adequacy.

Supervision of market risks management policy and how it is implemented - The policy of the Japan Auto Group as regards the handling of market risks and the management thereof was adopted by the Japan Auto Group management. This policy includes a monthly meeting of officers responsible for market risks management, addressing the topic of market risks management, and a quarterly report to the Board of Directors of the Japan Auto Group. The report covers the state of exposures to market risks and the hedging transactions being adopted in order to reduce exposure.

Officers responsible for market risks management in the Japan Auto Group - The officers responsible for market risks management in the Japan Auto Group are the CEO and the CFO, who consult regularly with an economic company specializing in the foreign currency market.

4.2 The Company

Company officers responsible for market risks management are the CEO and the CFO, who coordinate the handling of the matter within an internal Company committee, while regularly consulting with an economic Company that specializes in the foreign currency market.

4.3 Changes in economic environment.

These days, there is a crisis at the global financial markets. Events related to financial crisis impact on the capital market in Israel, including the liquidity fund, status of business corporations in Israel's ability to obtain funding ongoing operations and long-term. The company explores the implications of financial crisis on business activities, and sources of funding . The company is eligible for the activities and conducted accordingly .

5. Donations

The Company has a policy of making donations to entities whose object is to assist the community in activity related to health, welfare, care for children with disabilities and the elderly.

The Company’s total donations for the fiscal year 2008 amounted to € 4.5 thousand.

6. Financial reports approval procedure in the company

The Board of Directors is the Company's organ that supervises its activities. Prior to the Board of Directors meeting, a draft of the consolidated financial statements and the management summery is sent to the directors to be reviewed by them.

Prior to the approval of the consolidated financial statements by the Board of Directors, a thorough discussion is conducted. The discussion is held with the participation of the CEO Shimon Harel, the CFO Ilan Engel and the external auditor representatives, during which the consolidated financial results (including comparison to prior periods of the Company activity) as well as relevant important issues or any irregular transaction are being analyzed and reviewed. In addition, a discussion is conducted regarding the auditing policies and methods that were implemented and about major estimates.

Amnon Barzilay	Shimon Harel	Ilan Engel	Date
Chairman of the Board	chief Executive Officer	Chief Financial Officer	April 3, 2009

METIS CAPITAL LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2008

EUROS IN THOUSANDS

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Kost Forer Gabbay & Kasierer
3 Aminadav St.
Tel-Aviv 67067, Israel

Tel: 972 (3)6232525
Fax: 972 (3)5622555
www.ey.com/il

AUDITORS' REPORT

To the Shareholders of

METIS CAPITAL LTD.

We have audited the accompanying financial statements of Metis Capital Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

We did not audit the financial statements of certain subsidiaries, whose assets constitute approximately 17.3% of total consolidated assets as of December 31, 2008, and whose revenues constitute approximately 0.64% total consolidated revenues for the year ended December 31, 2008. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to the matter discussed in Note 1(b) to the financial statements regarding the manner of financing the cash flows that the Company requires for the coming year and to the matter discussed in Note 2(x) to the financial statements regarding the retrospective application of a change in accounting policy from the cost model to the fair value model in respect of investment property.

Tel-Aviv, Israel
March 31, 2009

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED BALANCE SHEETS

	Note	December 31, 2008	December 31, *) 2007
		Euros in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3	5,199	17,660
Short-term investments	4	9,110	10,491
Restricted deposit		-	961
Current maturities of loans to jointly controlled entity		-	2,827
Trade receivables	5	4,342	7,858
Prepaid expenses		576	1,565
Advances to suppliers		1	228
Other receivables	6	1,164	1,543
Inventories	7	28,391	15,450
Loan to Mirage	8	-	3,593
		48,783	62,176
ASSETS ATTRIBUTED TO DISCONTINUED OPERATIONS	16	2,860	-
NON-CURRENT ASSETS:			
Assets in respect of employee benefits	25	134	365
Loan to jointly controlled entity	9	5,474	2,000
Prepaid lease expenses	10	742	707
Motor vehicles for rental and operating lease, net	12	-	22,563
Investment property	13	21,643	8,077
Property, plant and equipment, net	14	8,589	8,538
Intangible assets, net	15	21,233	21,071
Deferred taxes	26	65	392
		57,880	63,713
Total assets		109,523	125,889

*) Restated, see Note 2(x).

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

	Note	December 31, 2008	December 31, *) 2007
		Euros in thousands	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities of loans to jointly controlled entities from Mirage	20	-	2,474
Loans from jointly controlled entities		-	433
Credit from banks and others	17	4,960	7,734
Current maturities of debentures	23	1,881	-
Trade payables	18	18,183	19,852
Taxes payable		576	1,487
Customer advances and deferred revenues		876	883
Other payables	19	3,676	5,637
		30,152	38,500
LIABILITIES ATTRIBUTED TO DISCONTINUED OPERATIONS		1,973	-
NON-CURRENT LIABILITIES:			
Customer deposits		-	663
Deferred revenues		-	33
Loans from banks and others	22	14,446	7,874
Debentures	23	31,372	35,894
Provision for repairs and warranty	21	720	777
Loans to jointly controlled entities from Mirage	20	5,419	2,278
Liabilities in respect of employee benefits, net	25	292	509
Deferred taxes	26	6,947	6,927
		59,196	54,955
EQUITY:	28		
Share capital		2,406	2,406
Capital reserves		34,762	34,762
Foreign currency translation adjustments		1,329	(1,182)
Accumulated deficit		(20,295)	(3,552)
Total equity		18,202	32,434
		109,523	125,889

*) Restated, see Note 2(x).

The accompanying notes are an integral part of the consolidated financial statements.

31 March, 2009			
Date of approval of the financial statements	Amnon Barzilay Chairman of the Board	Simon Harel Chief Executive Officer	Ilan Engle Chief Financial Officer

CONSOLIDATED STATEMENTS OF INCOME

	Note	2008	*) 2007	*) 2006
		Year ended December 31,		
		Euros in thousands (except per share data)		
Revenues:				
Sales and services	29a	83,257	97,536	75,66
Rental income from investment property		1,371	954	1,011
Consulting services		372	186	189
		85,000	98,676	76,868
Cost of revenues:				
Cost of sales and services	29b	71,150	81,915	66,898
Cost of maintenance of leased buildings		306	331	268
		71,456	82,246	67,166
Gross profit		13,544	16,430	9,702
Increase (decrease) in value of investment properties	13	(3,656)	1,902	(4)
Selling and marketing expenses	29c	3,232	2,340	2,175
General and administrative expenses	29d	5,710	4,969	4,570
Other income	29e	-	-	1,984
Other expenses	29f	26	112	-
		12,624	5,519	4,765
Operating profit		920	10,911	4,937
Financial income	29g	6,393	1,995	2,185
Financial expenses	29g	(12,151)	(7,795)	(4,349)
Profit (loss)before income taxes		(4,838)	5,111	2,773
Income taxes	26	316	1,932	840
Profit (loss) from continuing operations		(5,154)	3,179	1,933
Loss from discontinued operations		(11,589)	(2,019)	(157)
Net profit (loss)		(16,743)	1,160	1,776
Basic and diluted net earnings (loss) per share (in Euros):	30			
Earnings (loss) from continuing operations		(0.64)	(0.39)	0.24
Earnings (loss) from discontinued operations		(1.44)	(0.25)	(0.02)
Net earnings		(2.08)	0.15	0.22

*) Restated, see Note 2(x).

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserves	Foreign currency translation adjustments	Accumulated deficit	Total	Total recognized income and expense
	Euros in thousands					
Balance as of January 1, 2006	2,406	34,762	58	(6,488)	30,738	
Adjustments arising from translating the financial statement of foreign operations	-	-	(613)	-	(613)	(613)
Net profit	-	-	-	1,776	1,776	1,776
						1,663
Balance as of December 31, 2006	2,406	34,762	(555)	(4,712)	31,901	
Adjustments arising from translating the financial statement of foreign operations	-	-	(627)	-	(627)	(627)
Net profit	-	-	-	1,160	1,160	1,160
						533
Balance as of December 31, 2007	2,406	34,762	(1,182)	(3,552)	32,434	
Adjustments arising from translating the financial statement of foreign operations	-	-	2,511	-	2,511	2,511
Loss	-	-	-	(16,743)	(16,743)	(16,743)
						(14,232)
Balance as of December 31, 2008	2,406	34,762	1,329	(20,295)	18,202	

*) Restated, see Note 2x.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2008	**2007**	**2006**
	Euros in thousands		
Cash flows from operating activities:			
Net profit (loss)	(16,743)	1,160	1,776
Adjustment to reconcile net profit (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,917	3,672	1,559
Loss on disposal of property, plant and equipment	28	51	(19)
Decrease (increase) in value of investment property	3,656	(1,902)	4
Loss (gain) on motor vehicles for rent of and operating lease	3,468	(77)	-
Impairment loss of motor vehicles for rent and operating lease	324	-	-
Gain on early redemption of debentures	(2,707)	-	-
Change in liabilities in respect of employee benefits, net	(13)	(107)	(23)
Loss (gain) on available for sale financial instruments, net	495	(36)	4
Deferred taxes, net	(574)	100	(557)
Loss on arbitration with Mirage	-	1,219	-
Revaluation of long-term liabilities to banks and others	128	11	(54)
Revaluation of loans to jointly controlled entities and Mirage, net	57	(180)	(1,072)
Revaluation of debentures	2,413	1,290	230
Gain on disposal of investment property	-	-	(771)
Gain on expiration of options convertible into debentures	(2,702)	(3)	-
Gain on early redemption of options convertible into debentures	-	(168)	-
Erosion of short-term deposits and long-term investments	188	-	(5)
Loss from sale of investment in subsidiaries	2,841	-	-
Lease expenses	14	13	1
Adjustments from current accounts with foreign operations	(20)	(154)	-
Decrease (increase) in trade receivables	3,571	(1,968)	(750)
Decrease (increase) in other receivables	2,097	(1,354)	(610)
Decrease (increase) in inventories	(12,076)	(7,562)	8,990
Increase (decrease) in trade payables	(2,345)	6,789	999
Increase (decrease) in other payables	(2,507)	1,107	1,357
Increase (decrease) in provision for repairs and warranty	(114)	200	91
Net cash provided by (used in) operating activities	(12,897)	2,101	11,150

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2008	2007	2006
	Euros in thousands		
Cash flows from investing activities:			
Placement of deposit in trust	(1,392)	(1,844)	(1,001)
Proceeds from deposit in trust	1,603	2,461	-
Placement of restricted deposit in banks	(1,085)	(616)	(1,892)
Proceeds from restricted deposit in banks	2,124	1,646	408
Placement of deposit in banks	(1,811)	(93)	-
Proceeds from deposit in banks	1,847	-	-
Purchase of property and equipment	(816)	(1,754)	(634)
Purchase of investment property	(9,065)	(2,961)	299
Proceeds from disposal of property, plant and equipment	199	307	5,582
Purchase of motor vehicles for rental and operating lease	(4,943)	(21,239)	-
Proceeds from disposal of motor vehicles for rental and operating lease	10,071	1,165	-
Grant of loan to Mirage	3,842	(3,478)	-
Collection loans provided to jointly controlled entities and Mirage	237	8,519	2,446
Purchase of financial assets at fair value through profit and loss	(7,125)	-	-
Purchase of available for sale financial assets	(15,203)	8,524	-
Proceeds from sale of available for sale financial instruments	23,360	(18,852)	143
Acquisition of newly consolidated subsidiaries (a)	(1,334)	-	-
Proceeds from sale of investments in previously consolidated subsidiaries (b)	104	-	-
Net cash provided by (used in) investing activities	613	(28,215)	5,351
Cash flows from financing activities:			
Issue of debentures (net of issuance expenses)	-	19,150	12,414
Purchase of Company's debentures by subsidiaries	(6,497)	-	-
Sale of Company's debentures by subsidiary	1,414	3,360	-
Short-term credit from banks, net	4,757	(4,472)	(13,539)
Receipt of long-term loans from banks and others	10,678	20,905	-
Repayment of long-term loans from banks and others	(10,660)	(5,355)	(1,941)
Receipt of loans from jointly controlled entity	454	1,136	-
Repayment of loans from jointly controlled entity	(916)	(679)	(2,139)
Repayment of loans to jointly controlled entities from Mirage	(208)	-	(4,097)
Issue of options convertible into debentures	-	322	-
Purchase of Company's options convertible into debentures by the Company and subsidiary	-	(142)	-
Net cash provided by (used in) financing activities	(978)	34,225	(9,302)
Translation differences on cash balances of foreign operations	1,497	(350)	(50)
Increase (decrease) in cash and cash equivalents	(11,765)	7,761	7,149
Cash and cash equivalents at beginning of year	17,660	9,899	2,750
Cash and cash equivalents at end of year	5,895	17,660	9,899

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,		
		2008	2007	2006
		Euros in thousands		
(a)	Acquisition of newly consolidated subsidiaries			
	The subsidiaries' assets and liabilities at date of acquisition:			
	Working capital (excluding cash and cash equivalents)	36	-	-
	Investment property	(7,543)	-	-
	Property and equipment	(9)	-	-
	Long term liabilities	6,182	-	-
		(1,334)	-	-
(b)	Proceeds from sale of investments in previously consolidated subsidiaries			
	The subsidiaries' assets and liabilities at date of acquisition:			
	Working capital (excluding cash and cash equivalents)	(1,615)	-	-
	Property and equipment	12,685	-	-
	Long term liabilities	(8,125)	-	-
	Capital loss	(2,841)	-	-
		104	-	-
(c)	Significant non-cash activity:			
	Purchase of investment property on credit	78	-	-
	Capitalization of expenses of levies to investment property	85	-	-
	Capitalization of cost of levies to property and equipment	147	-	-
	Inventories classified to motor vehicles for rental and operating lease	241	3,725	-
	Purchase of property, plant and equipment on suppliers' credit	-	4,599	-
		551	8,324	-
(d)	Additional cash flow information:			
	Cash paid during the year for:			
	Interest	(3,965)	(1,697)	(377)
	Income taxes	(2,154)	(2,456)	(1,449)
	Cash received during the year for:			
	Interest	943	1,777	482
	Income taxes	44	22	59

The accompanying notes are an integral part of the interim consolidated financial statements.

NOTE 1:- GENERAL

a. The consolidated statements of the Company as of December 31, 2008, were approved for issuance according to the resolution of the Board of Directors dated March 31, 2009.

Metis Capital Ltd. ("the Company") is a public company incorporated in Israel. The registered office of the Company is in 30 Hamasger Street, Tel Aviv, Israel.

The Company principally markets and services automobiles in Israel and holds investments in real estate in Israel.

The Company's shares are publicly traded on the Prime Standard, a market operated by the Frankfurt Stock Exchange and also traded on the Tel-Aviv Stock Exchange ("TASE").

On December 30, 2008, the Company's Board of Directors authorized the delisting of the Company's shares from the Frankfurt Stock Exchange. Furthermore, it authorized the filing of an application for the revocation of the admission to trading of the Company's shares on the regulated market (Regulierter Markt) of the Frankfurt Stock Exchange and to take all required actions to effect delisting at the earliest effective date pursuant to applicable laws and regulations.

Following effectiveness of the revocation of the admission to trading on the regulated market (Regulierter Markt) of the Frankfurt Stock Exchange, all of the Company's shares will be continue to be traded in the Tel-Aviv Stock Exchange.

b. Based on estimated cash flows for the coming year, there is a need to increase sources of financing in order to meet estimated expenditures. In a meeting on March 30, 2009, the Board of Directors granted its approval for the Company to negotiate the sale of the property on Amal Street (see Note 13(e)). The Company's management was also authorized to hold negotiations for disposal of additional properties in order to increase sources of financing to meet the Company's expenditures.

The management of the Company believes, the above actions will be enable the Company to obtain the necessary financing to meet its obligations.

c. Definitions:

In these financial statements:

The Company	-	Metis Capital Ltd.
The parent company	-	Ofakim Capital Ltd.
Subsidiaries	-	companies over which the Company has control (as defined in IAS 27) and whose accounts are consolidated with those of the Company.
Jointly controlled entities	-	companies owned by various entities that have a contractual arrangement that establishes joint control, and whose accounts are consolidated with those of the Company using the proportionate consolidation.

NOTE 1:- GENERAL (Cont.)

The Group	-	Metis Capital Ltd., its subsidiaries and jointly controlled entities.
Metis car rental group	-	Consists of the activity of Metis Car and Metis Leasing.
Metis real estate group	-	Consists of the activity of Metis Real Estate and Finit.
Mirage	-	Mirage Development Israel Ltd., holding the remaining 50% in jointly controlled entities.
Related parties	-	as defined in IAS 24.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the financial statements:

The Company's financial statements are prepared on a historical cost basis, except investment property, financial derivatives and available for sale financial assets which are measured at fair value.

The preparation of the financial statements:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Consolidation of the financial statements:

The consolidated financial statements include the accounts of companies over which the Company has control (subsidiaries). Control is fulfilled when the Company has the ability, directly or indirectly, to outline the financial and operating policy of the controlled company. When reviewing the control, the effect of the potential voting rights that are exercisable as of the balance sheet date, is taken into account. The consolidation of the financial statements commences from the date on which the control begins until the date the control ceases.

Significant inter-company balances and transactions and gains or losses arising from transactions carried out among the Group companies have been fully eliminated in the consolidated financial statements.

The consolidated financial statements include the accounts of a joint venture in which the shareholders have a contractual arrangement that establishes joint control and which is consolidated in the Company's accounts by proportionate consolidation. The Company combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements.

The financial statements of the Company and of the subsidiaries are prepared for identical dates and periods. The accounting policies in the financial statements of the subsidiaries were applied consistently and uniformly with the policies applied in the financial statements of the Company.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Consistent accounting policies:

The accounting policies applied in the financial statements are consistent with those applied in previous periods, after retrospective application of a change in accounting policy as described in x below.

Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements:

Judgments:

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

- Operating lease:

  The Group entered into operating leases on investment property. The Group has determined that the risks and rewards of ownership of these properties were not transferred to the Group and so accounts for them as operating leases.

Estimates and assumptions:

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the adoption of the accounting policy and the reported amounts of assets, liabilities, income and expenses. The basis of the estimates and assumptions is reviewed regularly. The changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions and critical estimates at the balance sheet date computed by the Group and a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Investment property:

  Investment property is presented at fair value at the balance sheet date. Changes in fair value of investment property are included in the statement of income. Fair value is determined by independent external appraisers based on economic evaluations that involve valuation techniques and assumptions as to estimates of expected future cash flows from the property and estimate of the suitable discount rate for these cash flows. Fair value is sometimes measured with reference to recent real estate transactions with similar characteristics and location as the estimated asset. Further details are given in Note 13.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- Impairment of intangible assets:

  The Group evaluates a franchise for impairment whenever events or changes in circumstances indicate that the carrying amount of the franchise is impaired. The test includes assessing the recoverable amount of the cash-generating unit to which the franchise relates. The test requires management to make an estimate of the expected future cash flows from the continuing use in the cash-generating unit and also to estimate the suitable discount rate for these cash flows. Further details are given in Note 15.

- Deferred tax assets:

  Deferred tax assets are recognized for unutilized carryforward tax losses and temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits together with tax planning strategies. Further details are given in Note 26.

- Pensions and other post-employment benefits:

  The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in Note 25.

- Contingencies in respect of lawsuits:

  The Group evaluates the need for recognition of provisions for contingencies arising from lawsuits. The evaluation includes an estimation involving assumptions about the probability (if any) for an outflow of amounts that might be needed to settle the obligation (if any). Such assumptions are subject to significant uncertainty. In order to determine the probability of the outcome of lawsuits and the estimations of cash flows expected for settlement in the future, the Group relies on its legal counsel. Accordingly, provisions are recognized as liabilities, when needed.

b. Functional currency and foreign currency:

1. Functional currency:

   The NIS is the currency of the primary economic environment of the Company, and its functional currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Financial statements in Euros - the presentation currency:

The Company has selected the Euro ("€") as its presentation currency rather than using the NIS as its presentation currency, since the Company believes that most of the readers of the financial statements are more familiar with the Euro than the NIS.

Because the Company selected the presentation currency to be the Euro, the financial statements of the Company have been translated from the functional currency (NIS) to the presentation currency in accordance with the principles set forth in IAS 21, as follows:

Assets and liabilities of the Company are translated into Euros at the closing rate at the date of the balance sheet. Share capital and additional paid-in capital are translated into Euros using the exchange rate on the date of the transaction. Income and expenses are translated at the weighted average monthly exchange rates. Translation differences resulting from the translation are recognized as a separate component of equity ("foreign currency translation adjustments").

2. Foreign currency transactions:

Transactions in foreign currencies are translated at the exchange rates prevailing at the dates of the individual transactions. At the end of the accounting period, the unsettled balances of foreign currency receivables and liabilities are translated at the exchange rates prevailing at the period-end. Foreign exchange gains and losses resulting from the translation are included as a net amount under financial income and expenses, net.

The representative exchange rate of the Euro in relation to the New Israeli Shekel ("NIS") at December 31, 2008 was €1 = NIS 5.297 (2007 - NIS 5.659). In 2007, the NIS was revalued in relation to the Euro by (6.4%) (2007 - revalued by 1.7%).

c. Translation of financial statements of foreign operations:

The functional currency is separately determined for each investee and is used to measure the investee's financial position and operating results. When the investee's functional currency differs from that of the Company, the investee represents a foreign operation whose financial statements are translated in order to be included in the Company's financial statements as follows:

a) Assets and liabilities in all balance sheets presented (including comparative data) are translated at the closing rate as of each balance sheet presented. Goodwill and all adjustments of the assets and liabilities' fair value to their carrying amount on the date of acquisition of the foreign operation are treated as the foreign operation's assets and liabilities and are translated at the closing rate at each balance sheet date.

b) Income and expenses for all periods presented in the statements of income (including comparative data) are translated at the average exchange rates for each of the periods presented; however, if there have been significant changes in foreign exchange rates, income and expenses are translated at the exchange rate prevailing on the dates of the actual transactions.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c) Share capital, capital reserves and other changes in capital are translated at the exchange rate prevailing as of the date of incurrence.

d) Retained earnings are translated based on the opening balance at the exchange rate as of that date and other relevant transactions during the period are translated as described in b) and c) above.

e) All exchange differences arising on the translation are taken to a separate component of equity, in capital reserve "foreign currency translation adjustments of foreign operations".

f) On the full or partial disposal of a foreign operation, the amount in the capital reserve relating to that foreign operation is recognized in the statement of income.

Inter-company loans in the Group which are not intended to be settled and which are not expected to be repaid in the foreseeable future and, therefore, essentially represent part of the investment in the foreign operation, are treated as a portion of the investment and the exchange differences arising on these loans are taken to the same component of equity, as discussed in e) above.

3. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency (other than the functional currency) are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each balance sheet date into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalized to qualifying assets or carried directly to equity in hedging transactions, are recognized in the statement of income. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are retranslated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

4. Index-linked monetary items:

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at each balance sheet date according to the terms of the agreement. Linkage differences arising from the adjustment, as above, other than those capitalized to qualifying assets or carried directly to equity in hedge transactions, are recognized in the statement of income.

d. Cash equivalents:

The Company considers all highly liquid investments, including unrestricted short-term bank deposits purchased with original maturities of three months or less, to be cash equivalents.

e. Short-term deposits:

Short-term bank deposits are deposits purchased with original maturities of more than three months that are presented according to their different terms.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Allowance for doubtful accounts:

The allowance for doubtful accounts is principally determined in respect of specific debts whose collection, in the opinion of the Company's management, is doubtful. Likewise, the Company records a provision for groups of customers that are collectively estimated for impairment based on the characteristics of their credit risks. Impaired customer debs are written off only after all reasonable collection efforts have been exhausted.

g. Inventories:

Inventories are valued at the lower of cost and net realizable value. Cost of inventories includes costs for buying the inventories and bringing it to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Costs is determined as follows:

Materials, parts and fuel - using the weighted average cost.

New and used cars - using the identified cost method.

The Company periodically evaluates the condition and age of inventories and provides for slow moving inventories accordingly.

h. Financial instruments:

Financial assets under the scope of IAS 39 are initially recognized at fair value with the addition of directly attributable transaction costs, other than financial assets at fair value through profit or loss

After initial recognition, the accounting treatment of investments in financial assets is based on their classification into one of the following groups:

- Financial assets at fair value through profit or loss.
- Held-to-maturity investments.
- Loans and receivables.
- Available-for-sale financial assets.

1. Financial assets at fair value through profit or loss:

   The Group has financial assets at fair value through profit or loss comprising financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

   Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term, if they form part of a portfolio of identified financial instruments that are managed together to earn short-term profits or if they are a derivative not designated as hedging instrument. Gains or losses on investments held for trading are recognized in profit and loss when incurred.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the systematic amortization process.

3. Available-for-sale financial assets:

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value. Unrealized gains or losses from fair value adjustments are recognized directly in equity in the net unrealized gains reserve, excluding exchange differences on debt instruments that are carried to statement of income as financing. When the investment is disposed of or in case of impairment, the cumulative gain or loss previously recorded in equity is recognized in the statement of income. Interest earned or paid on the investments is reported in statement of income using the effective interest method. Dividends earned on investments are recognized in the statement of income when the right of payment has been established.

4. Fair value:

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

5. Interest-bearing loans and borrowings:

Loans and borrowings are initially recognized at the fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method which also takes into account directly attributable transaction costs. Gains and losses are recognized in the statement of income when the loan is disposed of as well as through the systematic amortization process.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

6. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the components of the securities issued in the unit based on the following priority: fair value is initially determined for derivatives (such as warrants with an exercise increment in a currency other than the Company's functional currency) and other financial instruments presented at fair value in each period, then the fair value is determined for financial liabilities and compound instruments (such as convertible debentures) that are not presented at fair value in each period but rather at present value when the proceeds allocated in respect of equity instruments are determined as the residual value according to the difference that would be received between the overall proceeds and the relevant proceeds allocated as above. The issue costs are allocated to each component pro rata to the amounts determined for each component net of income taxes, if any, in respect of equity instruments. After said allocation, each component is accounted for based on its contractual essence (financial liability or equity instrument).

7. Derecognition of financial instruments:

Financial assets:

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities:

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

8. Derivative financial instruments:

The Group sometimes enters into transactions in derivative financial instruments such as forward currency contracts associated with foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of forward currency contracts is calculated by reference to current exchange rates for contracts with similar maturity profiles.

i. Impairment of financial assets:

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost:

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in the statement of income.

Assets available for sale:

If there is objective evidence that an impairment loss incurred, the loss amount is measured as the difference between the cost (net of principal payment and amortization) and fair value, net of impairment loss previously included in the statements of income. This loss is carried from shareholders' equity to the statements of income. Reversal of loss from impairment is not carried to the statements of income. Reversal of impairment loss for debt instruments is carried to the statements of income, if the increase in the fair value of the instrument can objectively be attributed to the event that occurred after the loss was carried to the statements of income.

j Leases:

The tests for classifying leases as finance or operating leases are performed at the date of engagement according to the provisions of IAS 17.

The Group as a lessor:

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred are added to the carrying amount of the leased asset and recognized over the lease term.

The Group leases investment property by an operating lease and rents vehicles by an operating lease.

The Group as lessee:

Lease of land from the Israel Lands Administration that is not part of investment property and presented at fair value is treated as operating lease when the amount attributed to land under capitalized lease is presented in the balance sheet as prepaid lease expenses and recognized as an expense in the statement of income using the straight-line method over the lease term, including the option, of 57 years.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k. Motor vehicles for rental:

Motor vehicles for rental during the pre-operating period are stated at cost net of accumulated depreciation and impairment loss. Motor vehicles for rental are depreciated over the term of the lease which takes into account the scrap value embedded in the transaction (on straight-line basis-15%).

l. Deferred revenues:

Deferred rental income relating to operating lease transactions is recognized in the statement of income over the term of the lease.

m. Customer deposits:

Deposits received from customers to secure the Metis car rental group rights to the motor vehicles leased under operating lease are recognized in the statement of income as revenues over the period of the operating lease for which the respective deposits have been made or upon their forfeiture.

n. Investment property:

An investment property is property (land or a building or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, and not for use in manufacture or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Real estate rights held by a lessee (the Group) in an operating lease from the Israel Lands Administration are classified as investment property. The Group has applied the fair value model in respect of these rights.

Investment properties are measured initially at cost, including direct transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the statement of income in the year in which they arise under increase in value of investment property. Investment properties are not systematically depreciated.

In order to determine the fair value of investment properties, the Group utilizes independent outside appraisals from expert real estate appraisers with the proper knowledge and experience.

o. Property, plant and equipment:

Property, plant and equipment are stated at cost with the addition of direct acquisition costs, less accumulated depreciation, less accumulated impairment losses and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that can be used only in connection with the machinery and equipment.

Depreciation is calculated on a straight-line basis over the useful life of the assets.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The depreciate rate of property, plant and equipment components are as follows:

	%	Mainly %
Buildings	2 - 10	2
Machinery and equipment	6 - 10	10
Motor vehicles	15	15
Office furniture and equipment	6 - 33	33
Installation and leasehold improvements	Over the term of the lease including renewal option	

Components of property, plant and equipment items with significant cost compared to the item's total cost are separately depreciated using the component method. Depreciation is calculated using the straight-line method at annual rates that are adequate for the depreciation of the assets over the term of their expected useful lives.

Leasehold improvements are depreciated using the straight-line method over the lease period (including the option period) or based on the expected life of the assets, whichever is shorter.

The residual value and useful life of an asset are tested at least once at year end and the changes are accounted for as a prospective change in accounting estimate. As for testing the impairment of property, plant and equipment, see p below.

The depreciation of the assets is discontinued at the sooner of the date on which the asset is classified as held for sale and the date on which the asset is derecognized. An asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

p. Intangible assets:

Intangible assets generated upon the acquisition of a jointly controlled entity are included at fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The Group has an intangible asset, a franchise, which, according to management, has a finite life. The asset is amortized over the useful economic life and assessed for impairment whenever there is an indication that the franchise may be impaired. The amortization period and the amortization method for the franchise are reviewed at least at each financial year end.

The useful life of the franchise is determined to be 20 years.

q. Impairment non financial assets:

The Company evaluates the need to record an impairment of the carrying amount of fixed, [motor vehicles for rental] and intangible assets whenever events or changes in circumstances indicate that the carrying amount of the asset is not recoverable. Where the carrying amount of these assets exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects specific risks to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset relates.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Impairment losses are carried to the statement of income.

r. Non-current asset and/or assets held for sale:

A non-current asset or disposal group is classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to sell, there is a programme to locate a buyer and it is highly probable that their sale will be completed within one year from the date of classification. These assets are not depreciated and are presented separately in the balance sheet, at the lower of their carrying amount and fair value less costs to sell. The respective liabilities are presented separately in the balance sheet in a similar manner.

A discontinued operation is an activity that either has been disposed of or is classified as held for sale, as above, and represents a separate major line of business or geographical area of operations. In addition to being classified in the balance sheet as above, the operating results and cash flows relating to the discontinued operation are separately presented in the statement of income and in the statement of cash flows including the comparative data reclassified for that purpose, including those relating to the note on segment information.

s. Income taxes:

Income taxes in the statement of income include current and deferred taxes. The tax results in respect of current or deferred taxes are carried to the statement of income other than if they relate to items that are directly carried to equity. In such cases, the tax effect is also carried to the relevant item in equity.

1. Current income taxes:

   Current income tax liability is measured at the tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date as well as adjustments required in connection with the tax liability payable in respect of prior years.

2. Deferred taxes:

   Deferred taxes are computed in respect of temporary differences between the amounts included in the financial statements and the amounts allowable for tax purposes, other than a limited number of exceptions.

   Deferred tax balances are measured using the enacted tax rates expected to be in effect when these taxes are carried to the statement of income or to equity, based on the applicable tax laws that are enacted or substantively enacted by the balance sheet date. The amount for deferred taxes in the statement of income represents the changes in said balances during the reported year.

   Taxes that would apply in the event of sale of investments in investees have not been taken into account in computing the deferred taxes, as long as the sale of the investments in investees is not expected in the foreseeable future. Similarly, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing the deferred taxes, since the distribution of dividends does not involve an additional tax liability.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Deferred taxes attributed to items carried directly to equity are also carried to equity.

Deferred tax assets and deferred tax liabilities are presented as non-current assets and long-term liabilities, respectively. Deferred taxes are offset if there is a legal enforceable right that allows offsetting a current tax asset against a current tax liability and the deferred taxes refer to the same taxpayer and the same tax authority.

t. Liabilities in respect of employee benefits:

1. Short-term employee benefits:

Short-term employee benefits include salaries, vacation pay, sick leave, recreation and deposits in respect of national insurance rights and are presented as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to pay this amount for a past service rendered by an employee and the amount can be reliably measured.

2. Post-retirement benefits:

The Group has defined contribution plans pursuant to Section 14 to the Severance Pay Law according to which the Group makes current payments without incurring a legal or constructive obligation to pay additional amounts, even if adequate amounts did not accrue in the funds in order to settle all the employee benefits referring to services rendered by the employees in the current period and in prior periods. Deposits in the defined contribution plan are recorded as an expense upon the deposit simultaneously with receiving the employee's work services and no additional provision is required in the books.

The Group also operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement. Severance pay is computed at the employee's last monthly salary upon termination of employment multiplied by the number of years of employment.

The Company makes current deposits in respect of its severance pay liabilities to certain of its employees in pension funds and insurance companies ("the plan's assets").

The cost of severance pay is determined using the projected unit credit method. Actuarial gains and losses are immediately carried to the statement of income as incurred.

The liability for severance pay recorded in the balance sheet represents the present value of the defined benefit obligation less the fair value of the plan's assets. Assets arising from this calculation are limited to previous cost of providing services with the addition of the present value of available funds and amortization of future amounts to be contributed to the plan.

Further, the Group makes current deposits in designated deposits (central severance pay fund) which are used for severance payments upon dismissal

The amounts accrued in the deposits are under the control of the Company and may be withdrawn only after compliance with the obligations under the Severance Pay Law or labor agreements applicable to employees.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

These deposits are not considered as the plan's assets and, accordingly, they are presented separately from the liabilities in respect of employee benefits.

u. Revenue recognition:

Revenues are recognized in the statement of income when they can be measured reliably, the economic benefits associated with the transaction are expected to flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues are measured at the fair value of the consideration in the transaction less commercial rebates, volume discounts and returns.

The following specific recognition criteria must also be met before revenue is recognized:

Revenues from sale of goods:

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, and the seller does not maintain continuing managerial involvement. Generally, the delivery date is the date when the ownership has passed.

Revenues from "bill and hold" sales are recognized prior to delivery provided that:

1. It is probable that delivery will be made;
2. The item is on hand, identified and ready for delivery to the buyer at the time the sale is recognized;
3. The buyer specifically acknowledges, preferably in writing, the deferred delivery instructions;
4. The delivery instructions as stated in 3 above specify a fixed delivery date that is reasonable and consistent with the buyer's business objectives; and
5. The usual payment terms apply.

Revenues from rendering of services:

Revenue from the rendering of services is recognized by reference to the stage of completion as of balance sheet date. Stage of completion is measured according to the reporting periods during which the services were rendered. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Rental income:

Rental income is accounted for on a straight-line basis over the lease terms. Rental income where there is a rise in rental fees over the term of the contract, is recognized using the straight-line method only when the collection of future rent differences is certain.

Revenues from car rental and vehicle operating lease:

Revenues from car rental and vehicle operating lease, including rendering other services (such as maintenance, insurance, licensing, etc.) are recognized over the term of the lease contract.

Interest income:

Interest income is recognized on a cumulative basis using the effective interest rate method.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenues from dividends:

Revenues from dividends on equity securities not accounted for using the equity method are recognized when the right to receive dividends is established.

v. Earnings (loss) per share:

Earnings per share are computed according to the number of Ordinary shares. Basic earnings per share only include shares that were actually outstanding during the period and potential Ordinary shares (convertible securities such as convertible debentures, warrants and employee options) are only included in the computation of diluted earnings per share if their effect dilutes earnings per share by reducing earnings per share upon conversion or by increasing loss per share from continuing operations. Furthermore, convertible securities that have been converted during the period are included in diluted earnings per share only until the conversion date and starting from that date included in basic earnings per share. The investor's share of earnings of an investee is included based on the earnings per share of the investee multiplied by the number of shares held by the investor.

w. Provision for repairs during the warranty period:

The provision for repairs during the warranty period is computed based on an estimate of Company's management and past experience.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date the options vest.

The cumulative expense, recognized at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. No expense is recognized for amounts that do not ultimately vest.

According to the transitional provisions, IFRS 2 does not apply to equity settled awards granted prior to November 7, 2002. Since all of the Company's outstanding options were granted prior to the adoption of IFRS 2, IFRS 2 had no effect on the financial statements of the Company.

x. Restatement:

The Company has restated its financial statements as of December 31, 2007 and for the year then ended in order to retroactively reflect the effect of the change in the accounting policy relating to investment property from the cost model to the fair value model.

The company chose the fair value model since the management views the fair value model as providing a more relevant and appropriate presentation of the investments properties in the real estate industry practice.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The effect of the changes on the financial statements:

Balance sheets:

	December 31, 2007		
	As previously reported	The change	As presented in these financial statements
	Euros in thousands		
Prepaid expenses	1,579	(14)	1,565
Other receivables	1,647	(104)	1,543
Prepaid lease expenses	1,519	(812)	707
Investment property	4,345	3,732	8,077
Other payables	(5,514)	(123)	(5,637)
Deferred taxes	(6,366)	(561)	(6,927)
Shareholders' equity	(30,316)	(2,118)	(32,434)
Foreign currency translation adjustment	1,171	11	1,182
Accumulated deficit	5,681	(2,129)	3,552

Statements of income:

	Year ended December 31, 2007		
	As previously reported	The change	As presented in these financial statements
	Euros in thousands (except per share data)		
Cost of maintenance of investment property	442	(111)	331
Increase in value of investment property	-	1,902	1,902
General and administrative expenses	6,019	(1,050)	4,969
Income taxes	1,601	331	1,932
Net profit (loss)	(297)	1,457	1,160
Basic and diluted net earnings (loss) per share (in Euros)	(0.04)	0.19	0.15

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

	Year ended December 31, 2006		
	As previously reported	The change	As presented in these financial statements
	Euros in thousands (except per share data)		
Cost of maintenance of investment property	405	(137)	268
Decrease in value of investment property	-	(4)	(4)
General and administrative expenses	4,727	(157)	4,570
Income taxes	777	63	840
Net profit	1,633	143	1,776
Basic and diluted net earnings per share (in Euros)	0.2	0.04	0.24

	Year ended December 31, 2006		
	As previously reported	The change	As presented in these financial statements
	Euros in thousands		
Accumulated deficit	(5,384)	1,122	(4,262)

y. Disclosure of the effects of new IFRS in the period prior to their adoption:

1. IFRS 8 - Operating Segments:

IFRS 8 ("the Standard") discusses operating segments and replaces IAS 14. The Standard applies to companies whose securities are listed or undergoing listing for trade on any securities stock exchange. The Standard will be applicable to annual financial statements for periods commencing after January 1, 2009. The Standard can be applied early. The provisions of the Standard will be applied retrospectively, by restatement, unless the disclosure required is unavailable or impractical to obtain.

The Standard determines that an entity will adopt a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations:

Pursuant to an amendment to IFRS 5, when the parent company decides to sell part of its holdings in a subsidiary whereby following the sale, the parent company will maintain a percentage of holding that does not confer control, for example, rights entitling to significant influence, all of that subsidiary's assets and liabilities will be classified as held for sale when the criteria in IFRS 5 are met, including disclosures for discontinued operations. The amendment to IFRS 5 will be prospectively adopted starting from the financial statements for periods beginning on January 1, 2010. Earlier application is permitted.

The Company believes that the effect of the amendment on its financial position, operating results and cash flows is not expected be material.

IAS 16 - Property, Plant and Equipment:

Pursuant to an amendment to IAS 16, fixed assets held for rental that are routinely sold in the ordinary course of business will be transferred to inventories when rental ceases and, accordingly, their sale will be presented in the statement of income as (gross) revenue rather than a (net) gain. Simultaneously, cash payments and cash receipts from investment in such assets will be presented within operating activities in the statement of cash flows rather than within investing activities. The Standard will be retrospectively adopted starting from the financial statements for periods beginning on January 1, 2009. Earlier application is permitted.

The Company believes that the effect of the amendment on its financial position, operating results and cash flows is not expected be material.

IAS 19 - Employee Benefits:

Pursuant to an amendment to IAS 19, a group of other long-term benefits will also include employee benefits that are due in the short-term and are expected to be utilized within one year of the end of the period qualifying for the benefits, such as cumulative benefits in respect of vacation pay and sick leave that are expected to be used within one year of the balance sheet date. Accordingly, these benefits are now required to be recognized in the financial statements based on an actuarial calculation taking into account future salaries and discounted to present value. The amendments will be retrospectively adopted starting from the financial statements for periods beginning on January 1, 2009. Earlier application is permitted.

The Company believes that the effect of the amendment on its financial position, operating results and cash flows is not expected be material.

IAS 38 - Intangible Assets:

Pursuant to an amendment to IAS 38, expenses incurred from advertising, marketing or promotional activities will be recognized as an expense when the company has the right to access to the advertising goods or when the company receives those services. For these purposes, the activities also include production of catalogs and promotional pamphlets. Also, IAS 38 is amended to allow the unit of production amortization method for all intangible assets even if it results in a lower amount of accumulated amortization than under the straight-line method. The Standard will be adopted retrospectively starting from the financial statements for periods beginning on January 1, 2009. Earlier application is permitted.

The Company believes that the effect of the amendment on its financial position, operating results and cash flows is not expected be material.

NOTE 3:- CASH AND CASH EQUIVALENTS

	December 31,	
	2008	2007
	Euros in thousands	
Cash and deposits to the immediate withdrawal	2,562	8,569
Short term deposits	2,638	9,091
	5,199	17,881

At balance sheet date, cash at banks earn floating interest based on daily bank deposit rates (2%).

Short-term deposits at banks are for periods of between one week and three months, depending on the requirements of the Company (the subsidiaries) for unrestricted cash. The deposits earn interest at the respective term of the deposits (2.1%).

NOTE 4:- SHORT-TERM INVESTMENTS

a. Composition:

	December 31,	
	2008	2007
	Euros in thousands	
1. Marketable securities designated at fair value and changes therein charged to profit and loss:		
Shares	2,229	-
Debentures	3,830	-
	6,059	-
2. Securities available for sale		
Government and corporate debentures	1,512	10,058
3. Deposits with banking institutions	-	94
4. Deposit held in trust	174	339
5. Loans to others (1)	1,365	-
	9,110	10,491

(1) See Note b(1)(d) below,

b. 1. Pursuant to the decision of the Company's Board from November 17, 2008, the Company took the following actions:

a) The company acquired 110,850,488 par value of debentures (series A) of Ameris Holdings Ltd., in the course of the trade on the Tel Aviv Stock Exchange Ltd. and in off-market transactions for the total amount of € 4.37 million. The acquired debentures account for about 62.25% of the total nominal value of the outstanding debentures. During January – February, 2009 the company acquired 13,633,879 par value of debentures (series A) of Ameris in the total of € 807 thousand.

NOTE 4:- SHORT-TERM INVESTMENTS (Cont.)

To the best of the Company's knowledge, the debentures are secured by way of a senior charge on 7,751,364 shares of Petro Group Ltd. ("Petro Group") owned by Ameris, which account for 48% of all of the issued and outstanding share capital of Petro Group and by assignment by way of lien on Ameris' rights to receive amounts as part of its holdings in a certain real estate project.

b) The Company gave Ameris a loan in the total of € 378 thousand which is due on April 30, 2009, bearing interest of 6% over the loan term against a charge on 2,106,440 of Petro Group shares held by Ameris, which account for about 13.18% of the share capital of Petro Group.

c) The Company acquired 896,543 shares of Petro Group, which account for about 5.61% of all of the issued and outstanding share capital of Petro Group. Cost of the shares is € 358 thousand.

d) The Company signed an investment agreement in collaboration with two third parties ("the third party"). According to the agreement, the third party is a partner in 20% of the Company's stake relating to the initiation of the transaction, management of the purchase and all associated with the transaction. The share of the third party will be financed by a loan from the Company that will be secured by a charge on the shares and/or the debentures, as above, and will bear annual interest at the Prime rate + 3%.

The Company estimates that said action will enable the Company to be included in any arrangement involving the settlement of debentures in such way as to earn positive return on its investment in the debentures and in the shares.

On December 9, 2008, the Company offered the holders of Ameris debentures to add to the sale all of Petro Group's outstanding shares (including the shares of Petro Group that are pledged to the Company upon the occurrence of a qualifying event) ("the acquired shares") in order to be able to jointly sell the shares in trust to the holders of debentures and the acquired shares. The proceeds from the sale of the acquired shares shall be initially paid to the Company in an amount equal to the purchase price of the acquired shares (including the amount of the loan granted to Ameris by the Company) as well as financial expenses and legal fees borne by the Company in accordance with the agreement and the purchase of the acquired shares. In the case of any excess proceeds from the sale of the acquired shares, they will be divided between all the holders of debentures (including the Company).

The Company's offer was unanimously accepted by the holders of Ameris debentures.

On January 4, 2009, the Company exercised its right pursuant to the terms of the agreement signed between the Company and Ameris on October 30, 2008 and purchased from Ameris 2,106,440 shares of NIS 1.00 par value each of Petro Group, representing some 13.18% of Petro Group's share capital in consideration of € 711 thousand (before offsetting loan interest and expenses totaling approximately € 14.7 thousand including VAT), this in addition to € 378 thousand extended by the Company to Ameris as a loan according to the loan terms.

The Company made an offer on January 29, 2009 to the official receiver appointed to be in charge of the shares of Petro Group Ltd., which were pledged as a security in favor of the holders of the bonds (series A) of Ameris Holdings Ltd. - for acquiring 9,857,804 shares of Petro Group.

At a licitation conducted on February 16, 2009, the Company's offer to acquire Petro's shares from the official receiver was declared as the winning bid.

NOTE 4:- SHORT-TERM INVESTMENTS (Cont.)

The Company's winning bid stands at a value of about € 0.98 per Petro shares, and it is higher by about 64% than the closing market price of the share at the Exchange as indicated on February 16, 2009 (about € 0.6 per share). The offer reflects for Petro a company value of € 15.6 million.

The total of the shares to be acquired from the official receiver account for about 48.48% of Petro's issued and paid-up shares, and together with the Company's existing holdings in the Petro shares (about 24.95%), the Company shall hold a proportionate share of about 73.44% in the shares of Petro. The completion of the acquisition of the shares from the official receiver is subject to the approval of the Court.

On February 19, 2009 a meeting of holders of debentures (Series A) of Amris Holdings Ltd was convened. In the meeting votes were held on proposals for approval for sale of 7,751,364 ordinary shares of NIS 1 par value each, of Petro Group Ltd,, held in trust in favor of holders of the debentures by the trustee for holders of the debentures, Ziv Haft Trust Company Ltd ("the Shares" and "the Trustee", respectively), by the liquidator of the shares, Dr. Yossi Cohen, Advocate, for the Company, in accordance with the conditions for such sale and results thereof.

The decision was not accepted because of lack of the required majority at the meeting.

As the Company is aware, on February 16, 2009 Mr. Arkady Guidamak and Elcsar System Ltd ("the Petitioners") submitted a request to the court to be included as respondents in the liquidation file, to defer the re-costing proceedings and to enable additional voters to submit proposals regarding the sold shares. At a hearing convened regarding the said request, the Tel Aviv District Court determined that since the re-costing proceedings were held, this part of the request is no longer relevant and that the petitioners, as stated above, and the Company, will be included as respondents in the liquidation file. The liquidator, Dr. Yossi Cohen, informed the court that he will submit a request for issuance of provisions according to which the court will be requested to approve sale of the shares to the Company as soon as possible.

On February 24 the Company transmitted an urgent request to the District Court for approval of the results of the re-costing and sale of the shares to the Company without additional delay.

In the framework of the request, the Company stated, *inter alia*, its position that continuation of the realization proceedings may result in material impairment of Petro Group and irreversible damage, especially in light of the absence of an "owner" in Petro and Bank Wachovia's request from GPM Investments LLC ("GPM") in connection with reaching a comprehensive arrangement until the end of February 2009.

Also, the Company emphasizes the absurd situation incurred in which the position of an insignificant immaterial minority (5.4% of all debenture holders) endangers the liability to all debenture holders, although the definitive majority (93% of holders of debentures that participated in the meeting) voted in favor of sale of the shares and, notwithstanding the long period of time since commencement of the liquidation proceedings, no serious investor (except the Company and Financitech that participated in the re-costing) submitted a proposal for acquisition of the shares.

On March 8, 2009, the Court made a decision, pursuant to which the licitation would be cancelled, and that the official receiver would conduct a new licitation to be conducted 60 days after the Date of the Decision.

NOTE 4:- SHORT-TERM INVESTMENTS (Cont.)

Likewise, it was established that the bank guarantee put up by Metis Capital Ltd. as part of the licitation would be returned to the Company, and that the official receiver would place at the disposal of anyone interested, the financial statements of the GPM Company, along with additional material that has been gathered by him during his visit to the United States or any further material that will subsequently be gathered by him.

NOTE 5:- TRADE RECEIVABLES

	December 31, 2008	December 31, 2007
	Euros in thousands	
Open accounts (1)	3,010	4,048
Checks receivable	1,445	3,892
	4,455	7,940
(1) Less allowance for doubtful accounts	113	82
Trade receivables, net	4,342	7,858

Customer balances do not bear interest. Average days of customer credit is 60 – 90 days, except customer balances from rental fees regarding which the Company's policy is current, without credit days.

Trade receivables impaired are provided for in an allowance for doubtful accounts.

The movement in the allowance for doubtful accounts is as follows:

	Euros in thousands
Balance at January 1, 2007	53
Arising during the year	31
Currency translation differences	(2)
Balance at December 31, 2007	82
Arising during the year	24
Currency translation difference	7
Balance at December 31, 2008	113

NOTE 5:- TRADE RECEIVABLES (Cont.)

An analysis of past due but not impaired trade receivables (trade receivables net) with reference to balance sheet date:

	Neither past due nor impaired	Past due but not impaired < 30 days	30 – 60 days	60 – 90 Days	90 – 120 days	>120 days	Total
	Euros in thousands						
December 31, 2008	3,378	505	249	101	11	98	4,342
December 31, 2007	7,490	180	96	64	26	2	7,858

NOTE 6:- OTHER RECEIVABLES

	December 31, 2008	2007
	Euros in thousands	
Related party (2)	-	56
Derivative financial instruments	-	188
Government authorities	247	441
Current account with EL3000 (1)	-	497
Accrued income	783	150
Due from supplier for participation in advertising	71	173
Employees	1	7
Other receivables	62	31
	1,164	1,543

(1) See Note 27d(8).
(2) See Note 31d(1).

NOTE 7:- INVENTORIES

	December 31, 2008	2007
	Euros in thousands	
Vehicles (1)	19,595	9,375
Spare parts	1,792	1,595
	21,387	10,970
Inventories in transit	7,004	4,480
	28,391	15,450

(1) The balance includes inventories

NOTE 8:- LOAN TO MIRAGE

	December 31,	
	2008	2007
	Euros in thousands	
Linked loans (1)	-	3,593

(1) On June 28, 2007, the Company entered into an agreement with Mirage in order to extend a loan to the latter ("the agreement").

According to the agreement, on July 1, 2007, the Company extended a loan of € 3.53 million to Mirage for a period of up to 12 months (June 30, 2008). Mirage will repay the loan with the addition of linkage to the Israeli CPI according to the index published on June 15, 2007, interest at an annual rate of 15% linked to the Israeli CPI and VAT as required by law. The payment of linkage differences, interest and VAT will commence on October 1, 2007 for the first three months and thereafter will continue on a monthly basis. The loan principal shall be repaid no later than June 30, 2008.

During the second quarter of 2008, Mirage repaid the loan.

NOTE 9:- LOAN TO JOINTLY CONTROLLED ENTITY

	December 31,	
	2008	2007
	Euros in thousands	
Israeli CPI-linked loan (1)	5,474	4,827
Less - current maturities	-	2,827
	5,474	2,000

(1) In December 2005, the related parties agreed that the balance of the principal on the loans which will not be repaid out of the proceeds to be received from the public issuance of debentures, in accordance with the designation of the proceeds as provided in the prospectus for the debenture issuance by Japan Auto Holdings published in February 2006, will be due for repayment no later than 36 months from the final repayment date of the debentures (February 1, 2015). The interest on the balance of the loan will be repaid in quarterly installments commencing the quarter immediately after the final repayment of the debentures, as aforesaid. The first payment of the interest will be for the interest accrued on the balance of the loan from August 18, 2005 (the date the loans were actually made). In March 2007, the Company and Mirage ratified their consent in the agreement signed between them and Japan Auto Holdings.

The loans are linked to the CPI and bear annual interest at the rate of 6.5% (effective: 6.7%).

The loans will be subordinate to the debentures issued by Japan Auto Holdings to the public in February 2006, see Note 23b.

NOTE 10:- PREPAID LEASE EXPENSES

a. Composition:

	December 31,	
	2008	2007
	Euros in thousands	
Prepaid lease expenses	756	720
Less - current maturities	14	13
	742	707

b. Japan Auto - Israel Automobile Company Ltd. entered into a lease agreement with the Israel Lands Administration for 49 years ending in 2013 with an option for extension by another 49 years.

NOTE 11:- INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

a. Following is a list of subsidiaries and jointly controlled entities:

1. Japan Auto Holdings Ltd. ("Japan Auto Holdings"):

   Japan Auto Holdings was established on July 21, 2005 and began its operations on August 18, 2005. The Company owns 50% of Japan Auto Holdings.

2. G.T. Trade Spare Parts Ltd. ("G.T."):

   The Company owns 50% of G.T., which is engaged in importing and marketing automobile spare parts and accessories.

3. Japan Auto Israel Automobile Company Ltd. ("Japan Auto Automobile"):

   Japan Auto Automobile is indirectly wholly owned by Japan Auto Holdings. Japan Auto Automobile imports and markets Subaru made automobiles and spare parts. It is also engaged in providing various car mechanical services through a subsidiary, the Garage.

4. Japan Auto Central Garage Ltd. ("the Garage"):

   The Garage was founded in 1984 and is 66.6% (indirectly) owned by Japan Automobile and 33.3% owned by Mirage Investments and Mirage 2000 in equal parts (16.6% each) (and is in fact indirectly wholly owned by Japan Auto Holdings). The Garage manages and operates a garage for Subaru made automobiles.

5. Tarshit Properties Company Ltd. ("Tarshit"):

   Tarshit was established in 1978 and is equally owned by Japan Auto Automobile, Mirage Investments and Mirage 2000 (and is in fact indirectly wholly owned by Japan Auto Holdings). Tarshit owns land in Herzliya, Israel, known as bloc 6592, parcels 32 and 33 spanning about 8,000 sq. m. The company's revenues derive from leasing said land to the Group companies.

NOTE 11:- INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Cont.)

6. Alumit Properties Company Ltd. ("Alumit"):

   Alumit is wholly owned by Japan Auto Automobile. Japan Auto Automobile owns a real estate property known as bloc 7067 parcel 49, registered with the Land Registry Office under Alumit's name. Alumit is inactive.

7. Mirage Holdings 2000 Ltd. ("Mirage 2000"):

   Mirage 2000 is wholly owned by Japan Auto Holdings. It holds half of the share capital of Japan Auto Automobile 16.66% of the Garage and 33.33% of Tarshit. Mirage 2000 has no other activities.

8. Mirage Israel Investments and Development Ltd. ("Mirage Investments"):

   Mirage Investments is wholly owned by Japan Auto Holdings. It holds half of the share capital of Japan Auto Automobile, 16.66% of the Garage and 33.33% of Tarshit. Mirage Investments has no other activities.

9. Metis Capital Car Rental Ltd. ("Metis Car Rental"):

   Metis Car Rental was established on October 4, 2006 and provides car rental and operating leasing services as well as outgoing services for connecting customers with car rental agencies overseas. Metis Car Rental commenced its business operations in early 2007.

10. Metis Capital Leasing General Registered Partnership ("Metis Leasing"):

    Metis Leasing was established on December 13, 2006 and operates in the business segment of vehicle operating leasing services. Metis Leasing commenced its business operations in early 2007.

11. Metis Capital Real Estate ("Metis Real Estate"):

    Metis Real Estate was established on March 27, 2007 and operates in the business segment of yielding properties. Metis Real Estate commenced its business operations in early April 2007.

12. Metis Cherna:

    Metis Cherna was acquired on march 29, 2007 and is held by Metis real estate. Metis Cherna holds a hotel in romania that is leased to a third party.

13. Amorazur Holdings Limited ("Metis Cyprus"):

    Metis Cyprus is wholly owned by Metis Real Estate. Metis Cyprus is inactive and holds 100% of Metis Austria.

14. Metis Austria:

    Metis Austria is wholly owned by Metis Cyprus and operates in the income-producing real estate segment. Metis Austria commenced its business operations on March 3, 2008.

NOTE 11:- INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Cont.)

15. Wallagasse 23:

    Wallagasse 23 is 99.99% held by Metis Austria. Wallagasse 23 holds a hotel in Austria that is leased to a third party.

16. Metis Real Estate Germany:

    Metis Real Estate Germany is wholly owned by Metis Real Estate is inactive except for holding Metis Germany.

17. Metis Germany:

    Metis Germany is wholly owned by Metis Real Estate Germany. Metis Germany is inactive.

b. On October 5, 2006, a subsidiary of the Company, Metis Car Rental (50% held upon the date of engagement and 100% held as of December 31, 2006), which had been jointly established with Trade Mobile Ltd. on October 4, 2006, entered into a franchise agreement with Europcar International S.A.S.U. ("Europcar").

   On December 13, 2006, Metis Car (99%) and Metis Trade In (1%) established a general registered partnership, Metis Capital Leasing General Registered Partnership ("Metis Leasing") which is engaged in the operating leasing of motor vehicles, see items a9 and a10 above.

   According to the agreement, the subsidiary will operate under the Europcar brand name in providing car rental and vehicle leasing services as well as outgoing services for connecting customers with car rental agencies overseas.

   Metis Car Rental was granted exclusivity for a period of five years in providing car rental and leasing services, subject to complying with the terms of the franchise.

   On August 28, 2008, the Company's board of directors approved Metis Leasing's engagement with Ampa Capital Car Lease Ltd. ("Ampa") in an agreement where Ampa will acquire from the partnership Metis Leasing's leasing activity, consisting of some 785 vehicles, vehicle leasing agreements, maintenance agreements and the payments expected to be received by Metis Leasing from its customers against assuming Metis Leasing's liabilities towards the factors that extended bank financing and off-bank financing in connection with the purchase of the sold vehicles ("the financing factors") and cash disbursement based on the value of the leasing portfolio estimated at NIS 46 million ("the agreement"). Ampa had also undertaken to fully release the Company of all collaterals provided in favor of the financing factors for the seller.

   The Company has guaranteed all of the partnership's liabilities and obligations according to the agreement.

   On November 16, 2008, the transaction for the sale of the leasing activity from Metis Leasing to Ampa was completed.

   In November 2008, the Company signed a term sheet for the sale of its holdings in Metis Car Rental and in corporations held by it with a third party that is unrelated to the Company subject to various stipulations including the approval of the Company's board of directors and other conditions required by any law.

NOTE 11:- INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Cont.)

In December 2008, the Company signed an agreement that supersedes the abovementioned term sheet and the parties agreed that a third party would purchase 64 vehicles from Metis Car Rental for NIS 3,642,080, paid in full.

c. On March 27, 2007, the Company established Metis Capital Real Estate ("Metis Real Estate") which operates in the business segment of investment property.

On March 29, 2007, after the Board gave its approval, the Company entered into an agreement ("the agreement") for acquiring the full control over a company that was incorporated in Romania and is the owner of the rights to acquire a hotel in Bucharest, Romania ("the hotel").

According to the agreement, the Company acquired, through its wholly controlled subsidiary, Metis Capital Real Estate Ltd. ("Metis Real Estate") all of the share capital of Finit Investment & Development S.R.L. ("Finit"), a company without activity as of the date of acquisition, as above, which as from May 17, 2007 ("the closing date") owns full rights in Cerna Hotel.

On February 4, 2008, Finit's name was changed to Metis Cerna Property S.R.L.

In consideration for the shares and the hotel, the Company committed to pay € 2.6 million in cash plus the par value of Finit shares which equals to 200 Ron (approximately € 66). In addition, the Company committed to pay € 400 thousand to a third party for brokerage services, consulting upon acquisition and assisting in obtaining bank financing for the acquisition ("the consulting company").

The acquisition of the hotel was financed by the Company by shareholders' loan to Metis Real Estate. As of December 31, 2007, Finit borrowed € 2,067 thousand from a bank in Romania which was designated to replace part of the Company's financing for the acquisition and the renovation of the hotel.

The loan bears interest at the rate of the Euribor plus 2.5% per year and is repayable in 132 equal monthly instalments from July 6, 2008 through June 6, 2019. The interest is paid on a current basis at the end of each month.

Transaction costs relating to this loan total approximately € 119 thousand and the effective interest rate on this loan is Euribor+4.08%.

As of the date of the approval of the financial statements, Finit borrowed approximately € 2,399 thousand.

On April 30, 2007, Finit signed an agreement with a foreign company specializing in operating hotels ("the lessee") for the rental of a hotel for a one-year period starting May 1, 2007 through April 30, 2008 in return for monthly rental fees of € 20 thousand. The lessee has the option of extending the lease term by one more year through May 31, 2009, subject to Finit's approval, in return for monthly rental fees of € 35 thousand. Finit may cancel the agreement by providing an advance notice of 30 days to the lessee.

On August 1, 2007, addendum No. 1 to the agreement was signed pursuant to which the monthly rental fees are increased to € 25,000 starting September 1, 2007. On December 5, 2007, addendum No. 2 to the agreement was signed pursuant to which the monthly rental fees are increased to € 45,000 starting January 1, 2008 and the lease period is changed to 6 years. It was also determined that the monthly rental fees starting January 1, 2010 are to be determined after negotiation but shall not be less than minimum rental fees of € 45,000 per month.

NOTE 11:- INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Cont.)

On January 24, 2008, addendum No. 3 to the agreement was signed pursuant to which the monthly rental fees for the first three months of 2008 are lowered to € 5,000 due to the renovation of the hotel in that period. Starting April 1, 2007, the monthly rental fees were restored to € 45,000.

During January 2009, the lessee addressed the Company with a request to lower the monthly rental fees for 2009 to € 35,000 a month due to the economic situation and the low occupancy levels. Further, since January 2009, the lessee is not paying the monthly rental fees.

The Company is contemplating its response and its future steps.

d. On March 3, 2008, a subsidiary of the Company, Metis Austria ("Metis Austria") signed an agreement ("the agreement") for the acquisition of a hotel in Vienna ("the hotel").

Description of the hotel

The hotel is a 4-star hotel. The hotel has 8 stories above a lobby and underground parking and it shall comprise about 67 rooms. The hotel is built on a plot with an area of 347 sq. M. With about 2,700 sq. m. built area located on Land Strasse.

The principles of the transaction

According to the agreement, Metis Austria will acquire the hotel when it is ready for operation, including furniture and equipment, with cost of € 7.5 million (plus vat), as follows: € 4.9 million, not in cash, by acquiring the seller's debts to Erste Bank Der Oesterrishen Sparkassen AG ("the credit provider"), € 1.85 million for the plot and € 750,000 for the furniture and equipment. Metis Austria will also pay € 375 thousand to a third party for brokerage and consulting services on the acquisition and for assisting in obtaining the bank financing for the transaction ("the brokerage services") and approximately € 365 thousand for land and registration taxes.

Simultaneously, Metis Austria contacted the credit provider to extend financing for the acquisition of the hotel with up to € 6.8 million for a period of 12 years. In the first two years, Metis Austria pays the interest only. The outstanding principal is repayable in 40 unequal quarterly installments. The first four installments amount to € 50 thousand, an additional eight installments of € 75 thousand, additional 27 installments of € 100 thousand and the last payment of € 3.3 million. The loan bears interest at the Euribor rate for three months + 1.4% per annum.

For the purpose of receiving the credit, a mortgage on the hotel, a charge on Metis Austria shares, a charge on Metis Austria bank accounts and a charge on Metis Austria notes were placed in favor of the credit provider. Repayment of shareholders' loans and the respective interest thereon, dividends and other payments are subordinated to the bank financing.

The financial covenants of the loan were updated to a maximal ratio of 80% between the loan and the hotel value and accumulated ratio of over 1.05 between the EBITDA and DSCR starting July 2009.

The suspending conditions to receive the financing are: an independent valuation of the hotel, fulfillment of all permits and licenses and approval of an expert as to completion of the construction of the hotel. During July 2008, a valuation of € 8.5 million was received.

NOTE 11:- INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Cont.)

The Company provided a guarantee to secure the financing in favor of Metis Austria. Also, the company provided Metis Austria a loan of € 1.7 million to finance the equity necessary for the acquisition of the hotel. The credit provider will provide against such amount a bank guarantee of € 2.6 million in favor of the seller. The acquisition transaction was closed after a due diligence procedure conducted by the company through consultants.

On November 7,2008, Metis Austria completed the acquisition of the hotel in Vienna and this after all the payments had been transferred to the seller pursuant to the purchase agreement, with the exception of € 150 thousand that are held in trust with a view to ensuring the seller's liability for the construction. The seller may provide a bank guarantee and receive the abovementioned amount from the trustee.

Metis Austria signed a lease agreement with a company of the Hotusa Group ("the lessee") for the purpose of operating the hotel for a period of 15 years, whereby the lessee shall have a one-time right to terminate the agreement at the end of the seventh year by providing a 9-month advance notice. Metis Austria is entitled to rent from November 1, 2008. The lessee shall pay Metis Austria fixed rent in the amount of € 536 thousand per annum plus VAT. Linkage to the CPI will be added to the fixed rent any time that the cumulative increase in the CPI is more than 5%. Additionally, the lessee shall pay Metis Austria 25% of the operating profit of the hotel, as defined in the lease agreement for each of the years of rent ("the additional rent"). Notwithstanding the foregoing, the additional rent for 2008 and 2009 shall be calculated in such manner that, in case the lessee incurs an operating loss in 2009, the lessee may offset it against 50% of the operating profit for 2008. The payment of the variable rent for 2008 and 2009 combined will be made by March 31, 2010, and the additional rent for 2010 and onward shall be paid to Metis Austria by March 31 in each calendar year.

e. On July 27, 2008, the Company's Board approved the acquisition of 99.9% of the shares of Wallagasse 23 ("the acquired company"), which owns a hotel in Vienna ("the hotel") from a third party ("the seller") through a company that is wholly controlled by Amorazur Holdings Limited ("the acquiring subsidiary"). The acquisition transaction was performed after a due diligence procedure effected by the Company through advisors.

The principles of the transaction

According to the agreement, the acquiring subsidiary will purchase the acquired company for approximately € 1.3 million based on a hotel valuation of € 6.9 million less liabilities and with the addition of the assets as they appear in the draft of the financial statements of the acquired company as of February 29, 2008.

The acquiring subsidiary will also pay an amount of approximately € 100 thousand to a third party for brokerage fees (1.5% of the hotel's value) and approximately € 200 thousand for consulting fees, land registry taxes and other acquisition costs. The Company has guaranteed the subsidiary's fulfillment of its obligations under the agreement.

Description of the hotel

The hotel is a 4-star hotel built in 1970 and renovated in 2005. The hotel has 8 stories above a lobby and underground parking. The hotel comprises 77 rooms, underground parking, a lobby, a dining room and conference hall. The hotel is built on a plot with an area of 857 sq. m. located on Wallagasse Street in the sixth quarter of Vienna.

NOTE 11:- INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Cont.)

As part of the acquisition, the Company entered into a financing agreement with Hypo Bank Vorlaberg ("the financing agreement") under which the acquired company will receive a new loan of approximately € 5.8 million representing about 80% of the hotel's price to replace the existing loan in the acquired company as of February 29, 2008 totaling approximately € 5.2 million. The loan bears annual interest of Euribor + 0.9%. The term of the loan is 23 years including a grace period (of interest payments only) of three years. The principal (starting from the fourth year) and interest will be repaid in equal quarterly installments. The acquired company will be entitled to repay the loan by a six-month advance notice with no early repayment commission.

On November 10, 2008, the acquisition of 99.9% of the shares of the acquired company was completed.

The Company is contemplating carrying out renovation work at a scope of up to € 1.5 million.

The acquired company leased the hotel to Golden Tulip Hospitality Management Ltd. ("Golden Tulip") according to a lease agreement in effect until November 30, 2024. According to the lease agreement, the annual lease fees for 2008 totaled € 430 thousand. As of 2009, the annual lease fees will be € 500 thousand, linked to the CPI. Upon the change of ownership in the acquired company, the acquired company has the right to cancel the above lease agreement with Golden Tulip by providing a six-month advance notice and paying an agreed upon compensation. On August 20, 2008, the acquired company notified Golden Tulip of the cancelation of the existing lease agreement.

According to the abovementioned lease agreement, Golden Tulip undertook to evacuate the hotel on February 28, 2009. The Company is conducting negotiations with several entities for an improved lease agreement with better conditions.

On March 4, 2009, Golden Tulip evacuated the hotel. Based on the decision of its Board, the Company decided to operate the hotel independently through a wholly-owned subsidiary using expert assistance (a third party which is unrelated to the Company) with which it entered on March 8, 2009 into an agreement for receiving management and marketing consulting services for the hotel's management. The consulting agreement is for a period of one year with an option for renewal by an additional year.

f. Condensed data from financial statements of companies consolidated according to proportionate consolidation method:

	December 31,	
	2008	2007
	Euros in thousands	
The Group's share in the companies' balance sheets based on the holding rate therein at balance sheet date:		
Current assets	37,440	33,624
Non-current assets	32,378	31,052
Current liabilities	27,994	25,082
Non-current liabilities	24,133	20,158
Assets, net	17,691	19,436

NOTE 11:- INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Cont.)

	Year ended December 31,		
	2008	2007	2006
	Euros in thousands		
Income	83,918	97,661	75,867
Expenses	83,041	95,792	75,685

NOTE 12:- MOTOR VEHICLES FOR RENTAL AND OPERATING LEASE

2007

	Rental	Operating lease	Total
	Euros in thousands		
Cost:			
Balance at January 1, 2007	-	-	-
Additions during the year	15,123	10,713	25,836
Disposals during the year	(677)	(381)	(1,058)
Currency translation differences	(215)	(50)	(265)
Balance at December 31, 2007	14,231	10,282	24,513
Accumulated depreciation:			
Balance at January 1, 2007	-	-	-
Additions during the year	(1,340)	(715)	(2,055)
Disposals during the year	72	20	92
Currency translation differences	9	4	13
Balance at December 31, 2007	(1,259)	(691)	(1,950)
Depreciated cost at December 31, 2007	12,972	9,591	22,563

NOTE 13:- INVESTMENT PROPERTY

a. Composition and movement:

	2008	2007
	Euros in thousands	
As of January 1	8,077	3,222
Additions during the year:		
Purchases	9,145	2,588
Capitalized direct acquisition costs	90	373
Fair value adjustment	(3,656)	1,902
Acquisition of newly consolidated subsidiaries	7,543	-
Currency translation differences	444	(8)
Total additions	13,566	4,855
As of December 31	21,643	8,077

b. Investment properties are stated at fair value, which has been determined based on valuations performed by Adi Naor and DTZ, independent outside appraisers with reputable professional expertise and vast experience as to the location and type of the valued property. The fair value was measured with reference to recent real estate transactions with similar characteristics and location to the property owned by the Company and based on the expected future cash flows from the property. The assessment takes into consideration the structured risk of the cash flows. In computing the fair values as for the balance sheet dates, the appraisers used discount rate of from 13% to 9% (as of December 31, 2007, the discount rate - 10% to 8%).

The investment property comprises commercial real estate buildings and a hotel leased to third parties.

c. Capitalized leasehold rights from the Israel Lands Administration. The leasehold ends at the year 2013 - 2037 with an option to extend the contract for an additional 49 years.

d. On June 30, 2006, the Company signed a detailed agreement and completed the transaction for the sale of its entire rights as aforesaid. The Company received a payment of € 5.6 million with the addition of VAT and recorded a capital gain of approximately € 0.8 million in other income.

On March 4, 2008, the Company received from Israel Lands Administration a demand for payment of NIS 1.4 million in respect of permit fees of the property.

The demand is in accordance with a valuation of a real estate appraiser and is based on 2 plans: municipal building scheme Petach Tikva/2000 from 1992 and municipal building scheme Petach Tikva 1241/90 from 2006.

On January 4, 2009, the Company received a letter from its legal counsel regarding an amended tax assessment obtained form the Israel Lands Administration whereby the demand for payment was reduced to approximately € 142 thousand (the Company's share is approximately € 39.7 thousand with the addition of a provision for lawyers' fees).

NOTE 13:- INVESTMENT PROPERTY (Cont.)

On December 31, 2008, an assessment was received from the Israel Lands Administration. According to the assessment, the Company's share is approximately NIS 308 thousand. The Company is also required to pay a 5% purchase tax on this amount. The Company agreed with Isralom as to the transfer of said amount and Isralom will confirm the refund of the deposit in the trust account. Based on the above and in the opinion of its legal counsel, the Company provided an amount in its financial statements which reflects the exposure in this respect.

e. On March 30, 2009 the company's board of Directors granted its approved for confirm that the company to conduct negotiations with a private company under the ownership of an unrelated third party for selling the company's share in the asset situated in Amal Street in Petach Tikva.

The company has leasing rights form the Israel Land Administration on the second floor, as well as on most of the first floor in a 4-storied building on 58 Amal Street in Kiryat Arie, Petach Tivka.

Likewise, the Company is bound by a lease agreement with the company Krubiner-Ormor Assets and Investments Ltd. concerning the third and fourth floors of the asset, which are expected to be sold concurrently to the same buyer. The asset is rented out to Electronics Line 3000 Ltd.
The Company's share in the asset is expected to be sold for a price of about 1.9 million € plus VAT, whereby the Company's rights in the rent received from the asset shall be conferred upon the buyer commencing from a date to be set under the agreement.

f. As for charges, see Note 27a.

g. As for investment property acquired, see Note 11c, d and e.

NOTE 14:- PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Motor vehicles	Office furniture and equipment	Installations and leasehold improvements	Total
	Euros in thousands					
Cost:						
At January 1, 2008	8,600	458	1,214	1,416	790	12,478
Additions during the year	214	8	413	199	37	871
A company whose operation was discontinued	-	-	(433)	42	43	(348)
Additions of new subsidiary	-	9	-	-	-	9
Disposals during the year	-	(93)	(275)	-	-	(368)
Currency translation differences	585	31	86	95	55	852
At December 31, 2008	9,399	413	1,005	1,752	925	13,494
Accumulated depreciation:						
At January 1, 2008	2,014	359	196	964	407	3,940
Additions during the year	171	13	137	91	40	452
Disposals during the year	-	(60)	(60)	-	-	(120)
A company whose operation was discontinued	-	-	(42)	266	142	366
Currency translation differences	137	24	13	65	28	267
At December 31, 2008	2,322	336	244	1,386	617	4,905
Net book value:						
At December 31, 2008	7,077	77	761	366	308	8,589

	Land and buildings	Machinery and equipment	Motor vehicles	Office furniture and equipment	Installations and leasehold improvements	Total
	Euros in thousands					
Cost:						
At January 1, 2007	8,556	360	990	1,032	534	11,472
Additions during the year	189	101	793	404	267	1,754
Disposals during the year	-	-	(553)	-	-	(553)
Currency translation differences	(145)	(3)	(16)	(20)	(11)	(195)
At December 31, 2007	8,600	458	1,214	1,416	790	12,478
Accumulated depreciation:						
At January 1, 2007	1,890	300	234	894	361	3,679
Additions during the year	158	64	165	86	52	525
Disposals during the year	-	-	(199)	-	-	(199)
Currency translation differences	(34)	(5)	(4)	(16)	(6)	(65)
	2,014	359	196	964	407	3,940
Net book value:						
At December 31, 2007	6,586	99	1,018	452	383	8,538

NOTE 15:- INTANGIBLE ASSETS, NET

	December 31, 2008	December 31, 2007
	Euros in thousands	
Franchise		
Original amount	25,599	23,962
Less - accumulated amortization	4,366	2,891
	21,233	21,071

NOTE 16:- DISCONTINUED OPERATIONS

On May 28, 2008, the Board of Directors decided to extend to Metis Car Rental group the financing it requires to cover all its liabilities in the coming year and simultaneously to act to dispose of the holdings in the Metis Car Rental group, representing two operating segments - the car rental segment and the motor vehicle operating lease segment - as soon as possible. On November 16, 2008, the Company disposed of its holdings in Metis leasing (operating lease sector of vehicles) as stated in Note 11b above.

Following are the of assets and liabilities classified as held for sale:

	December 31, 2008
	Euros in thousands
ASSETS:	
Cash and cash equivalents	696
Restricted deposit	2
Trade receivables	739
Other receivables	358
Advances to suppliers	38
Motor vehicles for rental and operating lease, net	1,029
	2,862
LIABILITIES:	
Trade payables	502
Customer advances and deferred revenues	14
Other payables	896
Customer deposit	410
Loans from banks and others	151
	1,973
Assets/liabilities, net, held for sale	887

NOTE 16:- DISCONTINUED OPERATIONS (Cont.)

Following are data of the operating results of the discontinued operations:

	Year ended December 31,		
	2008	2007	2006
	Euros in thousands		
Revenues from sales	7,384	5,723	-
Cost of sales	7,888	4,937	-
Gross profit (loss)	(504)	786	-
Selling, general and administrative expenses	3,894	2,325	155
Other expenses (expenses)	(6,225)	(77)	-
Operating loss	(10,623)	(1,616)	(155)
Financial expenses, net	966	403	2
Loss from discontinued operations, net	(11,589)	(2,019)	(157)

Following are data of the net cash flows provided by (used in) the discontinued operations:

	Year ended December 31,		
	2008	2007	2006
	Euros in thousands		
Operating activities	(4,202)	(1,060)	(92)
Investing activities	5,222	(27,778)	(29)
Financing activities	(15,022)	(15,798)	-

Following the Board's decision, as above, and based on the fair value of the Company's holdings in Metis Car Rental group as reflected in various negotiations for selling its holdings, as above, the Company recorded in the financial statements as of December 31, 2008 provision for impairment of € 0.75 million which was recorded in loss from discontinued operations, net in the statement of income.

NOTE 17:- CREDIT FROM BANKS AND OTHERS

a. Composition:

	Weighted interest *) 31.12.08	December 31, 2008 In Euros	2008 Unlinked	2008 Total	2007 In Euros	2007 Unlinked	2007 Linked to Israeli CPI	2007 Total
	%	Euros in thousands						
Short-term credit from banks	Prime + 1.05	-	4,722	4,722	-	143	-	143
Current maturities of long-term loans		201	37	238	78	7,199	314	7,591
		201	4,759	4,960	78	7,342	314	7,734

b. As for charges and guarantees, see Note 27a and 27c.

NOTE 18:- TRADE PAYABLES

	December 31, 2008	December 31, 2007
	Euros in thousands	
Open accounts	17,629	17,566
Checks payable	554	2,286
	18,138	19,852

NOTE 19:- OTHER PAYABLES

	December 31, 2008	December 31, 2007
	Euros in thousands	
Related party	96	-
Government authorities	79	163
Employees and payroll accruals	825	991
Accrued expenses (2)	1,181	2,082
Provision for warranty (1)	806	689
Derivative financial instruments	239	1,678
Derivative financial instruments	361	-
Other	89	34
	3,676	5,637

(1) See Note 21.

(2) Most of the accrued expenses are settled quarterly through the financial year.

NOTE 20:- LOANS TO JOINTLY CONTROLLED ENTITIES FROM MIRAGE

a. Composition:

	December 31, 2008	December 31, 2007
	Euros in thousands	
Loans (1)	4,790	4,223
Less - current maturities	-	2,474
	4,790	1,749
Loans (2)	629	529
	5,419	2,278

(1) see Note 9.

In March 2007, the Company and Mirage ratified their consent in the agreement signed between them and Japan Auto Holdings.

The loan is linked to the Israeli CPI and bears annual interest at the rate of 6.5% (effective: 6.7%).

The loans will be subordinate to the debentures issued by Japan Auto Holdings to the public (see Note 23b).

(2) Another loan amounting to approximately € 490 thousand was extended by Mirage to Japan Auto Automobile. The loan is repayable once the Company and Mirage are refunded by an amount equivalent to the equity placed by them in favor of Japan Auto Holdings, whether in cash or by way of dividend distribution or payment of management fees in that amount (together US$ 20 million). Should the refund of equity fail to occur, the loan will be repayable in five annual equal installments the first of which is on April 21, 2015. The interest will accrue to the principal.

The loan is linked to the Israeli CPI and bears annual interest at the rate of 6.5% (effective: 6.7%).

The loan will be subordinate to the debentures issued by Japan Auto Holdings to the public (see Note 23b).

b. As for linkage terms of other payables, see Note 24d.

NOTE 21:- PROVISION FOR REPAIRS AND WARRANTY

a. Composition

	December 31, 2008	December 31, 2007
	Euros in thousands	
Provision for repairs and warranty	1,526	1,466
Less - provision for repairs and warranty presented in current liabilities (see Note 19)	806	689
	720	777

b. The movement in the provision for repairs and warranty:

	Euros in thousands
As of January 1, 2007	1,154
Arising during the year	912
Utilized	(578)
Currency translation differences	(22)
As of December 31, 2007	1,466
Cancelled amounts	60
As of December 31, 2008	1,526

NOTE 22:- LOANS FROM BANKS AND OTHERS

a. Composition as of December 31, 2008:

	Principal	Average nominal interest rate	Carrying amount	Balance less current maturities
	Euros in thousands	%	Euros in thousands	
Long-term loans from banks:				
Loans from banks in NIS	55	Prime + 0.5	55	19
Loans from banks in Euro	14,842	Euribor + 1.6	14,629	14,427
	14,897		14,684	14,446

NOTE 22:- LOANS FROM BANKS AND OTHERS (Cont).

Composition as of December 31, 2007:

	Carrying amount	Balance less current maturities
	Euros in thousands	
Long-term loans from banks:		
Loans from banks in NIS	7,608	4,772
Loans from banks in Euro	1,948	1,869
Loans from insurance company in NIS	1,423	1,109
	10,979	7,750
Other long-term liabilities:		
Liabilities from importers in NIS	4,485	124
Liabilities from jointly controlled entities in NIS	433	-
	4,918	124
Total	15,897	7,874

b. Maturity dates subsequent to the balance sheet date as of December 31, 2008:

	First year	Second year	Third year	Fourth year	Fifth year	Sixth year and thereafter	Total
	Euros in thousands						
Long-term loans from banks in NIS	36	19	-	-	-	-	55
Long-term loans from banks in Euro	218	218	614	721	729	12,342	14,842
	254	237	614	721	729	12,342	14,897
Less – finance's element							213
Total							14,684

Restrictions according to the credit arrangements of Metis Cerna:

1. Mortgage on the real estate and the hotel.
2. Charge on Metis Real Estate shares in Finit in favor of the bank.
3. Negative charge of Finit's assets
4. Charge on the existing and future bank accounts of Finit.
5. Assignment of the right to lease agreement.
6. A commitment that the value of collaterals shall not fall below the loan amount.

Restrictions pursuant to the credit agreements of Metis Austria:

1. A mortgage on the hotel in Vienna
2. A charge on Metis Austria shares
3. A charge on Metis Austria bank accounts
4. A charge on Metis Austria notes
5. A maximal ratio of 80% between the loan and the hotel value
6. An independent valuation of the hotel
7. Fulfillment of all permits and licenses and approval of an expert as to completion of the construction of the hotel.

NOTE 23:- DEBENTURES

a. The Group's debentures:

1. As of December 31, 2008:

	Par value	Principal	Maturity date	Nominal interest	Effective interest	Carrying amount
	Euros in thousands			%		Euros in thousands
Japan Auto debentures *)	13,205	14,359	February 1 of every one of the years 2009 - 2015	7.146%	10.38%	13,169
Company debentures	32,638	34,969	March 31 of every one of the years 2010 - 2015	6.5%	8.81%	32,711
Company debentures held by subsidiary	(12,341)	(13,222)	March 31 of every one of the years 2010 - 2015	6.5%	8.81	(12,627)
Total	33,502	36,106				33,253

*) The amount includes current maturity.

As of December 31, 2007:

	Carrying amount
	Euros in thousands
Japan Auto debentures	13,190
Company debentures	29,074
Company debentures held by subsidiary	(6,370)
Total	35,894

*) As for a change in the rate of the par value interest, see b(3) below.

2. The principal is repayable subsequent to balance sheet date as of December 31, 2008:

	First year	Second year	Third year	Fourth year	Fifth year	Sixth year and thereafter	Total
	Euros in thousands						
Japan Auto debentures	2,051	2,051	2,051	2,051	2,051	4,104	14,359
Company debentures (1)	-	3,624	3,624	3,624	3,624	7,252	21,748
Total	2,051	5,675	5,675	5,675	5,675	11,356	36,107
Less – finance's element							(2,854)
							33,253

(1) Less debentures held by a subsidiary.

NOTE 23:- DEBENTURES (Cont.)

b. Japan Auto debentures:

Terms of debentures:

1. In February 2006, Japan Auto Holdings issued debentures with a par value of € 30.24 million Euros.

2. The debenture principal and interest thereon will be linked to the Israeli CPI based on the index for January 2006 published in February 2006. The payment index will be the known CPI on the date of settlement on account of the principal and/or interest, but in the event that the payment index is lower than the base index, the payment index will be the base index.

3. Until September 15, 2008, the interest paid on the debentures was 7.05% per annum. According to the general meeting of the holders of debentures (series A) from December 30, 2007, starting September 15, 2008, the interest is placed at 7.146%. The interest is payable twice a year, on August 1 and February 1, the final payment being on February 1, 2015.

4. The principal payments - on February 1 of each of the years 2009 through 2015 (inclusive), the Company shall repay one seventh of the principal of the overall par value of the debentures plus linkage differences accrued on the principal (as state in 2 above).

5. As of December 31, 2008, the outstanding balance is 160,000 thousand par value, of which 20,096 thousand par value is held by a wholly owned subsidiary.

6. The fair value of debentures as of December 31, 2008 is € 23,077 thousand (the value includes interest accrued through December 31, 2008). The fair value, less debentures held by a subsidiary, is € 20,179 thousand.

7. During the reported year, Japan Auto Automobile purchased about 20,096 par value of debentures (series A) of the Company in consideration of € 3,214 thousand (the consideration includes interest of € 77.7 thousand which has accrued through the purchase date). This purchase resulted in a gain of approximately € 653.7 thousand to the Company.

8. As for charges, see Note 27a.

c. Company debentures:

1. Issuance of debentures:

   On May 29, 2007, the Company published a prospectus for the public offering of the following securities: € 22,306,238 par value of debentures (series A) for 94% of their par value; 295,000 stock options (series 2) that are exercisable into Company shares in consideration of an exercise increment of an unlinked amount of € 4.5 per stock option and 590,000 bond options (series 3) that are exercisable into € 18.9 par value of debentures (series A) in consideration of an exercise increment of € 18.14, linked to the Israeli CPI, per stock option, all at 295,000 units for a price of € 71 per unit by way of tender on the interest rate on the debentures (series A) not below 5% and not exceeding 6.5% as well as the Company's undertaking to offer to purchase all the bond options (series 3) on the first trading day for a price of € 0.57 per stock option.

NOTE 23:- DEBENTURES (Cont.)

On June 6, 2007, the Company completed the offering with an overall net cash value of approximately € 20,266 thousand (net of issuance expenses totaling approximately € 702 thousand). The interest rate was set at 6.5%.

On June 12, 2007, under its said undertaking, the Company purchased 169,309 stock options (series 3) for € 0.57 per stock option. The loss from early redemption was reported in the statement of income as financial expenses, net.

Pursuant to IFRS, the immediate gross proceeds from the issuance were recorded in the Company's financial statements as follows: approximately € 20,632 thousand gross on account of debentures (series A) (approximately € 19,942 thousand net of issuance expenses) and approximately € 0 on account of stock options (series 2) and approximately € 329.7 thousand on account of bond options (series 3).

In August and October 2007, the Company purchased 285,681 bond options (series 3). On October 25, 2007, 285,681 bond options (series 3) were transferred to Metis Real Estate at cost. In October and November 2007, Metis Real Estate acquired additional 263,241 stock options (series 3).

On November 6, 2007, the last date of exercise, out of the 590,000 bond options (series 3) of the Company offered according to the Company's prospectus from May 29, 2007, 548,922 bond options were converted by Metis Real Estate into debentures (series A) of the Company ("the stock options") and 41,078 bond options expired.

The bond options were exercised into debentures (series A) at the ratio of 1 bond option per € 17.4 in debentures (series A) and, accordingly, the Company issued € 9,575,112 in debentures (series A). The exercise price per each bond option was € 18.51 and, accordingly, the proceeds received by the Company amounted to € 10,376,597.

Purchase of Company debentures by subsidiary:

In December 2007, Metis Real Estate sold € 3,783,932 par value of debentures (series A) issued by the Company. Total received from the aforesaid was € 3.6 million net after commissions.

In the course of 2008, Metis Real Estate sold € 1,522,306 par value of debentures (series A) issued by the Company. Total received from the aforesaid was € 1.47 million net after commissions.

2. As for charges, see Note 27a.

d. The fair value of the Group debentures:

1. The fair value for Japan Auto debentures as of December 31, 2008 is € 10,089 thousand (the value includes accrued interest as of December 31, 2008). The fair value as of December 31, 2007 was € 16,094 thousand.

2. The fair value for Company debentures as of December 31, 2008 is € 9,368 thousand (the value includes accrued interest as of December 31, 2008). The fair value as of December 31, 2007 was € 25,229 thousand.

e. As for linkage terms of debentures, see Note 24d.

NOTE 24:- FINANCIAL INSTRUMENTS

a. Financial risk factors:

The Group's activities expose it to various financial risks such as market risk (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performances. The Group utilizes derivatives in order to hedge itself against certain exposures to risks.

1. Exchange rate risk:

The Group imports vehicles from Japan and is exposed to exchange rate risks resulting from the exposure to different currencies, mainly to the Japanese Yen. Exchange rate risks derive from forward commercial transactions, recognized assets and liabilities denominated in a foreign currency other than the functional currency. The Group has a currency exposure in the balance sheet due to the fact that the vehicle prices cannot be fully linked to the Japanese Yen when it revaluates. The Group is also exposed to the effect of the increasing of the Yen on customs and purchase tax costs.

The Group has investments in foreign operations whose net financial assets are exposed to possible fluctuations in the exchange rate of the Euro. The foreign exchange exposure arising from the foreign operations' net financial assets in Europe is principally managed by holding borrowings denominated in Euro.

2. Israeli CPI risk:

The Group has issued debentures that are linked to the changes in the Israeli CPI. Also, the Group gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Group is exposed to changes in the Israeli CPI amounts to approximately € 33,851 thousand as of December 31, 2008.

3. Credit risk:

The Group maintains policies that guarantee that wholesale sales of its products are carried out to customers with an adequate credit history, that its sales to individuals are performed in cash or using credit cards and that sales of vehicle fleets are performed in cash or using checks receivable.

Credit risk may arise from the exposure of holding several financial instruments with a single entity or from entering into transactions with several groups of debtors with similar economic characteristics whose ability to discharge their obligations will likely be similarly affected by changes in economic or other conditions. Factors that have the potential of creating concentrations of risks consist of the nature of the debtors' activities, such as their business sector, the geographical area of their operations and the financial strength of groups of borrowers.

The Company extends a 30-day term to its customers. The Company regularly monitors the credit extended to its customers and their general financial condition but does not require collateral as security for these receivables. The Company provides an allowance for doubtful accounts based on the factors that affect the credit risk of certain customers, past experience and other information.

NOTE 24:- FINANCIAL INSTRUMENTS (Cont.)

As of December 31, 2008, cash and cash equivalents totaled € 5,206 thousand and marketable securities totaled € 7,582 thousand (mainly debentures).

The Company maintains cash and cash equivalents, short-term and long-term investments and other financial instruments in various financial institutions. These financial institutions are located in different geographical areas around the world. The Company's policy is to diversify its investments among the various institutions. According to the Company's policy, the relative credit stability of the various financial institutions is evaluated on a regular basis.

The subsidiaries earn revenues mainly from customers in Israel. Outstanding customer receivables are regularly monitored by the subsidiaries and allowances for doubtful accounts which, according to the subsidiaries evaluation, adequately reflect the expected loss of debts whose collection is doubtful, were recorded in the financial statements.

The Group is exposed to credit loss in respect of loan to a jointly controlled entity and Mirage ("the receivables") as a result of a default in case the receivables fail to meet their obligation to the Group.

4. Interest rate risk:

The Group's interest rate risk mainly arises from long-term loans. Loans bearing variable interest rates expose the Group to interest rate risk in respect of cash flows. At the end of the reported year, about 100% of the loans were at a variable interest rate.

5. Liquidity risk:

The Group aims to preserve the existing ratio between long-term financing and the flexibility in using overdrafts, credit from others, credit from suppliers, loans to a jointly controlled entity and from Mirage and debentures. The scope of short-term financing is adjusted to the Group's varying needs.

6. Price risk:

The Group has investments in listed financial instruments, shares and debentures that are classified as available-for-sale financial assets and financial assets at fair value through profit or loss in respect of which the Group is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price. As of December 31, 2008, the balance of these investments is € 7,582 thousand (2007 - € 10,058 thousand).

b. Concentration of liquidity risk:

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

NOTE 24:- FINANCIAL INSTRUMENTS (Cont.)

As of December 31, 2008:

	Until 1 year	1 to 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years	Total
	Euros in thousands						
Loans from banks and others	5,615	853	1,212	1,290	1,266	15,800	26,036
Trade payables	18,183	-	-	-	-	-	18,183
Other payables	2,226	-	-	-	-	-	2,226
Debentures	3,623	7,749	7,369	6,988	6,607	12,072	44,408
Loans to jointly controlled entities from Mirage	-	-	-	-	-	8,421	8,421
	29,647	8,602	8,581	8,278	7,873	36,293	99,274

As of December 31, 2007:

	Until 1 year	1 to 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years	Total
	Euros in thousands						
Loans from banks and others	8,789	3,093	3,528	289	276	1,490	17,465
Trade payables	19,852	-	-	-	-	-	19,852
Other payables	5,029	-	-	-	-	-	5,029
Debentures	2,615	4,658	8,543	8,125	7,708	20,589	52,238
Loans to jointly controlled entities from Mirage	2,474	726	445	424	403	1,080	5,552
Loans from jointly controlled entities	444	-	-	-	-	-	444
	39,203	8,477	12,516	8,838	8,387	23,159	100,580

c. Fair value of financial instruments:

1. General:

The Group's financial instruments include mainly cash and cash equivalents, short-term investments, trade receivables, restricted deposit, other receivables, loan to Mirage, loan to jointly controlled entity, short-term credit, trade payables, other payables, loans to jointly controlled entities from Mirage, long-term loans and debentures.

2. The principal methods and assumptions used in computing the estimated fair value of the financial instruments:

a) Financial instruments included in assets:

Cash and cash equivalents, short-term investments, restricted deposit, trade receivables, other receivables and a loan to a jointly controlled entity and a loan to Mirage - the balance sheet balances as of December 31, 2007 approximate their fair value.

NOTE 24:- FINANCIAL INSTRUMENTS (Cont.)

b) Financial instruments included in current liabilities:

Short-term credit from banks and others, trade payables, other payables and loans from a jointly controlled entity - the balance sheet balances as of December 31, 2007 approximate their fair value.

c) Financial instruments included in non-current liabilities:

Loans to jointly controlled entities from Mirage, loans from banks and others and debentures are linked and bear interest which, according to management, are on an arm's length basis and, accordingly, the balance sheet balances as of December 31, 2007 approximate their fair value.

As for the fair value of Group debentures issued to the public, see Note 23d.

d. Derivatives and hedging:

Derivatives not designated as hedging instruments:

The Group has foreign currency denominated derivatives to manage some of its transactions exposure to fluctuations in exchange rates. These derivatives are entered into for periods consistent with the periods of foreign currency transaction exposure. Such derivatives do not qualify for hedge accounting.

The following are details of the Group's derivatives:

	Exercise/ expiration date	Par value	Fair value
		NIS in thousands	
December 31, 2008:			
Options purchased:			
Buy call	1-3/2009	8,025	236
Buy put	1-3/2009	5,099	467
Options written:			
Sell call	1-3/2009	2,871	-
Sell put	1-3/2009	9,255	(351)
December 31, 2007:			
Forward transactions purchased, net	1-3/2008	6,700	(157)
Options purchased:			
Buy call	1-3/2008	13,089	93
Buy put	1-3/2008	4,436	70
Options written:			
Sell call	1-3/2008	3,398	(21)
Sell put	1-3/2008	11,163	607

NOTE 24:- FINANCIAL INSTRUMENTS (Cont.)

e. Linkage terms of financial instruments for long-term:

	December 31, 2008			
	Euro	Linked	Unlinked	Total
	Euros in thousands			
Assets				
Long-term investments	-	-	134	134
Loan to jointly controlled entity	-	5,474	-	5,474
	-	5,474	134	5,608
Liabilities				
Loan from banks and others	14,629	-	55	14,684
Loans to jointly controlled entities from Mirage	-	5,419	-	5,419
Debentures	-	33,252	-	33,252
Current maturities	(201)	(1,880)	(37)	(2,118)
	14,428	36,791	18	51,237

NOTE 24:- FINANCIAL INSTRUMENTS (Cont.)

f. Sensitivity tests relating to changes in market factors:

	Sensitivity test to changes in interest rates	
	Gain (loss) from the change	
	Increase of 3% in interest	Decrease of 3% in interest
	Euro in thousands	
2008	380	(380)
	Increase of 0.5% in interest	Decrease of 0.5% in interest
	Euro in thousands	
2007	20	(20)

	Sensitivity test to changes in the exchange rate of the U.S. $	
	Gain (loss) from the change	
	Increase of 10% in exchange rate	Decrease of 10% in exchange rate
	Euro in thousands	
2008	*) -	*) -
	Increase of 5% in exchange rate	Decrease of 5% in exchange rate
	Euro in thousands	
2007	47	(47)

	Sensitivity test to changes in the exchange rate of the NIS	
	Gain (loss) from the change	
	Increase of 10% in exchange rate	Decrease of 10% in exchange rate
	Euro in thousands	
2008	3,469	(3,469)
	Increase of 5% in exchange rate	Decrease of 5% in exchange rate
	Euro in thousands	
2007	1,734	(1,734)

*) Represents an amount lower than Euro 1 thousand.

NOTE 24:- FINANCIAL INSTRUMENTS (Cont.)

	Sensitivity test to changes in the exchange rate of the Yen	
	Gain (loss) from the change	
	Increase of 10% in exchange rate	Decrease of 10% in exchange rate
	Euro in thousands	
2008	1,635	(1,635)
	Decrease of 5% in exchange rate	Increase of 5% in exchange rate
	Euro in thousands	
2007	(761)	761

	Sensitivity test to changes in the market prices of available-for-sale financial instruments and financial instruments measured at fair value through profit and loss	
	Gain (loss) from the change	
	Decrease of 10% in exchange rate	Increase of 10% in exchange rate
	Euro in thousands	
2008	(758)	758
	Increase of 5% in exchange rate	Decrease of 5% in exchange rate
	Euro in thousands	
2007	503	(503)

	Sensitivity test to changes in the exchange rate of the Israeli CPI	
	Gain (loss) from the change	
	Increase of 2% in in Index	Decrease of 2% in in Index
	Euro in thousands	
2008	676	(676)
2007	(651)	651

NOTE 24:- FINANCIAL INSTRUMENTS (Cont.)

		Decrease of 10% in market factor	Increase of 10% in market factor
		Euro in thousands	
2008 -	Option transactions	(222)	1,583
2007 -	Forward transactions	(848)	(770)
	Option transactions	(1,212)	15

*) The sensitivity tests relating to the financial derivatives include Yen/NIS, Yen/dollar and NIS/dollar positions.

Sensitivity tests and principal work assumptions:

The selected changes in the relevant risk variables were determined based on management's estimate as to reasonable possible changes in these risk variables.

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the profit or loss and/or change in equity (before income taxes) in respect of each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The test of risk factors and the financial assets and liabilities were determined based on the materiality of the exposure in relation to each risk assuming that all other variables are held constant.

The sensitivity test for long-term loans with variable interest was only performed on the variable component of interest.

The sensitivity tests for listed investments with quoted market price (bid price) were performed on possible changes in these market prices.

Option sensitivity tests are performed using the Black & Scholes model.

Since the market value of the options is not necessarily their value according to the Black & Scholes model, scenarios were used to calculate the changes in the value of the option for each scenario compared to the original Black & Scholes value and not compared to market value. These changes were added to fair value.

In forward transactions annual interest was used as follows: forward transactions against the dollar - 4.22% - 4.25%, forward transactions against the Canadian dollar - 3.803%, forward transactions against the Pound sterling - 5.744%, forward transactions against the Swiss franc - 2.977%, forward transactions against the NIS - 4.943%, forward transactions against the Yen - 0.987%.

The fair value of marketable assets was measured according to their market value. Forward transactions and options are traded over the counter.

The Company performed a sensitivity analysis for assets that are sensitive to risk factors examining the extreme case scenarios presented in the sensitivity tables.

NOTE 24:- FINANCIAL INSTRUMENTS (Cont.)

g. Capital management:

The Company's capital management objectives are:

1. To preserve the Group's ability to guarantee business continuity thereby creating a return for the shareholders, investors and other related parties.

2. To secure adequate return for the shareholders by pricing of products and services that is adjusted to the level of risk in the Group's business operation.

3. To maintain good capital relations to secure support of the business operation and create maximum value to the shareholders.

The Company acts to achieve a capital rate of return at a level that is customary in the industry and markets in which the Company operates. This rate of return is subject to changes depending on market factors in the Company's industry and business environment. In accordance with the trust deed of debentures (series A) of the Company, if the Company shall distribute dividends and/or withdraw shareholders' loans, in the manner that due to the distribution of dividends or the shareholders' loans, shareholders' equity as reported in the financial statements shall fall below NIS 180 million, the trustee may call all unpaid debentures (series A) for immediate payment or part thereof.

The Company manages its capital structure and performs adjustments required by changes in the economic conditions and risk characteristics of its activities. In order to preserve or adapt the required capital structure, the Company adopts various measures such as raising capital by way of offering shares, equity purchases from shareholders and disposal of assets so as to reduce its debts.

NOTE 25:- EMPLOYEE BENEFIT LIABILITY

a. The Group has a defined benefit pension plan, covering substantially all of its employees, which requires making contributions to separately administered funds.

The following tables summarize the funded status and amounts recognized in the balance sheet and the components of net benefit expense recognized in the statement of income.

b. Section 14 to the Severance Pay Law, 1963 applies to part of the compensation payments, pursuant to which the regular deposits of the Group in pension funds and/or policies of insurance companies release the Group from any additional liability to the employees, in respect of which said amounts were deposited (defined contribution plan).

	Year ended December 31,		
	2008	2007	2006
	Euros in thousands		
Expenses for defined contribution plan	15	4	4

NOTE 25:- EMPLOYEE BENEFIT LIABILITY (Cont.)

c. The portion of severance pay which is not covered by such deposits is treated by the Group as defined benefit plan according to which the liability for employee benefits is recorded.

Plan liabilities, net:

	December 31, 2008	December 31, 2007
	Euros in thousands	
Defined benefit obligation	1,200	1,095
Fair value of plan assets	(908)	(586)
Benefit liability, net	292	509

Changes in the present value of the defined benefit obligation are as follows:

	2008	2007
	Euros in thousands	
Obligation at January 1,	1,095	1,110
Classification to discontinued operations	(153)	-
Interest cost	62	57
Current service cost	135	248
Benefits paid	(215)	(295)
Severance pay fund to dismissed employees – yet unpaid	-	(93)
Actuarial loss, net	213	90
Currency translation differences	63	(22)
Obligation at December 31,	1,200	1,095

d. The plan's assets include assets held by a long-term employee benefit fund and adequate insurance policies

Changes in the fair value of the plan assets are as follow:

	2008	2007
	Euros in thousands	
Plan assets at January 1,	586	509
Classification to discontinued operations	324	-
Expected return	60	30
Contributions by employer	155	169
Benefits paid	(115)	(160)
Severance pay that was not yet paid out of the assets	-	(17)
Actuarial gain (loss), net	(165)	68
Currency translation differences	63	(13)
Plan assets at December 31,	908	586

NOTE 25:- EMPLOYEE BENEFIT LIABILITY (Cont.)

f. Net benefit expenses:

	December 31,	
	2008	2007
	Euros in thousands	
Current service cost	135	248
Interest cost on benefit obligation	62	57
Expected return on plan assets	(60)	(30)
Actuarial loss	378	22
Net benefit expense	515	297
Actual return on plan assets	105	98

The principal assumptions used in determining employee benefit obligations for the Group's plans are shown below:

	2008	2007
	%	
Discount rate	5.9	5.9
Expected rate of return on assets	3.5	3.5
Future salary increases	2.5	2.5

NOTE 26:- TAXES ON INCOME

a. Income taxes applicable in Israel:

Measurement of results for tax purposes under the Israeli Income Tax (Inflationary Adjustments) Law, 1985:

Under the Law, up to the end of 2007 the Company's results are measured in accordance with the changes in the Israeli CPI.

In February 2008, the "Knesset" (Israeli parliament) passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law starting 2008 and thereafter. Starting 2008, the results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the Israeli CPI carried out in the period up to December 31, 2007. The amendment to the law includes, inter alia, the elimination of the inflationary additions and deductions and the additional deduction for depreciation starting 2008.

Capital gains/losses:

Pursuant to the provisions of the Law for Amendment of the Income Tax Ordinance (No. 132), 2003 ("the reform law"), tax at a reduced rate of 25% will apply on capital gains accrued after January 1, 2003, instead of the regular tax rate. In case of the sale of properties purchased before the adoption of the reform law, the reduced tax rate will apply only to the portion of the profit which accrued after the adoption of the law, as computed according to the law. Further, the reform law states that capital losses carried forward for tax purposes may be offset against capital gains indefinitely. The reform law also provides for the possibility to offset capital losses from sales of properties outside Israel against capital gains in Israel.

NOTE 26:- TAXES ON INCOME (Cont.)

b. Tax rates applicable to the income of the Group companies:

1. In June 2004, an amendment to the Income Tax Ordinance (No. 140 and Temporary Provision), 2004 was passed by the "Knesset" (Israeli parliament) and on July 25, 2005, another law was passed, the amendment to the Income Tax Ordinance (No. 147) 2005, according to which the corporate tax rate is to be progressively reduced to the following tax rates: 2004 - 35%, 2005 - 34%, 2006 - 31%, 2007 - 29%, 2008 - 27%, 2009 - 26%, 2010 and thereafter - 25%.

2. The principal tax rates applicable to the subsidiaries whose place of incorporation is outside Israel are:

   A company incorporated in Romania - tax at the rate of 16%.

   A company incorporated in Australia - tax at the rate of 25%.

c. Final tax assessments:

The Company received final tax assessment through 2002 (see also Note 11b).
Subsidiaries received final tax assessments through 2002.
Japan Auto Holdings, Metis car rental group and Metis Real Estate group have not received final tax assessments since their incorporation.

d. Carryforward losses for tax purposes and other temporary differences:

Carryforward losses for tax purposes and other temporary differences of subsidiaries total approximately € 18.1 thousand as of December 31, 2008.

Carryforward losses for tax purposes and other temporary differences of the Company total € 5.3 million as of December 31, 2008.

Deferred tax assets relating to these carryforward tax losses and to other temporary differences were not recorded due to the uncertainty of their utilization in the foreseeable future.

e. Deferred taxes:

Composition:

	December 31,	
	2008	**2007**
	Euros in thousands	
Depreciable property, plant and equipment	(32)	(53)
Excess of cost attributed to franchise	(5,424)	(5,384)
Excess of cost attributed to land	(970)	(916)
Investment property	(405)	(588)
Other temporary differences in recognition of income and expenses	(51)	406
	(6,882)	(6,535)

NOTE 26:- TAXES ON INCOME (Cont.)

The deferred taxes are presented in the balance sheet as follows:

	December 31,	
	2008	2007
	Euros in thousands	
Non-current assets	65	392
Non-current liabilities	(6,947)	(6,927)
	(6,882)	(6,535)

The deferred taxes are computed at average tax rates of about 26% and 27% as of December 31, 2008 and 2007, respectively for the short-term reconciliation and about 25% for the long-term (the tax rates that are expected to be in effect based on the enacted tax laws at balance sheet date).

f. Income taxes included in the statements of income:

	Year ended December 31,		
	2008	2007	2006
	Euros in thousands		
Current taxes	1,001	2,375	1,156
Deferred taxes	(626)	(98)	(477)
Land betterment tax	(23)	(87)	147
Taxes in respect of previous years	(36)	(258)	14
	322	1,932	840

g. Theoretical tax:

Below is a reconciliation between the tax amount assuming that all the profit and loss was taxed at the statutory tax rate in Israel:

	Year ended December 31,		
	2008	2007	2006
	Euros in thousands		
Profit (loss) before income taxes	(4,839)	5,111	2,773
Statutory tax rate	27%	29%	31%
Tax calculated at the statutory tax rate	(1,307)	1,482	860
Taxes in respect of previous years	(46)	(345)	14
Non-deductible expenses	108	396	136
Deferred taxes created at different tax rates	-	(219)	27
Loss for tax purposes for which no deferred taxes were provided	924	581	(105)
Other differences (mainly in the basis of measurement)	14	37	(92)
Income taxes	(316)	1,932	840
Average effective tax rate	6%	62%	32%

NOTE 26:- TAXES ON INCOME (Cont.)

h. Distribution of shares of Electronics 3000 to the shareholders:

1. In 2004, the Company distributed shares of Electronics 3000 representing 100% of its issued and outstanding share capital to the Company's shareholders ("the distribution in kind"). Following the distribution in kind, the Company has no stake in Electronics 3000.

   The Company applied to the Income Tax Commission ("the Commission") for obtaining a ruling approving that the distribution of shares will be viewed as a capital tax event at the shareholders' level. At this stage, the Commission refrained from deciding on the issue of the distribution of shares of Electronics 3000 as above, but did decide on the issue of tax withholding. According to the ruling obtained from the Commission on May 27, 2004, the Commission affirmed that the Company will not incur a withholding tax liability in respect of the distribution in kind, except: (a) a distribution to Israeli public shareholders which are not controlling shareholders as this term is defined in article 3(i) to the Income Tax Ordinance (in this item, "controlling shareholders"). Pursuant to this stipulation, the Company deducted within seven days from the date of distribution withholding tax at a rate of 15% from the average quoted market price of the shares of Electronics 3000 in the first three trading days in a total of € 15,481; (b) a distribution to non-Israeli public shareholders which are not controlling shareholders that hold shares traded on the German stock exchange for which the withholding tax will be limited to a rate not exceeding 15% from the average quoted market price of the shares of Electronics 3000 in the first three trading days, this only if the final undisputable tax assessment determines that the distribution is not a capital tax event.

   In all matters pertaining to the withholding tax in respect of the distribution of shares to non-controlling public shareholders, the Company has decided to bear the tax burden by itself. In respect of non-Israeli public shareholders, the Company shall only pay tax if a final undisputable tax assessment is issued as above. The Company estimates that the amount of maximum tax exposure imposed on it as a result of the change in the distribution's classification under an undisputable final tax assessment will not exceed approximately €793 thousand. The Company believes the probability of a change in the distribution's classification in the final tax assessment is low.

   On December 29, 2008, the Company was issued a tax deductions assessment of approximately €1.4 million.

   On January 6, 2009, the Company filed an objection to the abovementioned tax assessment.

   The Company believes that the maximum tax exposure imposed on it as a result of the change in the distribution's classification will not exceed approximately € 76.94 thousand. The Company believes the probability of a change in the distribution's classification is low.

NOTE 27:- CHARGES, CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

a. Charges:

1. To secure credit received by Japan Auto Automobile from banks, charges were recorded on its assets, including all the assets, rights, funds, notes and documents, buildings, investments in shares of investees, securities and goodwill. All the liabilities, guarantees and documentary credit that are secured by said charges amount to approximately € 1,637 thousand as of balance sheet date.

   Further, Japan Auto Automobile pledged land owned by it in favor of the borrowing bank.

2. Japan Auto Automobile pledged land owned by it as follows:

   a) Mortgages were recorded on bloc 6592 parcels 32, 33, 98 and 100.
   b) Mortgages were recorded on bloc 7067 parcels 1 and 49.

3. Charges to secure repayment of Japan Auto Holdings debentures:

   To secure the repayment of the debentures issued to the public, Japan Auto Holdings undertook to record the following charges:

   a) A first priority fixed charge on the shares of Mirage Investments, Mirage 2000 and Japan Auto Automobile in favour of the trustee and the debenture holders.

   b) A first priority floating charge on Japan Auto Holdings' assets in favour of the trustee and the debenture holders.

   c) The charges described in subsections a) and b) above will be hereby referred to as the pledged assets. Japan Auto Holdings is not entitled to create any other charges on the pledged assets, other than a second priority fixed charge on the shares of Japan Auto Automobile in favour of the Company and Mirage, by notice to the trustee.

   d) On February 12, 2006, the Company and Mirage signed an irrevocable deed of consent towards the trustee, Japan Auto Holdings and the Companies' Registrar for recording the charges on the pledged assets, providing for them to be first in priority and in preference to any other charges.

4. On February 12, 2006, Japan Auto Automobile undertook towards the trustee and the debenture holders that undertaking new covenants and/or amendment of existing covenants between Japan Auto Automobile and the lending bank or others or undertaking new covenants in respect of each bank or lender, which might, directly and/or indirectly, impair Japan Auto Automobile's ability to pay Japan Auto Holdings management fees or the principal, linkage differences and interest on the loans extended by Japan Auto Holdings to Japan Auto Automobile or a dividend or any other payment, will be subject to the consent of the trustee in advance and in writing.

5. To secure credit received by Metis Cerna, mortgage was placed on the hotel, a negative charge was placed on Finit's assets, a charge was placed on the shares of Metis Real Estate in Finit and a charge was placed on the existing and future bank accounts of Finit. In addition, it granted an assignment of right to lease agreement to the bank.

NOTE 27:- CHARGES, CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

The suspending conditions to receive the financing are: an independent valuation of the hotel and fulfillment of all permits and licenses and approval of an expert as to completion of the construction of the hotel.

b. Charges to secure the repayment of debentures:

To secure the repayment of the debentures issued to the public according to a prospectus, the Company recorded the following charges on its assets and rights:

1. A first priority fixed charge on the shares of Mirage Investments in favor of the trustee and the debenture holders.

2. A first priority fixed charge on the shares of Mirage 2000 in favor of the trustee and the debenture holders.

3. A first priority fixed charge on the shares of Japan Auto Automobile in favor of the trustee and the debenture holders.

4. A first priority floating charge on the Company's assets in favor of the trustee and the debenture holders.

5. The charges described in subsections 1 to 4 above will be hereby referred to as the "pledged assets". The Company is not entitled to create any other charges on the pledged assets, except for a second priority fixed charge on the shares of Japan Auto Automobile in favour of Metis and Mirage, by notice to the trustee.

6. On February 12, 2006, Metis and Mirage signed an irrevocable deed of consent towards the trustee, the Company and the Companies' Registrar for recording the charges on the pledged assets, providing for them to be first in priority and in preference to charges in their favor, as far as applicable.

c. Contingent liabilities:

1. Hearing held for Japan Auto Holdings by the Ministry of Transport in respect of engine improvement kits:

In 2002, Japan Auto Automobile installed in the Impreza WRX models of its Subaru motor vehicles an improvement kit produced by "Pro Drive". According to the Ministry of Transport, the installation of the improvement kit constitutes a structural change and, therefore, Japan Auto Automobile exceeded its authority under its letter of authorization to act as the vehicle licensing authority and registered motor vehicles in which there had been a structural change. On December 2, 2004, a hearing on the issue was held in the Ministry of Transport. During the hearing, Japan Auto Automobile presented its position on the issue, with its main argument being that the Ministry of Transport had given its approval for importing the improvement kits and that in meetings that took place between representatives of Japan Auto Automobile and representatives of the Ministry of Transport, it was made clear to the Japan Auto Automobile representatives that the improvement kits do not contain anything that alters the structure of the vehicles. On February 20, 2005, a decision was made by the Ministry of Transport in the hearing, whereby the Ministry of Transport refused to accept the position of Japan

NOTE 27:- CHARGES, CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

Auto Automobile that Japan Auto Automobile representatives had been told by the Transport Ministry representatives that the improvement kit does not constitute a structural change in the motor vehicles.

In addition, it was pointed out in the decision that Japan Auto Automobile acted without clarifying as to which of the authorities that had been granted to it by virtue of the letter of authorization to act as the vehicle licensing authority and, as a result, had exceeded the authorities granted to it within the framework of this letter of authorization. The Ministry of Transport gave Japan Auto Automobile a warning that was noted in its vehicle importer file.

The decision stipulated that Japan Auto Automobile is to carry out the following:

a) To determine new procedures so that in future cases such as these (exceeding the authority given by virtue of the authorization letter) would not recur.

b) To employ a standards engineer.

c) With regard to the kits, Japan Auto Automobile was given the opportunity of receiving a license to install the kits, but the matter requires the approval of the vehicle manufacturer and the approval of the European laboratory regarding the compliance of the motor vehicles with the air pollution standards. If Japan Auto Automobile is unable to provide these approvals, it would have to take steps to remove the kits from the vehicles.

Japan Auto has informed the Ministry of Transport that it has ceased importing and installing the kits.

Based on the opinion of its legal advisors, Japan Auto Automobile estimates that the monetary exposure in respect of the above is covered by the provision for repairs and warranty included in its books.

2. In March 2004, Japan Auto Automobile received a claim from the Herzliya Municipality ("the Municipality") for payment of municipal taxes for 2002-2003 in respect of a property owned by it. The Municipality argues that Japan Auto Automobile had not accounted for the change in property holders and is therefore liable to debts for said years in an amount of approximately € 101 thousand. Japan Auto Automobile argues that a notification of the change in holding had been filed with the Municipality both by the current lessors and by Japan Auto Automobile. It also claims that in an agreement signed between Japan Auto Automobile and the former lessor, there is a clause that allows the lessor to enter into an engagement with a sub-lessor so that the current lessor is to be viewed at least as the sub-lessor.

The Director of Municipal Taxes at the Municipality rejected Japan Auto Automobile's objection in the matter. A subsequent appeal was filed with the Municipality's Municipal Tax Committee.

In a preliminary meeting held before the Appeals Committee at the end of which the Director of Municipal Taxes at the Municipality stated that he would be willing to end the matter with a settlement resulting that Japan Auto Automobile will pay less than what it had been required to pay. The financial statements include a provision of € 19 thousand in respect of said claim. The management of Japan Auto Automobile believes the amount of the compromise will not be more than such amount.

NOTE 27:- CHARGES, CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

3. On January 31, 2007, Japan Auto Automobile received a letter entitled "municipal tax assessment for January 1, 2001 through October 30, 2002" in respect of the property used by the Japan Auto Group ("the letter regarding municipal taxes"). The letter regarding the municipal taxes contains a demand from Japan Auto Automobile to pay the Municipality a sum of approximately € 50 thousand including interest and linkage of approximately € 17 thousand, retroactively, in respect of a property used by the Japan Auto Group during said period.

   The Municipality claims that no report had been submitted in respect of this property during the period of its use by the Japan Auto Group.

   It should be stated that the property was used as a gas station operated by a third party under a lease agreement. Japan Auto Automobile is acting to assign the municipal tax charge directly to the third party yet it is of the opinion that the retroactive charge will be revoked and, accordingly, no provision was recorded in the financial statements in respect of the charge.

4. On February 18, 2008 and March 6, 2008, Japan Auto received a claim from the Herzliya Municipality for payment of approximately € 0.92 million in respect of different levies (laying water pipe, sewage, sewerage and road paving).

   An examination conducted raised that built areas with no building permits have been added over the years to properties used by the Group. The Group's management, based on the advise of its legal counsels, has recorded in the financial statements a provision of approximately € 0.46 million for half of the amount demanded by the Herzliya Municipality. This amount has no effect on the Group's operating results since it was charged to cost of land.

5. Claims in the aggregate of approximately € 240 thousand have been filed against Japan Auto Automobile. The Company's management, based on the opinion of its legal counsels, can not assess the chances of the claims and, accordingly, no provision has been made in the financial statements.

6. To secure lines of credit obtained by Metis Austria, a mortgage was recorded on the hotel in Vienna, a charge was recorded on the shares of Metis Austria, a charge was recorded on Metis Austria's bank accounts and a charge was recorded on Metis Austria's deliverables. The repayment of the shareholders' loans and related interest, dividends and other payments will be subordinate to the bank financing.

7. On January 19, 2009 and January 26, 2009, Michael Arnon, the former CEO of Metis Car Rental, applied to the Company requesting compensation in the amount of $ 100,000 for bringing the "Europcar" brand name into Israel on behalf of the Company alleging that this amount had been promised to him by the Company's former Chairman of the Board and CEO after it had been decided to let him go. On February 18, 2009, the Company responded to Michael Arnon in a letter, rejecting his claims regarding the payment demanded by him as above. The Company's management, after consulting with its legal counsel, believes that the chances of the claim are remote.

NOTE 27:- CHARGES, CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

8. Legal claims filed by the Company:

   Pursuant to a local outlining scheme of September 4, 2003 of the Herzliya Municipality, parcels and sub-parcels in Herzliya that are owned by subsidiaries are designated for consolidation, increase of rights in respect of some of the sub-parcels and the expropriation of some of the sub-parcels.

   In August 2006, pursuant to the Building and Planning Law, 1965, the subsidiaries filed a demand for compensation due to the abovementioned change in designation and expropriation in the amount of € 10.3 million as of September 4, 2003. The Group did not record an asset for this demand in its books.

c. Guarantees:

1. The Company placed limited guarantees at no consideration in favor of a third party in respect of the activity of Metis Car Rental group. Shortly after the date of approval of the financial statements, the guarantees secure approximately € 0.19 million.

2. Japan Auto Automobile issued guarantees totaling approximately € 217 thousand, as follows:

   € 192 thousand in favor of the Ministry of Transport for its activity in the car market.

   € 25 thousand in favor of lessor of real estate.

d. Commitments:

1. Japan Auto Automobile has a triple distribution agreement with a manufacturer of cars type Subaru, Fuji Heavy Industries Ltd. ("F.H.I"), through Sojitz Corp. ("Sojitz"), one of Japan's largest trade companies, for the import of Subaru models through Sojitz and the import of spare parts directly from F.H.I. This agreement replaced a former agreement of Japan Auto Automobile and F.H.I at similar terms.

   This agreement is effective from January 2006 and it will in force until December 31, 2008. The agreement will be renewed automatically each year until the end of five years from their effective date, unless one of the parties informs the other on its wish to terminate the agreement with an advance notice of six months. At the request of Japan Auto Automobile, F.H.I has made clear that if the commitment between Japan Auto Automobile and Sojitz is terminated, the concession agreement for the remainder period will remain in force.

   According to the agreement, Japan Auto Automobile is required to engage such number of dealers as F.H.I. deems necessary. Also, Japan Auto Automobile is required to maintain showrooms, garages and other facilities as set in the agreement. Japan Auto Automobile has to hold at any time inventories of spare parts that is sufficient to service three months and cause that the dealers hold such inventories for existing cars and for all cars of former models. Further, the agreement sets that Japan Auto Automobile will furnish F.H.I monetary reports and various sales reports as set in the agreement.

NOTE 27:- CHARGES, CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

2. On December 12, 2005, Japan Auto Automobile, with the mediation of a third party (that is not a related party directly and/or indirectly), signed an agreement with Sojitz Corp. ("Sojitz") for the import of cars type Subaru only (excluding the import of spare parts and accessories) manufactured by F.H.I through Sojitz and their sale in Israel. The purpose of this agreement is to provide supplier's credit from Sojitz.

   The principles of the agreement are as follows:

   a) Japan Auto Automobile will bear the costs involved in implementing the agreement.

   b) Japan Auto Automobile will make the purchases of cars through Sojitz. If Sojitz chooses not to accommodate it (for its own considerations), Japan Auto Automobile shall place the order directly with F.H.I.

   c) The price of the cars will be agreed upon between the parties from time to time.

   d) The agreement determines a revolving credit facility based on the vehicles' target market.

   e) The consideration for the cars will be settled using supplier's credit by Sojitz to Japan Auto Automobile according to two alternatives, as decided by Japan Auto Automobile: by documents against acceptance - payment against the receipt of documents or by financing against the inventories of cars (remaining with Sojitz) at the Israeli port warehouses and in retaining it for Sojitz until disbursement.

      The agreement will be renewed each year. Each party is entitled to terminate the agreement, for whatever cause, provided that an advance written notice of at least 90 days is granted; in such case, the agreement will apply to the outstanding open orders until their repayment. In the event of violation of the agreement by Japan Auto Automobile (according to a list of causes specified in the agreement), Sojitz is entitled to terminate the agreement immediately by providing a written notice.

      A third party which, as above, has mediated the transaction, is entitled to a commission from Japan Auto Automobile at the rate of 0.5% of transactions turnover with Sojitz over a year in which the turnover is the highest of the first five years of the engagement with Sojitz and same rate applies over another year of the following five years, insofar as Japan Auto Automobile continues its engagement with Sojitz for a period of more than five years.

3. On October 30, 2008, Japan Auto Automobile signed a memorandum of understanding with a third party for the lease of area in Glilot covering some 40 thousand sq.m. and offices and this for the purpose of relocating the logistic center of the vehicle storage, preparation and handing over to the company's customers. The lease is for a period of three years with renewal options. The validity of the memorandum of understanding is conditioned on the approval of the Board of Japan Auto Automobile and the receipt of a business license in the name of Japan Auto Automobile. The Board of Japan Auto Automobile decided that the lease agreement will be brought for its approval after it is presented with lease agreements with third party for the space to be evacuated in the current logistic center in Herzliya. The adjustment works in the designated site are made by the lessor and, simultaneously, Japan Auto Automobile is conducting negotiations with potential lessees, as above.

NOTE 27:- CHARGES, CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

4. Capitalized leasehold rights from the Israel Lands Administration:

   Capitalized leasehold rights from the Israel Lands Administration covering area of some 2,120 sq.m. in bloc 6592, parcels 98 and 100 on which the Group's facilities are located. The amount attributed to the capitalized rights is presented in the balance sheet as prepaid operating lease expenses and is amortized over the term of the lease term, see also Note 2k. The lease term ends in 2013 with a renewal option of 49 years.

5. Japan Auto Automobile has entered into a lease agreement on a showroom in Ra'anana which is used to sell cars, in consideration of NIS 38 thousand a month, linked to the Israeli CPI. The agreement ends on December 20, 2009. Japan Auto Automobile has a renewal option to lease said showroom for three additional periods of 30 months ending on June 20, 2017 and the rental charge in each of the option periods, as far as realized, will be revised upward by 2.5% compared to the previous lease term (on top of the increase in the Israeli CPI).

6. Japan Auto Automobile has entered into a lease agreement on a showroom in Rishon Le'zion which is used to sell cars, in consideration of NIS 12.5 thousand a month. The agreement ends on July 19, 2009. Japan Auto Automobile has a renewal option to lease said showroom for four additional periods of 12 months ending on July 19, 2013 and the rental charge in each of the option periods, as far as realized, will be revised upward by 5% compared to the previous lease term.

7. As for commitments with interested parties and related companies, see Note 31.

8. Lease agreements - Amal Building:

   EL3000's production plant is located in a four-story building at Ha'amal St., Kiryat Aryeh, Petach Tikva ("the property"). The total area for the four stories is about 3,700 sq.m.

   The Company has leasehold rights from the Israel Land Administration for the second story and the majority of the first story of the property, which it leases to EL3000.

   In addition, the Company has a lease agreement with a former related party, in respect to the property's third and fourth stories, which it subleases to EL3000, at terms that are identical to the original lease terms. The following are details of the agreements:

   Beginning January 1, 2003, the Company leased to EL3000 areas on the first and second stories of the property with a total area of about 1,760 sq. m. On February 1, 2004, a new agreement was signed and came into force between the Company and EL3000, and was amended in May 2004. Pursuant to the conditions of the agreement, the areas on the aforesaid stories are leased for a monthly rent of approximately € 20 thousand, plus VAT, linked to the higher of the change in Israeli CPI or the exchange rate of the NIS in relation to the U.S. dollar and payable every six months. The lease is for a period of 10 years commencing with the date of the approval of the agreement.

   In addition, beginning January 1, 2003, the Company is subleasing to EL3000 areas on the third and fourth stories of the property aggregating to about 1,900 sq. m. On February 1, 2004, an agreement was signed and came into force between the Company and EL3000, at conditions that are identical to the lease conditions of the lease agreement between the Company and a related party, as above.

NOTE 27:- CHARGES, CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

The third story, with area of 947 sq. m., is leased for a monthly rent of approximately US$ 8,400 thousand (€ 7 thousand), plus VAT, linked to the higher of the change in Israeli CPI or the exchange rate of the NIS in relation to the U.S. dollar and payable every six months. The lease includes an automatic escalation clause (10% every three years) which is practically not used. The fourth story, with area of 947 sq. m., is leased for a monthly rent of US$ 11,230 plus VAT (€ 9 thousand), linked to the higher of the change in Israeli CPI or the exchange rate of the NIS in relation to the U.S. dollar and payable every six months. The lease includes an automatic escalation clause (10% after every three years) which is practically not used.

9. On February 11, 2007, Electronics Line 3000 Ltd. ("EL3000") addressed the Company in a letter claiming that the property on Ha'amal St., Petach Tikva ("the property") is built using the Pal-kal method (rippled tin), based on an opinion and tests conducted by an engineer on behalf of EL3000 and the Israeli Standards Institute.

   The Company received an engineer's opinion which was prepared for Ormor on March 27, 2007 that determines that the ceilings are absolutely firm and do not constitute a danger both as ceilings and as part of the entire property and, accordingly, there is no safety problem if the ceilings/floors bear additional usage loading of 500 kg per sq.m. (as argued by EL3000).

   On November 18, 2007, the Company received an engineer's opinion according to which ceilings 6+ and 9+ bear additional usage loading of 200 kg per sq.m. that is the maximal loading for the use of offices according to the Israeli standard. Also, as to an answer to the production activity preformed by EL3000 in part of ceiling 9+, it is offered by the engineer's opinion that this activity will be transferred to ceiling 12+ or, alternatively, that a reinforcement of loading of 500 kg per sq.m. will be made to this part with cost estimated at approximately € 21.09 thousand that will last about 7 work days. Also, the engineer's opinion indicates that the production activity does not immediately endanger ceiling 9+ and its fastening may take place at times that are convenient to EL3000 without discontinuing production.

   The reinformcement work on ceiling +9 was performed during July 2008 in collaboration with Electronics 3000 and totaled approximately € 0.23 million.

10. As part of the transaction for the acquisition of half of Japan Auto group, the Company provided Mirage with a loan in the amount of US$ 10 million for a period of 18 months, until February 15, 2007. The loan bears annual interest at a rate that is the greater of either the rate charged by the lending entity for the external financing or the average interest for financing the working capital of Japan Auto. The loan was secured by a first priority fixed charge on all of Japan Auto shares held by Mirage.

    A dispute broke between Mirage and the Company as to the interest rate and linkage differences that Mirage will pay the Company in respect of the loan principal. Mirage claims that the loan is dollar-linked and bears annual interest at the rate of 7%, whereas the Company claims that until February 22, 2006 the loan was dollar-linked with annual interest at the rate of 7% and from that date onward it is NIS-linked and bears annual interest at the rate of about 9.43%.

NOTE 27:- CHARGES, CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (Cont.)

On February 14, 2007, the Company and Mirage entered into an agreement whereby on February 15, 2007, Mirage Development repaid the loan to the Company, excluding the disputed amount (totalling approximately € 8.25 million) plus VAT as required by law (totaling approximately € 45 thousand) and the disputed amount (totaling approximately € 1.2 million) was placed in trust on behalf of the representatives of the parties until a legal decision is rendered. In addition and in order to guarantee the payment of VAT in respect of the disputed amount, Mirage Development deposited with its representative a blank signed check.

As part of the agreement, the Company offered Mirage to refer the decision in the dispute to arbitration and on February 27, 2007, Mirage Development agreed.

It was further agreed that no later than 45 days from the date of the court's or arbitrator's ruling, and subject to the decision regarding the delay in executing the ruling, should it be filed by either of the parties, the trustees will assign the amount of the deposit, in whole or in part, plus the accrued interest and returns and less the expenses and commissions charged by the bank to either of the parties, as instructed by the court or the arbitrator.

The parties appointed an arbitrator who has agreed to hear the dispute between the parties.

On November 4, 2007, the arbitrator's reward in the dispute was rendered according to which the amount in dispute between the parties, as deposited in a trust on behalf of the representatives of the parties until the reward is rendered, is to be refunded to Mirage.

As a result of the reward, the Company recorded a net expense of approximately € 1.02 million in its financial statements for the year ended December 31, 2007

11. The minimum future lease fees expected to be received by the Group as of December 31, 2008 are as follows:

The future lease fees receivable to the Group from the lease of its yielding assets and the yielding assets of Japan Auto Holdings, Metis Cherna, Metis Austria and Wallagsse:

	Year ended December 31,	
	2008	**2007**
	Euros in thousands	
First year	1,855	1,452
Second year until five years	5,493	5,343
More than five years	2,882	674
	10,230	7,469

The future lease fees payable by the Group from the lease of a yielding asset leased by the Company:

	Year ended December 31,	
	2008	**2007**
	Euros in thousands	
First year	277	247
Second year until five years	324	536
	601	783

12. As for commitments to related parties, see Note 31.

NOTE 28:- SHARE CAPITAL

a. Composition:

	December 31, 2008 and 2007	
	Authorized	Issued and outstanding
	Number of shares	
Ordinary shares of NIS 1 par value each	15,000,000	8,050,000

b. Rights attached to shares:

1. Rights in the general meetings, to dividends and upon liquidation.
2. Marketability on the Tel Aviv Stock Exchange.
3. Marketability on the stock exchange in Germany.

c. Stock options:

The Company has 295,000 registered stock options (series 2) exercisable on each trading day starting from their registration for trade until June 6, 2011 (inclusive) in such a manner that each stock option (series 2) is exercisable into one Ordinary share of the Company with par value of NIS 1 (subject to adjustments) against the cash payment of the exercise increment of NIS 24, unlinked. Stock option that is not exercised by June 6, 2011 (inclusive) expires and does not entitle its holder to any right whatsoever toward the Company.

As for additional information, see Note 23c(1).

NOTE 29:- ADDITIONAL INFORMATION TO THE STATEMENTS OF INCOME ITEMS

	Year ended December 31,		
	2008	2007	2006
	Euros in thousands		
a. Revenues from sales and services:			
Sale of automobiles	74,198	89,604	69,132
Sale of spare parts and garage services	9,059	7,932	6,536
	83,257	97,536	75,668
b. Cost of sales and services:			
Outsourced garage and subcontracting services	725	510	394
Purchases and changes in raw and auxiliary materials	80,324	82,857	55,734
Salaries and related expenses	912	751	726
Other manufacturing expenses	647	773	373
Depreciation and amortization	109	117	176
Repairs and warranty	335	578	370
	83,052	85,586	57,773
Decrease (increase) in inventories of finished products, work in progress, automobiles and spare parts	(11,902)	(3,671)	9,125
	71,150	81,915	66,898

NOTE 29:- ADDITIONAL INFORMATION TO THE STATEMENTS OF INCOME ITEMS (Cont.)

c. Selling and marketing expenses:

	Year ended December 31,		
	2008	**2007**	**2006**
	Euros in thousands		
Depreciation	107	61	49
Salaries and related expenses	478	383	392
Commissions	301	298	162
Advertising (1)	1,949	1,222	1,247
Vehicle and transportation	142	166	-
Rent, maintenance and related expenses	231	185	304
Other	24	25	21
	3,232	2,340	2,175

(1) Advertising expenses for the years ended December 31, 2008 and 2007 are presented net of the participation of F.H.I. in these expenses.

	Year ended December 31,		
	2008	**2007**	**2006**
	Euros in thousands		
d. General and administrative expenses:			
Professional services	1,175	628	653
Salaries and related expenses	1,558	1,889	1,317
Consulting and management fees	572	237	455
Bad debts and doubtful accounts	40	31	(11)
Amortization of franchise	1,387	1,203	1,211
Depreciation	71	153	110
Other	907	828	835
	5,710	4,969	4,570
e. Other income:			
Revenues from settlement agreements	-	-	1,168
Revenues from previous years	-	-	24
Gain on disposal of investment property	-	-	773
Gain on disposal of property, plant and equipment	-	-	19
	-	-	1,984
f. Other expenses:			
Expenses from previous years	-	61	-
loss on disposal of property, plant and equipment	26	51	-
	26	112	-

NOTE 29:- ADDITIONAL INFORMATION TO THE STATEMENTS OF INCOME ITEMS (Cont.)

g. Financial income:

	Year ended December 31,		
	2008	2007	2006
	Euros in thousands		
Forward transactions and derivatives	1,365	-	-
Gain on early redemption of debentures	2,719	-	-
Short-term deposits	378	196	373
Change of fair value from financial assets that were designated to the fair value by profit and loss	633	-	-
Gain from available for sale financial investments	-	143	
Gain from realization of available for sale financial investments	320	46	-
Foreign exchange differences items and others, net	543	571	461
Related companies	298	427	288
Loan to Mirage (1)	-	438	1,063
Gain from bond options	137	174	-
	6,393	1,995	2,185

Financial expenses:

	2008	2007	2006
Loans from others	-	-	(130)
Impairment of Available for sale financial investments	(1,218)	(10)	(4)
Forward transactions and derivatives	(49)	(1,745)	(1,438)
Short-term credit and loans from banks and payables	(1,410)	(1,361)	(1,412)
Long-term loans from banks	(1,569)	(3)	(66)
Foreign exchange differences items and others, net	(2,509)	(199)	(285)
Financial expenses relating to debentures	(5,330)	(3,110)	(1,014)
Related companies	(66)	(326)	-
Arbitration award - Mirage (2)	-	(1,041)	-
	(12,151)	(7,795)	(4,349)

(1) See Note 8.

(2) See Note 27b.

NOTE 30:- EARNINGS PER SHARE

	Year ended December 31,		
	2008	2007	2006
	Euros in thousands		
Weighted number of shares for basic and diluted net earnings per share calculations	8,050	8,050	8,050
Net income (loss) for basic and diluted net earnings per share calculations (in Euros in thousands)	16,743	1,160	1,776

In the calculation of diluted net earnings per share for the periods presented 295,000 options (series 2), as specified in Note 23c(1) were not taken into the calculation since their inclusion increases the basic earnings (loss) per share from continuing operations (anti-dilutive effect).

NOTE 31:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. Balances with related parties:

As of December 31, 2008:

	Jointly controlled entities	Key management personnel and related party	Total
	Euros in thousands		
Trade payables	8	-	8
Loan to jointly controlled entities	5,475	-	5,475
Other payables	-	96	96
	5,483	96	5,579

As of December 31, 2007:

	Jointly controlled entities	Key management personnel and related party	Total
	Euros in thousands		
Loans from jointly controlled entity	433	-	433
Trade payables	510	-	510
Other receivables	30	56	86
Loan to jointly controlled entities	4,827	-	4,827
Other payables	-	159	159
	5,800	215	6,015

NOTE 31:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

b. Transactions with related parties:

	Jointly controlled entities		
	2008	2007	2006
	Euros in thousands		
Interest and linkage income from jointly controlled entity	570	424	373
Revenues from marketing services granted to jointly controlled entity	298	106	107
Revenues from consulting services granted to jointly controlled entity	74	78	81
Purchase of motor vehicles from jointly controlled entity	246	3,881	-
Interest expenses to jointly controlled entity	27	45	-
Rental expenses to jointly controlled entity	30	26	-
Lease expenses to jointly controlled entity	-	8	10
	1,245	4,568	571

c. Compensation to related parties:

	Number of individuals	Year ended December 31,		
		2008	2007	2006
		Euros in thousands		
Management fees	1	151	248	344
Directors' fee to directors in the Company and jointly controlled entity that are not employed by the Company	8	91	95	95

d. 1. On February 3, 2005, Mr. Amnon Barzilay, a controlling shareholder in the Company, was appointed as the Chairman of the Board. On August 18, 2005, the general meeting approved a service agreement with a private management company owned by Mr. Barzilay. Under the agreement, the Chairman of the Board, through the company owned by him, will receive US$ 20 thousand per month and the following: an additional annual bonus of 2% from the Company's pre-tax income based on the financial statements in respect of any year in which the Company's pre-tax income is between 5% and 7% above the return on its equity as it was on December 31 of the previous year; an annual bonus of 3% of the Company's pre-tax income, according to the financial statements, provided the Company's pre-tax income exceeds 7% to 12% of the return on the Company's equity as it was on December 31 of the previous year; and an annual bonus of 4% from the Company's pre-tax income based on the financial statements in respect of any year in which the Company's pre-tax income exceeds 12% of the return on its equity as it was on December 31 of the previous year. The Chairman of the Board will also receive reimbursement of the management company's and/or Mr. Barzilay's expenses in connection with the position, as customary in the Company, in an amount not exceeding approximately US$ 3,000 per month, placing a group 7 car at his disposal, including bearing the fixed and ongoing car related expenses (the income tax applying to the value in use of the car will be grossed up by the Company).

NOTE 31:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

At the management company's decision, the Company will pay a monthly fee covering its car expenses before providing the car and the required equipment for the management company, including credit cards. The agreement came into force on the date of the appointment (February 3, 2005) and each party may terminate it by providing a 6 months' prior notice.

If Mr. Barzilay's term as active Chairman of the Board is terminated, he shall be entitled to a six-month adjustment period during which he will receive the same terms as during his office. The detailed fees will include all the payments made in favor of Mr. Barzilay in respect of his position, including participation in meetings, as required.

Mr. Barzilay informed the Company, and the Company's Board approved the announcement on November 30, 2005, that the agreement relating to the annual bonus above, will be for a period of 5 years; after which, should the parties be interested to renew their engagement with respect to the annual bonus, it will be brought to the approval pursuant to the legal requirements at such time.

Mr. Barzilay informed the Company, and the Company's audit committee and Board approved the announcement on May 27, 2007, that the agreement relating to the management company will be for a period of 5 years from the effective date, meaning until February 2, 2010.

On January 9, 2008, Mr. Barzilay ("Barzilay"), a controlling shareholder in the Company, entered himself and companies under his control into an agreement with Mr. Shimon Harel ("Harel") and company owned by him, Harel, S. Harmon Holdings and Properties Ltd. ("Harmon") whose principles are as follows:

a) A private company owned by Barzilay (50.5% of its share capital is owned by Barzilay and 49.5% by Harel) ("the private company") will act to acquire about 47.7% of the issued share capital of the Company (before dilution) according to a right assigned to Barzilay in an agreement between him and Mr. Eyal Yona. The acquisition will be carried out by an offer tender according to a prospectus published by Gmul and the Company on August 1, 2007.

b) To finance the acquisition, the private company will take loans from a financial entity and from Harmon and Mr. Barzilay will extend to it a complementary loan.

c) The parties agreed that they will use their voting power in the private company and through it in the Company so that after the exercise of the right to acquire Company shares according to a prospectus, the Company's Board shall appoint eight directors: two outside directors, four directors to be recommended by Barzilay and additional two directors to be recommended by Harmon. Also, the parties have committed to use their voting power so that Barzilay continues to act as the Company's chairman, Harel be appointed as a deputy and vice chairman and Mr. Itsik Cohen, the present CEO continues his office for additional four years.

On January 30, 2008, Barzilay delivered a "response notice" according to which a private company under his control acquires from Gmul 3,841,470 of the Company's Ordinary shares, representing about 47.7% of total issued and outstanding share capital of the Company and all as per an offer tender according to a prospectus published by Gmul and the Company on August 1, 2007 ("the prospectus") in consideration of € 15,035,779. The date to complete the acquisition as required according to the prospectus is January 31, 2008.

NOTE 31:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

A business dispute broke out between Barzilay and Harel in the context of which the parties raise different arguments one against the other both on the level of their relations with the private company through which they hold the Company's shares and the financing agreements assumed and in the level of the Company's mode of operation.

On October 30, 2008, Barzilay and Harel informed the Company that they have reached an agreement between them.

Pursuant to said agreement, all the controversies between them in connection with the financing of the acquisition of the Company's shares by Ofakim Capital Ltd. were settled.

Likewise, the parties set arrangements with a view to a possible separation between the parties, by way of competition, if and when either of the parties may be interested in that.

It was further agreed that the parties would immediately file petitions for striking out all the mutual claims, of any kind or nature, that have been filed between them.

The parties announced that they would cooperate for the sake of the Company's success.

2. According to the agreement signed between the Company and the management company controlled by Barzilay, the Chairman of the Company's Board, in the course of 2007, based on the monetary results of each quarter, the Company assigned to the management company an amount of NIS 841 thousand (before VAT) as an advance on account of the annual bonus payable to the management company in respect of 2007. According to this agreement, the final settling of accounts between the management company and the Company will be done within 15 days from the date of the approval of the financial statements in respect of each calendar year for the grants carried over that calendar year.

   According to the final settling of accounts under the agreement for rendering of management services by Barzilay, the Chairman of the Company's Board, the debit balance as of April 15, 2008 plus interest and linkage differences was NIS 878 thousand (before VAT).

   On April 16, 2008, an amount of € 183,605 (based on the exchange rate of NIS 5.5241) was assigned to the Company's account as disbursement of this debit balance.

   From the outset, the agreement that was presented for approval and signed included Barzilay's right, the controlling shareholder, to receive advances based on quarterly results, and the liabilities of the Company and the controlling shareholder to carry out a final settling of accounts for the entire calendar year at the end of the of that year, within 15 days of the approval of the financial statements. However, this specific detail was not indicated separately in the summons for the general meeting for the approval of the terms of his employment.

3. On January 13, 2008, the Company's audit committee and Board approved the commitment of Metis Auto group with Savana Garage owned by Mr. Pinhas Cohen, the father of the Company's CEO. The total commitment scope in 2008 and 2007 amounted to approximately NIS 893 thousand and NIS 1,270 thousand, respectively.

4. On November 20, 2008, the Company's CEO, Mr. Itsik Cohen, notified of the termination of his office as the Company's CEO, effective December 1, 2008, and this due to his intent to change to private business and other area.

NOTE 31:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

It is the Company's intention to appoint Mr. Shimon (Moni) Harel, the vice Chairman of the Company's Board who is the indirect shareholder in the Company's controlling shareholder, Ofakim Capital Ltd., to serve as the Company's CEO, effective December 1, 2008. The terms of employment of Mr. Shimon (Moni) Harel as the Company's CEO after agreed with him shall be brought before the audit committee, the Board and the general meeting of shareholders of the Company for their approval, pursuant to the Companies Law, 1999.

e. Transactions with the Group companies:

1. In July 2005, it was agreed that the Company would receive monthly management fees from Japan Auto Holdings totalling approximately US$ 18 thousand, plus VAT as required by law.

   It was also agreed that in the event that the agreement is terminated by either of the parties before the end of 2006, the Company would receive a lump sum of approximately US$ 360 thousand. If the agreement is terminated by either of the parties after 2006, the Company will receive a lump sum of half of the above amount, meaning approximately US$ 180 thousand.

   The accounts of Japan Auto Holdings for 2005 include a provision recorded in general and administrative expenses in respect of the above lump sum totalling € 290 thousand.

   The financial statements for 2006 include a decrease in the provision of € 145 thousand. The financial statements for 2008 include a decrease in the provision as a result of exchange differences of approximately € 20 thousand, bringing the provision as of December 31, 2008 to € 122 thousand. The Company did not record said expenses in the consolidated financial statements.

   An agreement was signed between the parties on December 28, 2005. The agreement is in force until December 31, 2010.

2. In July 2005, it was agreed that the Company would receive monthly marketing fees from Japan Auto Holdings totalling € 18 thousand, plus VAT as required by law.

   An agreement was signed between the parties on December 28, 2005. The agreement is in force until December 31, 2010.

   On April 10, 2008, an amendment was signed to the marketing service agreement signed between the Company and Japan Auto such that as of January 1, 2008, the Company will grant Japan Auto Holdings additional services as follows: placing a representative in a credit committee and an executive committee, administrative counseling on Japan Auto Holdings' strategic and business moves and developing business relations, counseling in negotiations with potential business partners, goal and target planning for Japan Auto Holdings' activities, promoting business relations in Israel, locating business opportunities for Japan Auto Holdings that match the nature of its activities and counseling on holding negotiations with any institution or authority, including banks and various professional advisors ("the additional services"). In return for the additional services, Japan Auto Holdings will pay the Company monthly fees of € 47.87 thousand plus legally required VAT.

NOTE 31:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

It was also agreed that the marketing service agreement will be named "the agreement for granting strategic counseling and business relations development services" and will be in effect as long as the Company holds at least 22.5% of the share capital of Japan Auto Holdings. The remaining provisions of the marketing agreement, including the term of the agreement, will remain in tact.

3. On April 1, 2008, the Company signed a lease agreement with Japan Auto Automobile whereby it will lease from Japan Auto Automobile an office space in a building owned by Japan Auto Automobile to use as the Company's headquarters starting December 31, 2005 for monthly rental fees of US$ 2,000. The agreement is in effect for a period of five years. The Company has the option of extending the lease period by an additional five years with a 5% increase in rental fees.

   On November 1, 2007, the Company leased from Japan Auto Automobile additional space of about 76 sq.m. under terms similar to the lease agreement detailed above and in consideration for monthly rental fees of US$ 874 in force until December 31, 2010.

4. On January 17, 2007, an agreement was signed between Metis Car Rental group and Japan Auto Automobile whereby Metis Car Rental will lease an office space in a building owned by Japan Auto Automobile, in effect from January 18, 2007, in consideration of approximately € 205 thousand a month for 36 months, linked to the known CPI as of January 15, 2007. During the last 18 months of the lease period, the rental fees will increase by 2%. The agreement was approved by the Board of Japan Auto Automobile and the trustee.

   On December 31, 2007, Metis Car Rental group signed a sub-lease agreement with Metis Real Estate in respect of part of the space it is leasing from Japan Auto Automobile. The lease is for a period of 24 months starting January 1, 2008. The rental fees are approximately € 925 a month, linked to the Israeli CPI for the first six months of the lease period. During the last 18 months of the lease period, the rental fees will increase by 2%.

   On December 19, 2007, Metis Car Rental group signed a sub-lease agreement with a third party in respect of the remaining space it is leasing from Japan Auto Automobile. The lease is for a period of 24 months starting January 1, 2008. The rental fees are approximately € 2,400 a month, linked to the Israeli CPI for the first six months of the lease period. During the last 18 months of the lease period, the rental fees will increase by 2%.

5. Starting January 2007, Japan Auto Automobile sales vehicles to Metis Car Rental group. The transactions are approved by the Board of Japan Auto Automobile and the trustee. In part of the transactions, Japan Auto Automobile provides Metis Car Rental group borrowing and loans.

6. During 2006, Japan Auto Automobile provided several of its vehicles for use by officers in the joint controlling shareholders in Japan Auto Holdings, the Company and Mirage. Most of these vehicles were used by the controlling shareholders prior to the publication of the Company's prospectus on February 13, 2006 as customary before the publication of the prospectus. On February 28, 2007, once the matter was cleared, said vehicles were returned to Japan Auto Automobile and their use was discontinued.

NOTE 31:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

On the same date, the Company and Mirage transferred to Japan Auto Automobile an overall amount of approximately € 161 thousand plus VAT as required by law (in an immaterial amount to Japan Auto Automobile), in order to reflect Japan Auto Automobile's calculation of the total costs of using the vehicles borne by Japan Auto Automobile in the period from January 1, 2006 until the vehicles were returned to Japan Auto Automobile (of which an amount of € 139 thousand in respect of 2006), all with the addition of annual financial expenses at a rate of 5%.

7. Loan agreement between the Company and Metis Real Estate:

   On September 30, 2007, the Company signed a loan facility agreement with Metis Leasing in effect as of March 27, 2007. The interest on Euro loans is at the rate of Euribor + 2.5% per annum to be paid at the end of each quarter unless otherwise agreed. The interest on NIS loans is at a rate of 6.5% per annum to be paid on April 1 and October 1 each year. The loan principal and interest are linked to the Israeli CPI. The loans will be repaid by Metis Real Estate within 30 days from receiving the Company's written payment demand.

8. A loan agreement between the Company and Metis Austria:

   On April 28, 2008, the Company signed a loan facility agreement with Metis Austria in effect from January 14, 2008.

   The interest on the loans in Euro is at the Euribor rate + 2.5% a year, payable at the end of each quarter, unless agreed otherwise.

NOTE 32:- BUSINESS SEGMENTS

Beginning May 28, 2008, the Group companies are engaged in four business segments (see also Notes 11a(9) and 11a(10).

Import and sale of motor vehicles - most of the activity is importing vehicles made by Subaru and selling them to clients.

Spare parts and garage services - most of the activity is importing and marketing spare parts for vehicles made by Subaru and selling them to garages as well as providing garage service by Japan Auto Automobile's central garage.

Rental - most of the activity is renting to external parties real estate owned by the Company.

Other - consulting - most of the activity is providing consulting services, see Note 31.

NOTE 32:- BUSINESS SEGMENTS (Cont.)

The following data is presented in accordance with IAS 14:

	Year ended December 31, 2008					
	Motor vehicles	Spare parts	Rental	Other	Adjustment and elimination	Total
	Euros in thousands					
Revenues:						
Sale to external customers	74,155	9,115	1,359	371	-	85,000
Inter-segment sales	246	4,255	156	371	(5,028)	-
Total revenues	74,401	13,370	1,515	742	(5,028)	85,000
Results:						
Segment results	3,107	4,329	(2,635)	371	(7)	5,165
Unallocated expenses						(4,245)
Operating profit						920
Financial expenses, net						(5,758)
Loss before income tax						(4,838)
Income tax expenses						316
Loss						(5,154)
Additional information:						
Segment assets	56,119	6,436	21,940	-	-	84,495
Unallocated assets						25,028
Total assets						109,523
Segment liabilities	19,544	912	14,803	-	-	35,259
Unallocated liabilities						56,062
Total liabilities						91,321
Other segment information:						
Capital expenditure	463	47	10,053	-	-	10,563
Depreciation and amortization	1,824	57	-	-	-	1,881

NOTE 32:- BUSINESS SEGMENTS (Cont.)

	Year ended December 31, 2007							
	Motor vehicles	Spare parts	Rental	Car rental	Vehicle operating leasing services	Other	Adjustment and elimination	Total
	Euros in thousands							
Revenues:								
Sale to external customers	89,604	7,932	954	4,255	1,417	186	-	104,348
Inter-segment sales	4,811	3,939	168	285	-	185	(9,388)	-
Total revenues	94,415	11,871	1,122	4,540	1,417	371	(9,388)	104,348
Results:								
Segment results	8,694	3,725	2,382	(1,479)	(115)	171	2,670	16,048
Unallocated expenses								(6,573)
Other expenses, net								(35)
Operating profit								9,440
Financial expenses, net								(6,348)
Profit before income tax								3,092
Income tax expenses								1,932
Net profit								1,160
Additional information:								
Segment assets	44,785	6,151	8,077	15,065	9,845	-	-	83,923
Unallocated assets								41,966
Total assets								125,889
Segment liabilities	18,641	1,268	195	7,942	814	-	-	28,860
Unallocated liabilities								64,595
Total liabilities								93,455
Other segment information:								
Capital expenditure	406	52	2,908	15,026	10,742	-	-	29,134
Depreciation and amortization	1,369	49	-	1,340	715	-	-	3,473

Additional information:

Transfers between business segments:

Segment revenues, segment expense and segment results include transfers between business segments. The Company believes that transfer prices between business segments are set on an arm's length basis in a manner similar to transactions in same products with third parties. Those transfers are eliminated in consolidation.

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