DORI MEDIA GROUP LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2007

U.S. DOLLARS IN THOUSANDS

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ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of

DORI MEDIA GROUP LTD.

We have audited the accompanying financial statements of Dori Media Group Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of 31 December 2007, 2006 and 2005, and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years then ended and a summary of significant accounting policies and other explanatory notes.

We did not audit the financial statements of a jointly controlled entity, whose assets constitute approximately 1% of total consolidated assets as of 31 December 2006, and whose revenues constitute approximately 8% of total consolidated revenues for the year then ended. Also, we did not audit the financial statements of this entity, formerly - an associate, the investment in which, at equity, amounted to US $ 87 thousand as of 31 December 2005, and the Group's equity in its earnings amounted to US $ 71 thousand for the year then ended. The financial statements of this entity were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for this entity, 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 audits. We conducted our audits 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 for 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, based on our audits and the reports of the other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December, 2007, 2006 and 2005 and of its financial performance and its cash flows for each of the three years then ended, in accordance with International Financial Reporting Standards.

Kost, Forer Gabbay & Kasierer

Tel-Aviv, Israel
20 February 2008

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

CONSOLIDATED BALANCE SHEETS

		As of 31 December		
		2005	***2006***	***2007***
	Note	***US$ '000***	***US$ '000***	***US$ '000***
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents		2,085	621	2,307
Trade receivables	4	5,238	9,065	15,494
Other accounts receivable	5	376	1,097	3,409
Broadcasting rights	6	489	1,178	1,729
Inventory of TV series rights for sale		67	45	-
		8,255	12,006	22,939
NON-CURRENT ASSETS:				
Investments in rights of TV series	7	9,311	15,262	20,255
Intangible assets, net	8	3,194	3,808	8,977
Property and equipment, net	9	968	1,777	5,762
Other long-term assets		-	-	1,020
Deferred tax assets	15d	1,595	1,530	1,467
		15,068	22,377	37,481
Total assets		23,323	34,383	60,420

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

CONSOLIDATED BALANCE SHEETS

	Note	As of 31 December 2005 US$ '000	2006 US$ '000	2007 US$ '000
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Credit from banks and current maturities of long-term loans	10	3,559	5,217	4,631
Trade payables	11	1,719	4,084	5,612
Current tax liability		386	424	1,023
Other current liabilities	12	969	1,768	6,420
		6,633	11,493	17,686
LONG-TERM LIABILITIES:				
Bank loans	13	-	62	301
Other long-term liabilities	14	1,270	3,083	3,366
Deferred tax liabilities	15d	-	-	1,061
		1,270	3,145	4,728
EQUITY:	17			
Equity attributable to equity holders of the parent:				
Issued capital		448	448	535
Share premium		11,257	11,329	21,927
Foreign currency translation reserve		(249)	(138)	360
Asset revaluation surplus		240	240	695
Retained earnings		3,724	7,836	14,409
		15,420	19,715	37,926
Minority interest		-	30	80
Total equity		15,420	19,745	38,006
Total liabilities and equity		23,323	34,383	60,420

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

20 February 2008			
Date of approval of the financial statements	Tamar Mozes-Borovitz Chairman of the Board of Directors	Nadav Palti Director and Chief Executive Officer	Moshe Pinto Chief Financial Officer

CONSOLIDATED STATEMENTS OF INCOME

		Year ended 31 December		
		2005	2006	2007
	Note	US$ '000*)	US$ '000*)	US$ '000*)
Revenues	18a	12,078	20,404	30,023
Cost of revenues	18b	4,803	5,423	7,907
Gross profit		7,275	14,981	22,116
Selling and marketing expenses	18c	1,821	3,946	6,154
General and administrative expenses	18d	3,494	5,611	7,616
Total operating expenses		5,315	9,557	13,770
Operating profit		1,960	5,424	8,346
Financial expenses, net	18e	229	334	223
Other expenses (income), net	18f	51	3	(29)
Profit before tax		1,680	5,087	8,152
Taxes on income	15c	52	945	1,529
Profit for the year		1,628	4,142	6,623
Attributable to:				
Equity holders of the parent		1,628	4,112	6,573
Minority interest		-	30	50
		1,628	4,142	6,623
Basic earnings per share	19	0.09	0.21	0.32
Diluted earnings per share	19	0.09	0.21	0.31

*) Except per share amounts.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent										
	Issued capital	*Share premium*	*Receipts on account of shares*	*Foreign currency translation reserve*	*Asset revaluation surplus*	*Retained earnings*	*Total*	*Minority interest*	*Total equity*	*Total recognized income and expenses*	
										Parent	*Minority*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Balance as of 1 January 2005	348	3,656	200	(137)	240	2,096	6,403	419	6,822		
Issuance of shares	7	193	(200)	-	-	-	-	-	-		
Issuance of shares in IPO	63	5,986	-	-	-	-	6,049	-	6,049		
Expenses related to IPO	-	(1,450)	-	-	-	-	(1,450)	-	(1,450)		
Issuance of shares, net of expenses	20	1,764	-	-	-	-	1,784	-	1,784		
Issuance of shares to purchase minority interest in subsidiary	10	984	-	-	-	-	994	(190)	804		
Acquisitions of shares of a subsidiary	-	-	-	-	-	-	-	(229)	(229)		
Cost of share-based payments	-	124	-	-	-	-	124	-	124		
Currency translation differences	-	-	-	(112)	-	-	(112)	-	(112)	(112)	-
Profit for the year	-	-	-	-	-	1,628	1,628	-	1,628	1,628	-
Balance as of 31 December 2005	448	11,257	-	(249)	240	3,724	15,420	-	15,420	1,516	-
Exercise of options	*) -	6	-	-	-	-	6	-	6		
Cost of share-based payments	-	66	-	-	-	-	66	-	66		
Currency translation differences	-	-	-	111	-	-	111	-	111	111	-
Profit for the year	-	-	-	-	-	4,112	4,112	30	4,142	4,112	30
Balance as of 31 December 2006	448	11,329	-	(138)	240	7,836	19,715	30	19,745	4,223	30
Issuance of shares	85	10,166	-	-	-	-	10,251	-	10,251		
Exercise of options	2	82	-	-	-	-	84	-	84		
Asset revaluation surplus, net due to step acquisition (see Note 3)	-	-	-	-	455	-	455	-	455	455	
Cost of share-based payments	-	350	-	-	-	-	350	-	350		
Currency translation differences	-	-	-	498	-	-	498	-	498	498	-
Profit for the year	-	-	-	-	-	6,573	6,573	50	6,623	6,573	50
Balance as of 31 December 2007	535	21,927	-	360	695	14,409	37,926	80	38,006	7,526	50

*) Represents an amount lower than US$ 1 thousand.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2005	*2006*	*2007*
	Note	*US$ '000*	*US$ '000*	*US$ '000*
Cash flows from operating activities:				
Profit for the year		1,628	4,142	6,623
Adjustments to reconcile profit to net cash provided by (used in) operating activities	(a)	(1,672)	(407)	(2,477)
Net cash provided by (used in) operating activities		(44)	3,735	4,146
Cash flows from investing activities:				
Acquisition of minority interests in subsidiaries		(1,041)	-	-
Additions to intangible assets		(86)	(201)	(673)
Acquisition of newly consolidated subsidiaries and jointly controlled entity and businesses	(c)	73	(451)	(801)
Investments in rights of TV series, net		(2,628)	(7,103)	(7,196)
Proceeds from sale of property, equipment and investment properties		460	11	108
Purchase of property and equipment		(225)	(505)	(1,302)
Loans to jointly control entity and others		-	-	(1,020)
Net cash used in investing activities		(3,447)	(8,249)	(10,884)
Cash flows from financing activities:				
Receipt of loans		-	290	-
Proceeds from issuance of shares and exercise of options, net of issuance costs		6,383	6	10,335
Repayment of loans from banks and others		(271)	-	(331)
Receipt of long-term production financing		1,100	1,598	932
Repayment of long-term production financing		-	(94)	(1,384)
Repayment of loans from shareholder		-	-	-
Short-term bank credit, net		(1,978)	1,201	(1,204)
Net cash provided by financing activities		5,234	3,001	8,348
Effect of exchange rate changes on cash and cash equivalents		(22)	49	76
Increase (decrease) in cash and cash equivalents		1,721	(1,464)	1,686
Cash and cash equivalents as of the beginning of the year		364	2,085	621
Cash and cash equivalents as of the end of the year		2,085	621	2,307

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2005	*2006*	*2007*
	US$ '000	*US$ '000*	*US$ '000*
(a) Adjustments to reconcile profit to net cash provided by (used in) operating activities:			
Income and expenses not involving cash flows:			
Cost of share-based payments	124	66	350
Depreciation and amortization	1,977	3,263	4,576
Deferred income taxes	(530)	114	356
Gain on disposal of property and equipment	-	-	(31)
Other	59	71	123
Changes in operating assets and liabilities:			
Increase in trade receivables	(2,464)	(3,675)	(5,294)
Increase in other accounts receivable	(96)	(697)	(1,786)
Increase in broadcasting rights	(527)	(1,996)	(2,130)
Decrease in inventory of TV series rights for sale	55	27	54
Increase in trade payables	288	1,672	1,249
Increase (decrease) in other current liabilities	(558)	748	56
	(1,672)	(407)	(2,477)
(b) Supplemental disclosure of cash flows:			
Cash paid during the year for:			
Interest	357	317	308
Income taxes	298	334	756
Cash received during the year for:			
Interest	25	2	4

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2005	*2006*	*2007*
	US$ '000	*US$ '000*	*US$ '000*
(c) Acquisition of newly consolidated subsidiaries and jointly controlled entity and businesses:			
The fair values of the assets and liabilities at the date of acquisition were as follows:			
Working capital deficiency (excluding cash)	25	-	2,819
Property and equipment	(6)	(360)	(3,011)
Investments in rights of TV series	(84)	-	(335)
Goodwill arising on acquisition	-	(240)	(2,682)
Other intangible assets	-	-	(845)
Deferred tax liabilities	-	-	638
Long-term liabilities	54	-	1,265
Carrying amount of investment prior to acquisition	84	-	-
Total consideration	73	(600)	(2,151)
Less: acquisition on credit	-	149	1,350
Net cash inflow (outflow)	73	(451)	(801)
(d) Significant non-cash transactions:			
Acquisition of rights in TV series on credit	587	1,216	940
Issuance of shares to purchase minority interest in subsidiary	994	-	-
Acquisition of minority interest in subsidiary on credit	383	-	-
Acquisition of assets on short-term credit	-	149	-
Liability for acquisition of minority interest in subsidiary	-	-	397
Liability for dividend distribution	-	-	723

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

NOTE 1:- GENERAL

a. Company description:

The Company was incorporated on 14 February 1996 under the laws of Israel. The Company and its subsidiaries are engaged in the rights purchase, production, license and distribution of Telenovela TV series ("Telenovelas"), broadcasting of Telenovela dedicated TV channels, entertainment movie and series TV channels ("TV channels") and distribution of TV series sourced from third parties.

b. Definitions:

In these financial statements:

The Company	-	Dori Media Group Ltd.
The Group	-	Dori Media Group Ltd. and its investees.
Subsidiary	-	entity controlled by the Company.
Jointly controlled entity	-	entity owned by various parties that have a contractual arrangement that establishes joint control over the activities of the entity.
Associate	-	entity over which the Company has significant influence and is neither a subsidiary nor a jointly controlled entity.
Investee	-	subsidiary, jointly controlled entity or a associate.

c. The following are investees of the Company as of 31 December 2007:

	Country of incorporation	Ownership interest (%)
Subsidiaries:		
Yair Dori International 2002 Ltd. ("YDI 2002") (see Note 22a)	Israel	100
Dori Media International GmbH ("DMI GmbH") (1)	Switzerland	100
Dori Media Distribution GmbH ("DMD") (2)	Switzerland	100
Dori Media Web AG ("DMW") (2)	Switzerland	100
Dori Media America Inc. ("DMA") (2)	U.S.A	100
Dori Media Contenidos S.A. ("DMC") (2)	Argentina	100
Dori Media Distribution Argentina S.A. ("DMDA") (7)	Argentina	100
Dori-Mapal Holdings Inc. ("Dori Mapal Holdings")	B.V.I. (6)	100
Dori-Mapal Inc. ("Dori-Mapal") (3) (see Note 22a)	B.V.I. (6)	100
Yair Dori International Inc. ("YDI Inc.") (4)	B.V.I. (6)	100
Yair Dori International B Inc. ("YDI B") (5)	B.V.I. (6)	100
Darset Productions Ltd. ("Darset") (8)	Israel	87.5
Dori Media Spike Ltd. ("DMS") (see Note 22f)	Israel	75
Paran Productions Ltd. ("Paran")	Israel	75
Dori Media Ot Ltd. ("DMO") (see Note 22d)	Israel	51
Dori-Aram Productions Ltd. ("Dori-Aram") (see Note 22c)	Israel	50
Jointly controlled entities:		
Dar Multimedia Ltd. ("Dar")	Israel	50
Dori Media Central Studios S.A ("DMCS")	Argentina	50

(1) Subsidiary of YDI 2002.
(2) Subsidiary of DMI GmbH.
(3) 90% held by Dori-Mapal Holdings and 10% held by the Company (see Note 22a).
(4) Subsidiary of Dori-Mapal.
(5) Inactive.
(6) British Virgin Islands.
(7) 80% held by DMD 20% held by DMI GmbH.
(8) 50% held by Paran Productions Ltd.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance:

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

b. Accounting policies:

The accounting policies adopted by the Group have been consistently applied for all periods presented.

c. Changes in accounting policy and disclosures:

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

IFRS 7 Financial Instruments: Disclosures

IAS 1 Amendment - Presentation of Financial Statements

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 20.

d. Significant accounting judgments, estimates and assumptions:

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Financial statements in U.S. dollars - the presentation currency:

The majority of the revenues of the Company and of its investees that operate in Israel ("the Israeli companies") are received in New Israeli Shekels ("NIS"). NIS is the currency of the primary economic environment of the Israeli companies and, therefore, the functional currency of the Israeli companies is the NIS.

The Company has selected the U.S. dollar ("US$") as its presentation currency, rather than using its functional currency as its presentation currency, since an increasing portion of its consolidated revenues are received and its expenses are incurred in U.S. dollars and the Company believes that most of the readers of its financial statements are more familiar with the U.S. dollar than the NIS.

Because the Company selected the presentation currency to be the U.S. dollar, the financial statements of the Israeli companies and of other foreign operations have been translated from the functional currency (NIS) to the presentation currency in accordance with the principles set forth in IAS 21 (revised 2003), as follows:

Assets and liabilities of the Israeli companies are translated into U.S. dollars at the closing rate at the date of each balance sheet. Issued capital, share premium and other reserves are translated into U.S. dollars using the exchange rate on the date of the transaction. Income and expenses are translated at average monthly exchange rates. Translation differences resulting from the translation are recognized as a separate component of equity ("foreign currency translation reserve").

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss.

f. Basis of consolidation:

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company.

Intercompany balances and transactions, including profits from inter-company transactions not yet realized outside the Group, have been eliminated upon consolidation.

The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company, using consistent accounting policies.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

g. Interests in jointly controlled entities:

The interests in jointly controlled entities are accounted for by proportionate consolidation, which involves recognizing a proportionate share of the jointly controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

h. Cash equivalents:

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

i. Trade receivables:

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

j. Inventory of TV series rights for sale:

The inventory is valued at the lower of cost or net realizable value (specific identification).

k. Broadcasting rights:

The Company acquires rights to broadcast TV series on the channels owned and operated by the Group. The broadcasting rights are presented at cost net of accumulated amortization and any impairment in value.

Amortization is recorded as each episode is broadcast, taking into consideration the residual value of reruns.

l. Property and equipment:

Property and equipment are presented at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, at the following annual rates:

	%	
Buildings	2	
Computers and communication equipment	15 - 33	
Office furniture and equipment	6 - 20	(mainly 7%)
Motor vehicles	15	
Leasehold improvements	Over the shorter of the useful life or term of the lease	

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Recoverable amount of non-current assets:

The carrying amounts of non-current assets are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable. If any such indication exists and where the carrying amounts exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount is the higher of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

n. Advertising costs:

Advertising costs are charged to operations as incurred.

o. Deferred income taxes:

1. The Company provides for deferred income taxes using the liability method of accounting. Under the liability method, deferred taxes are recognized for temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets in respect of carry forward losses and other temporary deductible differences are recognized to the extent that it is probable that they will be utilized.

2. Taxes that would apply in the event of the distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, when the distribution of dividend does not involve an additional tax liability or when the Company is able to control the distribution of dividends that will cause an additional tax liability.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Revenue recognition:

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

1. Revenues from rights of TV series are recognized when persuasive evidence of a sale or licensing arrangement with a customer exists, the series is complete, the license period of the arrangement has begun and the customer can begin its exploitation, exhibition or sale.

2. Revenues from broadcasting TV channels are recognized over the period of the broadcasts.

3. Revenues from distribution of TV series are recognized upon the delivery of the films to the customer.

4. Royalty revenues from licensing ancillary rights of TV series are recognized on an accrual basis in accordance with periodic reports, received from vendors.

q. Investments in rights of TV series:

Investments in rights in TV series are amortized using the straight-line method over their useful economic life of 5-10 years, based on management's evaluation of the expected pattern of consumption of the economic benefits of these rights.

r. Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are capitalized at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses. Intangible assets are amortized over their useful economic life (5-8 years).

s. Goodwill:

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized and is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Upon acquisition of additional interests in a subsidiary from the minority interest, any excess of cost over the net fair value of the acquired interest is recorded as goodwill.

t. Basic and diluted earnings per share:

Basic earnings per share have been computed using the weighted average number of Ordinary shares outstanding during the period adjusted retrospectively for the issuance of bonus shares. Diluted earnings per share are computed based on the weighted average number of Ordinary shares outstanding during each period, adjusted for the effect of dilutive options.

u. Business combinations:

Business combinations in these financial statements are accounted for in accordance with IFRS 3, "Business Combinations". Upon acquisition, the identifiable assets and liabilities acquired are initially measured at their fair values at the acquisition date and any minority interest in the acquired is stated at the minority's share of the net fair values of these items.

In a business combination achieved in stages, the increase in the fair value of the identifiable net assets relating to the interest held prior to the business combination is recognized as an asset revaluation surplus in equity.

Put options granted to minority interest as part of business combination is recognized as a financial liability at the present value of the amount payable upon exercise of the options. The put option is accounted as the acquisition of the underlying shares and no minority interest is recognized. Changes in the liability are accounted for as contingent consideration and recorded as adjustment of goodwill.

v. Share-based payment transactions:

On 1 January 2005, the Company adopted IFRS 2, "Share-based Payment". IFRS 2 requires an expense to be recognized where the Company buys goods or services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares of rights over shares ("cash-settled transactions"). The main impact of IFRS 2 on the Company is the expensing of employees' and directors' share options (equity-settled transactions).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they were granted. The fair value is determined by using an option-pricing model.

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.

Arrangements whereby an employee of a subsidiary is granted rights to the Company's equity instruments is accounted for as an equity-settled scheme.

w. Liability for production financing:

Funds received from external parties for the purpose of financing the production of Telenovela series and for which the external parties are entitled to royalties from profits to be derived from the series, are initially recognized at their fair value which is equivalent to the cash consideration received.

x. IFRS and IFRIC Interpretations not yet effective:

The Company has not early adopted IFRS and IFRIC Interpretations that have been issued but are not effective as of 31 December 2007. Management expects that adoption of those pronouncements will not have a material impact on the financial position and results of operations of the Company in the period of initial application.

1. IAS 1 (Revised), "Presentation of Financial Statements":

IAS 1 (Revised) requires entities to present a separate statement of comprehensive income disclosing, other than the net income as stated in the income statement, all the items carried in the reported period directly to equity that do not derive from transactions with the shareholders in their capacity as shareholders (other comprehensive income) such as foreign currency translation adjustments of foreign operations, reclassification of fair value to available-for-sale financial assets, adjustments to revaluation reserve of fixed assets and such, while properly allocated between the Company and the minority interests.

Alternatively, the items of other comprehensive income may be disclosed along with the items of the income statement in one single statement entitled statement of comprehensive income. Only the items carried to equity deriving from transactions with the shareholders in their capacity as shareholders (such as capital issuances, dividend distribution etc.) will be disclosed in the statement of changes in equity as will the summary line carried forward from the statement of comprehensive income, while properly allocated between the Company and the minority interests.

IAS 1 (Revised) is effective for annual financial statements for periods commencing on January 1, 2009 with early adoption permitted.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The effect of the adoption of IAS 1 (Revised) will require the Company to disclose the above items in the financial statements.

2. IFRS 8 "Operating Segments":

This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group.

IFRS 8 is effective for annual financial statements for periods commencing on January 1, 2009 with early adoption permitted.

3. IFRS 3 (Revised), "Business Combinations" and IAS 27 (Revised), "Consolidated and Separate Financial Statements":

IFRS 3 (Revised) and IAS 27 (Revised) ("the Standards") will be applied in annual financial statements for periods commencing on January 1, 2010. The combined early adoption of the two Standards is permitted from the financial statements for periods commencing on January 1, 2008.

The principal changes expected to take place following the adoption of the Standards are:

- IFRS 3 currently prescribes that goodwill, as opposed to the acquiree's other identifiable assets and liabilities, will be measured as the excess of the cost of the acquisition over the acquirer's share in the fair value of the identifiable assets and liabilities, net on the date of acquisition. According to the Standards, goodwill can be measured at its full fair value and not only based on the acquired part, this in respect of each business combination transaction measured separately.

- In acquisitions in stages, existing investments as of the date of the acquisition of control will be revalued to their fair value on such date and fair value adjustments will be carried to profit and loss, even if up to the date of the acquisition of control, the investment was treated as an available-for-sale financial asset pursuant to IAS 39, and accordingly, fair value adjustments previously carried to equity will be carried on the date of acquisition to profit and loss as if the investment had been sold.

- A contingent consideration in a business combination will be measured at fair value and changes in the fair value of the contingent liability, which do not represent adjustments to the acquisition cost in the measurement period, will not be simultaneously recognised as goodwill adjustment. Normally, the contingent consideration will be considered a financial derivative under the scope of IAS 39 and will be presented at fair value with the changes carried to profit and loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- Direct acquisition costs attributed to a business combination transaction will be recognised in profit and loss as incurred as opposed to the previous requirement of carrying them as part of the consideration of the cost of the business combination, which has been cancelled.

- A minority transaction, whether a sale or an acquisition, will be accounted for as an equity transaction and will therefore not be recognised in profit or loss or have any effect on the amount of goodwill, respectively.

- A subsidiary's losses, although resulting in the subsidiary's deficiency, will be allocated between the parent company and minority interests, even if the minority has not guaranteed or has no contractual obligation of sustaining the subsidiary or carrying out another investment.

- In the event of loss of control over the subsidiary, the remaining holding, if any, will be revalued to fair value against profit and loss from the sale and this fair value will represent the cost basis for the purpose of subsequent treatment.

The Company estimates that the Standards are not expected to have a material effect on its financial position, operating results and cash flows.

4. IFRS 2 (Revised), "Share-based Payment":

Pursuant to the revised IFRS 2 ("the Standard"), the definition of vesting terms will only include service terms and performance terms and the settlement of a grant that consists of other than vesting terms, whether by the Company or by the counterparty, will be accounted for by way of vesting acceleration and not by forfeiture. The Standard will be applied retrospectively in financial statements for periods commencing on January 1, 2009. Early adoption is possible.

Vesting terms are the terms that must be met in order for the counterparty to be entitled to receive cash, other assets or equity instruments. Vesting terms include service terms that obligate the counterparty to complete a defined service period and performance terms that require meeting defined performance targets. Conditions that are not service or performance terms will be viewed as other than vesting terms and must therefore be taken into consideration in estimating the fair value of the granted instrument.

NOTE 3:- BUSINESS COMBINATION

In the fourth quarter of 2007, DMG purchased 75% of the share capital of Paran for a total consideration of US$ 1.6 million of which half was paid in cash and the balance of $ 800 thousand is to be paid in 2008. In addition, it was agreed that Paran would distribute to the seller a dividend in the amount of $ 723 thousand. The principal asset of Paran is a 50% interest in Darset with DMG owning the remaining 50%. Following the acquisition, DMG's share in Darset increased to 87.5%. As part of the acquisition, DMG gave the seller a put option to sell to DMG his shares (25%) in Paran between 2011-2013, with on a price that will be based on the fair value of the shares and to be agreed to by both parties.

NOTE 3:- BUSINESS COMBINATION (Cont.)

In addition, DMG has a call option to acquire a 25% interest in Paran at substantially the same terms as the put option. The Company recognized a liability for the put option in the amount of $ 397 thousand. No minority interest was recognized. Changes in the liability in respect of the put option are to be recognized as additional goodwill.

The Company recorded asset revaluation surplus in respect of its 50% interest prior to the acquisition, in the amount of $ 455 thousand (net of deferred taxes of $ 155 thousand).

The fair value of the identifiable assets and liabilities of Paran as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Previous carrying value	Fair value recognised on acquisition
	US$ '000	
Cash and cash equivalents	900	900
Trade receivables	688	688
Other accounts receivable	413	413
Investments in rights of series	253	253
Plant and equipment	269	269
Intangible assets (customer relationships)	-	720
	2,523	3,243
Current liabilities	1,220	1,220
Long-term liabilities	167	167
Deferred income tax liability	-	88
	1,387	1,475
Net assets	1,136	1,768
Less liability for dividend distribution	-	(723)
Goodwill arising on acquisition	-	952
Total consideration	1,136	1,997

	US$ '000
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	900
Cash paid	(800)
Net cash inflow	100

The goodwill arising on the acquisition is due to the ability of Paran and Darset to produce continuing successful Telenovelas and TV series and license them in Israel and worldwide.
From the date of acquisition, Paran's contribution to the net profit of the Group was US$ 500 thousand. If the combination had taken place at the beginning of the year, the revenues and profit for the Group would have been US$ 32,797 thousand and US$ 6,972 thousand, respectively.

NOTE 4:- TRADE RECEIVABLES

	As of 31 December		
	2005	***2006***	***2007***
	US$ '000	***US$ '000***	***US$ '000***
Trade receivables	5,329	9,287	15,795
Checks receivable	70	91	47
	5,399	9,378	15,842
Allowance for doubtful debts	(161)	(313)	(348)
	5,238	9,065	15,494

Trade receivables are non-interest bearing and are generally on 60-180 days terms.

As at 31 December 2007, trade receivables at nominal value of US$ 281 thousand (2006: US$ 313 thousand, 2005: US$ 161 thousand) were impaired and fully provided for. Movements in the allowance for doubtful debts were as follows:

	Individually impaired
	US$ '000
At 1 January 2005	115
Charge for the year	56
Unused amounts reversed	(6)
Exchange rate adjustment	(4)
At 31 December 2005	161
Charge for the year	145
Exchange rate adjustment	7
At 31 December 2006	313
Charge for the year	71
Unused amounts reversed	(49)
Exchange rate adjustment	13
At 31 December 2007	348

As at 31 December 2007 , the ageing of trade receivables is mainly current debts within the credit terms, and the significant majority of trade receivables behind payment schedule have been provided for in the allowance.

NOTE 5:- OTHER ACCOUNTS RECEIVABLE

	As of 31 December		
	2005	*2006*	*2007*
	US$ '000	*US$ '000*	*US$ '000*
Shareholders and related parties	22	64	227
Income tax receivable	85	57	289
Government authorities	133	596	983
Advance to supplier	-	-	530
Prepaid expenses	136	216	754
Other	-	164	626
	376	1,097	3,409

NOTE 6:- BROADCASTING RIGHTS

	As of 31 December		
	2005	*2006*	*2007*
	US$ '000	*US$ '000*	*US$ '000*
Opening balance as of 1 January	764	489	1,178
Additions during the year	527	1,996	2,130
Amortization during the year	(759)	(1,343)	(1,651)
Currency translation differences	(43)	36	72
Balance as of 31 December	489	1,178	1,729

NOTE 7:- INVESTMENTS IN RIGHTS OF TV SERIES

Opening balance as of 1 January	7,227	9,311	15,262
Additions during the year	2,982	7,603	6,939
Additions for newly consolidated subsidiary and jointly controlled entity	84	-	335
Currency translation differences	-	14	139
Amortization during the year	(982)	(1,666)	(2,420)
Balance as of 31 December	9,311	15,262	20,255

NOTE 8:- INTANGIBLE ASSETS

	Customer relationships	*Goodwill*	*Development cost*	*Other*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Balance as of 1 January 2005, net of accumulated amortization	-	1,275	-	179	1,454
Acquisition of other intangible assets	-	-	-	86	86
Acquisition of minority interests in subsidiaries (see Note 23)	-	2,020	-	-	2,020
Amortization for the year	-	-	-	(147)	(147)
Currency translation differences	-	(210)	-	(9)	(219)
Balance as of 31 December 2005, net of accumulated amortization	-	3,085	-	109	3,194
Additions to other intangible assets	-	-	-	146	146
Development cost	-	-	55	-	55
Acquisition of business (see Note 22d)	-	240	-	-	240
Amortization for the year	-	-	-	(103)	(103)
Currency translation differences	-	276	-	-	276
Balance as of 31 December 2006, net of accumulated amortization	-	3,601	55	152	3,808
Development cost	-	-	615	-	615
Acquisition of businesses	1,330	2,682	-	125	4,137
Amortization for the year	(45)	-	-	(84)	(129)
Currency translation differences	62	432	47	5	546
Balance as of 31 December 2007, net of accumulated amortization	1,347	6,715	717	198	8,977

The recoverable amount of the goodwill relating to the TV channel broadcasting cash generating unit in Israel, with a carrying amount of approximately $ 3.3 million as of 31 December 2007, has been determined based on the calculation of the value in use, using cash flow projections based on financial budgets (principally based on existing contracts) approved by senior management, covering a five-year period. The pre-tax discount rate applied to cash flow projections is 10%, based on management's estimate of the risks specific to this unit. Management believes that no reasonably possible change in the discount rate would cause the carrying value of this unit to materially exceed its recoverable amount.

Acquisitions during the year

Goodwill arising from acquisitions during the year is comprised of $ 952 thousand in respect of Paran (Note 3), $ 1,405 thousand in respect of DMCS (Note 23) and $ 325 thousand in respect of Darset (Note 22i).

NOTE 8:- INTANGIBLE ASSETS (Cont.)

Customers relationships acquired in business combinations (Note 3) are amortized over periods of 5 and 8 years.

Other intangible assets include non competition agreement acquired in business combinations (Note 22).

NOTE 9:- PROPERTY AND EQUIPMENT

	Land and buildings	*Computers and communication equipment*	*Office furniture and equipment*	*Motor vehicles*	*Leasehold improvements*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Cost:						
Balance as of 1 January 2005	-	157	234	242	77	710
Additions for newly consolidated jointly controlled entity	-	13	3	-	-	16
Currency translation differences	(48)	(12)	(16)	(15)	(5)	(96)
Additions during the year	53	106	66	-	-	225
Transfer from investment properties	726	-	-	-	-	726
Balance as of 31 December 2005	731	264	287	227	72	1,581
Currency translation differences	65	45	27	24	7	168
Additions through acquisition	-	360	-	-	-	360
Additions during the year	-	131	237	98	39	505
Disposals during the year	-	-	-	(23)	-	(23)
Balance as of 31 December 2006	796	800	551	326	118	2,591
Additions for wholly consolidated subsidiary which used to be proportionately consolidated (Darset)	-	17	5	-	-	22
Additions for a newly consolidated subsidiary (Paran)	-	327	38	121	32	518
Additions for newly consolidated jointly controlled entity (DMCS)	2,032	1,431	43	4	59	3,569
Additions during the year	-	527	181	270	227	1,205
Disposals during the year	-	(1)	(100)	(146)	-	(247)
Currency translation differences	79	81	80	58	27	325
Balance as of 31 December 2007	2,907	3,182	798	633	463	7,983

NOTE 9:- PROPERTY AND EQUIPMENT (Cont.)

	Land and buildings	*Computers and communication equipment*	*Office furniture and equipment*	*Motor vehicles*	*Leasehold improvements*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Accumulated depreciation:						
Balance as of 1 January 2005	-	134	123	175	76	508
Additions for newly consolidated jointly controlled entity	-	10	1	-	-	11
Currency translation differences	(3)	(10)	(8)	(13)	(4)	(38)
Additions during the year	10	24	23	27	-	84
Transfer from investment property	48	-	-	-	-	48
Balance as of 31 December 2005	55	158	139	189	72	613
Currency translation differences	5	16	14	18	6	59
Additions during the year	10	75	46	20	-	151
Disposals during the year	-	-	-	(9)	-	(9)
Balance as of 31 December 2006	70	249	199	218	78	814
Additions for wholly consolidated subsidiary which used to be proportionately consolidated (Darset)	-	7	2	-	-	9
Additions for a newly proportionally consolidated subsidiary (Paran)	-	212	16	14	7	249
Additions for newly consolidated jointly controlled entity (DMCS)	117	626	40	4	47	834
Additions during the year	19	224	56	54	23	376
Disposals during the year	-	-	(24)	(146)	-	(170)
Currency translation differences	8	43	35	14	9	109
Balance as of December 31, 2007	214	1,361	324	158	164	2,221
Net carrying amount as of 31 December 2007	2,693	1,821	474	475	299	5,762
Net carrying amount as of 31 December 2006	726	551	352	108	40	1,777
Net carrying amount as of 31 December 2005	676	106	148	38	-	968

NOTE 10:- CREDIT FROM BANKS AND CURRENT MATURITIES OF LONG-TERM LOANS

	*Interest rate *)*	*As of 31 December*		
	%	*2005*	*2006*	*2007*
		US$ '000	*US$ '000*	*US$ '000*
Credit from banks in NIS - unlinked	Prime **) 0.85	3,559	5,180	4,381
Current maturities of long-term bank loans		-	37	250
		3,559	5,217	4,631

*) As of 31 December 2007.

**) The Prime rate as of 31 December 2007 - 5.7%.

Liens - see Note 16a.

NOTE 11:- TRADE PAYABLES

	As of 31 December		
	2005	*2006*	*2007*
	US$ '000	*US$ '000*	*US$ '000*
Open accounts	1,509	3,910	5,050
Checks payable	210	174	562
	1,719	4,084	5,612

NOTE 12:- OTHER CURRENT LIABILITIES

	As of 31 December		
	2005	*2006*	*2007*
	US$ '000	*US$ '000*	*US$ '000*
Employee benefits and payroll accruals	162	365	1,135
Accrued expenses	140	592	2,095
Customer advances	3	237	343
Government authorities	-	-	292
Related parties	34	287	595
Liability for acquisition of minority interest in subsidiary (Note 22a)	383	-	-
Liability for acquisition of subsidiary (Note 3)	-	-	800
Liability for acquisition of jointly controlled entity (Note 23)	-	-	550
Others	247	287	610
	969	1,768	6,420

NOTE 13:- BANK LOANS

Composition:

	As of 31 December		
	2005	*2006*	*2007*
	US$ '000	*US$ '000*	*US$ '000*
NIS - unlinked	-	99	*) 551
Less - current maturities	-	37	250
	-	62	301

*) The loan bears interest rate of Prime less 0.25%. The loan is repayable in monthly installments until 2010. As of 31 December 2007, the Prime rate was 5.7%.

NOTE 14:- OTHER LONG-TERM LIABILITIES

	As of 31 December		
	2005	*2006*	*2007*
	US$ '000	*US$ '000*	*US$ '000*
Loans from shareholders of subsidiaries (1)	47	273	322
Liability for acquisition of minority interest in subsidiary (Note 3)	-	-	414
Accrued severance pay, net	123	206	478
Liability for production financing received (2)	1,100	2,604	2,152
	1,270	3,083	3,366

(1) As of 31 December 2007, the loans are principally linked to the Israeli Consumer Price Index and bear interest at an annual rate of 4%. Maturity dates have not yet been determined but repayment will not be before 1 January 2009.

(2) See Note 16c(1).

NOTE 15:- TAXES ON INCOME

a. Taxation under inflationary conditions:

According to the Income Tax (Inflationary Adjustments) Law, 1985 in Israel, the results for tax purposes of the Israeli companies are calculated after adjustments for the changes in the Israeli CPI.

b. As part of the Group's reorganization, and in light of the Amendment of the Israeli Income Tax Ordinance in 2002, the Company reached an agreement with the Israeli Tax Authorities, with respect to profits derived by YDI Inc. In principle, the agreement provided for reduced taxation on the assessed assets of YDI Inc. In accordance with this agreement (dated 17 August 2003), YDI Inc.'s business assets were valued at approximately US$ 15 million ("the Revaluated Assets"). Furthermore, it was agreed that the Company will pay tax at the rate of 7.5% of its share in the Revaluated Assets, amounting to approximately US$ 1 million which was charged to expenses in 2003. In addition, the agreement laid down the transfer price to be applied by the Company on payments abroad with respect to the merchandising and the distribution of television series.

With respect to the taxation of profits derived by DMI GmbH, DMI GmbH obtained a ruling from the cantonal tax authorities in Zurich. Based on this ruling, income generated from foreign sources is subject to a preferred tax rate of approximately 10.1% (overall tax burden including federal, cantonal and communal corporate income tax rate, calculated on net profit before taxes). Domestic income would be subject to ordinary and full taxation for cantonal and communal tax purposes, as well as for federal income tax purposes.

c. Taxes on income included in the statements of income:

	Year ended 31 December		
	2005	***2006***	***2007***
	US$ '000	***US$ '000***	***US$ '000***
Current taxes	582	886	1,132
Deferred taxes	(530)	114	419
Taxes in respect of previous years	-	(55)	(22)
	52	945	1,529

NOTE 15:- TAXES ON INCOME (Cont.)

d. Deferred taxes:

Significant components of the Group's deferred tax assets (liabilities) are as follows:

	Investments in production of TV series	*Broadcasting contracts*	*Tax loss carry forward*	*Intangible assets*	*Property and equipment*	*Others*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Balance as of 1 January 2005	902	(65)	138	-	-	68	1,043
Amounts included in statement of income	153	53	313	-	-	11	530
Currency translation differences	-	4	9	-	-	9	22
Balance as of 31 December 2005	1,055	(8)	460	-	-	88	1,595
Amounts included in statement of income	(148)	8	(39)	-	-	65	(114)
Currency translation differences	-	-	37	-	-	12	49
Balance as of 31 December 2006	907	-	458	-	-	165	1,530
Amounts included upon acquisition of business	-	-	101	(350)	(550)	-	(799)
Amounts included in statement of income	(404)	-	(22)	60	(116)	63	(419)
Currency translation differences	-	-	27	8	20	39	94
Balance as of 31 December 2007	503	-	564	(282)	(646)	267	406

NOTE 15:- TAXES ON INCOME (Cont.)

e. A reconciliation of theoretical tax expense assuming all income is taxed at the statutory rate applicable to the income of companies in Israel, and the actual tax expense is as follows:

	Year ended 31 December		
	2005	*2006*	*2007*
	US$ '000	*US$ '000*	*US$ '000*
Profit before taxes on income	1,680	5,087	8,152
Provision at statutory rate - 34% (2005), 31% (2006) and 29% (2007)	571	1,577	2,364
Increase (decrease) in taxes resulting from:			
Losses and other items for which deferred taxes were not provided, net	18	-	39
Decrease in taxes resulting from recording of deferred taxes in respect of carry forward tax losses for which deferred taxes were not recorded in prior years	(441)	(29)	(19)
Realization of carry forward tax losses for which deferred taxes were not recorded in prior years	-	(84)	-
Non-deductible expenses	194	39	131
Different tax rates and changes in tax rates	(313)	(562)	(849)
Taxes in respect of previous years	-	(55)	(22)
Other	23	59	(115)
	52	945	1,529

f. Carry forward losses for tax purposes:

The carry forward losses for tax purposes for the year ended 31 December 2007 amount to approximately US$ 2,120 thousand (year ended 31 December 2006 - US$ 1,841 thousand, 2005 - US$ 1,700 thousand) in Israel. A deferred tax asset in respect of these losses is included in the balance sheet.

g. Tax rates in Israel:

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 25 July 2005, the "Knesset" passed the Law for the Amendment of the Income Tax Ordinance (No. 147), 2005, which determined, among other things, that the corporate tax rate is to be gradually reduced to the following tax rates: 2004 - 35%, 2005 - 34%, 2006 - 31% , 2007 -29%, 2008 – 27%, 2009 – 26%, 2010 and thereafter - 25%.

NOTE 15:- TAXES ON INCOME (Cont.)

h. Tax assessments:

The Company and the investees have received final assessments or assessments considered as final as detailed below:

	Through the tax year
The Company	2002
Davka (see Note 22b)	2002
Dar	2002
Darset	2004
Paran	2004

The other investees have not yet been assessed since their inception.

NOTE 16:- COMMITMENTS AND OTHER LIABILITIES

a. Liens:

To secure credit obtained from banks amounting to approximately US$ 15 million, fixed and floating charges of various priorities were recorded on the Company's assets, rights deriving from the assets, share capital and goodwill, insurance rights and rights in real estate. The credit obtained from the banks is also secured by guarantees granted to the banks by share holding companies and personal guarantees of the shareholders. As of 31 December 2007 the unutilized portion of credit amount to approximately US$ 10.5 million.

b. Lease agreement:

The Group companies rent their office facilities under operating lease agreements. The minimum rental payments under non-cancelable leases are as follows:

31 December	*US$ '000*
2008	409
2009	310
2010	181
2011	78

c. Commitments:

1. Certain subsidiaries of the Company have signed agreements with various Argentinean and Mexican producers for the acquisition and financing of the production of Telenovela series in Argentina and Mexico. As of 31 December 2007, the outstanding commitment under these agreements amounts to approximately US$ 1.6 million.
   In addition to the aforesaid agreements, a subsidiary signed finance agreements for the production of Telenovela series with external financial partners. As of 31 December 2007, the amounts received as financing were recorded as a liability - see Note 14.

NOTE 16:- COMMITMENTS AND OTHER LIABILITIES (Cont.)

DMI GmbH is the owner of 100% of the rights of the new series. The financial partners are entitled to royalties from the profits that will derive from the new series, which royalties first be used to repay the liability for financing.

2. In 2007 DMCS entered into a 3 year agreement to lease its studios to an Argentinean producer for a total consideration of US$ 3.6 million over the agreement term (equal monthly installments).

d. Litigation:

In September 2003, a claim was filed in the Tel-Aviv District Court against the Company and against YDI 2002 by a minority shareholder (5%) of YDI 2002 and Dori-Mapal and by another claimant, in which the court was asked to grant various injunctions and declaratory orders compelling, the Company and YDI 2002, to issue to the claimants 10% of the shares of the Company and of YDI 2002. The estimated amount of the claim was approximately NIS 3,200 thousand (US$ 745 thousand).

In January 2005, the Company reached a compromise with the abovementioned minority shareholder. Pursuant to this compromise, the minority shareholder agreed to sell to the Company its interest (5%) and all other rights in YDI 2002 and Dori-Mapal for a total consideration of US$ 575 thousand. In addition, the minority shareholder agreed to release the Company and all members of the Group from any and all claims and demands.

In June 2005, the other claimant filed a request with the Tel-Aviv District Court to amend the statement of claim including the correction of the estimated amount of the claim to an amount of approximately NIS 1,600 thousand (US$ 350 thousand). In July 2005, the Court agreed and a revised statement of claim was issued.

A pre-trial hearing is scheduled to take place in March 2008.

The Company believes, based among others, on the opinion of its legal advisors that there is little likelihood that the other claimant will succeed in its claim against the Company and YDI 2002. Therefore, no provision was recorded in respect thereof in the financial statements.

NOTE 17:- EQUITY

a. The share capital is composed as follows:

	As of 31 December		
	2005	*2006*	*2007*
	Number of shares		
Authorized:			
Ordinary shares of NIS 0.1 par value each	30,000,000	40,000,000	40,000,000
Issued and fully paid:			
Ordinary shares of NIS 0.1 par value each	19,413,223	19,422,598	23,000,727

b. On 24 March 2005, the Company's shares were admitted to trading on AIM, a market operated by the London stock exchange. Concurrently, the Company also completed an initial public offering ("IPO") of 2,738,784 Ordinary shares. The proceeds of the IPO were approximately US$ 6,049 thousand, before issuance expenses in the amount of US$ 1,450 thousand.

On 24 March 2005, the Company issued to the minority shareholder of Davka 450,000 Ordinary shares at their fair value in the amount of U.S. $ 994 thousand (based on the IPO price per share of US$ 2.2). See Note 22b.

On 7 October 2005, the Company issued to a new shareholder 924,439 Ordinary shares in consideration of US$ 1,784 thousand (net of issuance expenses in the amount of US$ 18 thousand).

On 31 January 2006, the Company issued 9,375 Ordinary shares upon the exercise of options by a former employee in accordance with the Dori Media Group Ltd. 2004 Share Option Plan for a total consideration of US$ 6 thousand.

In March 2007, the Company issued 971,129 Ordinary shares to institutional investors in consideration of US$ 2,176 thousand (net of issuance expenses in the amount of US$ 157 thousand).

On 7 June 2007 and on 12 November 2007, the Company issued 10,000 and 15,000 Ordinary shares, respectively upon the exercise of options by a former employee in accordance with the Dori Media Group Ltd. 2004 Share Option Plan for a total consideration of US$ 27 thousand and US $ 43 thousand, respectively.

In November 2007, the Company issued 2,567,000 Ordinary shares to institutional investors in consideration of US$ 8,075 thousand (net of issuance expenses in the amount of US$ 485 thousand).

On 27 December, 2007, the Company issued 15,000 Ordinary shares upon the exercise of options by a director in accordance with the Dori Media Group Ltd. 2004 Share Option Plan for a total consideration of US$ 12 thousand.

NOTE 17:- EQUITY (Cont.)

c. Stock Option Plan:

In September 2004, the Company authorized a Stock Option Plan for the issuance of options to purchase up to 2,000,000 Ordinary shares of the Company. The options granted under this Plan to employees and directors vest over periods of four and three years, respectively. The options are granted with an exercise price denominated in NIS and expire 10 years after the date of grant. The options to employees and directors in Israel are granted under sections 102 and 3(i) of Israel's Income Tax Ordinance.

The weighted average fair value of options granted by the Company in February 2005 under the 2004's share option plan was US$ 1.46 per share and was estimated based on the following data and assumptions: share price - US$ 2; exercise price - US$ 0.65; expected volatility - 25.6%; risk-free interest rate 4.9%; expected dividends - 0%, and expected average life of options - 3 years.

In 2005, the Company agreed to grant to the former CEO of DMI GmbH options to purchase 50,000 Ordinary shares of the Company. The options were subject to the achievement of certain profit targets.

50% of the options were granted after the publication of the 2006 annual audited financial statements, and vested (see also b). The remaining options were forfeited in 2007 due to the termination of employment of the CEO.

On 15 March 2007, the Company granted share options for the purchase of 411,500 Ordinary shares to directors, officers and employees under the Company's 2004 Share Option Plan.

The weighted average fair value of options granted by the Company in March 2007 was US$ 1.74 per share and was estimated based on a pricing model ("Binomial Model") and on the following data and assumptions: share price - £ 1.62 (US$3.3); exercise price - £ 1.3933 (US$ 2.7); expected volatility - 47%; risk-free interest rate 4.9%; expected dividends - 0%, and expected average life of options - 4 years.

On 22 August 2007, the Company granted to the CEO of DMA Inc options to purchase 120,000 Ordinary shares of the Company. The options to be granted will be vested in three tranches, with each tranche (amounting to 40,000 shares) becoming exercisable provided that the sales targets for 2008, 2009 and 2010, as determined by the Company, are achieved as exercisable for the a period of 10 years from the grant date.

The weighted average fair value of options granted by the Company in August 2007 was US$ 1.737 per share and was estimated based on a pricing model ("Binomial Model") and on the following data and assumptions: share price - £ 1.6975 (US$ 3.38); exercise price - £ 1.615 (US$ 3.216) ; expected volatility - 33%; risk-free interest rate 5.03%; expected dividends - 0%, and expected average life of options - 3 years.

Upon the acquisition of Paran (see Note 3), the Company granted share options for the purchase of 75,000 Ordinary shares to employees of Paran under the Company's 2004 Share Option Plan.

NOTE 17:- EQUITY (Cont.)

The weighted average fair value of options granted by the Company in November 2007 was US$ 1.515 per share and was estimated based on a pricing model ("Binomial Model") and on the following data and assumptions: share price - £ 1.515 (US$ 3.119); exercise price - £ 1.5567 (US $ 3.204); expected volatility - 38.3%; risk-free interest rate 4.52%; expected dividends - 0%, and expected average life of options - up to four years.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	Year ended 31 December					
	2005		*2006*		*2007*	
	Number	*WAEP (US$)*	*Number*	*WAEP (US$)*	*Number*	*WAEP (US$)*
Outstanding at beginning of year	1,100,000	0.65	1,069,375	0.65	1,060,000	0.71
Granted during the year	60,000	0.65	-	-	606,500	2.86
Exercised during the year	-	-	(*) (9,375)	0.64	(**) (40,000)	2.07
Forfeited during the year	(90,625)	0.65	-	-	(13,750)	2.83
Outstanding at end of year	1,069,375	0.65	1,060,000	0.71	1,612,750	1.54
Exercisable at end of year	341,000	0.65	662,000	0.71	993,000	0.78

(*) The weighted average share price at the date of exercise of these options was £ 0.795.
(**) The weighted average share price at the date of exercise of these options was £ 1.641.

d. Nature and purpose of other reserves:

1. Asset revaluation surplus -

The asset revaluation surplus reflects the increase in the fair value of the identifiable net assets of the Company's interests in entities prior to the acquisition of the controlling interest.

2. Foreign currency translation reserve -

The foreign currency translation reserve is used to record exchange rate differences arising from the translation to the U.S. dollar of the financial statements of those companies in the Group whose functional currency is not the U.S. dollar.

NOTE 18:- SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF INCOME

		Year ended 31 December		
		2005	*2006*	*2007*
		US$ '000	*US$ '000*	*US$ '000*
a.	Revenues:			
	Rights in TV series *)	8,224	16,065	24,687
	Broadcasting TV channels	3,854	4,217	4,800
	Other	-	122	536
		12,078	20,404	30,023

*) Includes royalty revenues from licensing ancillary rights of TV series.

b.	Cost of revenues:			
	Rights in TV series	3,297	2,792	4,814
	Broadcasting TV channels	1,506	2,577	2,750
	Other	-	54	343
		4,803	5,423	7,907
	*) Included in cost of revenues:			
	Amortization	1,888	3,116	4,333
c.	Selling and marketing expenses:			
	Advertising and marketing expenses	359	1,039	2,280
	Commissions	1,462	2,907	3,874
		1,821	3,946	6,154
d.	General and administrative expenses:			
	Salaries and related benefits	1,195	1,926	2,798
	Management fees	717	1,081	1,432
	Rental fees and maintenance of offices	399	570	1,052
	Professional fees	705	1,146	1,347
	Depreciation and amortization	84	138	243
	Doubtful accounts and bad debts	50	145	22
	Travel expenses	290	364	466
	Others	54	241	256
		3,494	5,611	7,616

NOTE 18:- SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF INCOME (Cont.)

		Year ended 31 December		
		2005	***2006***	***2007***
		US$ '000	***US$ '000***	***US$ '000***
e.	Financial expenses, net:			
	Bank loans and overdrafts	290	310	329
	Income from deposits	(80)	(14)	(57)
	Other	19	38	(49)
		229	334	223
f.	Other expenses (income), net:			
	Loss (gain) on disposal of property and equipment	60	3	(31)
	Rental income	(32)	-	(2)
	Depreciation of investment property	5	-	-
	Other	18	-	4
		51	3	(29)

NOTE 19:- EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Year ended 31 December		
	2005	***2006***	***2007***
	US$ '000	***US$ '000***	***US$ '000***
Net profit attributable to equity holders of the parent for basic and diluted earnings per share	1,628	4,112	6,573
Weighted average number of Ordinary shares for basic earnings per share	17,984,179	19,421,817	20,544,929
Effect of dilution:			
Share options	609,809	427,977	785,439
Adjusted weighted average number of Ordinary shares for diluted earnings per share	18,593,988	19,849,794	21,330,368

NOTE 20:- FINANCIAL INSTRUMENTS

a. Fair value of financial instruments:

The carrying amounts of cash and cash equivalents, trade receivables, other accounts receivable, credit from banks, trade payables, current liabilities and long-term liabilities approximate their fair value.

b. Concentration of credit risk:

Financial instruments that potentially subject the Group to concentration of credit risk consist principally of cash and cash equivalents and trade receivables.

Cash and cash equivalents are deposited with major banks. Management believes that the financial institutions that hold the Company's investments are financially sound and, accordingly, minimal credit risk exists with respect to these investments.

The Company's trade receivables are mainly derived from sales to customers in Europe, Central and South America and Israel. The Company performs ongoing credit evaluations of its customers and to date has not experienced any material losses. An allowance for doubtful accounts is determined with respect to those amounts that the Company has determined to be doubtful of collection.

The functional currency of the Company is NIS and it has selected the U.S. dollar as its presentation currency. The Group may have expenses and income denominated in other currencies including those of the jurisdictions throughout the world in which it operates. The Group could be adversely affected by changes in the exchange rates between currencies in which it operates or which otherwise affect it. The Group does not engage in hedging or utilise any other financial arrangements to minimize exchange risk, notwithstanding, most of the Group's transactions are denominated in U.S. dollars.

c. Capital management:

The primary objective of the Company's capital management is to ensure that it maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development and development of the business activity. The Board of Directors monitors the return on capital, which the Company defines as net profit divided by total shareholders' equity excluding minority interest.

The Company seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and market opportunities. The Company's target is to achieve a maximal return on capital through business development; in 2007 the return was 17.4% (2006: 20.9%, 2005: 10.6%).

There were no changes in the Company's approach to capital management during the years ended 31 December 2007, 2006 and 2005.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTE 21:- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. Balances with related parties (mostly shareholders and minority shareholders in investee):

	As of 31 December		
	2005	*2006*	*2007*
	US$ '000	*US$ '000*	*US$ '000*
Current assets:			
Other accounts receivable	22	64	227
Current liabilities:			
Other current liabilities	34	287	595

b. Transactions with related parties:

	Year ended 31 December		
	2005	*2006*	*2007*
	US$ '000	*US$ '000*	*US$ '000*
Revenues:			
Sales to related parties (1)	15	36	34
Compensation of key management personnel of the Group:			
Short-term employee benefits	1,060	1,095	1,231
Share-based payments	33	24	290
Financial expenses	-	-	68
	1,093	1,119	1,589

(1) Sales to jointly controlled entities in 2005 - 2007.

NOTE 22:- INVESTMENTS IN SUBSIDIARIES

a. YDI 2002 and Dori-Mapal:

In May and October 2002, the Company established YDI 2002 and Dori-Mapal, respectively. Since the date of establishment of YDI 2002 and Dori-Mapal, the Company intended to allocate 10% of its holdings in YDI 2002 and Dori-Mapal to two external investors ("the investors"). YDI 2002 was inactive until the second half of 2003.

In May 2004, YDI 2002 and Dori-Mapal allocated to the investors 10% of their share capital. In exchange for the issuance of capital, loans that were received from the investors in the amount of about US$ 340 thousand were converted into share capital. The Company realized a gain from the allocation of shares amounting to approximately US$ 306 thousand, which is presented under the "Other income" item (in 2004).

NOTE 22:- INVESTMENTS IN SUBSIDIARIES (Cont.)

In July 2004, the Company acquired 5% of the share capital of YDI 2002 and Dori-Mapal from one of the investors. Following the acquisition, the Company held 95% of the share capital of YDI 2002 and Dori-Mapal. The consideration for the acquisition amounted to US$ 250 thousand.

On 31 January 2005, the Company reached a compromise with the second investor. Pursuant to this compromise, the investor agreed to sell to the Company its interest (5%) and its rights in YDI 2002 and Dori-Mapal for a total consideration of US$ 575 thousand. The consideration was payable in three equal installments in February 2005, January 2006 and in December 2006. In addition, the investor agreed to release the Company and all members of the Group from any and all claims and demands. Goodwill on the acquisition amounted to US$ 363 thousand.

Following the acquisition, the Company holds 100% of the share capital of YDI 2002 and Dori-Mapal.

b. Davka Content & Productions Ltd. ("Davka"):

On 11 February 2005, the Company signed an agreement with the minority shareholder of Davka ("the seller") according to which, the Company acquired the 22% of Davka's shares held by the seller in exchange for 450,000 Ordinary shares (2.86% of the Company's shares post issuance) with a fair value of US$ 994 thousand and a cash payment of US$ 844 thousand. After consummation of this agreement, the Company holds 100% of Davka's issued share capital. Goodwill on the acquisition amounted to US$ 1,657 thousand. The acquisition was effective as of 1 January 2005.

In December 2005, the Company signed a merger agreement with Davka, pursuant to which Davka merged into the Company. In December 2006, an approval for the merger was received from the Israeli Tax Authorities. As part of the approval, certain limitations were imposed on utilizing the carry forward losses, ownership and operating Davka's assets.

c. Dori-Aram Ltd:

At the end of 2005, a shareholder of the Company transferred to the Company its interest in Dori-Aram (50% of the Ordinary shares of Dori-Aram, and a Management share that provides the Company with control), in consideration for less than US$ 1 thousand. The equity of Dori-Aram as of the date of the transfer was immaterial.

d. Dori Media OT Ltd:

In November 2006, the Company signed an agreement with OT Studios, an audio and video translation, dubbing, subtitling and duplication company based in Israel, for the launch of DMO, a company that will focus on all audio and video TV related technical activities for the Company as well as other clients in Israel and worldwide. The Company owns 51% of DMO with OT Studios owning the remaining 49%. The parties injected shareholders' loans, proportionately to their holdings in the total amount of US$ 600 thousand. DMO acquired all the equipment, assets, operations and employees of OT Studios in consideration of US$ 600 thousand of which US$ 360 thousand was allocated to equipment. Goodwill on the acquisition amounted to US$ 240 thousand.

NOTE 22:- INVESTMENTS IN SUBSIDIARIES (Cont.)

e. Dori Media Web AG:

On April 2007, the Company established a new wholly owned subsidiary called Dori Media Web AG (DMW), located in Switzerland.

f. Dori Media Spike Ltd.:

On 15 July 2007, the Company signed an agreement with Spike Ltd, for the establishment of Dori Media Spike Ltd. ("DMS"), that will operate the movie and series entertaiment channels for 'HOT', the Israeli cable platform. HOT granted DMS rights to produce and operate the existing HOT premium movie and series channels for three years commencing January 2008, with three terms of renewal up to one year each at HOT's option. The Company owns 75% of DMS.

g. Dori Media America:

On 17 August 2007, the Company established a new wholly owned subsidiary called Dori Media America Inc. (DMA), located in Miami (USA), as part of DMG's strategy to increase Telenovela sales in America, and specifically in the U.S. market.

h. Paran Productions Ltd.:

In the fourth quarter of 2007, DMG purchased 75% of Paran (see Note 3).

i. Darset Productions Ltd. ("Darset"):

In January 2005, the Company reached an agreement with a former shareholder that owns approximately 25% of Darset, pursuant to which the shareholder granted the Company a proxy, at no consideration, to vote the shares of the shareholder in the meetings of Darset's shareholders. The proxy expires after eight years or upon the transfer of the shares by the shareholder to an unrelated party.

In February 2007, the Company signed an agreement with Serendipity Holding, a shareholder of Darset, for the purchase of an additional 24.83% of Darsets' equity in consideration of US$ 550 thousand including US$ 125 thousand for a non-competition commitment by the selling shareholder. The amount paid for non-competition is included in intangible assets and is amortized over a period of five years. Goodwill on the acquisition amounted to US$ 325 thousand.

NOTE 23:- INTEREST IN JOINTLY CONTROLLED ENTITIES

In October 2007, DMG purchased 50% of DMCS (formerly - Central Park Productions S.A.) for a total consideration of US$ 1.1 million, of which half was paid in cash and the other half is to be paid during 2008. DMCS is an Argentinean company owning and operating studios specializing in TV productions. Upon the acquisition, the Company recorded goodwill of approximately US$ 1.4 million.

The Company also has a 50% interest in the assets, liabilities, expenses and income of Dar, which is involved in the production of TV series.

The Company's share of the assets, liabilities, revenues and expenses of jointly controlled entities which are included in the consolidated financial statements, are as follows:

	As of 31 December		
	2005	***2006***	***2007***
	US$ '000	***US$ '000***	***US$ '000***
Balance sheet items:			
Current assets	170	234	131
Non-current assets	43	89	1,201
Current liabilities	122	214	1,569
Non-current liabilities	5	7	66

	Year ended 31 December		
	2005	***2006***	***2007***
	US$ '000	***US$ '000***	***US$ '000***
Statement of income items:			
Revenues	1,008	1,235	2,451
Cost of revenues	888	955	1,644
Operating expenses	31	163	314
Profit before taxes on income	89	111	499

(*) In 2006 Darset was proportionaly consolidated (25%). In 2007 from the first quarter until the beginning of the fourth quarter of 2007 Darset was proportionaly consolidated (50%)

NOTE 24:- BUSINESS SEGMENTS

a. General:

1. The Group companies operate in two principal business segments: production, sale and distribution of TV series and broadcasting of TV channels. In prior years, the Company reported information on a third segment, which is no longer reported separately, since most of its revenues are derived from inter-segment sales.

2. The segment's assets include all the operating assets which are used by the segment and are composed mainly of cash and cash equivalents, trade and other receivables, equipment and other assets. Most of the assets are attributed to a specific segment.

NOTE 24:- BUSINESS SEGMENTS (Cont.)

3. The segment's liabilities include all the operating liabilities that derive from the operating activities of the segment and are composed mainly of trade payables and other accounts payable. The segment's assets and liabilities do not include taxes on income.

b. The following data are presented in accordance with IAS 14:

	Year ended 31 December 2005			
	Rights of TV series	*Broadcasting of TV channels*	*Adjustments*	*Total consolidated*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*
Revenues:				
Sales to external customers	8,224	3,854	-	12,078
Inter-segment sales	328	-	(328)	-
Total revenues	8,552	3,854	(328)	12,078
Segment results	2,445	418	-	2,863
Unallocated expenses				(903)
Operating profit				1,960
Financial expenses, net				229
Other expenses, net				51
Taxes on income				52
Profit for the year				1,628
Assets and liabilities:				
Segment assets	15,898	5,538		21,436
Unallocated assets				1,887
Total assets				23,323
Segment liabilities	3,400	393		3,793
Unallocated liabilities				4,110
Total liabilities				7,903
Other segment information:				
Capital expenditure:				
Tangible fixed assets	100	125		225
Intangible assets	3,431	1,657		5,088
Depreciation	34	55		89
Amortization	982	906		1,888

NOTE 24:- BUSINESS SEGMENTS (Cont.)

	Year ended 31 December 2006				
	Rights of TV series	*Broadcasting of TV channels*	*Other*	*Adjustments*	*Total consolidated*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Revenues:					
Sales to external customers	15,982	4,217	205	-	20,404
Inter-segment sales	272	-	427	(699)	-
Total revenues	16,254	4,217	632	(699)	20,404
Segment results	7,224	(325)	211	(129)	6,981
Unallocated expenses					(1,557)
Operating profit					5,424
Financial expenses, net					334
Other expenses, net					3
Taxes on income					945
Profit for the year					4,142
Assets and liabilities:					
Segment assets	25,356	5,987	869		32,212
Unallocated assets					2,171
Total assets					34,383
Segment liabilities	8,056	357	296		8,709
Unallocated liabilities					5,929
Total liabilities					14,638
Other segment information:					
Capital expenditure:					
Tangible fixed assets	383	45	437		865
Intangible assets	7,603	-	240		7,843
Depreciation	115	21	15		151
Amortization	1,666	1,446	-		3,112

NOTE 24:- BUSINESS SEGMENTS (Cont.)

	Year ended 31 December 2007				
	Rights of TV series	*Broadcasting of TV channels*	*Other*	*Adjustments*	*Total consolidated*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Revenues:					
Sales to external customers	24,687	4,800	536	-	30,023
Inter-segment sales	27	-	2,322	(2,349)	-
Total revenues	24,714	4,800	2,858	(2,349)	30,023
Segment results	9,344	782	481	(1,123)	9,484
Unallocated expenses					(1,138)
Operating profit					8,346
Financial expenses, net					223
Other income, net					(29)
Taxes on income					1,529
Profit for the year					6,623
Assets and liabilities:					
Segment assets	42,404	10,339	2,801		55,544
Unallocated assets					4,876
Total assets					60,420
Segment liabilities	10,200	1,925	1,049		13,174
Unallocated liabilities					9,240
Total liabilities					22,414
Other segment information:					
Capital expenditure:					
Tangible fixed assets	3,157	720	345		4,222
Intangible assets	11,411	-	615		12,026
Depreciation	222	154	-		376
Amortization	3,571	629	-		4,200

NOTE 24:- BUSINESS SEGMENTS (Cont.)

c. Geographical segments:

The following tables present revenue, expenditure and certain asset information regarding the Group's geographical segments for the years ended 31 December 2007, 2006 and 2005.

Year ended 31 December 2005	*Israel*	*Europe*	*Central and South America*	*Asia*	*2005 Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Revenues:					
Sales to external customers	6,471	2,539	2,980	88	12,078
Inter-segment sales	-	-	-	-	-
Segment revenues	6,471	2,539	2,980	88	12,078

Year ended 31 December 2005	*Israel*	*Switzerland*	*2005 Total*
	US$ '000	*US$ '000*	*US$ '000*
Other segment information:			
Segment assets	7,871	13,565	21,436
Unallocated assets			1,887
Total assets			23,323
Capital expenditure:			
Tangible fixed assets	141	84	225
Intangible fixed assets	1,657	3,431	5,088

Year ended 31 December 2006	*Israel*	*Europe*	*Central and South America*	*Asia*	*Other*	*2006 Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*	*US$ '000*
Revenues:						
Sales to external customers	5,438	7,367	7,035	528	36	20,404
Inter-segment sales	-	-	-	-	-	-
Segment revenues	5,438	7,367	7,035	528	36	20,404

NOTE 24:- BUSINESS SEGMENTS (Cont.)

Year ended 31 December 2006	*Israel* US$ '000	*Switzerland* US$ '000	*Other* US$ '000	*2006 Total* US$ '000
Other segment information:				
Segment assets	8,036	24,074	102	32,212
Unallocated assets				2,171
Total assets				34,383
Capital expenditure:				
Tangible fixed assets	664	106	95	865
Intangible fixed assets	240	7,603	-	7,843

Year ended 31 December 2007	*Israel* US$ '000	*Europe* US$ '000	*Central and South America* US$ '000	*Asia* US$ '000	*Other* US$ '000	*2007 Total* US$ '000
Revenues:						
Sales to external customers	8,110	10,026	9,623	1,738	526	30,023
Inter-segment sales	-	-	-	-	-	-
Segment revenues	8,110	10,026	9,623	1,738	526	30,023

Year ended 31 December 2007	*Israel* US$ '000	*Switzerland* US$ '000	*Argentina* US$ '000	*Other* US$ '000	*2007 Total* US$ '000
Other segment information:					
Segment assets	18,032	31,929	6,829	221	57,011
Unallocated assets					3,409
Total assets					60,420
Capital expenditure:					
Tangible fixed assets	842	645	2,735	-	4,222
Intangible fixed assets	5,643	4,978	1,405	-	12,026

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