

DEVELOPMENT COMPANY FOR ISRAEL (UK) LIMITED

REPORT AND ACCOUNTS

- for the Year Ended -

31st December 2003



DEVELOPMENT COMPANY FOR ISRAEL (UK) LIMITED

CONTENTS

	<u>Page</u>
Company Information	2
Report of the Director	3
Report of the Auditor	4
Profit and Loss Account	6
Balance Sheet	7
Notes to the Accounts	8

DEVELOPMENT COMPANY FOR ISRAEL (UK) LIMITED

COMPANY INFORMATION

DIRECTOR

Danny Elkanati

SECRETARY

Florrie Raymond (Appointed 17th March 2004)
Dr Henri Stellman (Resigned 17th March 2004)

REGISTERED OFFICE

79 Wimpole Street
London
W1G 7RY

COMPANY NUMBER

1415833 (England)

DEVELOPMENT COMPANY FOR ISRAEL (UK) LIMITED

REPORT OF THE DIRECTORS

The directors present their Report together with the audited accounts for the year ended 31st December 2003.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare Accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those Accounts the Directors are required to

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed; subject to any material departures disclosed and explained in the Accounts;
- * prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESULTS

	<u>Year Ended</u> <u>31st</u> <u>December</u> <u>2003</u>	<u>Year Ended</u> <u>31st</u> <u>December</u> <u>2002</u>
The results for the year are set out below:		
Profit for the Year before Taxation	-	-
Taxation	(-)	(-)
Profit for the Year after Taxation	<u>£nil</u>	<u>£nil</u>

REVIEW OF ACTIVITIES

The principal activity of the Company is the promotion in the United Kingdom of the sale of government securities issued by the State of Israel.

DEVELOPMENT COMPANY FOR ISRAEL (UK) LIMITED

REPORT OF THE DIRECTORS

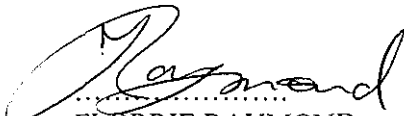
DIRECTORS

The Directors during the year and their beneficial interest in the Company's shares at the dates specified were as follows:-

	<u>31st December 2003</u>	<u>31st December 2002</u>
	<u>Ordinary Shares</u>	<u>Ordinary Shares</u>
	<u>of £1 each</u>	<u>of £1 each</u>
Danny Elkanati	-	-
	====	====

This report has been prepared taking advantage of the exemptions applicable to small companies contained in Part VII of the Companies Act 1985.

By Order of the Board



FLORRIE RAYMOND

Secretary

Date 30th April 2004

DEVELOPMENT COMPANY FOR ISRAEL (UK) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
DEVELOPMENT COMPANY FOR ISRAEL (UK) LIMITED

I have audited the financial statements of Development Company for Israel (UK) Limited for the year ended 31st December 2003, which comprise the Profit and Loss Account, Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. My audit work has been undertaken so that I might state to the company's members those matters I am required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the company and the company's members as a body, for my audit work, for this report, or for the opinions I have formed.

Respective responsibilities of directors and auditor

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is my responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

I report to you my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. I also report to you, if, in my opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or of information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

I read the Directors' Report and consider the implications for my report if I become aware of any apparent misstatement within it.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

DEVELOPMENT COMPANY FOR ISRAEL (UK) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

DEVELOPMENT COMPANY FOR ISRAEL (UK) LIMITED

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in financial statements.

Opinion

In my opinion the Accounts give a true and fair view of the state of the affairs of the Company at 31st December 2003 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


120 Collinwood Gardens
Gants Hill, Essex, IG5 0AL

Barrie D H Abrahams
Registered Auditor
Chartered Accountant

Date 30th April 2004

DEVELOPMENT COMPANY FOR ISRAEL (UK) LIMITED

PROFIT AND LOSS ACCOUNT

- for the Year Ended -

31ST DECEMBER 2003

		<u>Year Ended</u> <u>31st</u> <u>December</u> <u>2003</u> <u>£</u>	<u>Year Ended</u> <u>31st</u> <u>December</u> <u>2002</u> <u>£</u>
Turnover	1	241,662	171,955
Administrative Expenses		(242,141)	(173,875)
Operating Loss		----- (479)	----- (1,920)
Interest Receivable		479	1,920
Profit on Ordinary Activities before Taxation		----- -	----- -
Taxation on Profit on Ordinary Activities	2	-	-
Profit for the Year	7	----- £nil =====	----- £nil =====

There are no gains or losses for the year other than those recognised in the Profit and Loss Account.

All turnover, cost of sales and administrative expenses are derived from continuing activities.

DEVELOPMENT COMPANY FOR ISRAEL (UK) LIMITED

BALANCE SHEET AT 31st DECEMBER 2003

	<u>Note</u>	<u>31st December 2003</u>		<u>31st December 2002</u>	
		£	£	£	£
<u>CURRENT ASSETS</u>					
Debtors	4	4,352		4,363	
Cash at Bank		17,982		17,694	
		-----		-----	
		22,334		22,057	
<u>CREDITORS - Amounts</u>					
<u>Falling Due Within One Year</u>	5	(11,834)		(11,557)	
		-----		-----	
<u>NET CURRENT ASSETS</u>			10,500		10,500
			-----		-----
<u>TOTAL ASSETS LESS</u>					
<u>CURRENT LIABILITIES</u>			10,500		10,500
<u>CREDITORS - Amounts</u>					
<u>Falling Due After One Year</u>			(8,000)		(8,000)
			-----		-----
			£2,500		£2,500
			=====		=====
<u>EQUITY</u>					
<u>CAPITAL AND RESERVES</u>					
Called Up Share Capital	6		2,500		2,500
Profit and Loss Account	7		-		-
			-----		-----
			£2,500		£2,500
			=====		=====

These Accounts have been prepared taking advantage of the exemptions contained in Part VII of the Companies Act 1985 and were approved by the Board of Directors on 30th April 2004 and signed on its behalf by



 DANNY ELKANATI
 Director

DEVELOPMENT COMPANY FOR ISRAEL (UK) LIMITED

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

a) Accounting Convention

The Accounts are prepared under the Historical Cost Convention and in accordance with applicable Accounting Standards recognised in the United Kingdom.

b) Turnover

Turnover represents expenditure incurred and reimbursed by Israel Bonds International Inc.

c) Cash Flow Statement

The Company is exempted from the requirement to prepare a cash flow statement (in accordance with Financial Reporting Standard No. 1) on the basis of its being a "small company" as defined by Section 247 Companies Act 1985.

2 TAXATION

In the opinion of the directors the company has no corporation tax liability for the year ended 31st December 2003 (year ended 31st December 2002 - £nil).

3 DEBTORS

	<u>31st</u> <u>December</u> <u>2003</u>	<u>31st</u> <u>December</u> <u>2002</u>
Other Debtors	<u>£4,352</u>	<u>£4,363</u>

4 CREDITORS

	<u>31st</u> <u>December</u> <u>2003</u>	<u>31st</u> <u>December</u> <u>2002</u>
<u>Amounts Falling Due Within One Year</u>		
Bank Loans and Overdrafts	1,416	-
Amount due to parent undertaking	9,018	10,882
Accruals	1,400	675
	<u>£11,834</u>	<u>£11,557</u>

DEVELOPMENT COMPANY FOR ISRAEL (UK) LIMITED

NOTES TO THE ACCOUNTS

5 SHARE CAPITAL

	<u>31st</u> <u>December</u> <u>2003</u>	<u>31st</u> <u>December</u> <u>2002</u>
<u>Authorised</u>		
<u>Equity</u>		
5,000 Ordinary Shares of £1 each	£5,000 =====	£5,000 =====
<u>Issued, Called Up and Fully Paid</u>		
<u>Equity</u>		
2,500 Ordinary Shares of £1 each	£2,500 =====	£2,500 =====

6 STATEMENT OF MOVEMENTS ON RESERVES

	<u>Profit</u> <u>and Loss</u> <u>Account</u>
Balance as at 1 st January 2003	-
Profit for the Year	-
Balance as at 31st December 2003	----- £nil =====

7 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>Year Ended</u> <u>31st</u> <u>December</u> <u>2003</u>	<u>Year Ended</u> <u>31st</u> <u>December</u> <u>2002</u> <u>£</u>
Profit for the Financial Year and Net Increase in Shareholders' Funds	-	-
Opening Shareholders' Funds	2,500 -----	2,500 -----
Closing Shareholders' Funds	£2,500 =====	£2,500 =====

8 ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Israel Bonds International Inc.

DEVELOPMENT COMPANY FOR ISRAEL (UK) LIMITED

NOTES TO THE ACCOUNTS

9 RELATED PARTY TRANSACTIONS

During the year the amount receivable by the company in respect of expenses reimbursed from Israel Bonds International Inc. was £241,662 (31st December 2002 - £171,955).

At the balance sheet date the amounts due to Israel Bonds International Inc. by the company was £9,018 (31st December 2002 - £10,882) on current loan account and £8,000 (31st December 2002 - £8,000) by way of a subordinated loan. No interest is payable by the company on either of the loans from Israel Bonds International Inc.