

IMPORTANT

This document is an unofficial translation of the Hebrew original, March 31, 2011 financial report of Hadasit Bio-Holdings Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on May 26, 2011.

The Hebrew version submitted to the TASE and the Israeli Securities Authority shall be the sole binding legal version. This translation is for the convenience of English readers only.

HBL – Hadasit Bio-Holdings Ltd.

Consolidated Statements

As of March 31, 2011

(Unaudited)

HBL - Hadasit Bio-Holdings Ltd.

Summary Consolidated Financial Statements

As of March 31, 2010

(Unaudited)

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**Auditors' Review Report to the Shareholders of
HBL - Hadasit Bio-Holdings Ltd.**

Introduction

We have reviewed the attached financial information of HBL - Hadasit Bio-Holdings Ltd. (the "Company") and its subsidiaries (hereinafter: the "Group"), including the summary consolidated financial statement of the financial position as of March 31, 2011, and the summary consolidated financial statement of comprehensive loss, the changes in capital holdings, and the statement of cash flows for the three month period that ended on the same date. The Board of Directors and management are responsible for the preparation and presentation of financial information for this interim period, in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting", and also for the preparation of the financial information for the interim period in accordance with Part 4 of the Securities Regulations (Periodic and Immediate Statements), 5730-1970. It is our responsibility to express our conclusion regarding the financial information for this interim period, based on our review.

We did not review the summary financial information for the interim period for a consolidated company whose consolidated assets constitute approx. 0.53% of the Company's consolidated assets as of March 31, 2011 and whose consolidated results for the three month period ended March 31, 2011 constituted approx. 10.3%. The summary financial information of the same company was reviewed for the interim period by other auditors, whose reports were delivered to us and our conclusion inasmuch as it refers to the financial information for the same company is based on the reports provided by the other auditors.

Scope of the Review

We have conducted our review in accordance with Review Standard no. 1 of the Institute of Certified Public Accountants in Israel, "Review of the Interim Financial Information Prepared by the Entity's Auditor". A review of interim financial information comprises performance of inquiries, particularly with the individuals responsible for financial and accounting matters, as well as performance of analytic and other review procedures. A review is significantly limited in scope in comparison to an audit conducted in accordance with generally accepted accounting standards in Israel, and therefore does not allow us to obtain assurance that we have become aware of all material issues which may have been identified in an audit. Accordingly, we are not expressing an audit opinion.

Conclusion

Based on our review and on the review reports provided by other auditors, nothing has come to our attention which would lead us to believe that the above financial information was not prepared, in all material respects, in accordance with International Accounting Standard IAS 34.

In addition to the foregoing in the preceding paragraph, based on our review and on the review reports provided by other auditors, nothing has come to our attention which would lead us to believe that the above financial information does not fulfill, in all material respects, the disclosure requirements stated in Part 4 of the Securities Regulations (Periodic and Immediate Statements), 5730-1970.

Brightman Almagor Zohar & Co.

Accountants

Jerusalem, May 26, 2011

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Financial Position

	As of March 31		As of December 31
	2011	2010	2010
	Unaudited		Audited
	Thousands of NIS		Thousands of NIS
<u>Current assets</u>			
Cash and cash equivalents	14,255	12,571	8,801
Short-term deposits	-	-	822
Investments in negotiable securities	14,840	21,344	20,781
Receivables and debit balances receivable	2,060	(*) 3,793	2,525
Negotiable financial assets	738	1,457	991
	<u>31,893</u>	<u>39,165</u>	<u>33,920</u>
<u>Non-current assets</u>			
Prepaid expenses	12	40	15
Investments in affiliates	16,776	8,557	20,651
Investments in options of affiliates	832	-	1039
Rent receivable	1,100	(*) 1,116	1,124
Fixed assets, net	1,778	3,222	1,920
Intangible assets	2,329	2,050	2,377
	<u>22,827</u>	<u>14,985</u>	<u>27,126</u>
Total Assets	<u>54,720</u>	<u>54,150</u>	<u>61,046</u>
<u>Current liabilities</u>			
Bank credit	8	-	13
Vendors and service providers	2,153	1,767	1,615
Payable and credit balances	2,134	(*) 1,621	1,730
Loans from external shareholders in consolidated companies, net	266	280	266
	<u>4,561</u>	<u>3,668</u>	<u>3,624</u>
<u>Non-current liabilities</u>			
Liabilities for employee benefits	60	45	58
Royalties payable	1,032	1,764	964
Contract fees	253	-	-
Expenses payable	3,328	(*) 3,152	3,341
	<u>4,673</u>	<u>4,961</u>	<u>4,363</u>
<u>Equity</u>			
Share capital	875	785	875
Share premium	98,645	89,124	98,645
Options	10,902	9,379	10,902
Capital fund from activities with controlling shareholders	754	754	754
Capital fund from share-based transactions	2,604	1,898	2,432
Capital fund from negotiable financial assets	480	1,199	733
Balance of Loss	(68,426)	(58,286)	(61,231)
Total equity attributable to Company shareholders	<u>45,834</u>	<u>44,853</u>	<u>53,834</u>
Non-controlling interests	(348)	668	(51)
Total equity	<u>45,486</u>	<u>45,521</u>	<u>53,059</u>
Total liabilities and equity	<u>54,720</u>	<u>54,150</u>	<u>61,046</u>

(*) Reclassified, See Note 5

May 26, 2011			
Date of Authorization of the Financial Statements	Prof. Adi Raveh	Dr. Rafi Hofstein	Ophir Shahaf
	Member of the Board	Chairman of the Board	CEO/CFO

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Comprehensive Loss

	<u>For the Three Month Period Ended</u> <u>March 31</u>		<u>For the Year Ended</u> <u>December 31</u>
	<u>2011</u>	<u>2010</u>	<u>2010</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>Thousands of NIS</u>		<u>Thousands of NIS</u>
Research and development expenses	(1,679)	(1,928)	(6,019)
Marketing expenses	(4)	(8)	(60)
Management and general expenses	(1,421)	(1,922)	(7,225)
Other income/expenditure	(381)	-	14,927
Profit/loss from regular operations	(3,485)	(3,858)	(1,623)
Financing income	165	130	776
Financing expenses	(314)	(137)	(852)
Financing income/expenditure, net	(149)	(7)	(76)
Profit/loss after financing	(3,634)	(3,865)	(1,547)
Company's share in the losses of its portfolio	<u>(3,876)</u>	<u>(1,312)</u>	(10,102)
Loss for the period	(7,510)	(5,177)	(8,555)
<u>Other comprehensive profit/loss</u>			
Profit/loss from adjustment of the fair value of negotiable financial assets	(253)	324	(142)
Total comprehensive loss for the period	(7,763)	(4,853)	(8,697)
Loss for the period attributable to:	(7,195)	(4,827)	(7,414)
Shareholders in the parent company	(315)	(350)	(1,141)
Non-controlling interests			
Total loss for the period attributable to:	(7,510)	(5,177)	(8,555)
Shareholders in the parent company	(7,448)	(4,503)	(7,556)
Non-controlling interests	(315)	(350)	(1,141)
Loss per regular share at NIS 0.01 par value	(7,763)	(4,853)	(8,697)
Basic and diluted loss per share (in NIS)	(0.09)	(0.13)	(0.09)
Base number of shares for above calculation (in thousands)	87,523	39,926	81,539

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Changes in Shareholder's Equity

	Share capital	Share premium	Options	Capital fund from activities with controlling shareholders	Capital fund from share-based transactions	Capital fund from negotiable financial assets	Loss for the period	Total	Non-controlling interests	Total Equity
For the three-month period ended										
<u>March 31, 2011</u>										
(Unaudited)										
Balance as of January 1, 2011	875	98,645	10,902	754	2,432	733	(61,231)	53,110	(51)	53,059
Fair value adjustment for available-for-sale financial assets	-	-	-	-	-	(253)	-	(253)	-	(253)
Payment based on shares in consolidated companies	-	-	-	-	-	-	-	-	18	18
Share-based payment	-	-	-	-	172	-	-	172	-	172
Loss for period	-	-	-	-	-	-	(7,195)	(7,195)	(315)	(7,510)
Balance as at March 31, 2011	<u>875</u>	<u>98,645</u>	<u>10,902</u>	<u>754</u>	<u>2,604</u>	<u>480</u>	<u>(68,426)</u>	<u>45,834</u>	<u>(348)</u>	<u>45,486</u>

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Changes in Shareholder's Equity

	Share capital	Share premium	Options	Capital fund from activities with controlling shareholders	Capital fund from share-based transactions	Capital fund from negotiable financial assets	Loss for the period	Total	Non-controlling interests	Total Equity
For the three-month period ended <u>March 31, 2010</u> (Unaudited)										
<u>Thousands of NIS</u>										
Balance as of January 1, 2010	785	89,124	9,379	754	1,577	875	(53,459)	49,035	-	49,035
Loss for period	-	-	-	-	-	-	(4,827)	(4,827)	(350)	(5,177)
Issue of shares and options	-	-	-	-	-	-	-	-	1,018	1,018
Fair value adjustment for available-for-sale financial assets	-	-	-	-	-	324	-	324	-	324
Share-based payment	-	-	-	-	321	-	-	321	-	321
Balance as at March 31, 2010	<u>785</u>	<u>89,124</u>	<u>9,379</u>	<u>754</u>	<u>1,898</u>	<u>1,199</u>	<u>(58,286)</u>	<u>44,853</u>	<u>668</u>	<u>45,521</u>

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Changes in Shareholder's Equity

	Share capital	Share premium	Options	Capital fund from activities with controlling shareholders	Capital fund from share-based transactions	Capital fund from negotiable financial assets	Loss for the period	Total	Non-controlling interests	Total Equity
<u>For the year ended March 31, 2010 (Audited)</u>										
<u>Thousands of NIS</u>										
Balance as of January 1, 2010	785	89,124	9,379	754	1,577	875	(53,459)	49,035	-	49,035
Conversion of options into shares	2	317	(87)	-	-	-	-	232	-	232
Issue of shares and options	88	9,204	1,610	-	-	-	-	10,902	-	10,902
Fair value adjustment for available-for-sale financial assets	-	-	-	-	-	(142)	-	(142)	-	(142)
Share acquisition in consolidated company	-	-	-	-	-	-	(358)	(358)	358	-
Payment based on shares in consolidated companies	-	-	-	-	-	-	-	-	1,149	1,149
Deconsolidation of consolidated company	-	-	-	-	-	-	-	-	(417)	(417)
Share-based payment	-	-	-	-	855	-	-	855	-	855
Loss for period	-	-	-	-	-	-	(7,414)	(7,414)	(1,141)	(8,555)
Balance as at December 31, 2010	<u>875</u>	<u>98,645</u>	<u>10,902</u>	<u>754</u>	<u>2,432</u>	<u>733</u>	<u>(61,231)</u>	<u>53,110</u>	<u>(51)</u>	<u>53,059</u>

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Cash Flows

	<u>For the Three Month Period Ended</u>		<u>For the Year Ended</u>
	<u>March 31</u>		<u>December 31</u>
	<u>2011</u>	<u>2010</u>	<u>2010</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>Thousands of NIS</u>		<u>Thousands of NIS</u>
<u>Cash flow for current operations</u>			
Loss for the period	(7,510)	(5,177)	(8,555)
Adjustments required to present cash flow for current operations (Appendix A)	<u>6,051</u>	<u>(*) 1,515</u>	<u>(2,056)</u>
Net cash used for/derived from current operations	(1,459)	(3,662)	(10,611)
<u>Cash flow from/to investment activities</u>			
Interest income	99	48	581
Investment in negotiable securities	5,993	(195)	194
Investment in portfolio companies	-	-	(8,245)
Deconsolidation of consolidated company (Appendix B)	-	-	(246)
Investment in short-term deposits	822	-	(822)
Acquisition of fixed assets	<u>(18)</u>	<u>(148)</u>	<u>(178)</u>
Net cash used for/derived from current operations	(6,896)	(295)	(8,716)
<u>Cash flow from/to financing activities</u>			
Issue of corporate shares and options	-	-	10,902
Interest payments and bank fees	1	(123)	(35)
Chief Scientist loans	27	* (66)	551
Bank Credit	(5)	-	13
Conversion of options to shares	-	-	232
Net cash used for/derived from financing activities	<u>(21)</u>	<u>(57)</u>	<u>11,663</u>
Influence of exchange-rate fluctuations on cash and cash-equivalents in hand	(4)	-	(120)
Increase (decrease) in cash and cash equivalents	5,454	(4,014)	(7,784)
Balance of cash and cash equivalents at beginning of period	8,801	16,585	16,585
Balance of cash and cash equivalents at end of period	<u>14, 255</u>	<u>12,571</u>	<u>8,801</u>

(*) Reclassified, See Note 5

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Cash Flows

**Appendix A - Adjustments Required to
Present Cash Flows for Current Operations**

	<u>For the Three Month Period Ended March 31</u>		<u>For the Year Ended December 31</u>
	<u>2011</u>	<u>2010</u>	<u>2010</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>Thousands of NIS</u>		<u>Thousands of NIS</u>
<u>Expenses not related to cash flow:</u>			
Share in losses of portfolio companies	3,876	1,312	10,102
Depreciation and amortization	208	259	1,071
Financing expenses	314	137	852
Financing income	(165)	(130)	(776)
Share-based payment	190	1,339	2,004
Profit from decrease in holding rates of the portfolio companies, net	-	-	(14,816)
Increase in liabilities in respect of employee benefits	2	8	45
<u>Changes in assets and liabilities:</u>			
Decrease/increase in debit balances and accounts receivable	409	(*) (1,256)	(1,192)
Increase in payables, credit balances, and other liabilities	404	778	1,352
Decrease in expenses payable	(41)	(721)	(41)
Increase in royalties payable	65	(*) 115	226
Increase in contract fees	253	-	-
Increase/decrease in suppliers and service providers	536	(326)	(413)
	<u>6,051</u>	<u>1,515</u>	<u>(2,056)</u>

(*) Reclassified

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Cash Flows

Appendix B - Deconsolidation of Consolidated Company

	For the Three Month Period Ended		For the Year Ended
	March 31		December 31
	2011	2010	2010
	Unaudited		Audited
	Thousands of NIS		Thousands of NIS
Receivables and debit balances	-	-	653
Prepaid long-term expenses	-	-	9
Net investment in company	-	-	645
Fixed assets, net	-	-	644
Suppliers and service providers	-	-	(610)
Creditors and credit balances	-	-	(295)
Liability in respect of royalties payable	-	-	(851)
Liability in respect of employment termination	-	-	(24)
Non-controlling rights	-	-	(417)
Cash and cash equivalent	-	-	(246)

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Summary Consolidated Financial Statements

Note 1 - General

B. HBL - Hadasit Bio-Holdings Ltd. (hereinafter, the "Company"), was founded on September 19, 2005, by Hadasit Medical Research Services & Development Ltd. (hereinafter: "Hadasit").

The Company, through its portfolio companies, deals in research and development in the medical and bio-medical fields.

In September 2005, an agreement was signed between Hadasit and the Company, after which Hadasit transferred to the Company, in January 2006, its holdings in a number of information-rich companies active in the field of medical and bio- technological research and development (hereinafter: the "R&D Companies"). The transfer of holdings was implemented in order to enable the Company to raise funds from the public through the public offering of its securities, and their registration for trading on the Tel Aviv Stock Exchange (hereinafter: the "Stock Exchange").

Hadasit is a wholly-owned and controlled by the Hadassah Medical Organization (hereinafter: "Hadassah").

Hadassah is a medical institution with two hospitals in the city of Jerusalem: "Hadassah Ein Kerem" and "Hadassah Mount Scopus", as well as medical schools and research centers.

Hadasit is Hadassah's technology transfer company. Discoveries and developments by physicians at Hadassah (hereinafter, the researchers) are passed to Hadasit for administration. Hadasit takes care to safeguard the intellectual property, and invests effort in the mobilization of resources and marketing of the scientific discoveries.

The marketing of the scientific ideas and mobilization of resources is achieved by Hadasit through the establishment of portfolio companies, who are licensed to use the intellectual property and who actively market the scientific discoveries developed at Hadassah. This was the strategy used by Hadasit to establish its R&D companies.

The Company made its first public offering of shares and options on the TASE in January 2006.

B. It is recommended to examine these consolidated statements related to the Annual Financial Reports of the Company for December 31, 2010 and for the year ending on the same date, together with the notes that accompany them.

C. Definitions

- | | |
|-------------------------------|--|
| The Company | - HBL - Hadasit Bio-Holdings Ltd. |
| The Group | - The Company and the R&D Companies |
| Related Parties | - As defined in IAS 24 |
| Interested Parties | - As defined in the Securities Regulations (Annual Financial Statements), 2010 - 5770 |
| Controlling Parties | - As defined in the Securities Law 5728-1968, with its amendments |
| Index | - The consumer price index, as published by the Central Bureau of Statistics |
| Dollar | - The United States Dollar |
| Consolidated Companies | - Companies directly or indirectly controlled by the Company (as defined in IAS 27), and whose financial statements are fully consolidated with those of the Company |
| Affiliated Companies | - Companies over which the Company has a material influence, so that the Group's direct or indirect investments in them are included in the financial statements according to the equity value |
| Portfolio Companies | - Consolidated and affiliate companies |
| Other Companies | - Companies in which the Company holds a stake but does not have control, joint control or material influence |

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Summary Consolidated Financial Statements

Note 2 - Main Principles of the Accounting Policy

A. Basis for Preparation of the Financial Reports:

The financial reports and consolidated statements (hereinafter, the "Interim Financial Reports") of the Company were prepared in accordance with the International Accounting Standard IAS 34, "Interim Financial Reporting" (hereinafter, "IAS 34").

In the preparation of these interim financial reports, the Group has implemented an accounting policy, rules of presentation and calculation methods that are identical to those used for preparing the financial reports up until December 31, 2010, and the year that ended on the same date, except for changes to the calculation policy that derived from implementation of regulations, amendments to regulations, and new interpretations that came into force at the time of issuing the financial reports, as explained in Note 3.

B. The summary consolidated financial statements are prepared in accordance with the stated provisions in Part 4 of the Securities Law (periodical and immediate reports), 1970 – 5730.

C. Exchange Rates and Linkage Basis:

- (1) Balances in foreign currency, or linked to foreign currency, are included in the financial statements according to their representative exchange rates as published by the Bank of Israel on the balance sheet date.
- (2) Balances linked to the consumer price index are presented according to the last known index on the balance sheet date (the index for the month preceding the date of the financial report), or according to the index for the last month of the reporting period (the index for the month of issue of the financial report), depending on the terms of the transaction.
- (3) The following data relate to the Dollar exchange rate and the cost-of-living index:

	US Dollar Representative Rate (NIS per 1 USD)	Index in Israel	
		Known Index (* Points	Actual Index (* Points
Date of Financial Reports:			
As at March 31, 2011	3.481	118.64	118.41
As at March 31, 2010	3.71	113.78	113.68
As at December 31, 2010	3.55	117.82	117.38
Rates of Change:			
	%	%	%
For the three-month period ended:			
On March 31, 2011	(1.97)	0.7	0.88
On March 31, 2010	(1.64)	(0.86)	(0.95)
For the year ended on December 31, 2010	(5.99)	2.66	2.27

(*) According to the 2002 average

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Summary Consolidated Financial Statements

Note 3 - Newly published financial reporting standards and interpretations

A. New standards and interpretations that affect the current period and/or previous reporting periods:

- **IAS 27 (Revised) "Consolidated and Separate Financial Statements"**

This Standard provides the following rules for accounting treatment of consolidated and separate financial statements:

- The Standard provides that transactions with holders of non-controlling interest, owing to which the Group holds control of a subsidiary before and after the transaction, are to be treated as capital transactions.
- In cases of transactions following which the Group loses its control over a subsidiary, the investment balance in the subsidiary is to be measured on the date control was lost, at fair value.
- The minority share in the losses of a subsidiary in excess of its equity are to be attributed to it without regard to its obligations and its ability to make additional investments in the subsidiary.

The Standard's provisions apply to yearly periods beginning on January 1, 2010 and thereafter. The Standard provisions are being retroactively implemented, excluding a number of exceptions for which they will be prospectively implemented.

B. **New Standards and interpretations which are in effect, and which do not have a significant influence on the current period and/or on previous reporting periods:**

• **IFRS 3 (Revised) "Business Combinations"**

The new Standard establishes rules for the accounting treatment of business combinations. The Standard is being implemented with regards to business combinations which took place on January 1, 2010 or thereafter.

- **Amendments to IAS 28, "Investments in Associates" (Regarding the Loss of Significant Influence on an Associate)**
As part of the adoption of IAS 27 (revised) noted above, certain provisions of IAS 28, "Investments in Associates", were amended. These amendments determine the accounting treatment for loss of significant influence over an associate, where the entity continues to hold a certain holding in the investee. The amendments will be retroactively applied for the annual reporting periods beginning on January 1, 2010 and thereafter.
- **Amendments to IFRS 2, Transactions based on cash settlement of shares in a group.** The amendments specify the accounting treatment for separate and individual financial statements of an entity in respect of share-based payment transactions settled by other entities in the group. They also include in IFRS 2 previous provisions from IFRIC 8, "Applicability of IFRS 2", and IFRIC 11 - Group and Treasury Share Transactions. The instructions issuing from these amendments will be adopted for the annual reporting periods beginning on January 1, 2010. Application of the amendments is retroactive, and excludes amendments referring to previous instructions, which are in effect from their original date.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Summary Consolidated Financial Statements

Note 3 - Newly published financial reporting standards and interpretations (Cont.)

- B. New Standards and interpretations which are in effect, and which do not have a significant influence on the current period and/or on previous reporting periods:**

Amendment to IAS 7, "Cash Flow Statements"

The amendment to IAS 7, "Cash Flow Statements", clarifies that only exits that result in an asset recognized in the statement of financial position may be classified as cash flows used in investing activities. The amendment will be retroactively applied for the annual reporting periods beginning on January 1, 2010 or thereafter.

Amendment to IAS 1, "Presentation of Financial Statements"

The amendment to IAS 1, "Presentation of Financial Statements", determines that the liability component of an instrument which may, as chosen by the counterparty, be settled through the issuance of the entity's capital instruments, is to be classified as either current or non-current based on the settlement date, by way of transfer of cash or of other assets, and not based on the settlement date by way of conversion. The amendment will be retroactively applied for the annual reporting periods beginning on January 1, 2010 or thereafter.

Amendment to IAS 34, "Interim Financial Reporting"

The amendment emphasizes the principles set out in IAS 34 regarding the purpose of the information presented in interim financial reports relating to business activities and transactions that implement changes in the financial situation and performance of an entity since the date of the last annual report, and aims to update such information in the last annual report. In addition, the method of implementing this principle in financial instruments is clarified and certain disclosure requirements were added. The amendment will be retroactively applied for the annual reporting periods beginning on January 1, 2011 or thereafter.

C. Changes in the Accounting Policy

In 2010 the group changed its accounting policy regarding the presentation of obligations to pay royalties to the Chief Scientist. Prior to 2010, the company used to accept every receipt relating to the Chief Scientist's current activity, and it decided to change its accounting policy so that amounts received from the Chief Scientist and for which a financial obligation was recognized would be shown as financing activities in the cash flow report.

The management is of the opinion that the new policy is preferable because it leads to more appropriate treatment for the statement of cash flows and is consistent with local practice making the company's financial statements will be more consistent. The change in accounting policy affects the comparative information displayed in the statement of cash flows for the periods prior to 2010.

Impact of retroactive application of the cash flow statements for the current and previous periods.

	For the three-month period ending March 31	
	2011	2010
	Thousand NIS	
	Unaudited	Unaudited
Reduction in cash flow from current activities	(27)	(66)
Increase in cash flow from financing activities	27	66

Note 4 - Significant events during the reporting period

1. Communications Swing in a New Direction

On January 12, 2011 the Company approved and signed a new management agreement with Hadasit Medical Research Services & Development Ltd. (hereinafter, "Hadasit") for a period of four years with effect from January 1, 2011. The Company is authorized to terminate the agreement after a period of one, two, or three years from its starting date without any right on the part of Hadasit to lodge any related claims or appeals against the Company. According to the agreement, Hadasit's employees and consultants will provide the Company with continuous management services of its spheres of business activity and interest, with the cooperation and supervision of the Company's Board of Directors. In exchange for the provision of management services, the Company will pay to Hadasit NIS 620,000 per annum and will also bear the whole cost of the salary of the Company CEO appointed by Hadasit.

On February 27, 2011 the General Assembly approved the new management agreement. The table below shows the impact of the revised management service terms under the new agreement with Hadasit by comparison of the current and previous periods.

4.1 Impact on the Company's comprehensive loss for the period

	For the three-month period ending March 31		For the year ending December 31
	2011	2010	2010
	Thousand NIS		
	Unaudited	Unaudited	
Loss for the period associated with parent company owners reporting under the previous agreement	7,713	4,503	7,556
Management fees according to previous agreement	553	553	2,211
Management fees according to new agreement	350	350	1,400
	811	203	203
Management and general expenses according to previous agreement	1,624	1,922	7,225
Management and general expenses according to new agreement	1,421	1,719	6,414
	203	203	811
Loss for period associated with pro forma parent company ownership	7,510	4,300	6,745

4.2 Impact of the loss on shares (in NIS)

	For the three-month period ending March 31		For the year ending December 31
	2011	2010	2010
	Unaudited		
	Unaudited	Unaudited	
Loss per basic share, as reported	(0.09)	(0.13)	(0.09)
Pro forma influence	-	0.01	0.01
Pro forma loss per basic share	(0.09)	(0.12)	(0.08)

4.3 Impact of the loss on retained earnings

	For the three-month period ending March 31		For the year ending December 31
	2011	2010	2010
	Unaudited		
	Unaudited	Unaudited	
Retained earnings, as reported	(68,629)	(58,286)	(61,231)
Pro forma influence	203	203	811
Pro forma retained earnings	(68,426)	(58,083)	(60,420)

2. In February 2011, the Company signed a third-party sub-leasing agreement for a period of 40 months, starting from April 2011, for the space leased by one of its subsidiaries. Following signature of the agreement, the Company became aware of a heavy contractual commitment in the amount of NIS 381 thousand.
3. Within the scope of the clinical trial performed by the Enlivex Therapeutics with their, ApoCell, proprietary drug against the graft-versus-host-disease (GvHD), Enlivex completed its second round of patient recruitment and treatment. Following the discussion and approval of the drug as safe by the external safety committee, it was released for provision to the next group of patients at a higher dosage.

In March 2011 a loan agreement was signed between Enlivex Therapeutics and the Company for the standard kind of conversion between the Company and its portfolio companies, totaling NIS 1 million. The loan amount was actually transferred to Enlivex Therapeutics in April 2011.

4. In the first quarter of 2011, BioMarCare Technologies participated in the second round of colon cancer clinical trials, and also developed the Colon MarCarePlex™ kit. After signing a memorandum of understanding, BioMarCare initiated development of a second product based on a panel of molecular biomarkers and using a simple blood test rather than an invasive examination.
5. On 26 December 2010, the Company's Board of Directors initiated a private allocation of stock options to the company's CEO. The allocation was subject to signature and approval of a new agreement on management fees between the Company and Hadasit. The agreement was duly signed on January 12, 2011. On February 27, 2011 the General Assembly approved the new management agreement and allocated options on the capital track in accordance with Section 102 of the Income Tax Ordinance.

Each option can be redeemed in exchange for one ordinary share at a face value of NIS 0.01 against payment of an index-linked supplement in the amount of NIS 2. Options mature in a number of stages over a 3.5 year period. Mature options are redeemable mature during a period of 7 years from the date of allocation or 10 years from the beginning of the program, whichever is the later. The cost of the benefit inherent in the issuing of such options is based on the fair value at the time of provision of a quotation in the amount of NIS 291 thousand.

The fair value of options granted is estimated as above using the binomial pricing model. The following are the parameters used to implement the model:

Share price	NIS 1.004
Redemption price	NIS 2.00 Index-linked
Expected volatility (*)	63.6%
Option lifetime, in year (*)	2.5
Risk-free interest rate (**)	2.57

(*) Expected volatility, defined on the basis of historical volatility of the share price on the Tel-Aviv Stock Exchange over a period of 5 years. The average lifetime of the options is determined by the statistical research that indicates an early realization period of 2-3 years, on average.

(**) The risk-free interest rate is taken for each allocation according to the expected lifetime of the options.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Summary Consolidated Financial Statements

Note 5 - Reclassification

The group reclassified the amount detailed below in a table of comparison with March 31, 2010. The reclassification is the result of alignment of comparative data with the method of presentation of certain business items in the group reports for March 31, 2011.

	For March 31, 2010		
	As previously classified	The amendment	As classified in the current reports
	Thousand NIS		
	Unaudited		
Receivables and debit balances receivable	3,624	159	3,793
Rent receivable	-	1,116	1,116
Creditors and credit balances	1,452	169	1,621
Expenses payable	2,036	1,116	3,152

Note 6 - Events after the balance sheet date

In April 2011, an investment agreement was signed between the Company, a third party, and Kahr Medical, which is one of its subsidiaries.

According to agreement, a third-party invested approximately \$2 million in exchange for about 18% of Kahr Medical's shares.

The Company also invested a million dollars and converted all its loans to Kahr to a total amount of about \$ 2.1 million, assuming 20-30% of the investment price stipulated in the agreement. Following the investment, the Company's percentage share in Kahr dropped to about 65% (on a fully diluted basis).

Within the framework of the agreement, Kahr gave a third party primary negotiation rights for the purchase of an exclusive license for Kahr's main product development.

Upon completion of the transaction, Kahr's Board of Directors will retain its existing structure that gives the Company the right to appoint four directors in Kahr in addition to the current Kahr director. A third party will also be given the right to appoint an observer to the Kahr board.

Shares allocated to investors will earn them certain preferential rights, including the provision that if during the 15 months that follow closure of the investment agreement Kahr allocates preferential shares, they will acquire the same preferential rights as those allocated to investors in the current investment round.