17 February 2016 MTI Wireless Edge Ltd

("**MTI**" or the "**Company**")

Financial results for the year ended 31 December 2015

MTI Wireless Edge Ltd. (MWE), a market leader in the manufacture of flat panel antennas for fixed wireless broadband and a wireless irrigation solution provider, announces its audited full year results for the year ended 31 December 2015.

2015 Highlights:

- Completed the acquisition of Mottech Water Solution – profit enhancing acquisition
- Revenues increased by 36% to $19.6m (2014: $14.3m)
- Gross profit increased by 50% to $7.7m (2014: $5.14m)
- Profit from operations increased five times to $1.76m (2014: $340K)
- Earnings per share of $2.37 cents (2014: $0.48 cents)
- Shareholder's equity grew to $18.4m (31 December 2014: $17.6m)
- Dividend of $1.1 cent per share declared – to be paid on 1 April 2016 to shareholders on the register at close of trading on 9 March 2016.

Zvi Borovitz, Non-Executive Chairman of MTI Wireless, commented:

"I am pleased to report on our audited results for the financial year ended 31 December 2015, during which we made significant change in our business. The acquisition of Mottech Water Solutions moved us up the food chain providing a full solution with better margins and recurring revenue model for services and maintenance. We continue to develop this wireless irrigation segment with our software based solution and Motorola IRRiNet products and look forward to growing this business as water is becoming a critical nature resource and its management becoming essential.

In parallel we continued to develop our antenna segment and achieved good progress in our 60–80 GHz products range, penetrating to more customers, the benefit of which we expect to see in the future."

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About MTI Wireless Edge

MTI is engaged in the development, production and marketing of high quality, low cost, flat panel antennas for commercial and for military applications. Commercial applications such as: WiMAX, wireless networking, RFID readers &, broadband wireless access. With over 40 years' experience supplying 100KHz to 90GHz antennas including directional antennas and omni-directional anntenas for outdoor and indoor deployments, including smart antennas for WiMAX, wi-fi, public safety, RFID and for base stations and terminals - utility market. Military applications include a wide range of broadband, tactical and specialised communications antennas, antenna systems and DF arrays installed on numerous airborne, ground and naval platforms worldwide, including submarines.

Via its subsidiary, Mottech Water Solutions Ltd ("Mottech"), MTI is also a leading provider of remote control solutions for water and irrigation applications based on Motorola IRRInet state of the art control, monitoring and communication technologies. Mottech, headquartered in Israel, is the global prime distributor of Motorola for the IRRInet remote control solutions serving its customers worldwide through its subsidiaries and a global network of local distributers and representatives. It utilises over 25 years' experience in providing its customers with remote control and management systems which ensure constant, reliable and accurate water usage, while reducing operational costs and costly maintenance expenses. Mottech activities are focused in the market segments of agriculture, water distribution, municipal and commercial landscape and wastewater and storm water reuse.

Chairman's Statement

Dear Shareholders,

I am pleased to report on our audited results for the financial year ended 31 December 2015, during which we made significant change in our business. The acquisition of Mottech Water Solutions moved us up the food chain providing a full solution with better margins and recurring revenue model for services and maintenance. We continue to develop this wireless irrigation segment with our software based solution and Motorola IRRiNet products and look forward to growing this business, as water is becoming a critical nature resource and its management is becoming essential. Our offices on different continents (including representatives around the world) provide enormous opportunity for this.

In parallel we continued to develop our antenna segment and achieved good progress in our 60–80 GHz products range, selling to more customers, the benefit of which we expect to see in the future. We continue to believe that the market demand for our products, as part of the increasing demand for broadband, will strengthen in the coming years.

We are happy with our progress in RFID. In 2015 we were able to penetrate numerous applications and projects and we believe that RFID, together with the 60-80 GHz markets, are where our future growth lies in the antenna segment.

Our military antenna business remained healthy in 2015 and, based on the current backlog in the military segment, we believe that we will maintain a similar level of business in this segment in the current year.

Our overall ability to increase revenue via the acquisition of Mottech, manage our costs and leverage overheads helped us increase our operational profitability in 2015 by five times. I would like to thank our management team for its continued hard work and dedication, which has helped us in the smooth integration of Mottech and increased our profitability.

We enter 2016 with confidence in the growth prospects of our business and its ability to increase its profitability and generate cash. The underlying drivers of our business, such as continued growth in data usage and increasing subscriber numbers, are part of long-term trends that we expect to continue for the foreseeable future. This, together with the requirement for efficient water management and our current order backlog of $6.7m, provides us with confidence in both the Company's short and long-term growth prospects.

Following a review of the business, the Board decided to declare a final dividend of $1.1 cents per share. We strongly believe it is in the interest of shareholders to receive a yearly yield on their investment, while at the same time the Company manages its earnings and cash generation. This level of dividend represents a balance between the Company's current ongoing earnings and the stability that we like to show our shareholders. The dividend will be paid on 1 April 2016 to shareholders on the register at close of trading on 9 March 2016.

I would like to compliment our employees on their contribution to the Company and thank each and every one for their dedication and creativity, which has enabled us to achieve our results. I would also like to acknowledge with thanks the employees' families for their continued support.

Zvi Borovitz, Non-Executive Chairman

Chief Executive's Review

I am happy to report that during 2015 we made a profit enhancing acquisition that has enabled MTI to step up the value-chain and provide wireless control solutions and services. We continued our positive momentum and were able to grow the business and increase our profitability and margins. The increase in revenue, together with our hard work on controlling our costs, enabled us, once again, to improve our margins and, with the addition of Mottech into the business, we were able to further increase profitability.

In the antenna military segment we continued to see good demand and were able to maintain the business level at $3m, which we believe should continue in the near term as the current backlog and order pipe-line in the military segment are strong.

The RFID market, currently in its initial stages, continued to grow modestly in 2015 and we remain positive on this sector's potential as we see more demand for various applications. Our plan is to ensure that MTI remains well positioned in this market and to maximise the benefits of RFID technology continuing its world-wide growth.

In broadband wireless access we had a revenue decrease in 2015 primarily in the 60–80 GHz product line – we see this decrease as temporary due to technological problem at one key customer (not relating to the antenna) and slow capital investment in a specific geographic area in which some of our customers work. Nevertheless, 2015 brought new significant potential for this product line with new customer wins and an increase in other customer deployment. We are confident that this will be part of MTI's growth in the near future.

Our wireless controller segment integrated well into the Company and we are happy with the progress made in this segment, which included the returning of some key employees and the reactivation of our representative offices in different areas in the world. We see many opportunities to grow this business and remain focused on building our offering for various markets in the water management segment.

To achieve future growth, the Company aims to expand its leadership in the antenna markets for broadband wireless communication as well as its military capabilities and product portfolio. We are continuing to develop our 60–80GHz range of antennas and customer base, to strengthen our positioning in the market (including investment in new technologies) and the continuous initiation of new patents (when applicable). In parallel we will further develop Mottech's control software to make sure we continue to lead the offering in this market and bring our customer added value.

I would like to end my review by thanking our employees and their families for their hard work, dedication and support during the past year. It is their creativity, perfectionism and dedication that have led MTI to its position in the market and we see them as the key to our ongoing success.

Dov Feiner, Chief Executive Officer

M.T.I Wireless Edge Ltd.

Consolidated Statements of Comprehensive Income

	Note	For the year ended December 31, 2015 $'000	2014 $'000
Revenues	3, 5	19,579	14,341
Cost of sales		11,870	9,201
Gross profit		7,709	5,140
Research and development expenses		1,216	1,230
Distribution expenses		2,408	1,815
General and administrative expenses		2,323	1,755
Profit from operations	4	1,762	340
Finance expense	6	432	281
Finance income	6	44	94
Profit before income tax		1,374	153
Income tax expense (benefit)	7	110	(116)
Profit		1,264	269
Other comprehensive income (net of tax):			
Items that will not to be reclassified to profit or loss:			
Re measurements on defined benefit plans		(42)	(29)
		(42)	(29)
Items that will be reclassified to profit or loss:			
Adjustment arising from translation of financial statements of foreign operations		(77)	-
		(77)	-
Total other comprehensive loss		(119)	(29)
Total comprehensive income		1,145	240
profit attributable to:			
Owners of the parent		1,222	247
Non-controlling interest		42	22
		1,264	269
Total comprehensive income attributable to:			
Owners of the parent		1,103	218
Non-controlling interest		42	22
		1,145	240
Earnings per share (dollars)			
Basic	8	0.0237	0.0048
Diluted	8	0.0235	0.0048

The accompanying notes form an integral part of these financial statements.

M.T.I Wireless Edge Ltd.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2014:

	Attributable to owners of the parent						
	Share capital	**Additional paid-in capital**	**Capital Reserve from share-based payment transactions**	**Retained earnings**	**Total attributable to owners of the parent**	**Non-controlling interest**	**Total equity**
				$'000			
Balance as at January 1, 2014	109	14,945	259	2,420	17,733	194	17,927
Changes during 2014:							
Income for the year	-	-	-	247	247	22	269
Re measurements on defined benefit plans	-	-	-	(29)	(29)	-	(29)
Total comprehensive income for the year	-	-	-	218	218	22	240
Dividend paid	-	-	-	(351)	(351)	-	(351)
Share based payment	-	-	27	-	27	-	27
Balance as at December 31, 2014	109	14,945	286	2,287	17,627	216	17,843

The accompanying notes form an integral part of these financial statements.

M.T.I Wireless Edge Ltd.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2015:

	Attributable to owners of the parent							
	Share capital	**Additional paid-in capital**	**Capital Reserve from share-based payment transactions**	**Adjustment arising from translation of financial statements of foreign operations**	**Retained earnings**	**Total attributable to owners of the parent**	**Non-controlling interest**	**Total equity**
					$'000			
Balance as at January 1, 2015	109	14,945	286	-	2,287	17,627	216	17,843
Changes during 2015:								
Comprehensive income								
Income for the period	-	-	-	-	1,222	1,222	42	1,264
Other comprehensive income								
Re measurements on defined benefit plans	-	-	-	-	(42)	(42)	-	(42)
Translation differences	-	-	-	(77)	-	(77)	-	(77)
Total comprehensive income for the year	-	-	-	(77)	1,180	1,103	42	1,145
Non-controlling Interest of newly purchased subsidiary	-	-	-	-	-	-	8	8
Dividend paid	-	-	-	-	(351)	(351)	-	(351)
Share based payment	-	-	18	-	-	18	-	18
Balance as at December 31, 2015	109	14,945	304	(77)	3,116	18,397	266	18,663

The accompanying notes form an integral part of these financial statements.

M.T.I Wireless Edge Ltd.

Consolidated Statements of Financial Position

		As at December 31,		As at December 31,	
		2015	2015	2014	2014
	Note	$'000	$'000	$'000	$'000
ASSETS					
Non-current assets:					
Property, plant and equipment	10	5,643		5,209	
Investment property	11	656		1,240	
Goodwill		573		406	
Intangible assets	2	429		-	
Deferred tax assets	12	393		368	
Long-term prepaid expenses		28		12	
Total non-current assets			7,722		7,235
Current assets:					
Inventories	13	4,426		2,941	
Current tax receivables		139		143	
Trade and other receivables	14	9,370		5,783	
Other current financial assets		2,086		3,728	
Cash and cash equivalents	15	2,634		2,918	
Total current assets			18,655		15,513
TOTAL ASSETS			26,377		22,748
LIABILITIES					
Non-current liabilities:					
Loans from banks	16	2,381		1,345	
Employee benefits	17	387		365	
Other liabilities	18	92		-	
Total Non-current liabilities			2,860		1,710
Current Liabilities:					
Current tax payables		192		-	
Trade and other payables	19	3,870		2,925	
Current maturities and short term Loans	20	792		270	
Total current liabilities			4,854		3,195
Total liabilities			7,714		4,905
TOTAL NET ASSETS			18,663		17,843

The accompanying notes form an integral part of these financial statements.

M.T.I Wireless Edge Ltd.

Consolidated Statements of Financial Position (Cont.)

	Note	**As at December 31, 2015 $'000**	**As at December 31, 2015 $'000**	**As at December 31, 2014 $'000**	**As at December 31, 2014 $'000**
Capital and reserves attributable to owners of the parent	22				
Share capital		109		109	
Additional paid-in capital		14,945		14,945	
Capital reserve from share-based payment transactions		304		286	
Translation differences		(77)		-	
Retained earnings		3,116		2,287	
			18,397		17,627
Non-controlling interests			266		216
TOTAL EQUITY			18,663		17,843

The financial statements on pages 4 to 46 were approved by the Board of Directors and authorised for issue on February 16, 2016, and were signed on its behalf by:

February 16, 2016			
Date of approval of financial statements	Moshe Borovitz Chief Finance Director	Dov Feiner Chief Executive Officer	Zvi Borovitz Non-executive Chairman

The accompanying notes form an integral part of these financial statements.

M.T.I Wireless Edge Ltd.

Consolidated Statements of Cash Flows

	For the year ended December 31,		For the year ended December 31,	
	2015	**2015**	**2014**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Operating Activities:				
Profit for the year	1,264		269	
Adjustments for:				
Depreciation and amortization	593		451	
Gain from other current financial assets	(36)		(37)	
Equity settled share-based payment expense	18		27	
Finance expense	113		87	
Income tax expense (benefit)	110		(116)	
Changes in working capital and provisions		2,062		681
Decrease in inventories	90		150	
Decrease (increase) in trade receivables	(1,136)		347	
Increase in other accounts receivables	(326)		(196)	
Increase (decrease) in trade and other payables	(98)		162	
Increase (decrease) in employee benefits	(54)		20	
Decrease in provisions	-		(40)	
Interest paid	(113)		(87)	
Income tax paid	(214)		(4)	
		(1,851)		352
Net cash provided by operating activities		211		1,033

The accompanying notes form an integral part of these financial statements.

M.T.I Wireless Edge Ltd.

Consolidated Statements of Cash Flows (Cont.)

	For the year ended December 31,		For the year ended December 31,	
	2015	**2015**	**2014**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Investing Activities:				
Sale of investments in financial assets, net	1,639		2,053	
Acquisition of subsidiary, net of cash acquired	(3,042)		-	
Purchase of Property, plant and equipment	(297)		(276)	
Net cash provided by (used in) investing activities		(1,700)		1,777
Financing Activities:				
Short term Loan repayment	-		(292)	
Long term loan received from banks	2,090		31	
Dividend paid to the owners of the parent	(351)		(351)	
Repayment of long-term loans from banks	(526)		(272)	
Net cash provided by (used in) financing activities		1,213		(884)
Increase (decrease) in cash and cash equivalents		(276)		1,926
Cash and cash equivalents at the beginning of the year		2,918		992
Exchange differences on balances of cash and cash equivalents		(8)		-
Cash and cash equivalents at the end of the year		2,634		2,918

Appendix A - Non-cash transactions:

	For the year ended December 31,	
	2015	**2014**
	$'000	**$'000**
Purchase of Property, plant and equipment with credit	8	11

The accompanying notes form an integral part of these financial statements.

M.T.I Wireless Edge Ltd.

Consolidated Statements of Cash Flows (Cont.)

Appendix B - Acquisition of subsidiary, net of cash acquired:

	For the year ended December 31,		For the year ended December 31,	
	2015	2015	2014	2014
	$'000	$'000	$'000	$'000
Working capital (excluding cash and cash equivalents)	2,530		-	
Property, plant and equipment	95		-	
Intangible assets	483		-	
Goodwill	167		-	
Deferred taxes	(66)		-	
Non-current liabilities	(67)		-	
The subsidiaries' assets (excluding cash and cash equivalents) and liabilities at date of acquisition		3,142		-
Non-controlling interests		(8)		-
Contingent consideration		(92)		-
Total		3,042		-

The accompanying notes form an integral part of these financial statements.

1. Accounting policies

M.T.I Wireless Edge Ltd. (hereafter - the Company) is an Israeli corporation. The Company was incorporated under the Companies Act in Israel on December 30, 1998 as a wholly- owned subsidiary of M.T.I Computers and Software Services (1982) Ltd. (hereafter - the Parent Company), commenced operations on July 1, 2000 and since March 2006, the Company's shares are traded on the AIM Stock Exchange.

The formal address of the company is 11 Hamelacha Street, Afek industrial Park, Rosh-Ha'Ayin, Israel.

The Company is engaged in the development, design, manufacture and marketing of antennas and accessories.

Via its subsidiary, Mottech Water solutions Ltd., MTI is also a leading provider of remote control solutions for water and irrigation applications based on Motorola IRRInet state of the art control, monitoring and communication technologies.

Certain operational and administrative services are provided by the Parent Company.

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the measurement of Employee benefit assets and certain financial assets and financial liabilities at fair value through profit or loss.

The Company has elected to present the statement of comprehensive income using the function of expense method.

Details of the changes in foreign currency:

Henceforth are the details of the foreign currency of the main currency and the changes in the reporting period:

	December 31,	
	2015	**2014**
NIS (in Dollar per 1 NIS)	0.256	0.257

	Year ended December 31,	
	2015	**2014**
	%	%
NIS	0.003	(10.72%)

Estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

1. Accounting policies (Cont.)

Estimates and assumptions (cont.)

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates used by the the Company and its subsidiaries (hereafter - the Group) that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Deferred tax assets:** Deferred tax assets are recognized for unused carryforward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the estimated timing and level of future taxable profits together with future tax planning strategies.

Revenue recognition

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. In cases where the Company acts as an agent or as a broker without being exposed to the risks and rewards associated with the transaction, its revenues are presented on a net basis. Revenues are measured at the fair value of the consideration received or receivables less any trade discounts, volume rebates and returns.

Following are the specific revenue recognition criteria which must be met before revenue is recognized:

1. Revenues from services are recognized as follows:
   - Provided the amount of revenue can be measured reliably and it is probable that the Group will receive any consideration, revenue for services is recognised in the period in which they are rendered.
   - In fixed fee contracts - according to IAS 11 “Construction Contracts" pursuant to which revenues are reported by the “percentage of completion” method. The percentage of completion is determined by dividing actual completion costs incurred to date by the total completion costs anticipated.

     When a loss from a project is anticipated, a provision is made in the period in which it first becomes evident, for the entire loss anticipated, as assessed by the Group’s management.
2. Revenues from the sale of goods are recognized when all the significant risks and rewards of ownership of the goods have passed to the buyer and the seller no longer retains continuing managerial involvement. The delivery date is usually the date on which risks and rewards pass.

1. Accounting policies (Cont.)

Customer discounts

Customer discounts given at year end in respect of which the customer is not obligated to comply with certain targets, are recognized in the financial statements as the sales entitling the customer to said discounts are made.

Customer discounts for which the customer is required to meet certain targets, such as a minimum amount of annual purchases (either quantitative or monetary), an increase in purchases compared to previous periods, etc. are recognized in the financial statements in proportion to the purchases made by the customer during the year that qualify for the target, provided that it is expected that the targets will be achieved and the amount of the discount can be reasonably estimated.

Basis of consolidation

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: The contractual arrangement with the other vote holders of the investee, the rights arising from other contractual arrangements, The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it (i) derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative translation differences recorded in equity. (ii) Recognises the fair value of the consideration received, recognises the fair value of any investment retained and recognises any surplus or deficit in profit or loss. (iii) reclassifies the parent's share

1. Accounting policies (Cont.)

Basis of consolidation (cont.)

of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities.

Consolidated financial statements

Where relevant, the accounting policy in the financial statements of the subsidiaries is changed to confirm with the policy applied in the financial statements of the Group.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost of a business combination comprises the fair values of assets given, liabilities assumed and equity instruments issued. Any costs of acquisition are charged to profit or loss.

Goodwill is recognized as an intangible asset with any impairment in carrying value being charged to the income statement. The Goodwill is not systematically amortized and the company reviews goodwill for impairment once a year, or more frequently if events or changes in circumstances indicate that there is an impairment.

Intangible assets

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured on initial recognition at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. Commencing from that date, the asset is amortized systematically over its useful life.

Impairment of non-financial assets

Impairment tests on goodwill are undertaken annually on December 31 or sooner when there are signs of impairment. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the non-financial asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose), the asset is written down and impairment charge is recognized accordingly.

1. Accounting policies (Cont.)

Impairment of non-financial assets (cont.)

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the smallest Group of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets). Goodwill is allocated at initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the business combination giving rise to the goodwill. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is lower than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses allocated to goodwill cannot be reversed in subsequent periods.

An impairment loss allocated to asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, is limited to the lower of the carrying amount of the asset that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and the assets recoverable amount. The reversal of impairment loss of an asset is recognized in profit or loss.

Impairment charges are included in general and administrative expenses line item in the statement of comprehensive income. During the years 2014 and 2015 no impairment charges of non-financial assets were recognized.

Functional and reporting currency

The majority of the revenues of the Company are generated in U.S. dollars. In addition, a substantial portion of the Company's costs are incurred in U.S. dollars. Thus, the functional currency of the Company is the U.S. dollar.

The reporting currency of the financial statements is the U.S. dollar.

Foreign currency transactions

Transactions denominated in foreign currency (other than the functional currency) are recorded on initial recognition at the exchange rate as of the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate as of that date. Exchange differences, other than those capitalized to qualifying assets are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate as of the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date in which the fair value was determined.

Exchange differences arising on the retranslation of monetary assets and liabilities are recognized immediately in profit or loss.

1. Accounting policies (Cont.)

Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss: This category comprises only marketable securities. These assets are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables: Loans and receivables are investments with fixed or determinable payments that are not quoted in an active market and they are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, loans are measured based on their terms at amortized cost plus directly attributable transaction costs using the effective interest method and less any impairment losses. Short-term borrowings are measured based on their terms, normally at face value.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability, or
B. In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification of financial instruments by fair value hierarchy:

The financial instruments presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

1. Accounting policies (Cont.)

Financial Liabilities

The Group classifies its financial liabilities as follows:

Other financial liabilities: Other financial liabilities include the following items:

- Bank borrowings are initially recognized at fair value less any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortized cost using the effective interest method, which ensures that any interest expense over the period is at a constant interest rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs, as well as any interest or coupon payable while the liability is outstanding.
- Trade payables and other short-term monetary liabilities, which are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

De-recognition of financial instruments

Financial assets: A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Group has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities: A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the creditor

- discharges the liability by paying in cash, other financial assets, goods or services; or
- is legally released from the liability.

Where an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the existing liability and new liability is recognized in profit or loss. If the exchange or modification is not substantial, it is accounted for as a change in the terms of the original liability and no gain or loss is recognized on the exchange.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows.

Financial assets carried at amortized cost:

There is objective evidence of impairment of loans and receivables if one or more events have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows. Evidence of impairment may include indications that the debtor is experiencing financial difficulties, including liquidity difficulty and default in interest or principal payments.

1. Accounting policies (Cont.)

Impairment of financial assets (cont.)

The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate at initial recognition). If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized. The amount of the reversal, which is limited to the amount of any previous impairment, is recognized in profit or loss.

Government grants

grants received from the Israel-U.S. Bi-national Industrial Research and Development Foundation (henceforth "BIRD") as support for a research and development projects include an obligation to pay back royalties conditional on future sales arising from the project. Grants received from the BIRD on or after January 1, 2009, are accounted for as forgivable loans, in accordance with IAS 20 (Revised), pursuant to the provisions of IAS 39. Accordingly, when the liability for the loan is first recognized, it is measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grants received and the fair value of the liability is accounted for upon recognition of the liability as a grant and recognized as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method. Changes in the projected cash flows are discounted using the original effective interest and recorded in profit or loss in accordance with the provisions of IAS 39.

At the end of each reporting period, the Group evaluates, based on its best estimate of future sales, whether there is reasonable assurance that the liability recognized, in whole or in part, will not be repaid. If there is such reasonable assurance, the appropriate amount of the liability is derecognized and recorded in profit or loss as an adjustment of research and development expenses. If the estimate of future sales indicates that there is no such reasonable assurance, the appropriate amount of the liability that reflects expected future royalty payments is recognized with a corresponding adjustment to research and development expenses.

Deferred tax

Deferred taxes are computed in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts attributable for tax purposes. Deferred taxes are recognized in other comprehensive income or directly in equity if the tax relates to those items.

Deferred taxes are measured at the tax rates that are expected to apply in the period when the temporary differences are reversed in profit or loss, other comprehensive income or equity, based on tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred taxes in profit or loss represent the changes in the carrying amount of deferred tax balances during the reporting period, excluding changes attributable to items recognized in other comprehensive income or directly in equity.

1. Accounting policies (Cont.)

Deferred tax (cont.)

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. In addition, temporary differences (such as carryforward losses) for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability is probable. Any resulting reduction or reversal is recognized on " income tax" within the statement of comprehensive income. Taxes that would apply in the event of the disposal of investments in investees have not been taken into account, as long as the disposal of such investments is not expected in the foreseeable future and the group has control over such disposal. In addition, deferred taxes that would apply in the event of distribution of dividends have not been taken into account, since the distribution of dividends does not involve an additional tax liability, and if so, the Group's policy is not to initiate distribution of dividends that triggers an additional tax liability. All deferred tax assets and liabilities are presented in the statement of financial position as non-current items, respectively. Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

Taxes on income

Tax-exempt income derived from “approved enterprises” will be subject to additional income tax in the event of distribution of dividends attributed to such income. Such additional income tax has not been provided for in the financial statements, since the current policy of the Group is not to distribute dividends incurring additional income tax.

Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost is calculated according to weighted average model.

Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost. Cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. Depreciation is computed by the straight line method, based on the estimated useful lives of the assets, as follows:

	Rate of depreciation	Mainly %
buildings	3 - 4 %	3.13
Machinery and equipment	6 - 20 %	10
Office furniture and equipment	6 - 15 %	6
Computer equipment	10 - 33 %	33
Vehicles	15 %	15

1. Accounting policies (Cont.)

Investment property

An investment property is property (land or a building or both) held by the owner (lessor under an operating lease) or by the lessee under a finance lease to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. Investment property is measured initially at cost less including costs directly attributable to the acquisition. After initial recognition, investment property is measured at cost, accumulated depreciation and accumulated impairment losses and accounted for similarly to property, plant and equipment measured at cost.

Investment property is depreciated on a straight-line basis at annual rates of 3.13%, over its useful life.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

Cash and cash equivalents

Cash equivalents are considered by the Group to be highly-liquid investments, including, inter alia, short-term deposits with banks, the maturity of which do not exceed three months at the time of deposit and which are not restricted.

Provision for warranty

The Group generally offers up to three years warranties on its products. Based on past experience, the Group does not record any provision for warranty of its products and services.

Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options calculated at the grant date is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense charged is not adjusted for failure to achieve a market vesting condition.

Employee benefits

1. **Short-term employee benefits:** Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. **Post-employment benefits:** The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

1. Accounting policies (Cont.)

The Group has defined contribution plans pursuant to Section 14 to the Severance Pay Law since 2004 under which the Group pays fixed contributions to a specific fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense simultaneously with receiving the employee's services and no additional provision is required in the financial statements except for the unpaid contribution. The Group also operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal retirement and several other events prescribed by that Law. The liability for termination of employee-employer relationship is measured using the projected unit credit method.

The actuarial assumptions include rates of employee turnover and future salary increases based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to yields on corporate bonds with a term that matches the estimated term of the benefit plan. In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies ("plan assets"). Plan assets comprise assets held by a Long-term employee benefits fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group. The liability for employee benefits presented in the statement of financial position presents the present value of the defined benefit obligation less the fair value of the plan assets.

Earnings per Share (EPS)

Earnings per share are calculated by dividing the net profit or loss attributable to owners of the parent by the weighted number of ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential ordinary shares (convertible securities such as employee options) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential ordinary shares that are converted during the period are included in the diluted earnings per share only until the conversion date, and since that date they are included in the basic earnings per share.

The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company.

Segment reporting

An operating segment is a component of the Group that meets the following three criteria:

1. Is engaged in business activities from which it may earn revenues and incur expenses;
2. Whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about allocated resources to the segment and assess its performance; and
3. For which separate financial information is available.

1. Accounting policies (Cont.)

Segment revenue and segment costs include items that are attributable to the relevant segments and items that can be distributed among segments. Non-distributed items include the Group's financial income and expenses and income tax.

New IFRSs in the period prior to their adoption

- **IFRS 9 Financial Instruments:**

  In July 2014, the IASB issued the final and complete version of IFRS 9, Financial Instruments ("IFRS 9"), which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 mainly focuses on the classification and measurement of financial assets and it applies to all assets in the scope of IAS 39.

  According to IFRS 9, all financial assets are measured at fair value upon initial recognition. In subsequent periods, debt instruments are measured at amortized cost only if both of the following conditions are met:

  - the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  Subsequent measurement of all other debt instruments and financial assets should be at fair value. IFRS 9 establishes a distinction between debt instruments to be measured at fair value through profit or loss and debt instruments to be measured at fair value through other comprehensive income.

  Financial assets that are equity instruments should be measured in subsequent periods at fair value and the changes recognized in profit or loss or in other comprehensive income, in accordance with the election by the Company on an instrument-by-instrument basis. If equity instruments are held for trading, they should be measured at fair value through profit or loss.

  According to IFRS 9, the provisions of IAS 39 will continue to apply to de-recognition and to financial liabilities for which the fair value option has not been elected.

  According to IFRS 9, changes in measurement fair value of financial liabilities which are attributable to the change in credit risk should be presented in other comprehensive income. All other changes in fair value should be presented in profit or loss.

  IFRS 9 also prescribes new hedge accounting requirements.

  IFRS 9 is to be applied for annual periods beginning on January 1, 2018. Early adoption is permitted.

  The Company is evaluating the possible impact of IFRS 9 but is presently unable to assess its effect, if any, on the financial statements.

  Impairment - The impairment model is a more ‘forward looking’ model in that a credit event no longer has to occur before credit losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

1. Accounting policies (Cont.)

Hedging - The new hedge accounting model introduced the following key changes:

- Simplified effectiveness testing, including removal of the 80-125% highly effective threshold
- More items will now qualify for hedge accounting, e.g. pricing components within a non-financial item, and net foreign exchange cash positions
- Entities can hedge account more effectively the exposures that give rise to two risk positions (e.g. interest rate risk and foreign exchange risk, or commodity risk and foreign exchange risk) that are managed by separate derivatives over different periods
- Less profit or loss volatility when using options, forwards, and foreign currency swaps
- New alternatives available for economic hedges of credit risk and 'own use' contracts which will reduce profit or loss volatility.

- **IFRS 15 –Revenue from Contracts with Customers (hereafter – IFRS 15)**

IFRS 15 shall replace other IFRS provisions relating to revenue recognition.

The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 sets out a single revenue recognition model, according to which the entity shall recognize revenue in accordance with the said core principle by implementing a five-step model framework:

1) Identify the contract(s) with a customer
2) Identify the performance obligations in the contract
3) Determine the transaction price
4) Allocate the transaction price to the performance obligations in the contract
5) Recognize revenue when the entity satisfies a performance obligation.

IFRS 15 provides guidance about various issues related to the application of the said model, including: recognition of revenue from variable consideration set in the contract, adjustment of the price of transaction set in the contract in order to reflect the effect of the time value of money and costs to obtain or fulfill a contract.

IFRS 15 extends the disclosure requirements regarding revenue and requires, among other things, that entities disclose qualitative and quantitative information about significant judgments made by management in determining the amount and timing of the revenue.

The standard shall be applied retrospectively for annual reporting periods starting on January 1, 2018 or thereafter, taking into account the reliefs specified in the transitional provisions of IFRS 15. Under these provisions, early adoption of the standard is allowed. The Group has not as yet examined the implication of implementation of the IFRS 15 on the financial statements.

2. Business combination

On April 28, 2015 the Company signed an agreement for the purchase of 100% of the share capital of Mottech Water Solutions ltd ("Mottech"), a provider of wireless control products and services, for a consideration of approximately US$ 4 million (15.5 million New Israeli Shekels) plus an additional contingent payment based on performance which could rich up to about US$ 750 thousand (3 million New Israeli Shekels). The acquisition was completed on June 11, 2015 and funded by long-term bank loan and internal sources. To secure the long-term bank loan the Company recorded a charge on the share capital of Mottech and in addition has undertaken to meet the following financial covenant to be computed on the basis of the separate financial statements of the Company:

- The amount of equity shall not be lower than 40% of total assets of the Company. As of December 31, 2015 the Company meets the covenant.

Mottech is a global distributor and integrator of Motorola's wireless control solutions, which includes a portfolio of radio-enabled sensors and switches managed by control software. Mottech primarily operates in the water management sector and has developed proprietary wireless management solutions for commercial irrigation, municipal water authorities and water distributors. A typical solution reduces costs for the client, for example Mottech provides a commercial farm irrigation system that monitors the local environment, weather and soil sensors in real-time and Mottech's propriety software automatically operates irrigation and fertilizer pump stations to optimize these critical costs for the farm.

Mottech was set up in May 2014 and acquired its business and assets at the same time from the Israeli court. The assets had been placed in the Israeli court following the previous owner going into administration as result of business failure of a subsidiary which is not part of Mottech or its business anymore.

The cost of acquisition was allocated to tangible assets, intangible assets and liabilities which were acquired based on their fair value at the time of the acquisition. The intangible assets recognized include customer relations in the total amount of US$ 483 thousands, differed taxes in the total amount of US$ 66 thousands and goodwill in the total amount US$ 167 thousands. The customer relation is amortized over an economic useful life of up to 10 years.

Acquisition cost of Mottech at the date of acquisition:

	Fair value
	$'000
Cash paid	4,003
Contingent consideration liability	92
Total acquisition cost	4,095

2. Business combination (cont.)

Set forth below are the assets and liabilities of Mottech at date of acquisition:

	Fair value
	$'000
Cash and cash equivalents	961
Trade receivables	1,991
Other receivables	217
Inventories	1,586
Property, plant and equipment	95
Intangible assets	11
Trade payables	(268)
Other liabilities	(1,071)
Net identifiable assets	3,522
Intangible assets arising on acquisition, net of differed taxes	573
Total purchase cost	4,095

The result of the company were consolidated into the financial statement of the group commencing May 31, 2015 and from that date Mottech has contributed US$ 636 thousand to the consolidated profit and US$ 6,271 thousand to the consolidated revenue turnover. If the business combination had taken place at the beginning of the year, the consolidated net profit would have been US$ 812 thousand and the consolidated revenue turnover would have been US$ 23,819 thousand.

Cash outflow/inflow on the acquisition:

	$'000
Cash and cash equivalents acquired at the acquisition date	961
Cash paid	(4,003)
Net cash	(3,042)

Goodwill:

	$'000
Balance at January 1, 2015	406
additions	167
Balance at December 31, 2015	573

The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and the Mottech.

Contingent consideration:

As part of the purchase agreement with the previous owner of Mottech, it was agreed that the previous owner would be entitled to an additional contingent consideration ("the contingent consideration"). The Group will pay the contingent consideration to the previous owner based on calculation:

2. Business combination (cont.)

Up to US$ 720 thousand, if the acquired Company's accumulated revenue in 2016 – 2017 exceeds US$ 25.8 Million (100 million New Israeli Shekels) ("the revenue target").

As of the acquisition date, the fair value of the contingent consideration was estimated at US$ 92 thousand. The fair value was determined using the Monte-Carlo method.

The significant non-observable data used in measuring the fair value of the liability in respect of a contingent consideration are as follows:

Discount rate: 12.8%

A significant increase in the estimated amount of the acquired Company's pre-tax income will result in a significant increase (decrease) in the fair value of the liability in respect of the contingent consideration whereas a significant increase (decrease) in the discount rate and default risk rate will result in a decrease (an increase) in the fair value of the liability.

3. Revenues

	For the year ended December 31,	
	2015	**2014**
	$'000	**$'000**
Revenues arises from:		
Sale of goods	13,987	11,032
Sale of services	2,182	-
Projects	3,410	3,309
	19,579	14,341

4. Profit from operations

	For the year ended December 31,	
	2015	**2014**
This has been arrived at after charging**:**	**$'000**	**$'000**
Wages and salaries	6,525	4,957
Depreciation and amortization	593	451
Material and subcontractors	8,668	6,867
Operating lease expense	162	54
Plant, Machinery & Usage	681	661
Travel & Exhibition	260	231
Advertising & Commissions	207	149
Consultants	401	272
Others	320	359
	17,817	14,001

5. Segments

1. Segment information

Following the acquisition of the new operation the Group's chief operating decision maker examines operating segments differently from the past and therefore commencing the current financial statements the following table's present revenue and profit information regarding the Group's operating segments for the years ended December 31, 2015 and 2014.

	For the year ended December 31, 2015		
	Antennas	**Water Solutions***	**Total**
		$'000	
Revenue			
External	13,305	6,274	19,579
Total	13,305	6,274	19,579
Segment profit	859	903	1,762
Unallocated corporate expenses			
Finance expense, net			(388)
Profit before income tax			1,374
Other			
Depreciation and amortization	561	32	593

(*) Results for seven month ending December 31, 2015.

	For the year ended December 31, 2014		
	Antennas*	**Water Solutions**	**Total**
		$'000	
Revenue			
External	14,341	-	14,341
Total	14,341	-	14,341
Segment profit	311	-	311
Unallocated corporate expenses			
Unallocated income			29
Finance expense, net			(187)
Profit before income tax			153
Other			
Depreciation	451	-	451

(*) Reclassified

5. Segments (cont.)

2. Entity wide disclosures External revenue by location of customers.

	For the year ended December 31, 2015 $'000	For the year ended December 31, 2014 $'000
Israel	9,658	8,334
North America	4,331	2,259
Europe	2,269	2,590
Africa	1,276	-
Asia	547	780
Other	1,498	378
	19,579	14,341

3. Additional information about revenues:

Revenues from major customers each of whom amount to 10% or more of total revenues reported in the financial statements:

Revenues	For the year ended December 31, 2015 $'000	For the year ended December 31, 2014 $'000
Customer A - Antennas segment	2,808	3,414
Others (non major customers)	16,771	10,927
	19,579	14,341

6. Finance expense and income

	For the year ended December 31, 2015 $'000	For the year ended December 31, 2014 $'000
Finance expense		
Interest on bank loans	113	87
Net Foreign exchange loss	146	72
Interest and bank fees	173	122
	432	281
Finance income		
Gains from financial assets classified as held for trading	44	94
	44	94
	388	187

7. Income Tax

A. Tax Laws in Israel

1. Amendments to the Law for the Encouragement of Capital Investments, 1959 (the "Encouragement Law"):

   In December 2010, the "Knesset" (Israeli Parliament) passed the Law for Economic Policy for 2011 and 2012 (Amended Legislation), 2011 ("the Amendment"), which prescribes, among others, amendments to the Law. The Amendment became effective as of January 1, 2011. According to the Amendment, the benefit tracks in the Law were modified and a flat tax rate applies to the Company's entire preferred income. Commencing from the 2011 tax year, the Group will be able to opt to apply (the waiver is non-recourse) the Amendment and from the elected tax year and onwards, it will be subject to the amended tax rates that are: 2011 and 2012 - 15%, 2013 and 2014 - 12.5% and in 2015 and thereafter - 12%.

   The Group applied the Amendment effectively from the 2011 tax year.

2. Tax rates:

   On August 5, 2013, the Law for Change of National Priorities (Legislative Amendments for Achieving the Budgetary Goals for 2013-2014), 2013 (hereinafter - the 2013 Amendments) was published in Reshumot (the Israeli government official gazette), which enacts, among other things, the following amendments:

   - Raising the corporate tax rate to 26.5% (instead of 25%) beginning in 2014 and thereafter.
   - Commencing tax year 2014 and thereafter the tax rate on the income of preferred enterprises of a qualifying Company in Development Zone A as stated in the Encouragement of Capital Investment Law, shall increase to 9% (instead of 7% in 2014 and 6% in 2015 and thereafter) and for companies located in zones other than Zone A the rate shall increase to 16% (instead of 12.5% in 2014 and 12% in 2015 and thereafter).
   - In addition, the tax rate on dividends distributed on January 1, 2014 and thereafter originating from preferred income under the Encouragement Law will be raised to 20% (instead of 15%).

   Therefore the applicable corporate tax rate for 2014 and thereafter - 16% and the real capital gains tax rate and the real betterment tax rate 26.5%.

B. The principal tax rates applicable to the subsidiaries whose place of incorporation is outside Israel are:

A company incorporated in India - The statutory tax rate is 36% and the company was in exempt zone until end of March 2013. Nevertheless in the absence of taxable income the Indian regulation states that the company had to pay Minimum Alternate tax rate which is 50% of the tax rate (the 36%) out of the accounting profit paid as an advanced for future years, if the Company becomes tax liable.

A company incorporated in Switzerland - The weighted tax rate applicable to a company operating in Switzerland is about 25% (composed of Federal, Cantonal and Municipal tax). Provided that the company meets certain conditions, the weighted tax rate applicable to its income in Switzerland will not exceed 10%.

A company incorporated in South Africa - The statutory tax rate is 28%

A company incorporated in Australia - The statutory tax rate is 30%

A company incorporated in United States of America - The statutory tax rate is 21%

7. Income Tax

C. Income tax assessments

The Company has tax assessments considered as final up to and including the year 2011.

	For the year ended December 31,			
	2015	**2015**	**2014**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Current tax expense				
Income tax on profits for the year	201		26	
		201		26
Deferred tax income				
Origination and reversal of temporary differences	(91)		(142)	
		(91)		(142)
Total tax expense (benefit)		110		(116)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in Israel applied to profits for the year are as follows:

	For the year ended December 31,	
	2015	**2014**
	$'000	**$'000**
Profit before income tax	1,374	153
Tax computed at the corporate rate in Israel of 16%	220	24
Un deductible expenses (Income not subject to tax)	13	(13)
Taxes resulting from different tax rates applicable to foreign and other subsidiaries	22	3
Utilization of previously unrecognized tax losses	(102)	(119)
Other	(43)	(11)
Total income tax expense (benefit)	110	(116)

8. Earnings per share

Net earnings per share attributable to equity owners of the parent

	For the year ended December 31,	
	2015	**2014**
	$'000	**$'000**
Net Earnings used in basic EPS	1,222	247
Net Earnings used in diluted EPS	1,222	247
Weighted average number of shares used in basic EPS	51,571,990	51,571,990
Effects of:		
Employee options	325,037	-
Weighted average number of shares used in diluted EPS	51,897,027	51,571,990
Basic net EPS (dollars)	0.0237	0.0048
Diluted net EPS (dollars)	0.0235	0.0048

8. Earnings per share (cont.)

The employee options have been included in the calculation of diluted EPS as the weighted average share price during the year greater than their exercise price (i.e. they are in-the-money) and therefore it would be advantageous for the holders to exercise those options. The total number of options in issue is disclosed in note 24.

9. Dividends

	For the year ended December 31,	
	2015	2014
	$'000	$'000
Dividend of 0.68 cents (0.68 cents) per ordinary share proposed and paid during the year relating to the previous year's results	351	351

After the date of the financial statements the board of directors declared a dividend of 1.1 cents per share totaling US$ 567 thousands. This dividend has not been accrued at the reporting date (December 31, 2015).

On January 12, 2016 the company adopted a change in its article of association allowing the board of directors to declare a scrip dividend – for more information see note 27B.

10. Property, plant and equipment

	Building	Machinery & equipment	Office furniture & equipment	Computer equipment	Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost:						
Balance as of January 1, 2015	4,572	4,559	270	1,317	257	10,975
Acquisitions	49	164	8	31	42	294
Transfer from Investment Property	552	-	-	-	-	552
Adjustment arising from acquisition of consolidated companies	13	82	24	39	87	245
Exchange differences	-	-	-	-	1	1
Balance as of December 31, 2015	5,186	4,805	302	1,387	387	12,067
Accumulated Depreciation:						
Balance as of January 1, 2015	676	3,620	230	1,211	29	5,766
Additions	132	239	20	54	62	507
Adjustment arising from acquisition of consolidated companies	6	65	10	24	45	150
Exchange differences	-	-	1	-	-	1
Balance as of December 31, 2015	814	3,924	261	1,289	136	6,424
Net book value as of December 31, 2015	4,372	881	41	98	251	5,643
Net book value as of December 31, 2014	3,896	939	40	106	228	5,209

11. Investment Property

Composition and movement of Rental properties:

	2015	2014
	$'000	$'000
Cost:		
Balance at January 1 and December 31	1,380	1,380
Disposals during the year:		
Transfer to property, plant and equipment	(552)	-
Balance at December 31	828	1,380
Accumulated depreciation:		
Balance at January 1	140	105
Additions during the year:		
Depreciation	37	35
Disposals during the year:		
Transfer to property, plant and equipment	(5)	-
Balance at December 31	172	140
Depreciated cost at December 31	656	1,240

On December 2011 the Company acquired from its largest shareholder, MTI Computers & Software Services (1982) Ltd. ("MTI Computers"), the leasehold interest of its head office located at 11 Hamelacha St., Afek Industrial Park, Rosh-Ha'Ayin, 48091, Israel (the "Property").

The Company occupies approximately 75 percent of the Property; therefore it had entered into a lease agreement with MTI Computers (which can sub lease part of the area) occupying approximately 1,100 square meters of the Property. The term of the lease is for an initial period of 5 years, with an option to extend the lease for an additional 5 year period (the "Option Period"). The rent for the leased area is US$ 10,000 per month throughout the initial period and will be increased by an amount of 10 percent for the Option Period.

In addition to the monthly rental payments, the tenants will pay to the Company a monthly management payment of US$ 7,150 per month as a contribution towards certain expenses (including insurance, the use of the car park, maintenance services, rates, water and electricity). This amount will be increased by 3 percent on a yearly basis.

Since the acquisition of Mottech and movement of its facility to the Property the Company entered into an agreement with Mottech instead of MTI Computers for about 40% of the area used by MTI Computers and therefore the lease with MTI Computers was reduced to $6,000 per month and $4,290 per month as a contribution towards certain expenses.

The Group estimates that the fair value does not differ from the carrying amount as at December 31, 2015.

12. Deferred Tax Assets

Deferred tax is calculated on temporary differences under the liability method using the tax rate at the year the deferred tax assets are recovered.

The movement in the deferred tax asset is as shown below:

	2015	2014
	$'000	$'000
At January 1	368	226
Additional taxes as a result of acquisition of Subsidiaries	(66)	-
Profit charge	91	142
At December 31	393	368

Deferred tax assets have been recognized in respect of all differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

Composition:

	31.12.2015	31.12.2014
	$'000	$'000
Accrued severance pay	56	56
Other provisions for employee-related obligations	33	32
Research and development expenses deductible over 3 years	189	177
Depreciable intangibles	(69)	-
Carry forward tax losses	184	103
	393	368

Deferred tax assets relating to carry forward capital losses of the Group total approximately $793 and $1,021 thousand as of December 31, 2015 and 2014 respectively were not recognized in the financial statements because their utilization in the foreseeable future is not probable.

13. Inventories

	31.12.2015	31.12.2014
	$'000	$'000
Raw materials and consumables	3,198	1,982
Work-in-progress	97	81
Finished goods and goods for resale	1,131	878
	4,426	2,941

14. Trade and other receivables

	31.12.2015	31.12.2014
	$'000	$'000
Trade receivables	8,074	5,012
Other receivables	1,296	771
	9,370	5,783

14. Trade and other receivables (cont.)

Trade receivables:

	31.12.2015 $'000	31.12.2014 $'000
Trade receivables (*)	5,602	3,433
Unbilled receivables – Projects	2,307	1,395
Notes receivable	247	255
Allowance for doubtful accounts	(82)	(71)
	8,074	5,012

(*) Trade receivables are non-interest bearing. They are generally on 60-90 day terms.

As at 31 December 2015 trade receivables of $ 595K (2014 – $97K) were past due but not impaired.

They relate to the customers with no default history. The aging analysis of these receivables is as follows:

	31.12.2015 $'000	31.12.2014 $'000
Up to 3 months	477	96
3 to 6 months	43	1
6 to 12 months	75	-
	595	97

Unbilled receivables:

	31.12.2015 $'000	31.12.2014 $'000
Actual completion costs	2,046	1,171
Profit recognised	1,466	1,530
Billed revenue	(1,205)	(1,306)
Total Unbilled receivables – Projects	2,307	1,395

The balance of Unbilled receivables represents undue amounts at reporting date (no past due amounts).

Other receivables:

	31.12.2015 $'000	31.12.2014 $'000
Prepaid expenses	210	101
Advances to suppliers	263	222
Employees	54	24
Tax authorities – V.A.T	230	-
Other receivables	539	424
	1,296	771

15. Cash and cash equivalents

	31.12.2015	31.12.2014
	$'000	$'000
In other currencies		
Cash on hand and in banks	648	82
In U.S. dollars		
Deposits with banks	1,986	2,836
Total	2,634	2,918

The deposits are not linked and bear interest mainly up to 0.05% as of December 31, 2015 (2014 – 0.07%).

16. Loans from banks

Composition:

	31.12.2015	31.12.2014
	$'000	$'000
US Dollars - unlinked	1,313	1,563
NIS	1,860	52
Less - current maturities	792	270
	2,381	1,345

In 2011 the Company received $ 2,500,000 loan for the purchase of the company building in Rosh ha'ayin, Israel, secured by a mortgage on the said asset. The loan is for 10 years, the repayment on a quarterly basis from April 2011 until January 2021 and bears interest at a fixed rate of 4.9%.

The bank loan is secured by a fixed charge over the Group's freehold land and building /property.

On December 2013 and July 2014, the Company received NIS 150,000 and NIS 107,000 loans (respectively) for purchase of cars.

The loans are for 4 and 3 years, respectively, with a monthly repayment starting January and July 2014, respectively and bear interest of Prime +0.75% (1.6% as of December 31, 2015). Each of these bank loans is secured by a fixed lien on the cars.

On June 2015 the Company received NIS 8,000,000 loan for funding the acquisition of Mottech. The loan is for 4 years, the repayment on a quarterly basis from September 2015 until June 2019 and bears interest at a fixed rate of 3.5%.

At December 31 2015	First year	Second year	Third year	Fourth year	Fifth year	Sixth year and thereafter
	$'000					
Long-term loan	792	792	784	500	250	55

17. Employee benefits

A. Composition:

	As at December 31	
	2015	**2014**
	$'000	**$'000**
Present value of the obligations	983	853
Fair value of plan assets	(596)	(488)
	387	365

B. Movement in plan assets:

	As at December 31	
	2015	**2014**
	$'000	**$'000**
Year begin	488	561
Foreign exchange loss	(2)	(60)
Interest income	9	13
Contributions	206	-
Benefit paid	(41)	(13)
Re measurements gain (loss)		
Actuarial loss from financial assumptions	-	(1)
Return on plan assets (excluding interest)	(64)	(12)
Year end	596	488

C. Movement in the liability for benefit obligation:

	As at December 31	
	2014	**2014**
	$'000	**$'000**
Year begin	853	877
Foreign exchange gain	(3)	(95)
Interest cost	28	29
Current service cost	123	43
Contributions	49	-
Benefits paid	(45)	(17)
Re measurements loss (gain)		
Actuarial loss from financial assumptions	5	31
Adjustments (experience)	(27)	(15)
Year end	983	853

17. Employee benefits (cont.)

Supplementary information

1. The Group's liabilities for severance pay retirement and pension pursuant to Israeli law and employment agreements are recognized by full - in part by managers' insurance policies, for which the Group makes monthly payments and accrued amounts in severance pay funds and the rest by the liabilities which are included in the financial statements.
2. The amounts funded displayed above include amounts deposited in severance pay funds with the addition of accrued income. According to the Severance Pay Law, the aforementioned amounts may not be withdrawn or mortgaged as long as the employer's obligations have not been fulfilled in compliance with Israeli law.
3. Principal nominal actuarial assumptions:

	As at December 31,	
	2015	**2014**
Discount rate on plan liabilities	3.04%	3.11%
Expected increase in pensionable salary	2%	2%

18. Other liabilities

As part of the purchase agreement with the previous owner of Mottech, it was agreed that the previous owner would be entitled to an additional contingent consideration ("the contingent consideration"). The Group will pay the contingent consideration to the previous owner based on calculation up to US$ 720 thousand, if the acquired Company's accumulated revenue in 2016 – 2017 exceeds US$ 25.8 Million (100 million New Israeli Shekels) ("the revenue target").

As of the acquisition date, the fair value of the contingent consideration was estimated at US$ 92 thousand. The fair value was determined using the Monte-Carlo method. There is no change in the fair value as at December 31, 2015.

19. Trade and other payables

	For the year ended December 31,	
	2015	**2014**
	$'000	**$'000**
Trade payables	1,772	1,724
Employees' wages and other related liabilities	772	523
Advances from trade receivables	114	231
Accrued expenses	775	183
Government authorities	54	19
Others	383	245
	3,870	2,925

20. Current maturities and short term Loans

	Interest rate %	For the year ended December 31, 2015 $'000	2014 $'000
Current maturities In NIS	Prime+0.75	21	20
Current maturities In NIS	3.5% fixed	512	-
Current maturities In SA ZAR	10	9	-
Current maturities In US $	4.9	250	250
Short term bank loans		-	-
Total Current maturities and short-term bank loans		792	270

21. Financial instruments - Risk Management

The Group is exposed through its operations to the following financial risks:

- Foreign currency risk
- Credit risk

Foreign currency risk

Foreign exchange risk arises when Group companies enter into transactions denominated in a currency other than their functional currency. Management mitigates that risk by holding some cash and cash equivalents and deposit accounts in NIS. The company also purchases from time to time some forwards on the NIS/$ exchange rate to hedge part of the salaries costs. As of December 2015 no such transactions were open.

Since the purchase of Mottech the Group has an additional currency risk due to its subsidiaries activity.

Liquidity Risk

The Group have sufficient availability of cash including the short-term investment of cash surpluses and the raising of loans to meet its obligations by cash management, subject to Group policies and guidelines.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2015	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 5 years	Total
	$'000					
Loans from banks	907	883	819	534	321	3,464
Trade payables	2,029	-	-	-	-	2,029
Payables	1,685	156	-	-	-	1,841
Contingent consideration	-	-	92	-	-	92
	4,621	1,039	911	534	321	7,426

December 31, 2014	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 5 years	Total
	$'000					
Loans from banks	336	330	312	286	595	1,859
Trade payables	1,906	-	-	-	-	1,906
Payables	774	245	-	-	-	1,019
	3,016	575	312	286	595	4,784

21. Financial instruments - Risk Management (Cont.)

Credit risks

Financial instruments which have the potential to expose the Group to credit risks are mainly deposits accounts, trade receivables and other receivables.

The Group holds cash and cash equivalents and deposit accounts in big banking institutions in Israel and in the Switzerland, thereby substantially reducing the risk to suffer credit loss.

With respect to trade receivables, the Group believes that there is no material credit risk which is not provided in light of Group's policy to assess the credit risk instruments of customers before entering contracts. Moreover, the Group evaluates trade receivables on a day to day basis and adjusts the allowance for doubtful accounts accordingly.

Fair value

The carrying amount of cash and cash equivalents, trade receivables, other accounts receivable, credit from banks and others, trade payables and other accounts payable approximate their fair value.

Sensitivity tests relating to changes in market price of listed securities

As at December 31, 2015 the Group investments were in various different liquid securities with maturity until June 2016. Most of the securities are 100% capital guaranteed at maturity and therefore under the assumption that the Group will not sell at loss before maturity and only one parameter (the relevant for each fund herein "market price") is changed, by increase or decrease of 5% in the market price the gain and the change in equity would not be more than US$ 80 thousand, receptivity, compared to the value at 31 December 2015. The changes in the relevant risk variables were determined based on management's estimate as to reasonable possible changes in these risk variables.

The Group has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the profit or loss and change in equity (before tax) in respect of each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant. The sensitivity tests for listed investments with quoted market price (bid price) were performed on possible changes in these market prices.

The Group is not exposed to cash flow risk due to interest rate since the long-term loan bares fixed interest.

The following table demonstrates the carrying amount and fair value of the groups of financial instruments that carrying amounts does not approximate fair value:

	Carrying amount		**Fair value**	
	2015	**2014**	**2015**	**2014**
Financial liabilities:	**$'000**			
Long-term loan with interest (1)	3,173	1,615	3,202	1,641
Contingent consideration	92	-	92	-

(1) The fair value of long-term loan received with fixed interest is based the present value of cash flows using interest rate currently available for loan with similar terms.

21. Financial instruments - Risk Management (Cont.)

Financial assets measured at fair value:

December 31, 2015:

	Level 1
	$'000
Financial assets at fair value through profit or loss: marketable securities	2,086

December 31, 2014:

	Level 1
	$'000
Financial assets at fair value through profit or loss: marketable securities	3,728

Linkage terms of financial liabilities by groups of financial instruments pursuant to IAS 39

December 31, 2015:

	NIS	Unlinked	Total
		$'000	
Financial liabilities measured at amortized cost	1,860	1,313	3,173

December 31, 2014:

	NIS	Unlinked	Total
		$'000	
Financial liabilities measured at amortized cost	52	1,563	1,615

22. Subsidiaries:

The principal subsidiaries of Company, all of which have been consolidated in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest at 31 December		Held by
		2015	2014	
AdvantCom Sarl	Switzerland	100%	100%	M.T.I Wireless Edge
Global Wave Technologies PVT Limited	India	80%	80%	AdvantCom Sarl
Mottech water solutions LTD	Israel	100%	-	M.T.I Wireless Edge
Aqua water control solution LTD	Israel	100%	-	Mottech water solutions
Mottech Water Management (pty) LTD	South Africa	90%	-	Mottech water solutions
Mottech Water Management (pty) LTD	Australia	97.5%	-	Mottech water solutions
Mottech USA Inc	United states	100%	-	Aqua water control solution

23. Share capital

	Authorized			
	2015	**2015**	**2014**	**2014**
	Number	**NIS**	**Number**	**NIS**
Ordinary shares of NIS 0.01 each	100,000,000	1,000,000	100,000,000	1,000,000

	Issued and fully paid			
	2015	**2015**	**2014**	**2014**
	Number	**NIS**	**Number**	**NIS**
Ordinary shares of NIS 0.01 each at beginning of the year	51,571,990	515,720	51,571,990	515,720
Changes during the year	-	-	-	-
At end of the year	51,571,990	515,720	51,571,990	515,720

24. Share-based payment

A new Option Plan was adopted by the Company at the shareholders meeting held on July 5, 2013. Under the new Plan, all previous plans shall are cancelled and the new plan enter into effect. The new plan includes total of 2 million options to be converted to 2 million shares of the Company (approximately 4% of the company's outstanding shares) at a price of 9.5 pence per share (approximately 15 cents).

The vesting period of the options is as follows: 2 years for 50% of the options, 3 years for additional 25% of the options and 4 years for the rest of the options. An approval for the replacement of plans was received from the tax authorities on July 22, 2013, providing the Company, the employees and the trustee of the plan to submit the documentation required within 60 days from approval. As part of the grant of this plan an allocation of 280,000, 250,000 and 200,000 options was granted to the CEO, CFO and the Chairman of the board, respectively. The weighted average fair value of the options as at the grant date was 2 pence (approximately 3 cents) per option, and was estimated using a Black and Scholes option pricing model based on the following significant data and assumptions:

Share price - 7 pence (representing approximately 11 cents)

Exercise price - 9.5 pence (representing approximately 15 cents)

Expected volatility - 25.90%

Risk-free interest rate - 0.8%

Expected dividends - 0%

And expected average life of options 4.375 years

The volatility measured at the standard deviation of expected share price returns is based on the historical volatility of the Company. The options were granted as part of a plan that was adopted in accordance with the provision of section 102 of the Israeli Income Tax Ordinance**.**

24. Share-based payment (Cont.)

The following table lists the number of share options, the weighted average exercise prices of share options and modification in employee option plans during the current year:

	2015	2015	2014	2014
	weighted average exercise price	Number	weighted average exercise price	Number
	$		$	
Outstanding at beginning of year	0.15	1,920,000	0.15	1,920,000
Forfeited during the year	-	120,000	-	-
Outstanding at the end of the year	0.15	1,800,000	0.15	1,920,000
Exercisable at the end of the year	0.15	900,000	-	-

The weighted average remaining contractual life for the share options outstanding as of December 31, 2015 was 3.66 years (2014 – 4.66 years).

The expense recognized in the financial statements for employee services received for the year ended December 31, 2015 and 2014 was US $18,000 and US $27,000 respectively.

25. Commitments and guarantees

A. Royalty commitments

The Group is committed to pay royalties to the Government of Israel on proceeds from sales of products in the research and development of which the Government participates by way of grants. Under the terms of Group's funding from the Israeli Government, royalties of 2%-3.5% are payable on sales of products developed from a project so funded, up to 100% of the amount of the grant received, including amounts received by the Parent Company and its subsidiaries through July 1, 2000.

The maximum royalty amount payable by the Group at December 31, 2015 is US$ 470,000.

No provision is recognized due to the lack of expectation to sale relevant products in the foreseeable future.

During 2015 the Group did not pay any royalties.

B. Guarantees

i. The Group has guarantees in favour of customers in the amount of US$ 861,000. The guarantees are mainly to guarantee advances received from customers and performance of contracts signed.

ii. On October 23, 2013 pursuant to an approval of the Company shareholders meeting, a guaranty agreement for three years between the Company and the Parent Company was signed. In which the Parent Company has entered into an agreement with a commercial bank (the "Lender") whereby the Lender has agreed to extend a loan of up to an aggregate amount of US$1,000,000 (the "Loan Amount") and the Parent Company has approached the Company to request that it provides a guarantee to the Lender for the Loan Amount pursuant to specific terms, along with:

1. The Parent Company will pay for all of the costs and expenses incurred, and which will continue to be incurred, by the Company in connection with the Guarantee for the duration of its term.

25. Commitments and guarantees (Cont.)

2. In consideration of the provision of the Guarantee by the Company, the Parent Company will pay the Company an amount equal to 2.5 per cent. Of the Loan Amount per year of the Term. Such amount shall be paid quarterly in advance based on the amount covered by the Guarantee at the beginning of each period.
3. The Parent Company undertakes to apply any dividend that it may receive from the Company in order to reduce the outstanding amount of the Loan Amount prior to the use of any such dividend sum (or part thereof) for any other purpose.

In the event that the Company receives written notification from the Parent Company and/or the Lender that the loan is to be repaid pursuant to the terms of the loan agreement (and the Lender intends to use the Guaranty Agreement), the Company will call a meeting of its directors in order to declare on a dividend to shareholders of the Company in an amount that will enable the Parent Company to discharge the then outstanding balance of the loan without the Lender using the Guarantee. For the avoidance of doubt, any director appointed to the board of directors of the Company on behalf of the Parent Company, will not be entitled to participate and vote on any such resolution. On February 10, 2016 the parent Company notified the Company that the loan was totally returned and no further guaranty is needed.

C. Contingent liability

During 2014 an employee filed a suit against the Group in the Tel Aviv Court relating to termination of his employment for an amount of 585,000 NIS. The Group filed a suit against the employee, in an amount of 290,000 NIS in connection with damages arising from his performance during his employment period. The group made a provision for this suit in an amount it believes to be sufficient.

On July 2, 2015 the Group concluded an agreement with the former employee who is discussed above. The provision recognized in the 2014 financial statements was sufficient.

D. Charges

In order to secure the Group's liabilities, real estate properties were mortgaged and fixed charges were recorded on property and some bank deposits.

26. Transactions with related parties:

A. Amendment to Service Agreement with controlling shareholder:

Following the receipt of recommendations of both the remuneration committee and the board of directors of the company, an amendment to the service agreement between the Company and the controlling shareholders (via their management company) was approved by a shareholders' meeting held on July 5, 2013. According to the amendment, the agreement is in place for 3 years starting July 1, 2013, after which it will be renewed for periods of 3 years in accordance to the relevant rules and regulations. Nevertheless the agreement can be terminated by either party by providing 90 days notice. The agreement includes remuneration (per month) of:

1. 20,000 NIS to Mr. Zvi Borovitz for his service as a chairman of the board of the company in capacity of at least 25% and
2. 60,000 NIS to Mr. Moni Borovitz for his service as CFO of the company in capacity of at least 80%.

All amounts are prior to VAT which will be added to the invoices and are linked to the increase in the consumer price index.

In addition to the above, and in accordance to the remuneration policy adopted by the company, as required under rule 20 to the Israeli Companies Law, a bonus scheme was granted to each of the managers. The bonus scheme states that Zvi Borovitz and Moni Borovitz will be entitled (each one of them) to a bonus amounting 2.5% of the company's net profit exceeding 250,000 USD per year, prior to any bonuses grant in the Company. In case of a loss in a year (commencing from 2013 as first year for accumulation) the bonus for the next year will be for a net profit exceeding 250,000 USD above the loss made in the previous year. In addition Mr. Moni Borovitz shall be entitled to a bonus equal to one month management fee, based on the meeting of targets specified by the remuneration committee at the beginning of each year.

A ceiling to the bonuses was set at 8 months management fees for Mr. Moni Borovitz and 100,000 USD for Mr. Zvi Borovitz.

The agreement also states that the Company shall reimburse the management of the company for any expense made in performance of the manager's duty. The Company shall also provide each of the managers with a car and phones and will be responsible for all its related expenses, including all relevant taxes.

As part of the new policy the shareholders meeting also approved a change to the share option plan of the Company, subject to the approval of the Israeli Tax Authorities. As part of the new option plan Mr. Zvi Borovitz was granted 200,000 options and Mr. Moni Borovitz was granted 250,000 options. Further details re the new option plan are detailed in section 24 above.

On January 12, 2016, following an approval of the remuneration committee, the board of directors and shareholder's meeting a bonus of 120,000 NIS was granted to the Company's CFO for his contribution on the acquisition made.

26. Transactions with related parties (Cont.)

B. Transaction with the Parent Group:

The Parent Group and other related party provides certain services to the Group as follows:

	2015	2014
	$'000	$'000
Purchased Goods	328	301
Management Fee	410	387
Services Fee	212	208
Lease	(104)	(120)

Compensation of key management personnel of the Group:

	2015	2014
	$'000	$'000
Short-term employee benefits *)	738	717

*) Including Management fees for the CEO, Directors Executive Management and other related parties.

All Transactions are made on market value. As of December 31, 2015 and 2014 the Group owed to the parent group and related party US $50,000 and US $25,000 respectively.

27. Subsequent events

A. The Board of directors has decided to declare a dividend of 1.1 cent per share being approximately $567,000**.**

B. On January 12, 2016, following the approval of its shareholders, the Company adopted a change to its article of association allowing the Company the ability to pay dividends by way of scrip, meaning the board would be able to announce a dividend which could be paid in cash or through the issue of new shares in the Company (the "Scrip Dividend Policy").Under the Scrip Dividend Policy, shareholders could, in the future, be given the option to elect to receive dividends in new shares of the Company rather than in cash. The default arrangement will be for the payment of dividends in cash, and if the shareholder prefers to receive their dividends in new shares of the Company, then they would have to make an election. There would be no ability to make mixed elections and each shareholder would be able to choose either cash or new shares but not both. The decision to offer shareholders a scrip dividend alternative for future dividend payments will be at the sole discretion of the Board. At the same meeting a special bonus to the Company's CFO was approved as detailed in note 26 above.

C. The financial statements were authorized for issue by the board as a whole following their approval on February 16, 2016.