MTI WIRELESS EDGE LTD.
MTI Wireless Edge Ltd. ▪ רח' המלאכה 11, פארק התעשיה אפק ראש העין 48091
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MTI annual report 2021

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Company Overview

MTI Wireless Edge Ltd ("MTI", the "Company" or the "Group") (AIM: MWE.L) has established over the last 50 years its reputation as a technology group focused on comprehensive communication and radio frequency solutions across multiple sectors through three core divisions:

Antennas: A one stop shop for the sale of 'off the shelf' flat and parabolic antennas, combined with the provision of custom-developed antenna solutions to a range of commercial and military customers, with a growing focus on providing 5G backhaul antenna solutions to support mobile phone operators as they roll-out their 5G networks.

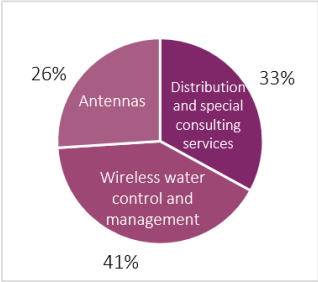
Water Control & Management: This division provides wireless control systems to manage agricultural irrigation and water distribution for municipal authorities and commercial entities. It operates under the Mottech brand and utilises hardware technology from Motorola, integrated with the Company's own proprietary management software. Mottech's solutions reduce water and power usage whilst providing clients with higher revenue from accurate irrigation, leading to more and higher quality crops and plants being grown.

Distribution & Professional Consulting Services: Operating under the MTI Summit Electronics brand, this division exclusively represents 40 international suppliers of radio frequency/microwave components and sells these products to Israeli and global customers. Expert knowledge of both the international suppliers and customers further enables MTI to act as a consultant to all parties and assist with devising complete radio frequency/microwave solutions.

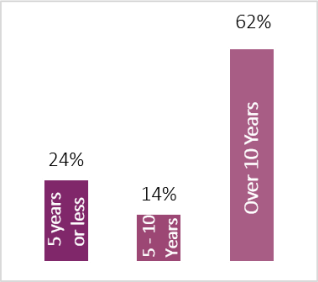
MTI is based in Israel, India, the USA, Canada, South Africa, Russia, Australia and China. As at 31 December 2021, MTI had a total of 200 employees and as announced in January 2022 it added another 25 employees with the acquisition of 51% of P.S.K. WIND TECHNOLOGIES LTD ("PSK").

2021: Diversified revenue base & long-term customer base

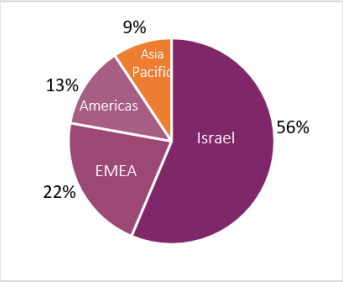
Well Diversified Business



Long-term customer base



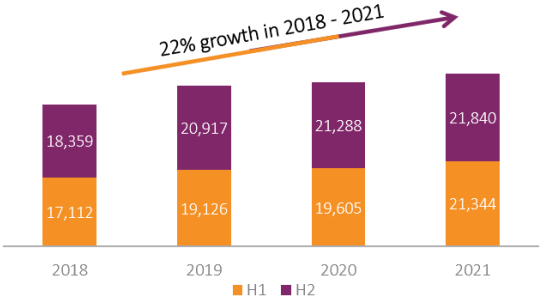
Global reach



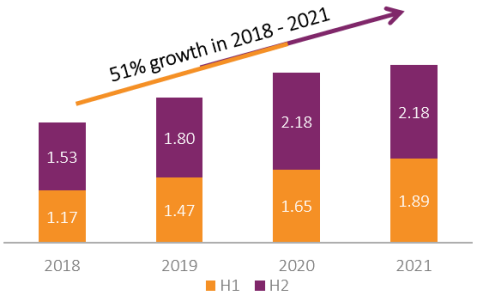
2021: Building on a Good Track Record

Sustained revenue and profit growth

Revenue (2018-2021)
($K)



Earnings Per Share (2018-2021)
($Cents)



2021 Highlights

A solid financial performance

- The Group recorded revenue growth of 6% to US$43.2m (2020: US$40.9m)
- A 9% increase in profit from operations to US$4.43m (2020: US$4.08m), helped by the increasing scale of the Group
- Net profit growth was limited to a 6% increase to US$3.7m (2020: US$3.5m) due to the strength of the Israeli Shekel versus the US Dollar in 2021
- Earnings per share increased by 6% to 4.07 US cents (2020: 3.83 US cents)
- Cash flow from operations increased 65% to US$6.6m (2020: US$4.0m) leading to a net cash increase of 33% to US$12.5m at 31 December 2021 (31 December 2020: US$9.4m)
- Increased final dividend by 12% to 2.8 US cents per share (2020: 2.5 US cents per share)

Positive market trends across all three divisions

- Our proven backhaul solution to support the rollout of 5G, which could be further enhanced by recent technical developments to counter small mast movements due to varying climate conditions, has a growing order book from existing customers as well as an initial order from a new tier one customer. This, together with good progress in military antennas, has increased the prospects for the antenna division overall.
- With water scarcity continuing to be a critical, global issue, demand for our water management solutions under the Mottech brand was strong, both from new markets and in response to the launch of new water saving and cost-efficient products.
- Similarly, increased global defence spending underpinned another good year for MTI Summit, which also benefits from Israel being a central hub for the development of new global defence and wireless technologies. In addition, the acquisition of 51% of PSK in January 2022, is expected to further accelerate this division's growth in the defence sector.

Moni Borovitz, Chief Executive Officer of MTI Wireless Edge, said: "This was a strong performance with all three divisions growing revenue and profits despite challenges in the supply chain, increasing shipment costs and ongoing pandemic related restrictions. Our diversified business model, global presence, and the commitment of our teams, combined to deliver an excellent trading result for the year, albeit some of the reported financials were effected by foreign exchange translation changes. Most importantly, we continue to meet our operating profit growth targets as per our business model.

Looking ahead, the business continues to be in a strong financial position with net cash of US$12.5m at the year end. The Group's three divisions are well established, with experienced, autonomous leadership teams all utilizing the Group's core expertise in radio frequency communications and are all focused on taking advantage of attractive market trends within their respective sectors, namely: the roll-out of 5G cellular connectivity; tackling the growing global issue of water scarcity; and increased international defence spending. The first two months of 2022 have started well, and we look forward to delivering another year of solid growth."

Chairman's statement

I am pleased to report on a successful trading period despite the challenges of operating through a year that was disrupted by the global COVID-19 pandemic.

We believe the business to be well balanced and well placed to continue to expand and the recent acquisition of PSK Technologies Ltd will further support our expansion and the technical solutions we offer.

Trading overview

Despite the ongoing impact of the COVID-19 pandemic, MTI continued to deliver against the objectives that we have set ourselves. The business grew in terms of both sales and profits whilst investing in innovative new technologies, most notably in the ongoing development of a new antenna solution for the 5G market. Working around the restrictions imposed by the pandemic, MTI teams around the globe maintained very high operational levels and delivered margin progression. The Company agreed a new partnership in the Mottech division with Viridix, a company which specializes in actionable data analytics for irrigation, based on the RooTense® sensor that measures the water available to the roots of crops. Also announced recently, the Company completed the 51% acquisition of PSK.
Whilst foreign exchange fluctuations slightly skewed some of the reported results, the cash generation from operations during the year was excellent, up 65%, supporting an increased dividend and strengthening an already strong balance sheet.

Dividend

Reflecting the strength of the Company's trading performance the Board is pleased to declare a final dividend of US$0.028 per share representing a 12% increase on the previous year (2019: US$0.025). The dividend will be paid on 31 March 2022 to shareholders on the register at the close of trading on 18 March 2022 (ex-dividend on 17 March 2022). The currency translation into British Pounds will be made on 22 March 2022 and there will not be a scrip dividend alternative.

People

I would, as always, like to thank our employees for their significant contribution to the Company, especially for their efforts and flexibility during 2021, which was so full of disruptions and changing requests to adapt working practices to meet with new variants of COVID-19 and regulations aimed at combating the pandemic.

Outlook

MTI is a leader in radio frequency communications and it is this deep rooted, technical experience that supports all of our activity across all three divisions. Each of our target markets is constantly innovating and evolving and our customers rely on us to keep them in touch and ahead of developments. To do this our track record and experience is key, but so is our ability to share innovations across all three divisions so that we can consolidate our expertise into all areas.

2022 has begun well for the business with an increased pipeline of opportunities across all three divisions. This, together with the macro drivers for our business being the roll-out of 5G networks globally, increased defence spending and ongoing worldwide water shortages, should ensure that there is increasing demand for the Group's products and services.

Zvi Borovitz
Chairman

Chief Executive's review

Introduction

In 2021, we achieved significant progress across all three divisions, showing growth in revenue and profits during a highly unusual period for all businesses. There were inevitable delays in shipments, and we suffered from volatile foreign exchange rates, but the underlying performance of the Group was solid, generating cash so that the Company entered 2022 in a strong financial position and is well placed to continue to grow.

Financial results

Revenues for the twelve months to 31 December 2021 increased by 6% to US$43.2m (2019: US$40.9m), a positive performance given the interruptions throughout the year due to COVID-19.

Gross margin rates remained solid, reflecting the mix of products sold in different markets. Gross margin was slightly negatively affected by exchange rates but also from rising shipping costs, which lowered profitability relative to revenue growth, although overall gross profit grew by 3%.

Operating profit increased by 9% to US$4.43m (2020: US$4.08m), which demonstrated the scalability of the business, meeting our long term growth model – adding a minimum of 15% operating profit margin on the incremental revenues generated from organic growth.

Significant foreign currency fluctuations during 2021, in particular, the strength of the Israeli Shekel versus the US Dollar led to higher finance costs, being mostly non-cash expenses, but overall net profit increased 6% to US$3.7m (2020: US$3.5m).

Cash flow from operations for the 2021 financial year increased 65% to US$6.6m (2020: US$4.0m). This resulted in a net cash balance of approximately US$12.5 million (2020: US$9.4m).

The Company continues to have a share buy-back programme in place. The objective of this programme is to assist with trading liquidity, by accumulating shares in treasury through market purchases and then selling blocks of shares to institutional shareholders, subject to demand and price.

Cash generated from any resales of purchased shares has been reused for further share purchases, and this policy is planned to continue for as long as the programme is in place. As at 7 March 2022, 50,000 shares were held in treasury.

Operational review

Over the last 50 years MTI has established its reputation as a global provider of comprehensive radio frequency solutions across multiple sectors through three core divisions.

Antennas

This division is a one stop shop for the sale of 'off the shelf' flat and parabolic antennas, combined with the provision of custom-developed antenna solutions to a range of commercial and military customers, with a growing focus on providing 5G backhaul antenna solutions to support mobile phone operators as they roll-out their 5G networks.

In 2021, revenues from this division increased by 1%, a small increase but potentially marking the switch to a long period of growth driven primarily by the sale of the division's 5G backhaul solution. 5G sales now represent 20% of the antenna business and are expected to continue to increase.

During the year, the Company made excellent progress in the ongoing development of automatic beam steering ("ABS") antenna solution which ensures the antenna adapts to any small movements caused by different climate conditions, including wind or temperature. If successful, this will be an important technical development, moving the total 5G solution up the value chain and it has already attracted significant engagement from a new Tier one customer. The next step for the ABS antenna solution is for it to be tested by potential customers and then to move into production.

There is no doubt the roll-out of 5G infrastructure is coming and, if anything, the pandemic served to underline the importance of connectivity to enable people to work and communicate effectively from wherever they are located. Network operators are underway in terms of rolling out higher bandwidth services to their customers and will need to increase the backhaul connectivity between cell towers to deliver these faster services. This is the opportunity MTI has been working towards and we are still at the early stages before demand is expected to ramp up.

Elsewhere across the division, sales of RFID (radio frequency identification) antennas used in asset tracking, which slowed due to the pandemic in 2020, showed good recovery in 2021. Military antenna sales performed robustly matching sales levels for the prior year and there are some good prospects in this market for the current year.

Our offset facility in India had a reasonable year alongside the recovery of the airline industry and the prospects, subject to normal market conditions continuing, remain good.

Water Control & Management

This division provides wireless control systems to manage irrigation and water distribution for agriculture, municipal authorities and commercial entities. It operates under the Mottech brand and utilises part of the hardware technology from Motorola, integrated with the Company's own proprietary management software. Our solutions reduce water and power usage, whilst providing higher revenue from accurate irrigation, leading to more, and higher quality, crops and plants being grown.

This has been an excellent year for Mottech with revenues increasing by 9% against the prior year. Demand for Mottech's solutions has been good across nearly all markets with the only exception being China which will hopefully return in the current year. Importantly, the division overall has benefitted from an increase in recurring service and maintenance income which represents 20% of all income and is expected to continue to improve.

Also in 2021, Mottech launched the Mottech Decoder System, which is a wired extension that is required in several key markets, enabling multiple commands and functions in parallel with the receipt of data from sensors. Since the year end, Mottech signed a new strategic partnership with Viridix, a company which specializes in actionable data analytics for irrigation, based on the RooTense® sensor that measures the water available to the roots of crops. The combination of the two companies' expertise is expected to lead to the first fully automatic, real time data based solution, with AI (artificial intelligence) capabilities for "Agrogation" – agronomic based irrigation.

Water scarcity is a growing global issue and Mottech's technologies can make a real difference in countries where it is critical to have efficient water usage whilst maintaining good levels of irrigation. Mottech aims to be both a commercial and environmental success story.

Distribution & Professional Consulting Services

Operating under the MTI Summit Electronics brand, this division exclusively represents approximately 40 international suppliers of radio frequency/microwave components and sells these products to Israeli customers. Expert knowledge of both the international suppliers and customers further enables MTI to act as a consultant to all parties and assist with devising complete radio frequency/microwave solutions.

2021 saw another excellent performance by MTI Summit, with revenues growing by 5% against tough comparators in the prior year. In September 2021, the division signed a new strategic agreement with a significant customer operating in the defence sector, confirming MTI Summit as the primary supplier, with pre-agreed pricing across an extensive range of products. This is MTI's first agreement of its kind, which enables the customer to make orders far more quickly and more efficiently than the old process. In

the past the customer spent approximately US$4m per annum, and this figure is expected to increase due in part to the convenience of the new agreement for both parties.

Demand has been strong from existing customers and markets, with the satellite office in Russia recovering in 2021. The Company has over time built up significant expertise in the tethered balloon sector and the division is currently participating in a large tethered balloon project in Israel, which is expected to continue to contribute strongly in 2022.

Since the year-end, the Company acquired 51% of PSK, an Israeli company which is well known to MTI having collaborated together on numerous projects over the past 10 years. PSK specialises in the development, manufacture and integration of communication systems and advanced monitoring and control systems for the Government and defence industry market. It is a natural fit with MTI Summit and is expected to contribute to future growth of this division and the Group as a whole.

Outlook

The events in Ukraine have shocked the world and are deeply saddening. With the situation being very fluid and multiple actions being taken globally at Government levels, the Board has decided to exit the Group's operations in Russia. MTI's office in Russia generated 6% of consolidated revenues and circa 5% of net profits in 2021, all relating to distribution and professional consulting services. The core professional consulting services division's activities are and will remain in Israel without any disruption, which is also the case in respect of our other divisions.

MTI is a market innovator and we will continue to seek to lead. We have always had a "first to develop" approach, using MTI's intellectual property and licensed technology from leading partners, to create unique solutions. The new ABS solution for 5G backhaul is an excellent example of this and we look forward to providing updates on the potential commercial benefits that come with it.

2021 was a solid trading year for the business and we will seek to repeat and build upon it in 2022. We have a very strong financial platform and MTI will continue to seek to expand its business through a mix of acquisition-led and organic growth.

Moni Borovitz
Chief Executive Officer

Our Board

Zvi Borovitz – Chairman of the Board

Zvi founded MTI in the early '70s together with his late wife Aya. He has more than 50 years of experience in the development and management of high tech companies. Zvi holds an MS in Electrical Engineering from the Polytechnic Institute of Brooklyn.

Moshe (Moni) Borovitz – Chief Executive,
Executive Director

Moni is the son of Zvi Borovitz. He was a consultant with Ernst & Young's Israeli affiliate Kost Forer & Gabbay, a leading Israeli certified public accountancy firm. Moni is a certified public accountant with a B.A. in Computer Science from Tel Aviv University, and has an MBA from Ben Gurion University.

Dov Feiner – General Manager of the Company's antenna division,
Executive Director

Dov has planned and implemented the Company's entry into the commercial antenna market. Prior to joining the Company, Dov served for 12 years in the research and development division of the Israeli Defense Force. Dov holds a B.Sc. in Electrical and Computer Engineering from Ben Gurion University where he graduated with honors.

Lihi Elimelech Bechor, Adv.- Non Executive Director

Mrs. Elimelech Bechor is a senior legal professional with many years of experience, specializing in intellectual property including copyrights, patents, designs, trademarks and managing the IP portfolio of various companies. Until December 2020, Mrs. Elimelech-Bechor served as an external director of Malibu Investments Inc. (a real estate company listed on the Tel Aviv Stock Exchange) with headquarters in Canada.
Mrs. Elimelech Bechor is currently the Head of the marketing and business development department at Lipa Meir & Co.

Amnon Sofrin - Non Executive Director

Brigadier General Sofrin served in the Israel Defense Forces ("IDF") from 1973 to 2003. His last assignment with the IDF was as Chief of the Combat Intelligence Corps, which he established in 2000 and commanded for over three years. After retiring from the IDF, Brigadier General Sofrin was assigned to a senior position within Israel's security apparatus as Head of the Intelligence Directorate of Israel's Secret Service until 2008. Brigadier General Sofrin has a PhD in Political Science from The Hebrew University in Jerusalem, a MA in Political Science & Security Studies from Haifa University and a BA in Political Science at Tel Aviv University. Brigadier General Sofrin is currently the Director of the Competitive intelligence group on Israel's Aerospace Industries (IAI). Brigadier General Sofrin was a director of M.T.I. Computers & Software Services (1982) Ltd from 30 December 2013 until the completion of its merger with MTI in 2018.

Richard Bennett - Non Executive Director

Richard Antony Bennett started his career with General Electric (GE) in 1990. In 1994, he was a co-founder of J2 Global Inc., in New York, which has become a leading internet unified messaging service and is currently listed on NASDAQ. From 1999 to 2001 he joined Virtual Internet as commercial director where he helped manage their admission to AIM. In 2001 he became a founder and director of Pixago which was later sold to First Media. From 2005 until 2013 he served as the CEO of the AIM listed Coms plc. He is currently chairman of AIM listed Getech plc, non-executive director of Hong Kong listed China New Energy Limited as well as the founder and chairman of Sunbird Bioenergy. It is anticipated that Mr Bennett will retire from the Board on 9 March 2022.

David Yariv - Non Executive Director

David Yariv started his career with the Israeli Naval Academy in 2000 and was a Naval officer from 2002 to 2006. In 2009 he began his engineering career at Elbit Systems and today he serves as Chief System Engineer at Israel Aircraft Industries. Mr Yariv holds a B.Sc in Electrical Engineering from the Tel-Aviv University, specializing in Computers, micro-waves and optics, and an MBA from Bar-Ilan University, specializing in finance.

Corporate Governance

The following statement of corporate governance reflects the position of the Company as at 31 December 2021. The Company applies the Quoted Companies Alliance Corporate Governance Code (the "QCA Code").

The Board is responsible for the Company's corporate governance policy, and recognizes the importance of high standards of integrity, and seeks to apply the principles set out in the QCA Code.

Details of how the Company addresses key principles in the QCA Code can be found on the Company's website - https://www.mtiwirelessedge.com/?CategoryID=458

Strategy

Our strategy is focused around five key areas:

1. *Profitable sales growth*

   The key guideline in our business is to continue growth in revenue and profits. We are concentrating only on growing markets where we have advantages over our competition and are continuously looking to develop our products and services ahead of the market, to strengthen our position and grow revenue and profits.

2. *Introducing new products*

   We focus on securing blue chip customers that are seeking technology solutions through MTI's "first to develop" approach, using MTI's intellectual property and licensed technology from leading partners. As such, we aim to introduce new products to answer the demands of our markets. We invest in research and development and work closely with our customers and vendors to bring new products to the market. Some of this investment is performed in collaboration with our customers, as part of a project from which we can derive technology that can be applied in other areas.

   Our antenna segment brings both new products and new technologies to market. While new products are introduced several times a year, new technologies are introduced over wider periods of time. These new technologies are applied towards new products over the years following such introduction. As an example, in 2017 we introduced a dual band technology, which led to new products in 2018 leading our growth in the antenna division in 2021 and we expect these dual band products to be key growth areas for our antenna division over the coming years as part of the expanding 5G cellular market.

   In the Water Control & Management division, we work closely with Motorola to develop new hardware, while we develop software and other peripherals in parallel. We bring solutions and applications to the market more frequently than hardware, in order to satisfy the market's demands and keep our edge over

competitors. In the past year we started to develop some 'add on' hardware solutions to increase our product offering to customers.

In the Distribution & Professional Consulting Services division's representation business, we use our vendors' new technology and development capabilities as a foundation to introduce new products and in parallel we continuously search for new vendors or solutions to bring to the market.

3. *Supporting our existing brands*

As leaders in the market, our goal is to continue to support our existing brands and strengthen our relationship with the key participants in our markets and our existing customers, while introducing solutions to new markets and customers. Some of the markets that we work in are very conservative and being able to support a brand for decades is essential. This means that our ability to continue to develop new, more advanced solutions while supporting legacy solutions on the same platform is a key capability. In order to continue to support our brands, we invest in sales and marketing, customer service, pre and post sales support, as well as in technology.

4. *Enhancing our operational capabilities*

As a global provider of various technology solutions, we continue to work on improving our operational capabilities, by outsourcing most of our production, whilst performing final assembly and testing in house, in order to provide assurance of the quality of the product that we provide. While production is sourced worldwide, the assembly is performed in several continents, which allows us to improve our support to customers, while improving our profitability. This is a key focus for the Group, as we believe that the profits on marginal sales should be greater than average, which should lead to overall profits growing faster than revenue growth. In order to meet these goals, we continually search for new operational solutions. Some of these can include technological improvements or merging similar processes and activities over the different segments of our business.

5. *Strategic acquisitions*

Our Group has completed several successful acquisitions in the past years which has helped strengthen the Company and its position in the market. We believe that we should use our strong balance sheet to continue to grow the business by performing more acquisitions, while also pushing our internal growth engines.

Our key criteria for acquisitions include ascertaining that any acquisition will be complementary to our existing business segments and that synergies will arise from it. We continuously dedicate time and effort to searching for acquisitions, but are very selective in this process, as we believe that it is critical to find suitable targets under the right terms.

Directors

Pursuant to the provisions of the Israeli Companies Law, the Company has nominated Lihi Elimelech Bechor and Richard Bennett as external (independent) directors. As such, the initial term of an external director is three years and this may be extended for two additional three-year terms. The external directors have to serve on the Audit committee, the Financial Statements committee and on the Remuneration committee. The rest of the Board members are elected annually via the shareholders' meeting.

All of the directors have access to the advice and services of the Company Secretary and may, in furtherance of their duties, take independent legal and financial advice at the Company's expense. They also have access to the minutes of the Board, in which any concerns expressed by them regarding matters pertaining to the Company are recorded. All members of the Board are free to bring any matter to the attention of the Board, at any time.

Performance of the board

During 2021 the Company reviewed the performance of the Board as a whole, to ensure that the members of the Board collectively function in an efficient and productive manner. When conducting this review, the Company used a self-assessment process to evaluate the performance of the Directors and the Board as a whole. The Company also evaluated the Board's committees to assess the committees on their roles and terms of reference and the effectiveness of communicating relevant information to the Board in a timely manner, and the overall effectiveness and efficiency of the committees in discharging their duties. There were no significant findings or recommendations from the 2021 review process. The 2021 review process used the same assessment processes as used for the previous review in 2019, from which there were no significant recommendations. As part of the above review process, the Board decided that such a review process should be repeated once every two years going forward.

Key issues in relation to the value of the Board members' contributions would be their contribution to the strategy planning of the Company, ongoing business development, legal expertise in the Company's areas of business and accounting, finance and economic specialties.

The Company currently considers any succession planning requirements at appropriate junctures on an ongoing basis and, after the above mentioned Board review process, the Directors believe that the Company has planned sufficiently for its succession planning needs in the medium-term.

All Board members are required to devote their time as needed by the Company. While there is no specific time requirement from the non-executive Board members, the Board is satisfied that during the year ended 31 December 2021 the non-executive Board members have devoted the amount of time that was needed (usually not more than several hours per month). As executive directors, Mr. Zvi Borovitz, Mr. Moshe Borovitz and Mr. Dov Feiner have greater time requirements, which are detailed in the Company's remuneration policy which was put to approval by the shareholders at an extraordinary general meeting ("EGM") to be held on 9 March 2022.

Board meetings

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The Board generally meets five times a year and at such other times as required. The Board receives regular reports on a wide range of key issues including operational performance, risk management and corporate strategy, budget and corporate actions etc., and other areas which are either required by law or deemed relevant by the management.

Over the year ended 31 December 2021, in total the Board and its committees held 12 meetings. The table below shows the number of Board or committee meetings in which each of the directors could have participated (taking into consideration their membership of the committees and or their date of nomination to the Board) and their actual participation:

Board member name	Total number of Board and/or committee meetings applicable	Total number of meetings attended
Zvi Borovitz	7	7
Dov Feiner	7	7
Moshe Borovitz	7	7
Richard Bennett	12	12
Lihi Elimelech Bechor	12	12
David Yariv	7	7
Amnon Sofrin	12	10

Committees

Audit & Financial Statements Committees
The Audit committee and the Financial Statements committee are chaired by Mrs. Lihi Elimelech Bechor. The other members are Richard Bennett and Amnon Sofrin. The external auditors, together with the Company's management, are invited to attend these meetings as and when required.

In accordance with its terms of reference, the principal function of the Audit committee is to determine the appropriateness of accounting policies to be used in the Company's annual results. In addition, the committee is responsible for assessing the Company's audit arrangements and the Company's system of internal controls, and for reviewing the quarterly and annual results before publication. The responsibilities of the Audit committee include all matters required to be covered by the Israeli Companies Law. The Company has also decided pursuant to the Companies Law that the audit committee shall act as its Financial Statements committee which is responsible for reviewing the financial statements in detail and suggesting to the Board whether to amend or approve the financial statements.

The Israeli Companies Law requires the Company to have an internal auditor appointed by the Board. The internal auditor is responsible for examination of the Company's internal controls and reviewing their effectiveness and reports to the Audit committee.

Remuneration Committee

The Remuneration committee is chaired by Lihi Elimelech Bechor. The other members are Richard Bennett and Amnon Sofrin. In accordance with its terms of reference, the committee reviews the performance of the executive directors and key employees and makes recommendations to the Board and the shareholders of the Company, pursuant to Rule 20 of the Israeli Companies Law, on matters relating to their remuneration and terms of employment. Such remuneration usually includes both a fixed and variable compensation package, including share options and other equity incentives pursuant to any share option scheme or equity incentive scheme. The remuneration arrangements of the non-executive directors are determined by the Board as a whole and, in accordance with the Israeli Companies Law, approved at General Meetings of the Company's Shareholders where appropriate.

On 12 November 2012, Amendment No. 20 to the Israeli Companies Law was published (the "Amendment"). According to the Amendment, a public company is required to appoint a remuneration committee (its composition and manner of discussion shall be in accordance with the provisions of the Amendment), and adopt a policy regarding the conditions of service and employment of officers of the Company, in accordance with the recommendations of such remuneration committee, subject to the approval of the general meeting of the shareholders of the Company. In addition, the Amendment regulates the method of approval of the terms of service and employment of officers of public companies.

The Company established its three year policy in July 2013, after receiving the approval of its shareholders. This Policy was last renewed in March 2019 for another three year term and is now proposed to approval by the shareholders on the coming Extraordinary General Meeting on 9 March 2022.

Relations with shareholders

The Board welcomes the views of shareholders. The Annual General Meeting ("AGM") is used as an opportunity to communicate with shareholders. All shareholders are encouraged to attend the Company's AGM in order to take advantage of the opportunity to ask questions of the directors.

Shareholders may also contact the Company in writing or via its website, which is regularly updated. Additional information is supplied through the circulation of the Quarterly Reports and the Annual Report and Accounts. During the year the Company issued a series of announcements via the Regulatory News Service and updated its website in accordance with AIM Rule 26. The Chief Executive and other directors from time to time meet individual and institutional shareholders and provide such information as is permissible in order to facilitate a better understanding of the Company's business and operations.

Internal controls

The Board as a whole, the audit and financial statements committee and the Company's internal auditor (further details of which can be found below) contribute towards the Company's framework for the identification, assessment and management of risk. The Board has overall responsibility both for the Company's system of internal controls, which includes internal financial controls, and for reviewing their effectiveness. Through its involvement in the Company's risk management procedures, the Board is satisfied that

the Company's framework for the identification, assessment and management of risk is effective, although the directors recognize that no system of internal control can provide absolute assurance. The Company's systems are designed to manage the risk of failure to achieve business objectives and therefore can only provide the directors with reasonable assurance against material misstatement or loss. The key elements of the Company's internal control system, which have been operational since the Company's flotation on AIM in March 2006, are as follows:

Management Structure
The Board has overall responsibility for the Company and there is a formal schedule of matters specifically reserved for decisions by the Board. Each executive director has been given responsibility for specific aspects of the Company's affairs.

Monitoring Systems used by the Board
The Board receives regular reports on the financial and business performance of the Company. The Board is regularly advised through these reports on the financial performance relative to the Company's approved budget and updates on the orderbook and pipeline status.

Internal Audit
The Board has, in accordance with the Israeli Companies Law, appointed Mr. Eyal Weitzman as its internal auditor. The internal auditor and the Audit committee decided in January 2019 on a two-year work plan to cover some of the risks identified in the previous year's assessment. In 2021, a report was issued by the internal auditor to the audit committee, relating to the Group's business continuation plan with some minor recommendations which are in the process of implementation.

Going Concern
The directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Compliance Statement
Corporate Governance procedures are subject to regular review by the Board. Details of how the Company addresses key principles in the QCA Code can be found on the Company's website.

Report on Directors' Remuneration

Remuneration Committee

The Remuneration Committee was responsible for managing the executive remuneration process and defining the new remuneration policy adopted by the Company pursuant to the Board's and shareholder's approval on 14 March 2019, as required by the Israeli Companies Law. Following such approval the remuneration committee is responsible for overseeing the remuneration process and making changes, if any, in the remuneration of each of the executive directors of the Company within the boundaries of the approved policy. The remuneration committee will adopt a new policy which is pending the approval of shareholders at the upcoming Extraordinary General Meeting on 9 March 2022.

Policy on Company remuneration

The Company operates in the telecommunications industry. Accordingly, in setting remuneration, the Board has to be mindful of competitive pressures from the market, and at the same time controlling the Company's fixed cost base where a high proportion of the expenses are staff related.

The Company maintains a balance between remaining market-competitive and ensuring that some element of total staff remuneration is related to the financial performance of the Company as a whole.

Policy on senior executive remuneration

It remains the Company's policy to set the remuneration of senior executives (including executive directors) at a level that attracts and retains executives of appropriate ability, experience and integrity to manage the affairs of the Company. In formulating its remuneration policy, the Remuneration committee considers pay and employment conditions throughout the Company.

Directors' remuneration – all figures represent annual costs to the Company

Name	Basic Salary / Management Fee ($000s)	Pension Contribution ($000s)	Non Cash benefits ($000s)	Bonuses ($000s)	Total remuneration ($000s)	Shares held by each Director
Dov Feiner	295	37	22	16	370	3,528,265
Moshe Borovitz*	327	-	24	106	457	371,254
Zvi Borovitz*	252	-	36	82	370	1,146,429
Non-Executive Directors**	72**	-	-	-	72**	

(*) Each of Zvi and Moshe Borovitz also has an interest in 25% of Mokirei Aya Ltd. which controls 29.84% of the issued share capital of the Company, as of 31 December 2021.

Zvi and Moshe Borovitz provide management services to the Company through a company controlled by them (the "Management Company"). These management services consisted of the services of Mr. Zvi Borovitz who serves as an executive chairman of the Company and Mr. Moshe Borovitz who serves as the CEO of the Company. Therefore, their management fee includes all benefits required by law including a pension contribution.

(**) Remuneration for Mrs. Lihi Elimelech Bechor, Mr. Richard Bennett, Mr. David Yariv and Mr. Amnon Sofrin - each non-executive director is entitled to $18,000 per annum plus expenses.

The Company does not currently have any share options outstanding

Service contracts

The Company has a service agreement with the Management Company as described above, in respect of the services of Messrs Zvi and Moshe Borovitz. The term of this agreement was approved by shareholders and is for a period of three years starting from 1 March 2019. An extension and update to the agreement is pending the approval of shareholders at the coming Extraordinary General Meeting on 9 March 2022.

Dov Feiner has a service contract with a notice provision in excess of three months. According to a new regulation in the Israeli Companies Law, the change in remuneration policy for a Board member of the Company is required to be brought to the approval of the shareholders after a long-term strategy is proposed by the remuneration committee. This was approved on 14 March 2019 with an effective date of 1 March 2019. An extension and update to the agreement, together with the change of giving the agreement no expiry date, is pending the approval of shareholders at the coming Extraordinary General Meeting on 9 March 2022.

The two non-executive external directors are each entitled to a fee of $18,000 per annum, paid quarterly. According to the Israeli Companies Law, non-executive independent directors (defined as external directors in the Israeli Companies Law) are elected for three year terms and are allowed to be elected for a maximum of three terms (a total of nine years). Mrs. Lihi Elimelech Bechor was appointed for her third term on 19 April 2021 and Mr. Richard Bennett was appointed for his third and final term on 14 March 2019. Mr. Luke Ahern was proposed to replace Mr. Bennett, and his approval is subject to shareholders approval at the coming Extraordinary General Meeting on 9 March 2022 and if approved Mr. Ahern will serve for three years.

Mr. Amnon Sofrin and Mr. David Yariv, the two additional non-executive directors, are each entitled to $18,000 per annum, paid quarterly, similar to the external directors.

These fees are determined with reference to available information on the fees paid to non-executive directors in other companies of broadly similar size, market capitalisation and complexity. Non-executive directors are entitled to be reimbursed for reasonable out-of-pocket expenses in line with the policy applied to the Company's employees.

Financial Statements

M.T.I WIRELESS EDGE LTD.

Annual Report and Financial Statements

Year Ended

December 31, 2021

M.T.I WIRELESS EDGE LTD.

(An Israeli Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditors' Report to Shareholders of
M.T.I Wireless Edge Ltd.

We have audited the accompanying consolidated statements of financial position of M.T.I Wireless Edge Ltd and its subsidiaries (hereafter the "Company"), as of December 31, 2021 and 2020 and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the years than ended. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of certain subsidiaries, whose assets included in consolidation constitute approximately 12% and 13% of total consolidated assets as of December 31, 2021 and 2020 respectively, and whose revenues included in consolidation constitute approximately 15% and 9% of total consolidated revenues for the years ended on those dates, respectively. The financial statements of those subsidiaries were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to financial information included for these companies, is based on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in Israel, including those prescribed by the Auditors Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's Board of Directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2021 and 2020, and the results of their operations, changes in equity and their cash flows for each of the years then ended in conformity with International Financial Reporting Standards (IFRS).

Tel-Aviv, Israel March 6, 2022

Ziv Haft
Certified Public Accountants (Isr.)
BDO Member Firm

M.T.I Wireless Edge Ltd.

Consolidated Statements of Comprehensive Income

		For the year ended December 31,	
		2021	**2020**
	Note	**$'000**	**$'000**
Revenues	3, 5	43,184	40,893
Cost of sales		29,685	27,816
Gross profit		13,499	13,077
Research and development expenses		965	1,029
Distribution expenses		3,686	3,579
General and administrative expenses		4,448	4,379
Profit from sale of property, plant and equipment		25	14
Profit from operations	4	4,425	4,076
Finance expense	6	454	275
Finance income	6	(67)	(255)
Profit before income tax		4,038	4,056
Tax expenses	7	329	564
Profit		3,709	3,492
Other comprehensive income (loss) net of tax:			
Items that will not be reclassified to profit or loss:			
Remeasurements on defined benefit plans		22	42
Items that may be reclassified to profit or loss:			
Adjustment arising from translation of financial statements of foreign operations		(19)	253
Total other comprehensive income		3	295
Total comprehensive income		3,712	3,787
Profit attributable to:			
Owners of the parent		3,598	3,373
Non-controlling interest		111	119
		3,709	3,492
Total comprehensive income attributable to:			
Owners of the parent		3,601	3,668
Non-controlling interest		111	119
		3,712	3,787
Earnings per share			
Basic and Diluted (dollars per share)	8	0.0407	0.0383

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, 2021:

	Attributable to owners of the parent							
	Share capital	Additional paid-in capital	Capital Reserve from share-based payment transactions	Translation differences	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
	U.S. $ in thousands							
Balance as at January 1, 2021	209	23,167	-	191	999	24,566	987	25,553
Changes during 2021:								
Comprehensive income								
Profit for the year	-	-	-	-	3,598	3,598	111	3,709
Other comprehensive income								
Re measurements on defined benefit plans	-	-	-	-	22	22	-	22
Translation differences	-	-	-	(19)	-	(19)	-	(19)
Total comprehensive income (loss) for the year	-	-	-	(19)	3,620	3,601	111	3,712
Dividend	-	-	-	-	(2,213)	(2,213)	-	(2,213)
acquisition and disposal of treasury shares (note 26)	-	(41)	-	-	-	(41)	-	(41)
Balance as at December 31, 2021	209	23,126	-	172	2,406	25,913	1,098	27,011

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Changes in Equity (Cont.)

For the year ended December 31, 2020:

	Attributable to owners of the parent							
	Share capital	Additional paid-in capital	Capital Reserve from share-based payment transactions	Translation differences	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
	U.S. $ in thousands							
Balance as at January 1, 2020	207	22,868	52	(62)	(658)	22,407	883	23,290
Changes during 2020:								
Comprehensive income								
Profit for the year	-	-	-	-	3,373	3,373	119	3,492
Other comprehensive income								
Re measurements on defined benefit plans	-	-	-	-	42	42	-	42
Translation differences	-	-	-	253	-	253	-	253
Total comprehensive income for the year	-	-	-	253	3,415	3,668	119	3,787
Dividend	-	-	-	-	(1,758)	(1,758)	-	(1,758)
Exercise of options to share capital	2	306	(54)	-	-	254	-	254
Acquisition of the non-controlling interest in subsidiary	-	(15)	-	-	-	(15)	(15)	(30)
Profit from acquisition and disposal of treasury shares (note 26)	-	8	-	-	-	8	-	8
Share based payment	-	-	2	-	-	2	-	2
Balance as at December 31, 2020	209	23,167	-	191	999	24,566	987	25,553

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Financial Position

		As at December 31,		As at December 31,	
		2021	2021	2020	2020
	Note	$'000	$'000	$'000	$'000
ASSETS					
Non-current assets :					
Property, plant and equipment	10	5,548		4,818	
Intangible assets	11	1,014		1,064	
Deferred tax assets	12	994		696	
Long-term prepaid expenses		26		45	
Total non-current assets			7,582		6,623
Current assets:					
Inventories	13	6,849		6,399	
Current tax receivables		518		557	
Unbilled revenue	14	2,794		2,318	
Trade and other receivables	14	10,628		10,658	
Cash and cash equivalents	15	12,567		9,577	
Total current assets			33,356		29,509
TOTAL ASSETS			40,938		36,132
LIABILITIES					
Non-curent liabilities :					
Contingent consideration		-		51	
Lease liabilities	10	465		155	
Loans from banks, net of current maturities	16	8		37	
Employee benefits, net	17	868		826	
Total Non-current liabilities			1,341		1,069
Current Liabilities:					
Current tax payables		322		213	
Trade and other payables	18	12,241		9,192	
Current maturities and short-term bank credit	19	23		105	
Total current liabilities			12,586		9,510
Total liabilities			13,927		10,579
TOTAL NET ASSETS			27,011		25,553

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Financial Position (Cont.)

		As at December 31,		As at December 31,	
		2021	2021	2020	2020
	Note	$'000	$'000	$'000	$'000
Capital and reserves attributable to owners of the parent	22				
Share capital		209		209	
Additional paid-in capital		23,126		23,167	
Translation differences		172		191	
Retained earnings		2,406		999	
			25,913		24,566
Non-controlling interests			1,098		987
TOTAL EQUITY			27,011		25,553

The financial statements on pages 4 to 48 were approved by the Board of Directors and authorised for issue on March 6, 2022, and were signed on its behalf by:

March 6, 2022			
Date of approval of financial statements	Moshe Borovitz Chief Executive Officer	Elhanan Zeira Controller	Zvi Borovitz Chairman of the Board

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,	
	2021	**2021**	**2020**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Operating Activities:				
Profit for the year	3,709		3,492	
Adjustments for:				
Depreciation and amortization	976		1,009	
Equity settled share-based payment expense	-		2	
Loss (gain) on disposal of property, plant and equipment	(25)		13	
Finance expense, net	53		69	
Income tax expense	329		564	
		5,042		5,149
Changes in working capital and provisions				
Increase in inventories	(479)		(557)	
Decrease (increase) in trade receivables	604		(1,053)	
(Increase) decrease in unbilled revenues	(476)		548	
(Increase) decrease in other accounts receivables	(448)		255	
Increase in trade and other accounts payables	2,803		140	
Increase in employee benefits, net	64		25	
		2,068		(642)
Interest received	52		28	
Interest paid	(88)		(43)	
Income tax paid	(481)		(494)	
		(517)		(509)
Net cash provided by operating activities		6,593		3,998

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,	
	2021	**2021**	**2020**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Investing Activities:				
Proceeds from sale of property, plant and equipment	153		28	
Payment of contingent consideration regarding business acquisition	(54)		(21)	
Purchase of property, plant and equipment	(835)		(454)	
Net cash used in investing activities		(736)		(447)
Financing Activities:				
Exercise of share options	-		254	
Dividend	(2,213)		(1,758)	
Payments of lease liabilities	(449)		(493)	
Acquisition of the non-controlling interest in subsidiary	-		(30)	
Treasury shares acquired	(41)		(155)	
Treasury shares sold	-		163	
Repayment of long-term loans from banks	(117)		(308)	
Net cash used in financing activities		(2,820)		(2,327)
Increase in cash and cash equivalents		3,037		1,224
Cash and cash equivalents at the beginning of the year		9,577		8,140
Exchange differences on balances of cash and cash equivalents		(47)		213
Cash and cash equivalents at the end of the year		12,567		9,577

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

1. General description of the Group and its operations

M.T.I Wireless Edge Ltd. (hereafter - the "Company", or collectively with its subsidiaries, the "Group") is an Israeli corporation. The Company was incorporated under the Companies Act in Israel on December 30, 1998, and commenced operations on July 1, 2000. Since March 2006, the Company's shares have been traded on the AIM market of the London Stock Exchange.

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

The Company and its subsidiaries are engaged in the following areas:

- Development, design, manufacture and marketing of antennas for the military and civilian sectors.
- A leading provider of remote control solutions for water and irrigation applications based on Motorola's IRRInet state of the art control, monitoring and communication technologies.
- Providing consulting, representation and marketing services to foreign companies in the field of RF (radio frequency) and Microwave, including engineering services in the field of aerostat systems and system engineering services.

2. Accounting policies

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.

A. Basis of preparation

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, except for the measurement of employee benefit assets.

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

B. 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 and thereafter.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates used by 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 the level of future taxable profits together with future tax planning strategies.

2. Accounting policies (Cont.)

C. Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services

1. Revenues from Construction Contracts are recognized based on the percentage of completion to date. The percentage of completion is determined using the inputs method by dividing actual completion costs incurred (based on estimates of material costs, labor costs, subcontractor performance, and other factors) to date by the total completion costs anticipated. When a loss from a contract is anticipated, a provision for the entire loss that is anticipated is made in the period in which this first becomes evident, as assessed by the Company's management.

   The Company recognizes revenue from construction contracts over time, since the Company's performance does not create an asset with alternative use to the Company and the Company has an enforceable right to payment for performance completed up to that date.

   The payment terms for these projects are based on milestones specified in the contract, which are determined in relation to the rate of progress. The Company believes that recognising revenue based on costs incurred to satisfy performance obligations faithfully depicts its performance in construction contracts. Therefore, when revenue is recognized before a specified milestone is achieved, the Company recognizes the costs incurred to satisfy the related performance obligation as unbilled revenue.

   Financing components - The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.

   The Company elected not to adjust the transaction price for the effects of financing components in contracts where the period between when the Company transfers a promised good or a service to the customer and when the customer pays for it is one year or less.

2. Revenues from the sale of goods are recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery of the equipment.

   Volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

   To estimate the variable consideration to which it will be entitled, the Company applied the ‘most likely amount method’ for contracts with a single volume threshold and the ‘expected value method’ for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The Company includes in the transaction price amounts of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

2. Accounting policies (Cont.)

At the end of each reporting period, the Company updates its estimates of variable consideration.

D. Assets and liabilities arising from contracts with customers

Contract assets (presented as "Unbilled revenue ")

A contract asset is the Company's right to consideration in exchange for goods or services the entity has transferred to a customer that is conditional on something other than the passage of time

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

E. 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 the investee, including: the contractual arrangement with the other vote holders of the investee, the Group's 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.

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, 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 consideration received at fair value, recognises any investment retained at fair value of and recognises any surplus or deficit in profit or loss; (iii) reclassifies the parent's share 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.

F. Consolidated financial statements

Where relevant, the accounting policies in the financial statements of the subsidiaries are adjusted to conform with the policies applied in the financial statements of the Group.

2. Accounting policies (Cont.)

G. 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 (if the costs of acquisition are related to the issue of debt or equity, they are charged to equity or liability respectively). Goodwill is recognized as an intangible asset with any impairment in carrying value being charged to profit or loss. 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 may be an impairment.

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

I. Impairment of non-financial assets

Impairment tests on goodwill and indefinite useful lives assets are undertaken annually on December 31 or sooner when there are indicators of impairment. Other non-financial assets (excluding Inventories) 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 an impairment charge is recognized accordingly in the profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the asset's cash-generating unit level (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) 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.

2. Accounting policies (Cont.)

An impairment loss allocated to an 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. A 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 an impairment loss of an asset is recognized in profit or loss. Impairment charges are included in the general and administrative expenses line item in the statement of comprehensive income. During the 2020 and 2021 financial years no impairment charges of non-financial assets were recognized.

J. Functional currency and Foreign currency transactions

The reporting currency of the Group is U.S. Dollars ("dollar"; "USD"), which is the currency of the primary economic environment in which the Company and the majority of the Group's subsidiaries operate. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

On consolidation, the assets and liabilities of foreign operations are translated into Dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions). The exchange differences arising on translation for consolidation are recognised in OCI as 'Adjustment arising from translation of financial statements of foreign operations'. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

K. 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.

2. Accounting policies (Cont.)

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 by fair value hierarchy:

Assets and liabilities 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).

L. Financial instruments:

1. Financial assets

The Group classifies its financial assets based on the business model for managing the financial asset and its contractual cash flow characteristics. The Company's accounting policy for the relevant category is as follows:

Amortized cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognized based on the simplified approach within IFRS 9 using a provision in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within general and administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

2. Accounting policies (Cont.)

2. Financial Liabilities

The Group classifies its financial liabilities based on the business model for managing the financial liabilities and its contractual cash flow characteristics. The Company's accounting policy for the relevant category is as follows

Other financial liabilities include the following items:

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

3. *De-recognition*:

Financial assets - The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.

Financial Liabilities - The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

M. 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 BIRD, are accounted for as forgivable loans, in accordance with IAS 20 (Revised), pursuant to the provisions of IFRS 9. 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 in profit or loss 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 rate and recorded in profit or loss in accordance with the provisions of IFRS 9.

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.

2. Accounting policies (Cont.)

N. 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 profit or loss, except when they relate to items recognized in other comprehensive income or directly in equity.

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 or deferred tax arising on business combinations.

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 in "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, if distributions of dividends involve an additional tax liability; 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. Deferred tax liabilities are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred tax liabilities relate to the same taxpayer and the same taxation authority.

O. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

P. Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is calculated according to a weighted average model.

2. Accounting policies (Cont.)

Q. Property, plant and equipment

Items of property, plant and equipment are initially recognized at cost including directly attributable costs. Depreciation is calculated on a straight line basis, over the useful lives of the assets at annual rates 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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

R. 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.

S. Provision for warranty

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

T. 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.

2. Accounting policies (Cont.)

U. 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.

The Group has defined contribution plans pursuant to Section 14 of 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 post employment benefits 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 high quality 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 deposits into 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.

V. Earnings per Share (EPS)

Earnings per share is 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 proportion of the shares in the investee held by the Company.

2. Accounting policies (Cont.)

W. *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.

Segment revenue and segment costs include items that are attributable to the relevant segments and items that can be allocated to segments. Items that cannot be allocated to segments include the Group's financial income and expenses and income tax.

X. *Leases*

Right-of-use assets:

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets comprises the amount of the initial measurement of the lease liability; lease payments made at or before the commencement date less any lease incentives received; and initial direct costs incurred. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The right-of-use assets are presented within property, plant and equipment.

Lease liabilities:

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option that is reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period on which the event or condition that triggers the payment occurs.

Lease term:

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

2. Accounting policies (Cont.)

Depreciation of a right-of-use asset:

Subsequent to the inception of the lease, a right-of-use asset is measured using the cost method, less accumulated depreciation and accumulated impairment losses, and is adjusted for re-measurements of the lease liability. Depreciation is measured using the straight-line method over the useful life or contractual lease term, whichever ends earlier. Lessees will also be required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset, until the carrying amount is reduced to zero.

3. Revenues

	For the year ended December 31,	
	2021	**2020**
Revenues arises from:	**$'000**	**$'000**
Sale of goods *	35,308	33,788
Rendering of services **	5,729	4,863
Projects **	2,147	2,242
	43,184	40,893

(*) at a point in time
(**) over time

4. Profit from operations

	For the year ended December 31,	
	2021	**2020**
This has been arrived at after charging**:**	**$'000**	**$'000**
Material and subcontractors	21,559	20,664
Wages and salaries	13,123	12,372
Plant, Machinery and Usage	1,359	1,268
Depreciation and amortization	976	1,011
Travel and Exhibition	270	137
Advertising and Commissions	464	767
Consultants	568	419
Others	440	165
	38,759	36,803

5. Operating segments

The Company and its subsidiaries are engaged in the following segments:

- Development, design, manufacture and marketing of antennas for the military and civilian sectors.
- A leading provider of remote control solutions for water and irrigation applications based on Motorola's IRRInet state of the art control, monitoring and communication technologies.
- Providing consulting, representation and marketing services to foreign companies in the field of RF and Microwave, including engineering services in the field of aerostat systems and system engineering services.

1. Segment information

Year ended December 31, 2021

	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. $ in thousands				
Revenues					
External	11,294	17,606	14,284	-	43,184
Inter-segment	-	-	174	(174)	-
Total	11,294	17,606	14,458	(174)	43,184
Segment profit	282	2,074	1,845	224	4,425
Finance expense, net					387
Tax expenses					329
Profit					3,709

December 31, 2021

	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. $ in thousands				
Segment assets	14,399	11,100	11,999	-	37,498
Unallocated assets					3,440
Segment liabilities	3,090	3,626	6,282	-	12,998
Unallocated liabilities					929

5. Operating Segments (cont.)

Year ended December 31, 2020

	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. $ in thousands				
Revenues					
External	11,187	16,121	13,585	-	40,893
Inter-segment	-	-	144	(144)	-
Total	11,187	16,121	13,729	(144)	40,893
Segment profit	158	1,928	1,614	376	4,076
Finance expense, net					20
Tax expenses					564
Profit					3,492

December 31, 2020

	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. $ in thousands				
Segment assets	14,531	11,194	8,429	-	34,154
Unallocated assets					1,978
Segment liabilities	3,511	3,133	3,621	-	10,265
Unallocated liabilities					314

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

	For the year ended December 31,	
	2021	2020
	$'000	$'000
Israel	24,342	23,108
America	5,551	4,245
Europe Middle East & Africa	9,266	9,015
Asia Pacific	4,025	4,525
	43,184	40,893

3. Additional information about revenues:

There is one single customer from which revenues amount to 12% in 2021 (11% in 2020) of total revenues reported in the financial statements. This is a customer for the antenna and distribution & special consulting services divisions and the credit terms with it are usually end of month + 90 days.

6. Finance expense and income

	For the year ended December 31,	
	2021	**2020**
	$'000	**$'000**
Finance expense		
Net Foreign exchange loss	205	-
Leases	43	40
Interest and bank fees	206	235
	454	275
Finance income		
Interest from bank deposits	67	28
Net Foreign exchange gain	-	227
	67	255
	387	20

7. Tax expenses

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 provisions 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: 2014 and thereafter will be 16% (in development area A - 9%).

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

   On 15 November 2021 an amendment to the Encouragement Law was approved (the "2021 Amendment"). According to the 2021 Amendment companies that had retained earnings from exempt income earned before 31 December 2020 can distribute those earnings with a lower tax rate of 10% to the Company and withholding tax of 15% to the shareholders. The Company has such retained earnings totalling approximately 10.3m NIS ($3.3m USD).

2. Tax rates:

   On December 29, 2016, the Law for Economic Efficiency (Legislative Amendments for Achieving the Budgetary Goals for 2017-2018) was published in Reshumot (the Israeli government official gazette), which enacts, among other things, the following amendments:

   - Decreasing the corporate tax rate to 24% in 2017 and to 23% in 2018 and thereafter (instead of 25%).
   - Commencing tax year 2017 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

7. Tax expenses (cont.)

Law, shall decrease to 7.5% (instead of 9%) and for companies located in zones other than Zone A the rate shall remain 16%.

- 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 is 16%.

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 28% and the Company was in an exempt zone until end of March 2013 and further in a 50% tax exempt zone until end of March 2018. Nevertheless from the Tax Year 2011-12, in the absence of taxable income or tax due on taxable income (calculated as per normal rates) being less than 18.5% of the Accounting Book Profits during a particular year, the Indian regulation states that the company has to pay a Minimum Alternate tax at a rate of 18.5% of the Accounting Book Profits for that year. Such excess Minimum Alternate Tax paid on book profits over the Tax due on Actual Taxable Income (calculated as per normal rates) of each year is capable of set off against the taxable profits of future years.

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%.

A Company incorporated in Russia – the statutory tax rate is 20%.

A Company incorporated in Canada – the statutory tax rate is 25%.

A Company incorporated in China - the statutory tax rate is 25% but for small entities the tax rate is 10%. To be classified as a small entity all following should apply (i) Annual taxable income not exceeding 3 million yuan, (ii) Number of employees not exceeding 300 and (iii) Total assets not exceeding 50 million yuan. The Company meets the criteria of a small entity.

C. Income tax assessments

The Company has tax assessments considered as final up to and including the year 2016.

7. Tax expenses (cont.)

	For the year ended December 31,			
	2021	**2021**	**2020**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Current tax expense				
Income tax on profits for the year	722		592	
Taxes in respect of previous years	(95)		4	
		627		596
Deferred tax income (see note 12)				
Origination and reversal of temporary differences	(298)		(32)	
		(298)		(32)
Total tax expenses		329		564

The adjustments 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,	
	2021	**2020**
	$'000	**$'000**
Profit before income tax	4,038	4,056
Tax using the Company's domestic tax rate of 16%	646	648
Non-deductible expenses	6	-
Taxes resulting from different tax rates applicable to foreign and other subsidiaries	94	41
Utilization of prior years tax losses for which deferred taxes were not provided	(322)	(138)
Adjustments for current income tax of prior years	(95)	31
Other	-	(18)
Total income tax expense	329	564

8. Earnings per share

Net earnings per share attributable to equity owners of the parent

	For the year ended December 31,	
	2021	**2020**
	$'000	**$'000**
Net Earnings used in basic and diluted EPS	3,557	3,373
Weighted average number of shares used in basic and diluted EPS	88,509,740	88,093,025
basic and diluted net EPS (dollars)	0.0407	0.0383

There are no options in issue as the date of this report (See note 24).

9. Dividends

	For the year ended December 31,	
	2021	**2020**
	$'000	**$'000**
Dividend paid	2,213	1,758

10. Property, plant and equipment

	Building	Machinery & equipment	Office furniture & equipment	Computer equipment	Vehicles	Right of use asset	Total
				$'000			
Cost:							
Balance as of January 1, 2021	5,070	6,323	688	2,386	1,032	1,203	16,702
Acquisitions	164	245	14	41	389	957	1,792
Disposals	-	-	-	-	(258)	(465)	(723)
Exchange differences	-	2	(1)	1	(6)	-	(4)
Balance as of December 31, 2021	5,216	6,570	701	2,428	1,157	1,695	17,767
Accumulated Depreciation:							
Balance as of January 1, 2021	2,421	5,267	614	2,264	436	882	11,884
Additions	103	187	21	32	135	447	925
Disposals	-	-	-	-	(130)	(465)	(595)
Exchange differences	-	2	(2)	-	5	-	5
Balance as of December 31, 2021	2,524	5,456	633	2,296	446	864	12,219
Net book value as of December 31, 2021	2,692	1,114	68	132	711	831	5,548

Lease liabilities	Year ended December 31	
	2021	**2020**
	$'000	**$'000**
Interest expense	43	36
Total cash outflow for leases	474	529
Additions to right-of-use assets	957	164

December 31, 2021	**Less than one year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**> 4 years**	**Total**
				$'000		
Lease liabilities	440	335	130	-	-	905

December 31, 2020	**Less than one year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**> 4 years**	**Total**
				$'000		
Lease liabilities	286	140	11	-	-	437

10. Property, plant and equipment (cont.)

	Building	Machinery & equipment	Office furniture & equipment	Computer equipment	Vehicles	Right of use asset	Total
				$'000			
Cost:							
Balance as of January 1, 2020	5,046	6,241	673	2,354	832	1,098	16,244
Acquisitions	15	78	12	32	289	172	598
Disposals	-	-	-	-	103	67	170
Exchange differences	9	4	3	-	14	-	30
Balance as of December 31, 2020	5,070	6,323	688	2,386	1,032	1,203	16,702
Accumulated Depreciation:							
Balance as of January 1, 2020	2,328	5,068	597	2,237	345	457	11,032
Additions	93	195	16	26	144	484	958
Disposals	-	-	-	-	62	59	121
Exchange differences	-	4	1	1	9	-	15
Balance as of December 31, 2020	2,421	5,267	614	2,264	436	882	11,884
Net book value as of December 31, 2020	2,649	1,056	74	122	596	321	4,818

11. Intangible assets

	Goodwill from business combination	Customer relations *	Total
		$'000	
Cost:			
Balance as of December 31, 2021	2,088	715	2,803
Accumulated Amortization:			
Balance as of January 1, 2021	1,227	511	1,738
Amortization charge	-	51	51
Balance as of December 31, 2021	1,227	562	1,789
Net book value as of December 31, 2021	861	153	1,014

	Goodwill from business combination	Customer relations *	Total
		$'000	
Cost:			
Balance as of January 1, 2020	2,007	523	2,530
Acquired through business combinations	81	192	273
Balance as of December 31, 2020	2,088	715	2,803
Accumulated Amortization:			
Balance as of January 1, 2020	1,227	460	1,687
Amortization charge	-	51	51
Balance as of December 31, 2020	1,227	511	1,738
Net book value as of December 31, 2020	861	204	1,065

(*) Customer relations is amortized over an economic useful life of between 6.5 to 10 years.

12. Deferred tax assets

Deferred tax asset is calculated on temporary differences under the liability method using the tax rates that are expected to apply to the period when the asset is realised.

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

	2021	2020
	$'000	$'000
At January 1	696	664
Charged to other comprehensive income	-	-
Charged to profit or loss	298	32
At December 31	994	696

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.

12. Deferred tax assets (Cont.)

Composition:

	31.12.2021	31.12.2020
	$'000	$'000
Accrued severance pay	87	89
Other provisions and employee-related obligations	152	137
Research and development expenses deductible over 3 years	163	177
Carry forward tax losses	592	293
	994	696

Deferred tax assets relating to carry forward capital losses of the Group total approximately $1,171 and $1,139 thousand as of December 31, 2021 and 2020 respectively were not recognized in the financial statements because their utilization in the foreseeable future is not probable.

13. Inventories

	31.12.2021	31.12.2020
	$'000	$'000
Raw materials and consumables	5,177	4,364
Work-in-progress	112	155
Finished goods and goods for sale	1,560	1,880
	6,849	6,399

14. Trade receivables, other receivables and unbilled revenue

	31.12.2021	31.12.2020
	$'000	$'000
Trade receivables	9,310	9,818
Unbilled revenue – Projects	2,794	2,318
Other receivables	1,318	840
	13,422	12,976

Trade receivables:

	31.12.2021	31.12.2020
	$'000	$'000
Trade receivables (*)	8,707	9,697
Notes receivable	701	224
Allowance for expected credit losses	(98)	(103)
	9,310	9,818

(*) Trade receivables are non-interest bearing. They are generally on 60-120 day terms.

14. Trade receivables, other receivables and unbilled revenue (cont.)

As at 31 December 2021 trade receivables of $108,000 (2020 – $593,000) were past due but not impaired. They relate to the customers with no default history.

Unbilled revenue:

	31.12.2021	31.12.2020
	$'000	$'000
Actual completion costs	5,000	4,059
Revenue recognised	1,750	1,779
Billed revenue	(3,956)	(3,520)
Total Unbilled receivables – Projects	2,794	2,318

Other receivables:

	31.12.2021	31.12.2020
	$'000	$'000
Prepaid expenses	826	305
Advances to suppliers	128	168
Tax authorities – V.A.T	226	295
Employees	138	72
	1,318	840

15. Cash and cash equivalents

	31.12.2021	31.12.2020
	$'000	$'000
In U.S. dollars	6,460	6,552
In other currencies	6,107	3,025
	12,567	9,577

16. Loans from banks

	31.12.2021	31.12.2020
	$'000	$'000
US Dollars - unlinked	-	63
NIS	14	42
South African Rand	17	37
Less - current maturities	(23)	(105)
	8	37

In 2011 the Company received a US$ 2.5 Million 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, with repayment on a quarterly basis from April 2011 until January 2021 and bears interest at a fixed rate of 4.9%.

On August 2016, the Company received a NIS 100,000 (approximately US$ 29 thousand) loan respectively for the purchase of a car. The loan is for 4 years with a monthly repayment starting August 2016 and bears interest of Prime +0.6% (2.35% as of December 31, 2020).

During 2018 two additional loans for purchases of cars were taken, which total NIS 320,000 (approximately US$ 85 thousand). These loans are for 4 years with a monthly repayment and bear interest of Prime +0.4% (2.15% as of December 31, 2020). All bank loans for the purchase of cars are secured by a fixed lien on the car.

During 2017 Mottech South Africa entered into a loan agreement of approximately US$ 37 thousand for the purchase of cars payable over 60 months on a monthly basis. The interest rate is linked to the South Africa prime lending rate.

During 2018 Mottech South Africa had entered into a loan agreement of approximately US$ 30 thousand for the purchase of cars, which is payable over 36 - 48 months on a monthly basis. The interest rate is linked to the South Africa prime lending rate.

At December 31 2021	First year	Second year	Third year and thereafter
		$'000	
Long-term loan	6	2	-

17. Employee benefits

A. Composition:

	As at December 31	
	2021	2020
	$'000	$'000
Present value of the obligations	1,851	1,756
Fair value of plan assets	(983)	(930)
	868	826

B. Movement in plan assets:

	Year ended December 31	
	2021	2020
	$'000	$'000
Year beginning	930	975
Foreign exchange gain	31	74
Interest income	15	15
Contributions	14	13
Benefit paid	(16)	(137)
Re measurements gain (loss)		
Actuarial profit (loss) from financial assumptions	1	(1)
Return on plan assets (excluding interest)	8	(9)
Year end	983	930

C. Movement in the liability for benefit obligation:

	Year ended December 31	
	2021	2020
	$'000	$'000
Year beginning	1,756	1,818
Foreign exchange loss	46	140
Interest cost	49	39
Current service cost	42	40
Benefits paid	(25)	(229)
Re measurements loss (gain)		
Actuarial (gain) from financial assumptions	(16)	(2)
Adjustments (experience)	(1)	(50)
Year end	1,851	1,756

Supplementary information

1. The Group's liabilities for severance pay, retirement and pensions pursuant to Israeli law and employment agreements are recognized in 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.

17. Employee benefits (cont.)

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,	
	2021	2020
Discount rate on plan liabilities	2.15%	2.12%
Expected increase in pensionable salary	2%	2%

4. Sensitivity test for changes in the expected rate of salary increase or in the discount rate of the plan assets and liability:

	Change in defined benefit obligation	
	As at December 31,	
	2021	2020
	$'000	$'000
The change as a result of:		
Salary increases of 1 %	65	74
Salary decreases of 1 %	(58)	(65)
The change as a result of:		
Increase of 1% in discount rate	(56)	(63)
Decrease of 1% in discount rate	64	73

	Year ended December 31,	
	2021	2020
	$'000	$'000
Expenses in respect of defined contribution plans	489	457

18. Trade and other payables

	As at December 31,	
	2021	2020
	$'000	$'000
Trade payables	5,346	5,098
Employees' wages and other related liabilities	1,895	1,814
Advances from trade receivables	3,404	1,417
Accrued expenses	819	396
Government authorities	158	44
Lease liability	440	231
Others	179	192
	12,241	9,192

19. Current maturities and short-term bank credit

	Interest rate as at December 31, 2021	As at December 31, 2021	As at December 31, 2020
	%	$'000	$'000
Current maturities In NIS	Prime+0.6	14	24
Current maturities In SA ZAR	9.5 - 11	9	18
Current maturities In US $	4.9	-	63
Total Current maturities and short-term bank loans		23	105

Changes in liabilities arising from financing activities

Reconciliation of the changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows

	Loans and borrowings	Lease liabilities	Total
		$'000	
At 1 January 2021	142	386	528
Changes from financing cash flows:			
Payments of lease liabilities	-	(449)	(449)
Repayment of long-term loans from banks	(117)	-	(117)
Total changes from financing cash flows	**25**	**(63)**	**(38)**
Changes in fair value:			
New leases	-	957	957
Leases cancelled before maturity	-	(1)	(1)
Interest expense	-	48	48
Interest paid	-	(48)	(48)
Total changes from financing cash flows	**25**	**893**	**918**
Effects of foreign exchange	6	12	18
At 31 December 2021	**31**	**905**	**939**

19. Current maturities and short-term bank credit (Cont.)

	Loans and borrowings	Lease liabilities	Total
		$'000	
At 1 January 2020	453	658	1,111
Changes from financing cash flows:			
Payments of lease liabilities	-	(493)	(493)
Repayment of long-term loans from banks	(308)	-	(308)
Total changes from financing cash flows	**145**	**165**	**310**
Changes in fair value:			
New leases	-	172	172
Leases cancelled before maturity	-	(8)	(8)
Interest expense	-	40	40
Interest paid	-	(40)	(40)
Total changes from financing cash flows	**145**	**329**	**474**
Effects of foreign exchange	(3)	57	54
At 31 December 2020	**142**	**386**	**528**

20. Financial instruments - Risk Management

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

- Foreign currency risk
- Liquidity 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.

The Group's policy is to allow the Group's entities to pay liabilities denominated in their functional currency using the cash flows generated from the operations of each entity. When the Group's entities have liabilities denominated in a currency other than their functional currency (and the entity does not have sufficient cash balances in this currency to settle the liability) the Group, if possible, transfers cash balances in one entity to another entity in the Group. The Group's currency risks are as follows:

Most of the Company's revenues are in US dollars or linked to that currency, and the Company's inputs are mainly linked due to the importation of raw materials paid for in US Dollars, but the wages and salary expenses (which constitutes a material input in the Company's operations) are in NIS. Therefore, there is an exposure to changes in the exchange rate of the NIS against the Dollar.

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 forward contracts on the NIS/$ exchange rate to hedge part of the salary costs. As of December 31, 2021 no such transactions were open. Since the purchase of Mottech the Group has an additional currency risk due to its subsidiaries' activity.

20. Financial instruments - Risk Management (Cont.)

The following is a sensitivity analysis of a change of 5% as of the date of the financial position in the NIS exchange rates against the functional currency, while the rest of the variables remain constant, and their effect on the pre-tax profit or loss on equity:

	Profit (loss) from change	Book value	Profit (loss) from change
	December 31, 2021		
NIS exchange rate	0.337	0.321	0.305
Total assets, net	96	1,922	(96)
	December 31, 2020		
NIS exchange rate	0.327	0.311	0.295
Total assets, net	48	951	(48)

The Company's exposure to changes in foreign currency in all other currencies is immaterial.

	USD	NIS	Other currencies	Total
	As at December 31, 2021			
Assets				
Current assets:				
Cash and cash equivalents	6,460	940	5,167	12,567
Trade receivables	5,526	5,919	619	12,104
Other receivables	238	1,069	11	1,318
Liabilities				
current liabilities:				
Current maturities and short term bank credit and loans	-	14	9	23
Trade payables	1,319	2,835	1,192	5,346
Other accounts payables	396	3,127	3,372	6,895
non- current liabilities:				
Loans from banks, net of current maturities	-	-	8	8
Total assets, net	**10,509**	**1,992**	**1,216**	**13,717**

20. Financial instruments - Risk Management (Cont.)

	USD	NIS	Other currencies	Total
	As at December 31, 2020			
Assets				
Current assets:				
Cash and cash equivalents	5,763	945	2,869	9,577
Trade receivables	5,756	5,810	570	12,136
Other receivables	183	651	6	840
Liabilities				
current liabilities:				
Current maturities and short term bank credit and loans	63	24	18	105
Trade payables	1,261	2,837	1,000	5,098
Other accounts payables	187	3,576	331	4,094
non- current liabilities:				
Loans from banks, net of current maturities	-	18	19	37
Total assets, net	**10,191**	**951**	**2,077**	**13,219**

Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of insufficient liquidity means to fulfil its immediate obligations. The Group's objective is to maintain a balance between continuity of funding and flexibility. 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, 2021	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years	Total
	$'000					
Loans from banks	23	6	2	-	-	31
Trade payables	5,346	-	-	-	-	5,346
Payables	6,895	-	-	-	-	6,895
	12,264	6	2	-	-	12,272

December 31, 2020	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years	Total
	$'000					
Loans from banks	105	32	5	-	-	142
Trade payables	5,098	-	-	-	-	5,098
Payables	4,094	-	-	-	-	4,094
	9,297	32	5	-	-	9,334

Credit risks

Financial instruments which have the potential to expose the Group to credit risks are mainly deposit accounts, trade receivables and other receivables. The Group holds cash and cash equivalents in short term deposit accounts in banking institutions in Israel that are considered financially sound, thereby substantially reducing the risk to suffer credit loss.

20. Financial instruments - Risk Management (Cont.)

With respect to trade receivables, the Group believes that there is no material credit risk which is not mitigated in light of Group's policy to assess the credit risk of customers before entering contracts. Moreover, the Group evaluates trade receivables on a timely basis and adjusts the allowance for expected credit losses accordingly. Since January 2019 the Company has had an agreement with a credit insurance company to further mitigate this risk.

The aging analysis of these trade-receivable balances by business segment is as follows:

December 31, 2021				**Past due trade receivables with aging of**	
	Revenues	**Total trade receivables**	**Neither past due nor impaired**	**< 30 days**	**>30 days**
Antennas - other receivables	11,294	4,884	4,852	12	20
Water Solutions - other receivables	17,606	3,311	3,277	22	12
Distribution & Consultation - other receivables	14,458	3,909	3,867	32	10
Intercompany	(174)	-	-	-	-
Total	**43,184**	**12,104**	**11,996**	**66**	**42**

December 31, 2020				**Past due trade receivables with aging of**	
	Revenues	**Total trade receivables**	**Neither past due nor impaired**	**< 30 days**	**>30 days**
Antennas – other receivables	11,187	6,586	6,161	423	2
Water Solutions - other receivables	16,121	2,502	2,465	18	19
Distribution & Consultation - other receivables	13,729	3,048	2,917	26	105
Intercompany	(144)	-	-	-	-
Total	**40,893**	**12,136**	**11,543**	**467**	**126**

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.

20. Financial instruments - Risk Management (Cont.)

The Group is not exposed to cash flow risk due to interest rates since the long-term loan bears 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	
	2021	2020	2021	2020
Financial liabilities:	$'000			
Long-term loan with interest (1)	8	142	8	143

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

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

December 31, 2021:

	NIS	Unlinked	S.A Rand	Total
	$'000			
Financial liabilities measured at amortized cost	14	-	17	31

December 31, 2020:

	NIS	Unlinked	S.A Rand	Total
	$'000			
Financial liabilities measured at amortized cost	42	63	37	142

Capital management

The Group's objective is to maintain, as much as is possible, a stable capital structure. In the opinion of Group's management its current capital structure is stable. Consistent with others in the industry, the Group monitors capital, including others also, on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2021 and 2020 were as follows:

	31.12.2021	31.12.2020
Loans from banks	31	142
bank credit	-	-
Total liabilities	**31**	**142**

	31.12.2021	31.12.2020
Share capital	209	209
Additional paid-in capital	23,126	23,167
Retained earnings	2,406	999
Capital reserves	172	191
Non-controlling interest	1,098	987
Total equity	**27,011**	**25,553**
Leverage ratio	**0.1%**	**0.55%**

20. Financial instruments - Risk Management (Cont.)

The net debt ratios stem from the Board of Directors' decision to continue to invest in the Company's development, but without the use of excessive leverage. The Group intends to examine the leverage ratio from time to time and to define it according to its needs. The decrease in the net debt ratio in 2021 derived mainly from the repayment of credit, in accordance with the repayment schedules, alongside an increase in the Company's equity as a result of the Company's profits. The Group intends to maintain the leverage ratio in future periods as well. Beyond that stated above, there were no other material changes in the objectives, policies or processes of managing the Group's capital during the year, as well as in the Group's definition of capital.

21. Subsidiaries:

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

Name	Country of incorporation	Proportion of ownership interest on 31 December		Held by
		2021	2020	
AdvantCom Sarl	Switzerland	100%	100%	M.T.I Wireless Edge
Global Wave Technologies PVT Limited	India	80%	80%	AdvantCom Sarl
Ginat Wave India Private ltd.	India	49%	49%	M.T.I Wireless Edge
Mottech water solutions ltd.	Israel	100%	100%	M.T.I Wireless Edge
Aqua water control solution ltd	Israel	100%	100%	Mottech water solutions
Mottech Water Management (pty) ltd.	South Africa	85%	85%	Mottech water solutions
Mottech USA Inc.	United states	100%	100%	Aqua water control solution
M.T.I Engineering ltd.	Israel	100%	100%	M.T.I Wireless Edge
Summit electronics ltd.	Israel	100%	100%	M.T.I Engineering ltd.
M.T.I Summit electronics ltd.	Israel	100%	100%	M.T.I Wireless Edge
M.T.I Summit SPB ltd.	Russia	99.9%	99.9%	M.T.I Summit electronics ltd.
Mottech Water Management (Shenzhen) Ltd.	China	100%	60%	Mottech water solutions ltd.
Mottech Parkland (pty) Ltd.	Australia	50%	50%	Mottech water solutions ltd.
Mottech Water Management ltd.	Canada	100%	-	Mottech water solutions ltd.

22. Share capital

	Authorized			
	2021	**2021**	**2020**	**2020**
	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			
	2021	**2021**	**2020**	**2020**
	Number	**NIS**	**Number**	**NIS**
Ordinary shares of NIS 0.01 each at beginning of the year	88,538,724	885,388	87,828,724	878,288
Changes during the year				
Exercise of options to share capital	-	-	710,000	7,100
At end of the year	88,538,724	885,388	88,538,724	885,388

23. Share-based payments

On May 18, 2016 a new option scheme for key Employees was approved at the Company's Annual General Meeting. Under the plan, options to purchase 800 thousand ordinary shares were granted (each option for the purchase of one ordinary share) at a price of 27 pence per share (approximately 33 US cents). At that point in time, this represented approximately 1.5% of the Company's issued and voting share capital on a fully diluted basis. The vesting period of the options was as follows: 2 years for 50% of the options, 3 years for an additional 25% of the options and 4 years for the remainder of the options. Unexercised options expire nine years after the date of the grant after which they will be void. Options are forfeited when the employee leaves the Company.

There is no cash settlement of the options. The weighted average fair value of the options as at the grant date is 6 pence (approximately 9 US cents) per option, and was estimated using a Black and Scholes option pricing model based on the following significant data and assumptions:

Share price - 19.88 pence (representing approximately 29 cents)

Exercise price - 27 pence (representing approximately 39 cents)

Expected volatility - 45.34%

Risk-free interest rate - 0.85%

And expected average life of options 4.375 years

The volatility measured the standard deviation of expected share price returns and 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.

23. Share-based payment (Cont.)

The expense recognized in the financial statements for employee services received for the year ended December 31, 2021 and 2020 was zero and US $2,000 respectively.

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:

	2021	2021	2020	2020
	weighted average exercise price	Number	weighted average exercise price	Number
	$		$	
Outstanding at beginning of year	-	-	0.35	710,000
Exercised during the year	-	-	0.35	710,000
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

During January to September 2020, employees of the Company exercised options over 710,000 Ordinary Shares in exchange for a total consideration of approximately $254,000. There are currently no share options granted under the current employee share option plan of the Company.

24. Commitments and guarantees

A. Royalty commitments

(i) 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 of Israel participates by way of grants. Under the terms of the Group's funding from the Government of Israel, 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. In 2021 the Group received $147,000 as additional grants for development of new products and therefore the maximum royalty amount payable by the Group on December 31, 2021 is US$ 617,000.

No provision is recognized due to the lack of expectation to sell relevant products in the foreseeable future and for new developments a provision will be created once development is in more advance stages.

During 2021 the Group did not pay any royalties.

(ii) The Group is committed to pay royalties to the Government of Israel on proceeds from growth in sales of Mottech's products in China of which the Government of Israel participates by way of grants. Under the terms of the Group's funding from the Government of Israel, royalties of 3% from the increase of sales in China (base year was 2017) shall be paid up to 100% of the amount of the grant received. Payment of royalties shall begin after completion of the grant receipt, which occurred in 2020. The maximum royalty amount payable by the Group at December 31, 2021 is US$ 237,000.

24. Commitments and guarantees (cont.)

B. Guarantees

The Group has provided guarantees in favour of customers and government institutes in the amount of US$ 620,000 and US$ 100,000 respectively. The guarantees are mainly to guarantee advances received from customers and performance of contracts signed.

25. Transactions with related parties:

A. Service Agreement with controlling shareholder:

On March 1, 2019, an amendment to the agreement with Mokirey Aya Management Ltd. (hereinafter: the "Management Company") was renewed to include remuneration (per month) of:

1. 55,000 NIS to Mr. Zvi Borovitz for his service as a chairman of the board of the Company in capacity of at least 50% of a standard working week and
2. 77,000 NIS to Mr. Moni Borovitz for his service as CEO of the Company in capacity of at least 90% of a standard working week.

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 with 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 to 2.5% of the Company's net profit exceeding US$800,000 per year, prior to any bonuses granted in the Company. In the case of a loss in a year the bonus for the next year will be for a net profit exceeding US$800,000 above the loss made in the previous year. In addition Mr. Moni Borovitz shall be entitled to a bonus equal to three months' management fee, based on the meeting of targets specified by the remuneration committee at the beginning of each year or per the remuneration committee's decision to give such for special performance, plus one month's management fee if the consolidated revenue of the Company increases by more than 5% from the previous year. A ceiling to the bonuses was set at eight months management fees for Mr. Moni Borovitz and US$100,000 for Mr. Zvi Borovitz. The agreement also states that the Company shall reimburse the Management 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.

B. Transaction with the Parent Group:

The following transactions occurred with the Controlling shareholder and other related parties:

	2021	2020
	$'000	$'000
Management Fee	819	787

25. Transactions with related parties (cont.):

Compensation of key management personnel of the Group:

	2021	2020
	$'000	$'000
Short-term employee benefits *	1,262	1,216

* Including Management fees for the CEO, Directors, Executive Management and other related parties including the Controlling shareholder.

Balances with related parties:

	2021	2020
	$'000	$'000
Other accounts payables	299	374

26. Significant Events:

A. On 24 January 2019 the Company announced a share repurchase program to conduct market purchases of ordinary shares of par value 0.01 Israeli Shekels each ("**Ordinary Shares**") in the Company up to a maximum value of £150,000 (the "**Programme**"). The Programme is managed by Peterhouse Capital Limited ("**Peterhouse Capital**").

B. The Company has entered into an arrangement with Peterhouse Capital in relation to the Programme where Peterhouse Capital will make the trading decisions concerning the timing of the market purchases of Ordinary Shares independently of and uninfluenced by the Company, with such trading decisions being in line with the terms of the Programme. Purchases may continue during any prohibited periods of the Company, as defined by the Market Abuse Regulation 596/2014/EU ("MAR"), which may fall during the term of the Programme. The Company reserves the right to bring a halt to the Programme under circumstances that it deems to be appropriate, provided that it is permissible for this to occur in compliance with MAR.

The Programme commenced on 28 January 2019 and was originally to continue until no later than 26 July 2019. Thereafter, the board of directors of the Company and the board of directors of MTI Engineering had decided to continue with the Programme for several further periods and it is currently in effect until the end of August 2022. Ordinary Shares acquired as a result of the Programme will be held by MTI Engineering and in accordance with the Israeli Companies Law, 1999 will not have any voting rights. An objective of the Programme is that Ordinary Shares acquired by MTI Engineering will be resold, provided that this occurs under circumstances that the Board of MTI deems to be appropriate and in compliance with MAR. Cash generated from any eventual resales of Ordinary Shares acquired by MTI Engineering under the Programme will be credited to an account held with a third party, which will be under the direction of Peterhouse Capital and such cash may be used by Peterhouse Capital to make future purchases of Ordinary Shares under the Programme. As at 31 December 2021, 50,000 Ordinary Shares were held in treasury under the Programme.

26. Significant Events (cont.):

C. On 4 February 2021, the Company's subsidiary Mottech Water Solutions Ltd registered and opened a wholly-owned subsidiary in Canada and is working on establishing its activities in Canada.

D. On 19 April 2021 at an extraordinary shareholders meeting, Mrs. Lihi Elimelech Bechor was re-elected as an external director for another three year term.

E. Outbreak of COVID-19 and Business Continuity - In December 2019, the COVID-19 pandemic broke out in China, and the virus has spread to many countries around the world. In January 2020, the World Health Organization announced the outbreak of the Coronavirus as a global health emergency, and in March 2020, the World Health Organization declared the pandemic to be a global pandemic. In 2021 and until the date of this report the Company was able to maintain good levels of operation using remote work procedures and a sufficient level of production in its production facilities while assuring the health of its employees. All aspects of the Group's supply chain are working slower, and the Company's industry has been affected on the operational level, along with the rest of the world economy as it faces the risk of a global recession where the ability to predict the timing of a recovery is uncertain. In particular shipment costs are higher and availability of ships is lower – this effected both shipment ability and costs of goods in 2021. This uncertainty of the level of the global economic slowdown, its duration and its medium to long term effects creates challenges, but the Company believes that if there is no further deterioration in the situation, its financial strength and business stability will allow it to navigate through this.

27. Subsequent events

A. The Board of directors has decided to declare a cash dividend of 2.8 US cents per share being approximately $2,479,000. This dividend will be paid on 31 March 2022 to shareholders on the register at the close of trading on 18 March 2022 (ex-dividend on 17 March 2022).

B. The financial statements were authorized for issue by the board as a whole following their approval on March 6, 2022.

C. On January 3, 2022, after the balance sheet date, M.T.I Summit Electronics Ltd ("M.T.I Summit") (a subsidiary company) has entered into a share purchase agreement, which includes both a purchase of existing shares in and the making of a new equity investment into P.S.K wind technologies Ltd (hereafter- "P.S.K"), after which M.T.I Summit will own 51% of PSK (the "Acquisition"). The initial consideration for the Acquisition is approximately US$1.2 million, with an earn out payment subject to performance of up to approximately US$2.56 million.

In addition, M.T.I Summit has made a loan to P.S.K of US$0.8 million and is party to an option agreement in relation to the acquisition of the remaining 49% of P.S.K.

P.S.K specialises in the development, manufacture and integration of communication systems and advanced monitoring and control systems for the Government and defence industry market.