RNS Number : 5963Q
MTI Wireless Edge Limited
01 March 2021

1 March 2021

MTI Wireless Edge Ltd

("MTI" or the "Group")

Final results for 2020

MTI Wireless Edge Ltd (AIM: MWE), the technology group focused on comprehensive communication and radio frequency solutions across multiple sectors, today announces its audited results for the year ended 31 December 2020.

HIGHLIGHTS

A solid financial performance

- Despite the impact on sales in certain markets due to the global COVID-19 pandemic the Group recorded revenue growth of 2% to US$40.9m (2019: US$40.0m)
- A 19% increase in profit before tax to US$4.1m (2019: US$3.5m) helped by the increasing scale of the Group and lower expenditure associated with reduced travel and marketing costs
- Earnings per share increased by 17% to 3.83 US cents (2019: 3.27 US cents)
- Net cash increased 23% to US$9.4m at 31 December 2020 (31 December 2019: US$7.7m)
- Increased final dividend by 25% to 2.5 US cents per share (2019: 2.0 US cents)

Positive market trends

- Our proven backhaul solution to support the rollout of 5G had a good year with customer demand picking up in line with our expectations, while investment by large mobile operators into 5G infrastructure is still early stage, the signs are positive
- With water scarcity being an increasingly critical, global issue, demand for our water management solutions under the Mottech brand continued to be strong, both from new markets and in response to the launch of new water saving and cost-efficient products
- 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
- Launched a new Canadian office in Alberta under the Mottech division in early 2021

Moni Borovitz, Chief Executive Officer of MTI Wireless Edge, said "We are all very pleased with the results for what was a very challenging year for so many. Despite challenges in some of the segments for some periods of 2020 due to COVID-19, our diversified business divisions, our wide global presence, and the commitment of our teams across the three divisions delivered an excellent trading result for the year.

The diversified base of the Group enabled the business to offset weaker areas and profitability was further boosted by cost savings from the enforced reduction in marketing activities and associated travel. Elements of this reduced expenditure will be maintained as COVID-19 has revealed some working efficiencies that we can adopt permanently.

Looking ahead, the business continues to be in a strong financial position with net cash of US$9.4m as 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 the increasing size of the international defence market. The first two months of 2021 have started well and we look forward to delivering another year of solid growth."

Shareholders should note that the Company will not post hard copies of its audited annual report and accounts for the year ended 31 December 2020 (the "Annual Report") to its shareholders. Shareholders who require a hard copy of the Annual Report may write to the Company at MTI Wireless Edge Ltd Headquarters, 11 Hamelacha St. Afek Industrial Park, Rosh-Ha'Ayin, Israel requesting a hard copy. An electronic version of the Annual Report will shortly be available on the Company's website at the following address: *www.mtiwirelessedge.com*

For further information please contact:

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About MTI Wireless Edge Ltd. ("MTI")

Headquartered in Israel, MTI is a technology group focused on comprehensive communication and radio frequency solutions across multiple sectors through three core divisions:

Antenna Division

MTI is a world leader in the design, development and production of high quality, state-of-the-art, and cost-effective antenna solutions including Smart Antennas, MIMO Antennas and Dual Polarity Antennas for wireless applications. MTI supplies antennas for both military and commercial markets from 100 KHz to 90 GHz.

Internationally recognized as a producer of commercial off-the-Shelf and custom-developed antenna solutions in a broad frequency range, MTI addresses both commercial and military applications.

MTI supplies directional and omnidirectional antennas for outdoor and indoor deployments, including smart antennas for WiMAX, Broadband access, public safety, RFID, base stations and terminals for the utility market.

Military applications include a wide range of broadband, tactical and specialized communication antennas, antenna systems and DF arrays installed on numerous airborne, ground and naval, including submarine, platforms worldwide.

Water Control & Management Division

Via its subsidiary, Mottech Water Solutions Ltd ("Mottech"), MTI provides high-end remote control solutions for water and irrigation applications based on Motorola's IRRInet state-of-the-art control, monitoring and communication technologies.

As Motorola's global prime-distributor Mottech serves its customers worldwide through its international subsidiaries and a global network of local distributors and representatives. With over 25 years of experience in providing customers with irrigation remote control and management, Mottech's solutions ensure constant, reliable and accurate water usage, while reducing operational and maintenance costs. Mottech's activities are focused in the market segments of agriculture, water distribution, municipal and commercial landscape as well as wastewater and storm-water reuse.

Distribution & Professional Consulting Services Division

Via its subsidiary, MTI Summit Electronics Ltd., MTI offers consulting, representation and marketing services to foreign companies in the field of RF and Microwave solutions and applications including engineering services (including design and integration) in the field of aerostat systems and the ongoing operation of Platform subsystems, SIGINT, RADAR, communication and observation systems which is performed by the Company.

Chairman's Statement

I am pleased to report on a successful trading period despite the challenges of operating through a very disrupted year caused by the global COVID-19 pandemic. MTI delivered increases in revenue and net profits of 2% and 18% respectively. The combination of the Group's diversification across three divisions and multiple markets helped overcome some of the challenges of 2020, assisted by the strong ongoing demand for our expertise and products.

For 50 years MTI has been a leader in radio frequency communications and this deep rooted, technical experience is the differentiating factor 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.

We believe the business to be well balanced and well placed to continue to expand.

Trading overview

It was an unusual trading period for all companies but outside of the enforced changes due to the pandemic, underlying demand for the Company's products and solutions remained strong. There has been good early uptake of the 5G backhaul antenna solution, which is demonstrably cost efficient and effective. These initial sales alongside the expected global roll-out of 5G connectivity bodes well for the future. Similarly, water scarcity is driving increasing commercial interest in Mottech's water management products. Both private and government entities are recognising the need to not be wasteful of water from both an environmental and economic perspective. MTI Summit which benefits from ongoing increases in government defence spending worldwide, enjoyed the strongest growth of all three divisions in 2020, benefiting from excellent customer demand. MTI Summit continues to receive requests for future design solutions for defence and wireless related technologies.

Dividend

Reflecting the strength of the Company's trading performance the Board is pleased to declare a final dividend of US$0.025 per share representing a 25% increase on the previous year (2019: US$0.02). The dividend will be paid on 31 March 2021 to shareholders on the

register at the close of trading on 19 March 2021 (ex-dividend on 18 March 2021). The currency translation into British Pounds will be made on 22 March 2021 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 2020, which was so full of disruptions and requests to adapt working practices to meet with new regulations aimed at combating COVID-19.

Outlook

MTI is expanding into three separate but complementary markets. Each market is supported by strong macro trends which are driving investment by our customers. We believe each division is well positioned with market leading products and solutions that provide a good basis for future growth.

Zvi Borovitz

Chairman

Chief Executive's review

Introduction

In 2020, we achieved significant progress across all three divisions during a highly unusual period for all businesses. There were inevitable delays in transportation and business processes, with some markets largely closed for parts of the year which reduced sales. Conversely, some markets traded with very little interruption. However, the net trading outcome was positive leaving the Company to enter 2021 in a strong financial position and well placed to continue to pursue opportunities across all three divisions.

Financial Results

Revenues for the twelve months to 31 December 2020 increased slightly by 2% to US$40.9m (2019: US$40.0m), a good 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 negatively affected by exchange rates (especially due to the strengthening of the New Israeli Shekel), which lowered profitability relative to revenue growth, although overall gross profit remained solid, growing 2% broadly in line with revenue growth.

Profit before tax increased by 19% to US$4.1m (2019: US$3.4m), which demonstrated the scalability of the business and the reduction in marketing costs associated with the cancellation of industry events and exhibitions as well as associated travel expenses.

This resulted in increased earnings per share, which grew by 17% over 2019 to 3.83 US cents (2019: 3.27 US cents), after all existing share options granted under the Company's option plan were exercised in 2020.

Cash generation continued to be solid at US$4m (2019: US$5.6m), increasing net cash to US$9.4m (2019: US$7.7m).

The Company continues to have a share buy-back programme in place. The objective of this programme is to assist with trading liquidity, by holding purchased shares in treasury and 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 1 March 2021, no 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 2020, revenues from this division decreased by 7% due to the pandemic which mainly affected our RFID antenna solutions but also slowed the pace of some military projects, although the division won defence contracts for conformal antennas. On the other hand demand began to build for the 5G backhaul solution, including multi band and flat antenna solutions which helped to support revenues.

The pandemic underlined the importance of internet connectivity to support new patterns of working and schooling, with mobile phone operators such as Apple and Samsung having launched handsets that include 5G connectivity. Network operators are responding by rolling out higher bandwidth 5G services to their customers. This presents a major opportunity for MTI's multi band and flat antennas, as operators will need to increase the backhaul connectivity between cell towers to deliver these faster services.

We believe that we are at the early stage of a global upgrade of cellular network infrastructure to 5G. Order patterns for our 5G backhaul solution, have changed from smaller quantities mainly for field testing to larger orders indicative of the market moving forward with the adoption of 5G backhaul solutions.

Our offset facility in India performed well at the beginning of the year, but slowed thereafter reflecting its exposure to the airline industry and the impact that the pandemic has had on this market. Nevertheless, we remain optimistic as we continue to see a good pipeline of future opportunities which should make full use of our offset solution.

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.

In 2020, revenues in this division were 2% lower as a direct result of delays caused by the pandemic, including difficulties arising from commissioning new projects due to the severe travel restrictions. However, prospects for this division remain positive and are driven by increasing recognition of the problem of water scarcity globally which is changing the approach of businesses and governments. To take advantage of this opportunity, Mottech's product range has been expanded and is attracting new customers from new countries and business segments.

2020 saw the successful launch of the Tethys system, a new wireless irrigation solution developed for the French wine market. This enables winemakers to control irrigation from their mobile phones and several hundred winemakers have bought the system in the first 12 months. This is expected to continue into 2021. Similarly, Mottech also recently announced another new product offering, which is a wired decoder system that is required in several key markets enabling multiple commands and functions in parallel and receipt of data from sensors.

Post year-end, Mottech launched a new office in Alberta, Canada following the retirement of the Company's long-term Canadian re-seller. This office will service existing clients and look to further expand Mottech's presence in Canada.

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.

In 2020, the division's revenues grew by 18%, which the Board considers to be an excellent performance, especially given that the division grew by 33% in the prior year. Demand has been strong from existing customers and markets, with additional demand from Russia where the Company established a satellite office in 2015, which is now beginning to perform extremely well. A key specialist area of expertise is the tethered balloon sector and the division is currently participating in a large tethered balloon project that contributed strongly to its performance in the second half of 2020 and is expected to continue to do so during 2021.

There continues to be a high level of approval of the design solutions created by MTI Summit by major corporations. These design wins turn into orders over time and provide the division with long-term business. The majority of these designs are for defence related systems and new wireless applications in commercial markets. With the consistent increases in spending on defence and wireless solutions globally, MTI Summit looks well positioned for the future.

Outlook

MTI is a well-balanced business with a diversified spread of income, both geographically and across multiple markets. We have a clear business focus on providing comprehensive radio frequency solutions to leading technology corporations. The fact that we are in our 51st year of operations demonstrates our longevity and our experience, which enables our "first to develop" approach, using MTI's intellectual property and licensed technology from leading partners, to create unique solutions.

Our financial performance in 2020 showed a significant increase in profit before tax and net cash balances, reflecting the benefits of our scalable and risk adjusted business model. Looking ahead, MTI will continue to seek to expand its business through a mix of acquisition-led and organic growth.

Moni Borovitz

Chief Executive Officer

M.T.I Wireless Edge Ltd.
Consolidated Statements of Comprehensive Income

		For the year ended December 31,	
		2020	2019
	Note	$'000	$'000
Revenues	3, 5	40,893	40,043
Cost of sales		27,816	27,247
Gross profit		13,077	12,796
Research and development expenses		1,029	1,185
Distribution expenses		3,579	4,229
General and administrative expenses		4,379	3,931
Profit from sale of property, plant and equipment		14	(8)
Profit from operations	4	4,076	3,459
Finance expense	6	275	211
Finance income	6	(255)	(161)
Profit before income tax		4,056	3,409
Tax expenses	7	564	454
Profit		3,492	2,955
Other comprehensive income (loss) net of tax:			
Items that will not be reclassified to profit or loss:			

Remeasurements on defined benefit plans		42	(6)
Items that may be reclassified to profit or loss:			
Adjustment arising from translation of financial statements of foreign operations		253	62
Total other comprehensive income (loss)		295	56
Total comprehensive income		3,787	3,011
Profit attributable to:			
Owners of the parent		3,373	2,849
Non-controlling interest		119	106
		3,492	2,955
Total comprehensive income (loss) attributable to:			
Owners of the parent		3,668	2,905
Non-controlling interest		119	106
		3,787	3,011
Earnings per share			
Basic and Diluted (dollars per share)	8	0.0383	0.0327

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, 2020 :

	Attributable to owners of the parent							
	Share capital	**Additional paid-in capital**	**Capital Reserve from share-based payment transactions**	**Translation differences**	**Accumulated losses**	**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 (loss) 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 (note 21 B)	-	(15)	-	-	-	(15)	(15)	(30)
Profit from acquisition and disposal of treasury shares (note 23)	-	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 these financial statements.

M.T.I Wireless Edge Ltd.
Consolidated Statements of Changes in Equity (Cont.)

For the year ended December 31, 2019 :

	Attributable to owners of the parent

	Share capital	Additional paid-in capital	Capital Reserve from share-based payment transactions	Translation differences	Accumulated losses	Total attributable to owners of the parent	Non-controlling interests	Total equity
	U.S. $ in thousands							
Balance as at January 1, 2019	205	22,388	366	(124)	(2,195)	20,640	375	21,015
Changes during 2019:								
Comprehensive income								
Profit for the year	-	-	-	-	2,849	2,849	106	2,955
Other comprehensive income								
Re measurements on defined benefit plans	-	-	-	-	(6)	(6)	-	**(6)**
Translation differences	-	-	-	62	-	62	-	62
Total comprehensive income (loss) for the year	-	-	-	62	2,843	2,905	106	3,011
Dividend	**-**	-	-	-	(1,306)	(1,306)	-	(1,306)
Non-controlling Interest of newly purchased subsidiary	-	-	-	-	-	-	402	402
Classification of ESOP that expired	-	291	(291)	-	-	-	-	-
Exercise of options to share capital	2	146	(31)	-	-	117	-	117
Profit from acquisition and disposal of treasury shares (note 5C)	-	43	-	-	-	43	-	43
Share based payment	-	-	8	-	-	8	-	8
Balance as at December 31, 2019	207	22,868	52	(62)	(658)	22,407	883	23,290

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

M.T.I Wireless Edge Ltd.
Consolidated Statements of Financial Position

	Note	As at December 31, 2020 $'000	2020 $'000	As at December 31, 2019 $'000	2019 $'000
ASSETS					
Non-current assets:					
Property, plant and equipment	10	4,818		5,212	
Intangible assets	11	1,065		1,116	
Deferred tax assets	12	696		664	
Long-term prepaid expenses		44		31	
Total non-current assets			6,623		7,023
Current assets:					
Inventories	13	6,399		5,748	
Current tax receivables		557		672	
Unbilled revenue	14	2,318		2,866	
Trade and other receivables	14	10,658		9,799	
Cash and cash equivalents	15	9,577		8,140	
Total current assets			29,509		27,225
TOTAL ASSETS			36,132		34,248
LIABILITIES					
Non-curent liabilities:					
Contingent consideration	27B	51		69	
Lease liabilities	10	155		224	
Loans from banks, net of current maturities	16	37		141	
Employee benefits, net	17	826		843	
Total Non-current liabilities			1,069		1,277
Current Liabilities:					
Current tax payables		213		230	
Trade and other payables	18	9,192		9,139	

Current maturities and short term bank credit	19	105		312	
Total current liabilities			9,510		9,681
Total liabilities			10,579		10,958
TOTAL NET ASSETS			25,553		23,290

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,	
		2020	2020	2019	2019
	Note	$'000	$'000	$'000	$'000
Capital and reserves attributable to owners of the parent	23				
Share capital		209		207	
Additional paid-in capital		23,167		22,868	
Capital reserve from share-based payment transactions		-		52	
Translation differences		191		(62)	
Accumulated losses		999		(658)	
			24,566		22,407
Non-controlling interests			987		883
TOTAL EQUITY			25,553		23,290

The financial statements on pages 4 to 49 were approved by the Board of Directors and authorised for issue on February 28, 2021, and were signed on its behalf by:

February 28, 2021			
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,	
	2020	2020	2019	2019
	$'000	$'000	$'000	$'000
Operating Activities:				
Profit for the year	3,492		2,955	
Adjustments for:				
Depreciation and amortization	1,009		973	
Equity settled share-based payment expense	2		8	
Loss (gain) on disposal of property, plant and equipment	13		(8)	
Finance expense (income), net	69		32	
Income tax expense	564		454	
		5,149		4,414
Changes in working capital and provisions				
Decrease (increase) in inventories	(557)		523	
Decrease (increase) in trade receivables	(1,053)		233	
Decrease (increase) in unbilled revenues	548		(595)	

Decrease (increase) in other accounts receivables	255		(137)	
Increase in trade and other accounts payables	140		1,821	
Increase (decrease) in employee benefits, net	25		136	
		(642)		1,981
Interest received	28		44	
Interest paid	(43)		(77)	
Income tax paid	(494)		(764)	
		(509)		(797)
Net cash provided by operating activities		3,998		5,598

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,	
	2020	2020	2019	2019
	$'000	$'000	$'000	$'000
Investing Activities:				
Proceeds from sale of property, plant and equipment	28		31	
Payment of contingent consideration regarding business acquisition	(21)		-	
Acquisition of initially consolidated subsidiaries	-		(23)	
Purchase of property, plant and equipment	(454)		(707)	
Net cash used in investing activities		(447)		(699)
Financing Activities:				
Exercise of share options	254		117	
Dividend	(1,758)		(1,306)	
Payments of lease liabilities	(493)		(511)	
Acquisition of the non-controlling interest in subsidiary	(30)		-	
Treasury shares acquired	(155)		(428)	
Treasury shares sold	163		471	
Repayment of long-term loans from banks	(308)		(554)	
Net cash used in financing activities		(2,327)		(2,211)
Increase in cash and cash equivalents		1,224		2,688
Cash and cash equivalents at the beginning of the year		8,140		5,401
Exchange differences on balances of cash and cash equivalents		213		51
Cash and cash equivalents at the end of the year		9,577		8,140

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

M.T.I Wireless Edge Ltd.
Notes forming part of the consolidated financial statements for the year ended December 31, 2020

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 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 the Company and its subsidiaries (hereafter - the "Group") that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Deferred tax assets:** Deferred tax assets are recognized for unused carryforward tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the estimated timing and 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 by dividing actual completion costs incurred 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 the 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.
   The Company estimates the total cost of completing each project based on estimates of material costs, labor costs, subcontractor performance, and other factors.
   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 policy in the financial statements of the subsidiaries is adjusted to conform with the policy 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 general and administrative expenses line item in the statement of comprehensive income. During the 2019 and 2020 financial years no impairment charges of non-financial assets were recognized.

J. Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date on which the fair value was determined.

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.

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.

2. Accounting policies (Cont.)

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 into one of the following categories, based on the business model for managing the financial asset and its contractual cash flow characteristics. The Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-money derivatives classified as liabilities). They are carried in the statement of financial position at fair value with changes in fair value recognized in the consolidated statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

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

Fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value (see "Financial assets" for in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes and they are not accounted for as hedges. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

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.

2. Accounting policies (Cont.)

Changes in the projected cash flows are discounted using the original effective interest and recorded in profit or loss in accordance with the provisions of 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.

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 combination.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. In addition, temporary differences (such as carryforward losses) for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability is probable.

Any resulting reduction or reversal is recognized on "income tax" within the statement of comprehensive income. Taxes that would apply in the event of the disposal of investments in investees have not been taken into account, as long as the disposal of such investments is not expected in the foreseeable future and the group has control over such disposal. In addition, deferred taxes that would apply in the event of distribution of dividends have not been taken into account, 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.

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

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

The main impact of adopting the standard is the elimination of the requirement on lessees to classify leases as operating leases (off-balance sheet) or finance leases, and they are now required to use a single accounting model for all leases, similarly to how finance leases under IAS 7 are currently accounted for. In agreements where the Group is the Lessee, it applies IFRS 16 using a single accounting model under which it recognizes a right-of-use asset and a lease liability upon inception of the lease contract. It does so for all leases in which the Group has the right to control the use of identified assets for a period of time in exchange for consideration.

Accordingly, the Group recognizes depreciation and depreciation charges on the right-of-use asset and tests the need for recognizing impairment of the right-of-use asset in compliance with IAS 36 "Impairment of Assets", and also recognizes finance expenses in relation to a lease liability. Therefore, beginning on first-time adoption, rent expenses relating to properties rented, are now presented as assets that are depreciated through depreciation of assets. For all leases, the Group applied the transitional provisions such that it initially recognized a liability at the commencement day at an amount equal to the present value of the lease payments during the lease, discounted using the effective interest rate as of that date, and concurrently recognized a right-of-use asset at an amount identical to the liability. As a result, the standard had no impact on equity and the accumulated losses of the Group as at initial application. As part of the initial application, the Group elected to adopt the following practical expedients, as permitted by the standard:

a. The use of a single discount rate for a portfolio of leases with similar characteristics;
b. Not separating lease and non-lease components of a contract, and instead accounting for all components as a single lease;
c. Excluding initial direct costs from the measurement of the right-of-use asset as at initial application;
d. Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;

2. Accounting policies (Cont.)

The following new significant accounting policy for agreements in which the Group is the lessee was applied beginning on 1 January 2019 following initial application of the standard:

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 expense in the period on which the event or condition that triggers the payment occurs.

Lease term:

The term of a lease is determined as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

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 be also 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. The following table presents a summary of the impact on the consolidated statement of financial position as of 1 January 2019.

2. Accounting policies (Cont.)

Y. New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

• Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);

• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);

• Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and

• References to Conceptual Framework (Amendments to IFRS 3).

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that those amendments will have a significant impact on the financial statement.

3. Revenues

	For the year ended December 31,	
	2020	**2019**
Revenues arises from:	**$'000**	**$'000**
Sale of goods *	33,788	32,236
Rendering of services **	4,863	4,299
Projects **	2,242	3,508
	40,893	40,043

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

4. Profit from operations

	For the year ended December 31,	
	2020	**2019**
This has been arrived at after charging**:**	**$'000**	**$'000**
Material and subcontractors	20,664	20,635
Wages and salaries	12,372	12,195
Plant, Machinery and Usage	1,268	897
Depreciation and amortization	1,011	981
Travel and Exhibition	137	595
Advertising and Commissions	767	492
Consultants	419	368
Others	165	429
	36,803	36,592

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, 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

5. Operating Segments (cont.)

Year ended December 31, 2019

	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. $ in thousands				
Revenues					
External	12,015	16,518	11,510	-	40,043
Inter-segment	-	-	171	(171)	-
Total	12,015	16,518	11,681	(171)	40,043
Segment profit	444	1,562	1,228	225	3,459
Finance expense, net					50
Tax expenses					454
Profit					2,955

December 31, 2019

	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. $ in thousands				
Segment assets	14,576	9,793	5,729	-	30,098
Unallocated assets					4,150
Segment liabilities	3,514	1,836	3,837	-	9,187
Unallocated liabilities					1,771

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

	For the year ended December 31,	
	2020	2019
	$'000	$'000
Israel	23,108	22,417
America	4,245	5,459
Europe Middle East & Africa	9,015	8,549
Asia Pacific	4,525	3,618
	40,893	40,043

3. Additional information about revenues:
There is one single customer from which revenues amount to 11% in 2020 (7% in 2019) of total revenues reported in the financial statements. This is a customer for the antenna and representations 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,	
	2020	2019
	$'000	$'000
Finance expense		
Interest on bank loans	12	32
Leases	40	45
Interest and bank fees	223	134
	275	211
Finance income		
Interest from bank deposits	28	44
Net Foreign exchange gain	227	117
	255	161
	20	50

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.

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 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%.

7. Tax expenses (cont.)

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 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.

	For the year ended December 31,			
	2020	2020	2019	2019
	$'000	$'000	$'000	$'000
Current tax expense				
Income tax on profits for the year	592		402	
Taxes in respect of previous years	4		29	
		596		431
Deferred tax income (see note 12)				
Origination and reversal of temporary differences	(32)		23	
		(32)		23
Total tax expenses		564		454

7. Tax expenses (cont.)

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,	
	2020	2019
	$'000	$'000
Profit before income tax	4,048	3,409
Tax using the Company's domestic tax rate of 16%	648	545
Non-deductible expenses (Tax-exempt income)	(138)	(95)
Taxes resulting from different tax rates applicable to foreign and other subsidiaries	41	79

Adjustments for current income tax of prior years	31	(29)
Other	(18)	(46)
Total income tax expense	564	454

8. Earnings per share

Net earnings per share attributable to equity owners of the parent

	For the year ended December 31,	
	2020	**2019***
	$'000	**$'000**
Net Earnings used in basic and diluted EPS	3,373	2,849
Weighted average number of shares used in basic and diluted EPS	88,093,025	87,229,851
basic and diluted net EPS (dollars)	0.0383	0.0327

* The employee options have been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year (i.e. they are out-of-the-money) and therefore it would not be advantageous for the holders to exercise those options. There are no options in issue as the date of this report) See note 24).

9. Dividends

	For the year ended December 31,	
	2020	**2019**
	$'000	**$'000**
Dividend paid	1,758	1,306
Scrip dividend (1)	-	-
	1,758	1,306

9. Dividends (cont.)

(1) In previous years, under a scrip dividend policy, shareholders have had the option to elect to receive dividends in new shares of the Company rather than in cash. The Company has not offered a scrip dividend alternative in relation to the final dividend declared for the year ended 31 December 2020.

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, 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

10. Property, plant and equipment (cont.)

Lease liabilities

	Year ended December 31	
	2020	**2019**
	$'000	**$'000**
Interest expense	36	45

Total cash outflow for leases	529	511
Additions to right-of-use assets	164	204

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

December 31, 2019	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years	Total
			$'000			
Lease liabilities	613	512	150	32	-	694

	Building	Machinery & equipment	Office furniture & equipment	Computer equipment	Vehicles	Right of use asset	Total
				$'000			
Cost:							
Balance as of January 1, 2019	5,069	5,680	640	2,325	707	-	14,421
Recognition of initial application of IFRS 16	-	-	-	-	-	920	920
Acquired through business combinations	14	6	4	3	85	-	112
Acquisitions	28	554	28	26	118	204	958
Disposals	-	-	-	-	(76)	(26)	(102)
Exchange differences	(65)	1	1	-	(2)	-	(65)
Balance as of December 31, 2019	5,046	6,241	673	2,354	832	1,098	16,244
Accumulated Depreciation:							
Balance as of January 1, 2019	2,244	4,887	583	2,193	269	-	10,176
Additions	84	181	14	44	129	483	935
Disposals	-	-	-	-	(53)	(26)	(79)
Balance as of December 31, 2019	2,328	5,068	597	2,237	345	457	11,032
Net book value as of December 31, 2019	2,718	1,173	76	117	487	641	5,212

11. Intangible assets

	Goodwill from business combination	Customer relations *	Total
		$'000	
Cost:			
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	-	52	52
Balance as of December 31, 2020	1,227	512	1,739
Net book value as of December 31, 2020	861	203	1,064

	Goodwill from business combination	Customer relations *	Total
		$'000	
Cost:			
Balance as of January 1, 2019	2,007	523	2,530
Acquired through business combinations	81	192	273
Balance as of December 31, 2019	2,088	715	2,803
Accumulated Amortization:			
Balance as of January 1, 2019	1,227	422	1,649
Amortization charge	-	38	38
Balance as of December 31, 2019	1,227	460	1,687
Net book value as of December 31, 2019	861	255	1,116

(*) 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:

	2020	2019
	$'000	$'000
At January 1	664	687
Charged to other comprehensive income	-	-
Charged to profit or loss	32	(23)
At December 31	696	664

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:

	31.12.2020	31.12.2019
	$'000	$'000
Accrued severance pay	89	99
Other provisions and employee-related obligations	137	105
Research and development expenses deductible over 3 years	177	201
Carry forward tax losses	293	259
	696	664

Deferred tax assets relating to carry forward capital losses of the Group total approximately $1,139 and $1,059 thousand as of December 31, 2020 and 2019 respectively were not recognized in the financial statements because their utilization in the foreseeable future is not probable.

13. Inventories

	31.12.2020	31.12.2019
	$'000	$'000
Raw materials and consumables	4,364	4,049
Work-in-progress	155	130
Finished goods and goods for sale	1,880	1,569
	6,399	5,748

14. Trade receivables, other receivables and unbilled revenue

	31.12.2020	31.12.2019
	$'000	$'000
Trade receivables	9,818	8,727
Unbilled revenue - Projects	2,318	2,866
Other receivables	840	1,072
	12,976	12,665

Trade receivables:

	31.12.2020	31.12.2019
	$'000	$'000
Trade receivables (*)	9,697	8,424
Notes receivable	224	398
Allowance for doubtful accounts	(103)	(95)
	9,818	8,727

(*) 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 2020 trade receivables of $593,000 (2019 - $946,000) were past due but not impaired.
They relate to the customers with no default history.

Unbilled revenue:

	31.12.2020	31.12.2019
	$'000	$'000
Actual completion costs	4,059	4,529

Revenue recognised	1,779	4,415
Billed revenue	(3,520)	(6,078)
Total Unbilled receivables - Projects	2,318	2,866

Other receivables:

	31.12.2020	31.12.2019
	$'000	$'000
Prepaid expenses	305	755
Advances to suppliers	168	161
Tax authorities - V.A.T	295	101
Employees	72	54
Other receivables	-	1
	840	1,072

15. Cash and cash equivalents

	31.12.2020	31.12.2019
	$'000	$'000
In U.S. dollars	6,552	5,295
In other currencies	3,025	2,845
	9,577	8,140

16. Loans from banks

	31.12.2020	31.12.2019
	$'000	$'000
US Dollars - unlinked	63	313
NIS	42	77
South African Rand	37	63
Less - current maturities	(105)	(312)
	37	141

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 purchase of a car. The loan is for 4 years with a monthly repayments 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 bears 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.

On June 2015 the Company received NIS 8 Million (approximately US$ 2.08 Million) loan for funding the acquisition of Mottech. The loan is for 4 years, with repayment on a quarterly basis from September 2015 until June 2019 and bears interest at a fixed rate of 3.5%.

During 2017 Mottech South Africa entered into a loan agreement of approximately US$ 37 thousand for 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 2020	First year	Second year	Third year	Fourth year	Fifth year and thereafter
			$'000		
Long-term loan	105	32	5	-	-

17. Employee benefits

A. Composition:

	As at December 31	
	2020	2019
	$'000	$'000
Present value of the obligations	1,756	1,818
Fair value of plan assets	(930)	(975)
	826	843

B. Movement in plan assets:

	Year ended December 31	
	2020	2019

	$'000	$'000
Year begin	975	990
Foreign exchange gain (loss)	74	80
Interest income	15	19
Contributions	13	18
Benefit paid	(137)	(152)
Re measurements gain (loss)		
Actuarial profit (loss) from financial assumptions	(1)	3
Return on plan assets (excluding interest)	(9)	17
Year end	930	975

C. Movement in the liability for benefit obligation:

	Year ended December 31	
	2020	2019
	$'000	$'000
Year begin	1,818	1,691
Foreign exchange (gain) loss	140	152
Interest cost	39	63
Current service cost	40	48
Benefits paid	(229)	(162)
Re measurements loss (gain)		
Actuarial loss (gain) from financial assumptions	(2)	78
Adjustments (experience)	(50)	(52)
Year end	1,756	1,818

Supplementary information

1. The Group's liabilities for severance pay, retirement and pensions pursuant to Israeli law and employment agreements are recognized by full - in part by managers' insurance policies, for which the Group makes monthly payments and accrued amounts in severance pay funds and the rest by the liabilities which are included in the financial statements.

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,	
	2020	2019
Discount rate on plan liabilities	2.12%	3.51%
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,	
	2020	2019
	$'000	$'000
The change as a result of:		
Salary increase of 1 %	74	75
Salary decrease of 1 %	(65)	(64)
The change as a result of:		
Increase of 1% in discount rate	(63)	(62)
Decrease of 1% in discount rate	73	74

	Year ended December 31,	
	2020	2019
	$'000	$'000
Expenses in respect of defined contribution plans	457	441

18. Trade and other payables

	As at December 31,	
	2020	2019
	$'000	$'000
Trade payables	5,098	6,289
Employees' wages and other related liabilities	1,814	1,569
Advances from trade receivables	1,417	58

Accrued expenses	396	392
Government authorities	44	52
Lease liability	231	389
Others	192	390
	9,192	9,139

19. Current maturities

	Interest rate as at December 31, 2020	As at December 31, 2020	As at December 31, 2019
	%	$'000	$'000
Current maturities In NIS	Prime+0.6	24	39
Current maturities In SA ZAR	9.5 - 11	18	23
Current maturities In US $	4.9	63	250
Total Current maturities and short-term bank loans		105	312

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 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	**-**	**164**	**164**
Effects of foreign exchange	(3)	57	54
At 31 December 2020	**142**	**386**	**528**

19. Current maturities (Cont.)

	Loans and borrowings	Lease liabilities	total
		$'000	
At 1 January 2019	1,008	**-**	1,008
Changes from financing cash flows:			
Recognition of initial application of IFRS 16	-	920	920
Payments of lease liabilities	-	(511)	(511)
Repayment of long-term loans from banks	(554)	-	(554)
Total changes from financing cash flows	**454**	**409**	**863**
Changes in fair value:			
New leases	-	249	204
Leases cancelled before maturity	-	(26)	(26)
Interest expense	-	45	45
Interest paid	-	(45)	(45)
Total changes from financing cash flows	**-**	**223**	**178**
Effects of foreign exchange	(1)	26	25
At 31 December 2019	**453**	**658**	**1,066**

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:

A. 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.

B. The exercise price of the options granted to employees is denominated in British pounds (GBP) while the functional currency is the US dollar, and therefore the Company is exposed to changes in the exchange rate in respect of these options.

20. Financial instruments - Risk Management (Cont.)

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, 2020 no such transactions were open. Since the purchase of Mottech the Group has an additional currency risk due to its subsidiaries' activity.

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, 2020		
NIS exchange rate	0.327	0.311	0.295
Total assets, net	48	951	(48)
	December 31, 2019		
NIS exchange rate	0.303	0.289	0.275
Total assets, net	**63**	**1,260**	**(63)**

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

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

20. Financial instruments - Risk Management (Cont.)

Total	Other currencies	NIS	USD	
	As at December 31, 2019			
				Assets
				Current assets:
8,140	1,975	870	5,295	Cash and cash equivalents
11,593	454	5,730	5,409	Trade receivables
1,072	-	908	164	Other receivables
				Liabilities
				current liabilities:
312	23	39	250	Current maturities and short term bank credit and loans
6,289	1,220	3,561	1,508	Trade payables
2,861	98	2,610	153	Other accounts payables
				non- current liabilities:

141	40	38	63	Loans from banks, net of current maturities
11,202	**1,048**	**1,260**	**8,894**	**Total assets, net**

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, 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

December 31, 2019	**Less than one year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**> 4 years**	**Total**
			$'000			
Loans from banks	312	107	23	7	4	453
Trade payables	6,289	-	-	-	-	6,289
Payables	2,850	-	-	-	-	2,850
	9,451	107	23	7	4	9,592

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 deposit accounts in big banking institutions in Israel, 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 day to day basis and adjusts the allowance for doubtful accounts accordingly and since January 2019 had entered into an agreement with credit insurance company to further mitigate this risk.

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

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**

December 31, 2019				**Past due trade receivables with aging of**	
	Revenues	**Total trade receivables**	**Neither past due nor impaired**	**< 30 days**	**>30 days**
Antennas - other receivables	12,015	6,131	5,642	300	189
Water Solutions - other receivables	16,518	2,405	2,248	148	9
Distribution & Consultation - other receivables	11,681	3,057	2,758	271	28
intercompany	(171)	-	-	-	-
total	**40,043**	**11,593**	**10,648**	**719**	**226**

Fair value

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

Sensitivity tests relating to changes in market price of listed securities

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

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	
	2020	2019	2020	2019
	$'000			
Financial liabilities:				
Long-term loan with interest (1)	142	453	142	454

(1) The fair value of the long-term loan received with fixed interest is based 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, 2020:

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

December 31, 2019:

	NIS	Unlinked	S.A Rand	Total
	$'000			
Financial liabilities measured at amortized cost	77	313	63	453

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 2020 and 2019 were as follows:

	31.12.2020	31.12.2019
Loans from banks	142	453
bank credit	-	-
Total liabilities	**142**	**453**

	31.12.2020	31.12.2019
Share capital	209	207
Additional paid-in capital	23,167	22,868
Retained earnings	999	(658)
Capital reserves	191	(10)
Non-controlling interest	987	883
Total equity	**25,553**	**23,290**
Leverage ratio	**0.55%**	**1.9%**

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 2020 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 Company, all of which have been consolidated in these consolidated financial statements, are as follows:

Name	Country of	Proportion of	Held by

	incorporation	ownership interest at 31 December		
		2020	2019	
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.

B. On 24 June 2019 the Company announced that Mottech Water Solution Ltd ("Mottech"), had entered into a share purchase agreement to acquire 50% of Parkland Australia Pty Ltd ("Parkland Australia"), a value added reseller of Mottech's solutions in Australia, for a consideration of up to 0.8m Australian dollars ("AUD") (approximately US$0.55m). 0.6m AUD (US$0.41m) of the consideration was paid upon closing and the remainder is to be paid in two tranches by July 2020 and July 2021 based on the financial performance of Parkland Australia in FY 2020 and FY 2021 (ending 30 June 2020 and 2021 respectively) (the "Acquisition"). The Acquisition was completed on 30 July 2019 and in July 2020 the company paid additional 30,000 AUD (approximately US$21K) for the first tranche. The consideration for the acquisition of Parkland Australia is not viewed as a material expenditure for the Company.

21. Subsidiaries (Cont.):

C. Mottech Water Solutions Ltd ("Mottech"), a subsidiary of the company, signed an agreement in May 2020 to acquire its joint venture partner's 40% holding in a joint venture it established in China in 2017 ("Mottech China"). Following this acquisition, Mottech China is now a fully owned subsidiary of the Company.

22. Share capital

	Authorized			
	2020	2020	2019	2019
	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			
	2020	2020	2019	2019
	Number	NIS	Number	NIS
Ordinary shares of NIS 0.01 each at beginning of the year	87,828,724	878,288	87,038,724	870,388
Changes during the year				
Scrip dividend	-	-	-	-
Exercise of options to share capital	710,000	7,100	790,000	7,900
At end of the year	88,538,724	885,388	87,828,724	878,288

23. Share-based payment

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 reminder 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 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, 2020 and 2019 was US $2,000 and US $6,000 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:

	2020 weighted average exercise price	2020 Number	2019 weighted average exercise price	2019 Number
	$		$	
Outstanding at beginning of year	0.35	710,000	0.35	1,500,000
Exercised during the year	0.35	710,000	0.15	790,000
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Outstanding at the end of the year	-	-	0.35	-
Exercisable at the end of the year	-	-	0.35	710,000

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.

The maximum royalty amount payable by the Group at December 31, 2020 is US$ 470,000.

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

During 2020 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 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 2020. The maximum royalty amount payable by the Group at December 31, 2020 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$ 750,000 and US$ 400,000 respectively. The guarantees are mainly to guarantee advances received from customers and performance of contracts signed.

C. Charges

In order to secure the Group's liabilities, real estate properties were mortgaged and fixed charges were recorded on property and some bank deposits (see also note 16).

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% and

2. 77,000 NIS to Mr. Moni Borovitz for his service as CEO of the Company in capacity of at least 90%.

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 2.5% of the Company's net profit exceeding US$800,000 per year, prior to any bonuses grant 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 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 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:

	2020	2019
	$'000	$'000
Management Fee	787	714

25. Transactions with related parties (cont.):

Compensation of key management personnel of the Group:

	2020	2019
	$'000	$'000
Short-term employee benefits *)	1,216	1,153

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

Balances with related parties:

	2020	2019
	$'000	$'000
Other accounts payables	374	231

26. Significant Events:

A. On January 24 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 six months periods and it is currently in effect until 26 July 2021. 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 2020, no Ordinary Shares were held in treasury under the Programme.

In 2020, MTI Engineering generated a profit of $8,000 in relation to the Programme, which was recorded in additional paid-in-capital.

26. Significant Events (cont.):

C. 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. The spread of the virus is an unusual event on its scale and is dynamic and emergent. Policymakers around the world were forced to take unprecedented steps to curb the pandemic, including the isolation of civilians and establishing strict regulations and rules to create social distancing, to reduce the chances of infection. This included restricting inbound and outbound flights. Along with the dangerous impacts on human lives as a result of the outbreak, significant global and local business impacts have been recorded.

While the Group's offices were partially and/or temporarily closed (depending on country of operations) during 2020, the Group 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 employees. As of the date of this report the Group has resumed operations in all of its facilities (still under health requirements and regulations), although working from home is still allowed in Israel. The Company sees recovery in most of the territories where it operates, although there are still significant challenges. 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. The introduction of vaccines and the fast adoption in Israel does provide hope that the recovery will start in the near term, but there is still uncertainty regarding vaccines' effectiveness and duration.

27. Subsequent events

A. On 25 January 2021, the Company announced that the board of directors of the Company and the board of directors of MTI Engineering had decided to continue with the Programme for another six months until 26 July 2021.

B. The Board of directors has decided to declare a cash dividend of 2.5 US cents per share being approximately $2,213,000. This dividend will be paid on 31 March 2021 to shareholders on the register at the close of trading on 19 March 2021 (ex-dividend on 18 March 2021).

C. The financial statements were authorized for issue by the board as a whole following their approval on February 28, 2021.

D. On 4 February 2021, Mottech registered a opened a fully owned subsidiary in Canada and is working on establishing its activity in Canada.

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