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MTI Wireless Edge Limited
13 March 2023

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MTI Wireless Edge Ltd
("MTI", the "Company" or the "Group")

Final results for 2022
and
Extension of the Company's share repurchase programme

MTI Wireless Edge Ltd (AIM:MWE), the technology group focused on comprehensive communication and radio frequency solutions across multiple sectors, is pleased to announce its audited results for the year ended 31 December 2022.

2022 Highlights

A strong financial performance in 2022

- Delivered revenue growth of 7% to US$46.3m (2021: US$43.2m)
- A 12% increase in adjusted EBITDA to US$6.06m (2021: US$5.4m), helped by the economies of scale from the increasing size of the Group
- Profit from operations increased 4% to US$4.59m (2021: US$4.42m), including some one off costs related to the acquisition of PSK
- Net profit growth of 4% to US$3.85m (2021: US$3.7m)
- Earnings per share increased by 3% to 4.21 US cents (2021: 4.07 US cents)
- Net cash of US$8.1m at 31 December 2022 (31 December 2021: US$12.5m), after significant expenditure (together totalling approximately $7m) comprising:
    - the initial net consideration paid in respect of PSK
    - the Group's exit from its Russian operations
    - the dividend paid in March 2022

  offset by US$3.59m of net cash generated from operating activities.

- Increased final dividend of 7% to 3.0 US cents per share (2021: 2.8 US cents per share)

Sales growth and future growth drivers established across all three divisions

- Antennas - completed a successful year with 3% revenue growth in 2022 and the prospect of increasing revenues in 2023. Sale of commercial antennas increased with unanticipated demand for legacy fixed wireless access antennas, combined with increasing sales of the 5G backhaul solutions and the ABS® antenna solution to counter small mast movements, attracting strong interest from three tier one customers and several tier two customers.
- Water management - delivered 3% revenue growth with price increases agreed in 2022 that will improve revenues and profitability in 2023. Water scarcity remains a fundamental issue, resulting in increasing demand for Mottech's expanding product range through good organic growth amongst existing clients and expansion of the customer base into new markets.
- Distribution - another good year with 16% revenue growth driven by Governments worldwide seeking to increase their investment in defence. A very successful first year for PSK as part of the Group, with it

securing the Group's most valuable ever contract. Design wins, especially military solutions, position this division well for another good year in 2023.

Moni Borovitz, Chief Executive Officer of MTI Wireless Edge, said: "We made good progress this year with all three divisions growing revenue and overall profits despite challenges in the supply chain and volatile foreign exchange movements. Our latest acquisition, PSK, has integrated well, recently winning our largest ever contract. We are seeing compelling opportunities in all segments of our operations. In particular, the opening of the Indian market for E-Band 5G backhaul, which represents a substantial opportunity for us over the medium term.

"Looking ahead, the business continues to be in a strong financial position with net cash of US$8.1m at the year end. The Group's three divisions are well established, with experienced, independent leadership teams and all utilising the Group's core expertise in radio frequency communications technology. The macro trends for all three remain positive: from the continuing roll-out of 5G cellular connectivity; to tackling the growing global issue of water scarcity; and the significant increases in international defence spending. The first two months of 2023 have been in line with internal expectations and judging from the pipeline of potential opportunities, the Group is well placed, supported by a strong financial platform, to continue to seek to expand through a mix of acquisition-led and organic growth."

Shareholder presentation

Moni Borovitz, Chief Executive Officer, will provide an investor presentation relating to the Company's financial results for the year ended 31 December 2022 via the Investor Meet Company ("**IMC**") platform today at 10.00 am UK time.

Investors can sign up for free via: https://www.investormeetcompany.com/mti-wireless-edge-ltd/register-investor

Investors who have already registered on IMC and added to meet the Company, will be automatically invited to the meeting.

Shareholders should note that the Company will not post hard copies of its audited annual report and accounts for the year ended 31 December 2022 (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*

Extension of Company's share repurchase programme

The Company is pleased to announce that it will continue its programme to conduct market purchases of its ordinary shares of par value 0.01 Israeli Shekels each (the "**Ordinary Shares**") in the Company up to a maximum value of £200,000 (the "**Share Repurchase Programme**"). The Share Repurchase Programme commenced on 28 January 2019, was originally in place until no later than 26 July 2019 and was subsequently extended until 31 March 2023. At a recent meeting, the board of directors of the Company decided to extend the Share Repurchase Programme until 31 March 2024. The Share Repurchase Programme shall continue under the same terms and conditions originally announced by the Company on 13 April 2022.

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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 174 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 5G backhaul, Broadband access, public safety, RFID, base station 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 and monitoring 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, increase crops quality and yield while reducing operational and maintenance costs providing fast ROI while helping sustain the environment. 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. It also specializes in the development, manufacture and integration of communication systems and advanced monitoring and control systems for the Government and defence industry market.

Chairman's statement

I am pleased to report on a successful year in which the Group delivered growth at all levels. This is especially pleasing, given the business has had to adapt to changing market conditions, following the commencement of hostilities in Ukraine and the associated negative global economic impact this had.
We have further developed the Group's Environmental, Social and Governance ("**ESG**") policies with the aim of making MTI a truly excellent company to work for and be associated with. We are committed to building a diverse team and to ensuring inclusive representation at all levels. The Company's character comes from the people within the business, and we aim to ensure our workplaces are educational, open, friendly environments that encourage debate, are inclusive and diverse, and ultimately enable our people to work harmoniously.

Through Mottech the Company is naturally focused on eradicating hunger with its systems helping to increase agricultural production through more effective water usage. In addition, Mottech is focused on clean water and sanitation, with its water management systems seeking to preserve and re-use water. We also believe the Company's innovative antenna technology plays a part in connecting the unconnected, providing easier access to information and services to rural areas. 5G enables new ways of doing things, such as receiving a medical consultation online and many other activities which used to be solely conducted face to face, some of which are yet to be discovered and all with reduced pollution, by using video and other remote means of connectivity.

Trading overview

MTI is a well-balanced business, with its three successful divisions all performing well and delivering on their respective growth strategies. The Company grew in terms of both sales and profits and it is noteworthy that this was delivered despite the ongoing impact of the global chip shortage, representing key components required in nearly all of the products and solutions sold.

In 2022, the Group took the decision to exit its Russian operations following the invasion of the Ukraine, but it also expanded through acquisition with the purchase of PSK WIND Technologies Ltd. ("**PSK**"), which, to date, has been a highly successful transaction for the Company.

The Company also continued to invest in innovative new technologies, most notably in the ongoing development of the new automatic beam steering ("**ABS**®") antenna solution for the 5G backhaul market. The ABS® antenna solution is designed to counter small antenna mast movements that distort the signal, caused by wind and changes in temperature, which was an industry wide challenge. The ABS® antenna solution has brought significant interest from three tier one customers and several tier two customers.

Dividend

Reflecting the strength of the Company's trading performance the Board is pleased to declare a final dividend of US$0.03 per share representing a 7% increase on the previous year (2022: US$0.028). The dividend will be paid on 6 April 2023 to shareholders on the register at the close of trading on 24 March 2023 (ex-dividend on 23 March 2023). The currency translation into British Pounds will be made on 27 March 2023 and there will not be a scrip dividend alternative.

People

The MTI teams around the globe all performed very well in the year, maintaining very high operational levels and delivering margin progression. Our teams are working towards agreed targets and exploiting new opportunities with both existing and new customers.

I would, as always, like to thank our employees for their significant contribution to the Company during 2022. Our workplaces were less disrupted than in the COVID pandemic years of 2020 and 2021, but there were still a number of challenges which all the teams worked hard to overcome.

Outlook

MTI is a growth business operating in growth markets. Our products and services are in good demand across all three divisions. We continue to invest in innovation, product development and new companies when the opportunities arise, whilst always remaining focused on radio frequency communications which lies at the heart of our success.

2023 has started well for the Company with an increased pipeline of opportunities across all of our three divisions. We are looking forward to delivering another year of growth and increased returns for our shareholders.

Zvi Borovitz

Chairman

Chief Executive's review

Introduction

2022 was a successful year for the Company. The Company's business grew despite uncertainties created by the conflict in Ukraine and the global shortage in microchips. Each division, under their respective management teams, made good progress, retaining and expanding their customer bases and growing their businesses overall. As a result, entering 2023, the Company is well placed to continue to invest in people, innovation and new products, alongside generating attractive returns for shareholders.

Financial results

Revenues for the twelve months to 31 December 2022 increased by 7% to US$46.3m (2021: US$43.2m), a positive performance.

Our gross margin rates remained solid, reflecting the mix of products sold in different markets. Overall gross margin was slightly improved and gross profit grew by 8% which showcased the Group's ability to pass most of its price increases onto customers.

Operating profit increased by 4% to US$4.59m (2021: US$4.43m), which demonstrated the scalability of our business, after including about $200K of nonrecurring expenses related to the PSK acquisition. Adjusted EBITDA grew 12% to US$6.06m (2021: US$5.4m).

Cash flow generated from operations for 2022 was US$3.6m compared to US$6.6m in 2021 which included the impact on cash due to the disposal of our Russian operations. This resulted in a net cash balance of approximately US$8.1 million (2021: US$12.5m) after the disposal of Russian operations, payment for the acquisition of PSK and the dividend payment (altogether around US$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 accumulating shares in treasury through market purchases and then selling blocks of shares to institutional shareholders, subject to demand and price.

Cash generated from any resales of purchased shares has been reused for further share purchases, and this policy is planned to continue for as long as the programme is in place. As at 12 March 2023, 150,000 shares were held in treasury. As noted above the board recently decided to extend the Share Repurchase

Programme (on the same terms and conditions originally announced by the Company on 13 April 2022) until 31 March 2024.

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 2022, revenues from this division increased by 3%, a good result reflecting increasing demand for the 5G backhaul solution and, slightly unexpectedly, an increase in demand for legacy antennas for fixed wireless access. Military sales were relatively subdued but enquiry levels are high and sales in RFID were in line. Overall, a strong performance.

5G sales continue to grow and now represent over 20% of the antenna business. The division's backhaul solution has been well proven and is positioned to generate significant long-term revenues alongside the roll-out of 5G networks globally by the major mobile phone operators. A process that is still in its infancy.

2022 saw the opening of the Indian market for E-Band 5G backhaul and, given the size of the market, this represents a substantial opportunity. MTI is well positioned in India having an established manufacturing facility in it. In Q4 of 2022, there was intense activity and some good early revenues, however, order volumes are expected to be sporadic, at least initially, but there is no doubt regarding the scale of the overall opportunity.

The ABS® antenna solution which ensures the antenna adapts to any small movements caused by different climate conditions, including wind or temperature, is making excellent progress. This critical innovation that solves an industry wide problem has brought MTI to the attention of three tier one radio manufacturers and several tier two customers, which serve most of the global mobile operators, including one whom had not previously worked with the Group. All are in various customisation processes with the ABS® antenna solution, in advance of production.

Sales of legacy antenna for fixed wireless access had been in natural decline but, slightly unexpectedly, demand in 2022 increased for the use of these antennas in Access Wi-Fi solutions serving mainly stadiums, shopping malls and other high-density areas where thousands of people require mobile connectivity but can't access their networks due to lack of bandwidth.

Military antenna sales were slower than anticipated but given the very high enquiry levels and the overall increase in military spending, this is expected to reverse quite sharply.

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.

Mottech had another good year, delivering revenue growth of 3%, despite some adverse currency movements. Profit margins were slightly weaker compared to prior periods, however, the price increases accepted in 2022 will feed through into 2023, alongside increased service prices which will ensure profit margin recovery. Recurring revenues continued to improve and represented 20% of all income in 2022.

Mottech continues to seek to innovate and expand its services to existing and new clients. For over 30 years, Mottech has been providing irrigation services for a number of municipalities in Israel, ensuring efficient water usage across public parkland and green open spaces. Earlier in 2022, Mottech expanded its services into a new area for an Israeli municipality, with a US$0.5 million contract to monitor and partially control over 30 city fountains under one system which is becoming part of a smart city managing its operations from one control and monitoring room. Historically the fountains were operated individually. Fountain management represents a new and natural extension to Mottech's current services.

The strategic partnership with Viridix continues to develop since being announced in January 2022. It provides the Autopilot solution that measures the water available to the roots of plants and therefore enables greater irrigation precision. This is now beginning to be adopted into cities whereas historically it was solely focused on agricultural projects.

Water scarcity continues to be a very real global problem and Governments are increasingly aware of the importance of not wasting this vital resource. Mottech's solutions can make a substantial difference - often able to save a farmer or a city up to 30% in water usage, while helping the farmer to grow more crops at a better level of quality. This level of impact ensures that demand for Mottech's services will continue to be strong.

Distribution & Professional Consulting Services

Operating under the MTI Summit Electronics brand ("**MTI Summit**"), 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.

2022 was another very strong year for MTI Summit, continuing an excellent track record of growth and development. Revenues grew by 16% including the acquisition of PSK in January 2022. The increased profits have come from a healthy balance between PSK and MTI Summit.

The acquisition of 51% of PSK has been a good investment. The Group was familiar with the PSK business, having collaborated on numerous projects together over the last 10 years. PSK specialises in the development, manufacture and integration of communication systems and advanced monitoring and control systems for the Government and defence industry market. Integrating the teams is progressing successfully and since the acquisition there have been a series of contract wins, including the Group's most valuable ever contract expected to be worth up to US$10 million over the next up to seven years. The contract provides service and maintenance support to the Israeli Ministry of Defence.

The pipeline for MTI Summit and PSK is promising. PSK has a series of tenders coming up in 2023 for which it is well placed to be successful. Similarly, MTI Summit has continued to complete a number of design wins for both existing and new customers, which are likely to generate future sales. For both businesses, the wider backdrop of increased defence spending by governments globally creates a strong market environment to operate in.

In March 2022, following the start of the conflict in Ukraine, the Board took the decision to sell the Company's Russian business unit to that business' management team.

Outlook

The conflict in Ukraine has led directly to a significant increase in defence budgets. This increase in spend is yet to come through and with approximately 37% of the Group's sales being defence related, it is likely that this trend will have a positive impact on the Company's financial performance in 2023.

Overall, MTI remains well positioned across three divisions, with each division backed by strong macro trends underpinning their future prosperity. The first two months of 2023 have been in line with internal expectations and judging from the pipeline of potential opportunities, the Group is well placed, supported by a strong financial platform, to continue to seek to expand 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,	
		2022	**2021**
	Note	**$'000**	**$'000**
Revenues	4, 6	46,270	43,184
Cost of sales		31,680	29,685
Gross profit		14,590	13,499

Research and development expenses		1,077	965
Distribution expenses		3,924	3,686
General and administrative expenses		4,998	4,448
Profit from sale of property, plant and equipment		1	25
Profit from operations	5	4,592	4,425
Finance expense	7	385	454
Finance income	7	(110)	(67)
Profit before income tax		4,317	4,038
Tax expenses	8	468	329
Profit		3,849	3,709
Other comprehensive income (loss**)** net of tax:			
Items that will not be reclassified to profit or loss:			
Remeasurements on defined benefit plans		127	22
Items that may be reclassified to profit or loss:			
Adjustment arising from translation of financial statements of foreign operations		(422)	(19)
Total other comprehensive income (loss**)**		(295)	3
Total comprehensive income		3,554	3,712
Profit attributable to:			
Owners of the parent		3,721	3,598
Non-controlling interest		128	111
		3,849	3,709
Total comprehensive income attributable to:			
Owners of the parent		3,426	3,601
Non-controlling interest		128	111
		3,554	3,712
Earnings per share			
Basic and Diluted (dollars per share)	8	0.0421	0.0407

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, 2022 :

	Attributable to owners of the parent			
	Share capital	**Additional paid-in capital**	**Translation differences**	**Retained earnings**
				U.S. $ in thousand
Balance as at January 1, 2022	209	23,126	172	2,406

Changes during 2022:				
Comprehensive income				
Profit for the year	-	-	-	3,721
Other comprehensive income				
Re measurements on defined benefit plans	-	-	-	127
Translation differences	-	-	(422)	-
Total comprehensive income (loss) for the year	**-**	**-**	(422)	3,848
Dividend	**-**	-	-	(2,479)
Acquisition and disposal of treasury shares (note 26)	-	(48)	-	-
Balance as at December 31, 2022	209	23,078	(250)	3,775

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, 2021 :

	Attributable to owners of the parent			
	Share capital	**Additional paid-in capital**	**Translation differences**	**Retained earnings**
				U.S. $ in thousand
Balance as at January 1, 2021	209	23,167	191	999
Changes during 2021:				
Comprehensive income				
Profit for the year	-	-	-	3,598
Other comprehensive income				
Re measurements on defined benefit plans	-	-	-	22
Translation differences	-	-	(19)	-
Total comprehensive income (loss) for the year	-	-	(19)	3,620
Dividend	**-**	-	-	(2,213)
Acquisition and disposal of treasury shares (note 26)	-	(41)	-	-
Balance as at December 31, 2021	209	23,126	172	2,406

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, 2022 $'000	2022 $'000	As at December 31, 2021 $'000	2021 $'000
ASSETS					
Non-current assets :					
Property, plant and equipment	11	5,573		5,548	
Customer relations	12	1,597		861	
Goodwill	12	2,261		153	
Deferred tax assets	13	1,163		994	
Long-term prepaid expenses		39		26	
Total non-current assets			10,633		7,582
Current assets:					
Inventories	14	7,757		6,849	
Current tax receivables		549		518	
Unbilled revenue	15	2,204		2,794	
Trade and other receivables	15	11,035		10,628	
Cash and cash equivalents	16	8,279		12,567	
Total current assets			29,824		33,356
TOTAL ASSETS			40,457		40,938
LIABILITIES					
Non-curent liabilities :					
Contingent consideration		1,432		-	
Lease liabilities	11	303		465	
Loans from banks, net of current maturities	17	98		8	
Employee benefits, net	18	752		868	
Total Non-current liabilities			2,585		1,341
Current Liabilities:					
Current tax payables		425		322	
Trade and other payables	19	9,366		12,241	
Current maturities and short-term bank credit	20	43		23	
Total current liabilities			9,834		12,586
Total liabilities			12,419		13,927
TOTAL NET ASSETS			28,038		27,011

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

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

	Note	As at December 31, 2022 $'000	2022 $'000	As at December 31, 2021 $'000	2021 $'000
Capital and reserves attributable to owners of the parent					

Share capital	209		209	
Additional paid-in capital	23,078		23,126	
Translation differences	(250)		172	
Retained earnings	3,775		2,406	
		26,812		25,913
Non-controlling interests		1,226		1,098
TOTAL EQUITY		28,038		27,011

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,	
	2022	**2022**	**2021**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Operating Activities:				
Profit for the year	3,849		3,709	
Adjustments for:				
Depreciation and amortization	1,466		976	
Gain on disposal of property, plant and equipment	(1)		(25)	
Finance expense, net	(82)		53	
Income tax expense	468		329	
		5,700		5,042
Changes in working capital and provisions				
Increase in inventories	(951)		(479)	
(Increase) decrease in trade receivables	(63)		604	
Decrease (increase) in unbilled revenues	590		(476)	
(Increase) in other accounts receivables	(1,134)		(448)	
Increase in trade and other accounts payables	572		2,803	
(Decrease) increase in employee benefits, net	(93)		64	
		(1,079)		2,068
Interest received	-		52	
Interest paid	(52)		(88)	
Income tax paid	(978)		(481)	
		(1,030)		(517)
Net cash provided by operating activities		3,591		6,593

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 December
	2022
	$'000
Investing Activities:	
Proceeds from sale of property, plant and equipment	15
Acquisition of subsidiary, net of cash acquired	(1,427)
Net cash from sale of previously consolidated subsidiaries	(2,785)
Payment of contingent consideration regarding business acquisition	-
Purchase of property, plant and equipment	(552)
Net cash used in investing activities	
Financing Activities:	
Dividend	(2,479)
Payments of lease liabilities	(560)
Treasury shares acquired	(118)
Treasury shares sold	70
Repayment of long-term loans from banks	118
Net cash used in financing activities	
(Decrease) increase in cash and cash equivalents	
Cash and cash equivalents at the beginning of the year	
Exchange differences on balances of cash and cash equivalents	
Cash and cash equivalents at the end of the year	

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, 2022

1. General description of the Group and its operations

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

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

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

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

- Development, manufacture and integration of communication systems and advanced monitoring and control systems for the Government and defence industry market.

2. Accounting policies

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

A. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, except for the measurement of employee benefit assets.

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

B. Estimates and assumptions

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

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

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

2. Accounting policies (Cont.)

C. Revenue recognition

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

2. Accounting policies (Cont.)

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

D. Assets and liabilities arising from contracts with customers

Contract assets (presented as "Unbilled revenue ")

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

Trade receivables

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

E. Basis of consolidation

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it: (i) derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative translation differences recorded in equity: (ii) Recognises the consideration received at fair value, recognises any investment retained at fair value of and recognises any surplus or deficit in profit or loss; (iii) reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities.

F. Consolidated financial statements

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

2. Accounting policies (Cont.)

G. Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost of a business combination comprises the fair values of assets given, liabilities assumed and equity instruments issued. Any costs of acquisition are charged to profit or loss (if the costs of acquisition are related to the issue of debt or equity, they are charged to equity or liability respectively). Goodwill is recognized as an intangible asset with any impairment in carrying value being charged to profit or loss. Goodwill is not systematically amortized and the Company reviews goodwill for impairment once a year or more frequently if events or changes in circumstances indicate that there may be an impairment.

H. Intangible assets

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured on initial recognition at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred. Intangible assets with finite useful lives are amortized over their useful lives and reviewed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end. Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful lives of these assets are reviewed annually to determine whether such assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful lives assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the intangible asset is tested for impairment.

I. Impairment of non-financial assets

Impairment tests on goodwill and indefinite useful lives assets are undertaken annually on December 31 or sooner when there are indicators of impairment. Other non-financial assets (excluding Inventories) are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of the non-financial asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose), the asset is written down and an impairment charge is recognized accordingly in the profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is performed on the asset's cash-generating unit level (i.e. the smallest group of assets to which the asset belongs that generates cash inflow that are largely independent of cash inflows from other assets). Goodwill is allocated at initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the business combination giving rise to the goodwill. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) is lower than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses allocated to goodwill cannot be reversed in subsequent periods.

2. Accounting policies (Cont.)

An impairment loss allocated to an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. A reversal of an impairment loss, as above, is limited to the lower of the carrying amount of the asset that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and the assets recoverable amount. The reversal of an impairment loss of an asset is recognized in profit or loss. Impairment charges are included in the general and administrative expenses line item in the statement of comprehensive income. During the 2021 and 2022 financial years no impairment charges of non-financial assets were recognized.

J. Functional currency and Foreign currency transactions

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

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

On consolidation, the assets and liabilities of foreign operations are translated into Dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the

dates of the transactions). The exchange differences arising on translation for consolidation are recognised in OCI as 'Adjustment arising from translation of financial statements of foreign operations'. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

K. Fair value measurement

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

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

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

2. Accounting policies (Cont.)

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

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

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

Classification by fair value hierarchy:

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

Level 1	-	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	-	Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
Level 3	-	Inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

L. Financial instruments:

1. Financial assets

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

Amortized cost

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

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

2. Accounting policies (Cont.)

2. Financial Liabilities

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

Other financial liabilities include the following items:

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

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

3. *De-recognition*:

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

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

M. Government grants

Grants received from the Israel-U.S. Bi-national Industrial Research and Development Foundation (henceforth "BIRD") and the Israeli Innovation Authority (henceforth "IIA") 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 and IIA, are accounted for as forgivable loans, in accordance with IAS 20 (Revised), pursuant to the provisions of IFRS 9. Accordingly, when the liability for the loan is first recognized, it is measured at fair value using a discount rate that reflects a market rate of interest. The difference between the amount of the grants received and the fair value of the liability is accounted for upon recognition of the liability as a grant and recognized in profit or loss as a reduction of research and development expenses. After initial recognition, the liability is measured at amortized cost using the effective interest method.

Changes in the projected cash flows are discounted using the original effective interest rate and recorded in profit or loss in accordance with the provisions of IFRS 9.

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

2. Accounting policies (Cont.)

N. Deferred tax

Deferred taxes are computed in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts attributable for tax purposes. Deferred taxes are recognized in profit or loss, except when they relate to items recognized in other comprehensive income or directly in equity.

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

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

Any resulting reduction or reversal is recognized in "income tax" within the statement of comprehensive income. Taxes that would apply in the event of the disposal of investments in investees have not been taken into account, as long as the disposal of such investments is not expected in the foreseeable future and the

group has control over such disposal. In addition, deferred taxes that would apply in the event of distribution of dividends have not been taken into account, if distributions of dividends involve an additional tax liability; the Group's policy is not to initiate distribution of dividends that triggers an additional tax liability.

All deferred tax assets and liabilities are presented in the statement of financial position as non-current items. Deferred tax liabilities are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred tax liabilities relate to the same taxpayer and the same taxation authority.

O. Current taxes:

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

P. Inventories

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

2. Accounting policies (Cont.)

Q. Property, plant and equipment

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

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

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

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

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

R. Cash and cash equivalents

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

S. Provision for warranty

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

T. Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options calculated at the grant date is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted.

2. Accounting policies (Cont.)

U. Employee benefits

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

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

The Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law since 2004 under which the Group pays fixed contributions to a specific fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense simultaneously with receiving the employee's services and no additional provision is required in the financial statements except for the unpaid contribution.

The Group also operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal, retirement and several other events prescribed by that Law. The liability for post employment benefits is measured using the projected unit credit method. The actuarial assumptions include rates of employee turnover and future salary increases based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to yields on high quality corporate bonds with a term that matches the estimated term of the benefit plan.

In respect of its severance pay obligation to certain of its employees, the Company makes deposits into pension funds and insurance companies ("plan assets"). Plan assets comprise assets held by a Long-term employee benefits fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group. The liability for employee benefits presented in the statement of financial position presents the present value of the defined benefit obligation less the fair value of the plan assets.

V. Earnings per Share (EPS)

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

2. Accounting policies (Cont.)

W. Segment reporting

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

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

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

X. Leases

Right-of-use assets:

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of

right-of-use assets comprises the amount of the initial measurement of the lease liability; lease payments made at or before the commencement date less any lease incentives received; and initial direct costs incurred. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The right-of-use assets are presented within property, plant and equipment.

Lease liabilities:

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

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

Lease term:

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

2. Accounting policies (Cont.)

Depreciation of a right-of-use asset:

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

3. Acquisition of subsidiary:

On 3 January 2022 the Company, via its wholly-owned subsidiary, MTI Summit Electronics Ltd. ("MTI Summit"), entered into a share purchase agreement, which included both a purchase of existing shares in and the making of a new equity investment into P.S.K. WIND Technologies Ltd. ("PSK"), after which MTI Summit owns 51% of PSK (the "Acquisition"). The initial consideration for the Acquisition was approximately US$1.2 million, with an earn out payment, subject to performance, of up to approximately US$2.56 million. In addition, MTI Summit has made a loan to PSK of US$0.8 million and is party to an option agreement in relation to the acquisition of the remaining 49% of PSK.

The initial consideration paid by MTI, to acquire 51% of the equity in PSK, comprised: a) the purchase of existing shares in PSK for NIS 700,000 (approximately US$225,000); and b) a subscription of NIS 3,000,000 (approximately US$ 972,000) for new shares in PSK. In addition, there is an earn out mechanism under which further consideration may be payable, as described in the contingent consideration section below (the "Earn Out"). MTI Summit's loan to PSK of NIS 2,500,000 (approximately US$800,000) is a term loan which is to be repaid on 1 January 2024. The loan is not convertible and bears interest of 3.26% per annum.

In addition to the Acquisition, MTI Summit has an option to purchase and the vendors of PSK have an option to sell to MTI Summit the remaining 49% of PSK (the "Option") starting from 2027, subject to the terms described below.

Cash outflow on the Acquisition totalled to US$ 1,427,000.

Acquisition cost of PSK at the date of Acquisition:

	Fair value
	$'000
	Unaudited
Cash paid	1,197
Contingent consideration liability	56
Put option liability	1,376
Total acquisition cost	2,629

3. Acquisition of subsidiary (Cont.):

Set forth below are the assets and liabilities of PSK at the date of Acquisition:

	Fair value
	$'000
	Unaudited
Trade receivables	671
Other receivables	213
Inventories	65
Property, plant and equipment	256
Intangible assets	1,710
Bank loans	(230)
Trade payables	(522)
Deferred tax liability	(394)
Other liabilities	(436)
Employee benefits, net	(104)
Net identifiable assets	1,229
Goodwill arising on acquisition	1,400
Total purchase cost	2,629

The results of PSK were consolidated into the financial statements of the Group from the beginning of the year.

The cost of the Acquisition was allocated to tangible assets, intangible assets and liabilities which were acquired based on their fair value at the time of the acquisition. The intangible assets recognized include order backlog and customer relations in the total amount of US$ 111 thousands and US$ 1,599 thousands respectively, deferred taxes in the total amount of US$ 394 thousands and goodwill in the total amount US$ 1,400 thousands. The intangible assets associated with customer relations are amortized over a useful life of up to 15 years.

The goodwill arising on Acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and PSK. The goodwill recognized is not expected to be deductible for income tax purposes.

All transaction costs have been recorded in General and administrative expenses.

Contingent consideration:

As part of the purchase agreement with the owners of PSK, it was agreed that the sellers, who retain a 49% holding in PSK would be entitled to further consideration to be paid pursuant to an earn out mechanism dependent on PSK's actual revenues in 2022 and 2024 versus certain agreed targets in each of those years and is capped at a maximum of NIS 8,000,000 (approximately US$2.56m), to be paid in cash.

3. **Acquisition of subsidiary (Cont.):**

Put Option liability:

MTI Summit has an option to purchase and the vendors of PSK have an option to sell to MTI Summit the remaining 49% of PSK (the "Option") starting from 2027. The value of PSK under the Option is to be calculated

on the basis of eight times the average EBITDA level of PSK in 2025 and 2026, with MTI being required to pay 49% of this value upon exercise. If the Option is to be exercised at any time after the preparation of PSK's financial results for the first quarter of 2027, the calculation will be based on PSK's average EBITDA for the last eight quarters. The Option will remain in place until exercised.

As at the Acquisition date, the fair value of the contingent consideration was estimated at US$ 56 thousand and the Option at US$ 1.376 million.

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

Discount rate: 15.5%

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

4. Revenues

	For the year ended December 31,	
	2022	**2021**
Revenues arises from:	**$'000**	**$'000**
Sale of goods *	34,618	35,308
Rendering of services **	8,334	5,729
Projects **	3,318	2,147
	46,270	43,184

(*) at a point in time

(**) over time

5. Profit from operations

	For the year ended December 31,	
	2022	**2021**
This has been arrived at after charging**:**	**$'000**	**$'000**
Material and subcontractors	22,424	21,559
Wages and salaries	14,150	13,123
Plant, Machinery and Usage	1,628	1,359
Depreciation and amortization	1,466	976
Travel and Exhibition	326	270
Advertising and Commissions	748	464
Consultants	478	568
Others	458	440
	41,678	38,759

6. 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 together with the development, manufacture and integration of communication systems and advanced monitoring and control systems for the Government and defence industry market.

1. Segment information

Year ended December 31, 2022

	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. $ in thousands				
Revenues					
External	11,627	18,196	16,447	-	46,270
Inter-segment	-	-	215	(215)	-
Total	11,627	18,196	16,662	(215)	46,270
Segment profit	337	1,838	2,321	96	4,592
Finance expense, net					275
Tax expenses					468
Profit					3,849

6. Operating Segments (cont.)

December 31, 2022

	Antennas	Water Solutions	Distribution & Consultation	Adjustment & Elimination	Total
	U.S. $ in thousands				
Segment assets	14,848	11,834	11,272	-	37,954
Unallocated assets					2,503
Segment liabilities	2,627	3,881	5,098	-	11,606
Unallocated liabilities					813

Year ended December 31, 2021

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

December 31, 2021

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

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

	For the year ended December 31,	
	2022	2021

	$'000	$'000
Israel	29,008	24,342
America	6,489	5,551
Europe Middle East & Africa	6,018	9,266
Asia Pacific	4,755	4,025
	46,270	43,184

6. Operating Segments (cont.)

3. Additional information about revenues:
   There is one single customer from which revenues amount to 10% in 2022 (12% in 2021) of total revenues reported in the financial statements. This is a customer for the antenna and distribution & special consulting services divisions and the credit terms with it are usually end of month + 90 days.

7. Finance expense and income

	For the year ended December 31,	
	2022	2021
	$'000	$'000
Finance expense		
Net Foreign exchange loss	108	205
Leases	52	43
Interest and bank fees	225	206
	385	454
Finance income		
Interest from bank deposits	110	67
	275	387

8. Tax expenses

A. Tax Laws in Israel

1. Amendments to the Law for the Encouragement of Capital Investments, 1959 (the "Encouragement Law"):
   In December 2010, the "Knesset" (Israeli Parliament) passed the Law for Economic Policy for 2011 and 2012 (Amended Legislation), 2011 ("the Amendment"), which prescribes, among others, amendments to the Law. The Amendment became effective as of January 1, 2011. According to the Amendment, the benefit provisions in the Law were modified and a flat tax rate applies to the Company's entire preferred income. Commencing from the 2011 tax year, the Group will be able to opt to apply (the waiver is non-recourse) the Amendment and from the elected tax year and onwards, it will be subject to the amended tax rates that are: 2014 and thereafter will be 16% (in development area A - 9%).
   The Group applied the Amendment effectively from the 2011 tax year.
   On 15 November 2021 an amendment to the Encouragement Law was approved (the "2021 Amendment"). According to the 2021 Amendment companies that had retained earnings from exempt income earned before 31 December 2020 can distribute those earnings with a lower tax rate of 10% to the Company and withholding tax of 15% to the shareholders. As of the date of the financial report the Company has such retained earnings totalling approximately 1.2m NIS ($0.34m USD).

8. Tax expenses (cont.)

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%.

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 Canada - the statutory tax rate is 25%.

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

C. Income tax assessments

The Company has tax assessments considered as final up to and including the year 2017.

8. Tax expenses (cont.)

	For the year ended December 31,			
	2022	**2022**	**2021**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Current tax expense				
Income tax on profits for the year	846		722	
Taxes in respect of previous years	(209)		(95)	
		637		627
Deferred tax income (see note 13)				
Origination and reversal of temporary differences	(169)		(298)	
		(169)		(298)
Total tax expenses		468		329

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,	
	2022	**2021**
	$'000	**$'000**
Profit before income tax	4,317	4,038
Tax using the Company's domestic tax rate of 16%	691	646
Non-deductible expenses	-	6
Taxes resulting from different tax rates applicable to foreign and other subsidiaries	81	94

Utilization of prior year's tax losses for which deferred taxes were not provided	(108)	(322)
Adjustments for current income tax of prior years	(209)	(95)
Other	13	-
Total income tax expense	468	329

9. Earnings per share

Net earnings per share attributable to equity owners of the parent

	For the year ended December 31,	
	2022	**2021**
	$'000	**$'000**
Net Earnings used in basic and diluted EPS	3,721	3,589
Weighted average number of shares used in basic and diluted EPS	88,444,356	88,509,740
basic and diluted net EPS (dollars)	0.0421	0.0407

10. Dividends

	For the year ended December 31,	
	2022	**2021**
	$'000	**$'000**
Dividend paid	2,479	2,213

11. 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, 2022	5,216	6,570	701	2,428	1,157	1,695	17,767
Initially consolidated company	89	92	27	-	48	-	256
Acquisitions	25	114	35	136	242	533	1,085
Disposals	-	-	-	-	(27)	(292)	(319)
Exchange differences	(14)	(13)	(11)	(17)	(96)	-	(151)
Balance as of December 31, 2022	5,316	6,763	752	2,547	1,324	1,936	18,638
Accumulated Depreciation:							
Balance as of January 1, 2022	2,524	5,456	633	2,296	446	863	12,218
Additions	122	198	24	88	197	572	1,201
Disposals	-	-	-	-	(13)	(292)	(305)
Exchange differences	(2)	(9)	(5)	(9)	(24)	-	(49)
Balance as of December 31, 2022	2,644	5,645	652	2,375	606	1,143	13,065
Net book value as of December 31, 2022	2,672	1,118	100	172	718	793	5,573

Lease liabilities

	Year ended December 31	
	2022	**2021**
	$'000	**$'000**
Interest expense	52	43
Total cash outflow for leases	612	474

Additions to right-of-use assets	533	957

December 31, 2022	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years	Total
			$'000			
Lease liabilities	449	259	44	-	-	752

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

11. Property, plant and equipment (cont.)

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

12. Intangible assets

	Goodwill from business combination	Customer relations *	Total
		$'000	
Cost:			
Balance as of January 1, 2022	2,088	715	2,803
Acquired through business combinations	1,400	1,710	3,110
Balance as of December 31, 2022	3,488	2,425	5,913
Accumulated Amortization:			
Balance as of January 1, 2022	1,227	562	1,789
Amortization charge	-	266	266
Balance as of December 31, 2022	1,227	828	2,055
Net book value as of December 31, 2022	2,261	1,597	3,858
		$'000	
Cost:			
Balance as of December 31, 2021	2,088	715	2,803
Accumulated Amortization:			
Balance as of January 1, 2021	1,227	511	1,738
Amortization charge	-	51	51
Balance as of December 31, 2021	1,227	562	1,789

Net book value as of December 31, 2021	861	153	1,014

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

13. 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:

	2022	2021
	$'000	$'000
At January 1	994	696
Charged to other comprehensive income	-	-
Charged to profit or loss	169	298
At December 31	1,163	994

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

Composition:

	31.12.2022	31.12.2021
	$'000	$'000
Accrued severance pay	96	87
Other provisions and employee-related obligations	110	152
Research and development expenses deductible over 3 years	143	163
Carry forward tax losses	1,156	592
Customer relations - arising from acquisition of P.S.K	(342)	-
	1,163	994

Deferred tax assets relating to carry forward capital losses of the Group total approximately $1,014 and $1,171 thousand as of December 31, 2022 and 2021 respectively were not recognized in the financial statements because their utilization in the foreseeable future is not probable.

14. Inventories

	31.12.2022	31.12.2021
	$'000	$'000
Raw materials and consumables	5,621	5,177
Work-in-progress	173	112
Finished goods and goods for sale	1,963	1,560
	7,757	6,849

15. Trade receivables, other receivables and unbilled revenue

	31.12.2022	31.12.2021
	$'000	$'000
Trade receivables	9,735	9,310
Unbilled revenue - Projects	2,204	2,794
Other receivables	1,300	1,318
	13,239	13,422

15. Trade receivables, other receivables and unbilled revenue (Cont.)

Trade receivables:

	31.12.2022	31.12.2021
	$'000	$'000
Trade receivables (*)	9,161	8,707
Notes receivable	666	701
Allowance for expected credit losses	(92)	(98)

	9,735	9,310

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

As at 31 December 2022 trade receivables of $328,000 (2021 - $108,000) were past due but not impaired. They relate to the customers with no default history.

Unbilled revenue:

	31.12.2022	31.12.2021
	$'000	$'000
Actual completion costs	2,756	5,000
Revenue recognised	2,801	1,750
Billed revenue	(3,353)	(3,956)
Total Unbilled receivables - Projects	2,204	2,794

Other receivables:

	31.12.2022	31.12.2021
	$'000	$'000
Prepaid expenses	644	826
Advances to suppliers	199	128
Tax authorities - V.A.T	206	226
Employees	251	138
	1,300	1,318

16. Cash and cash equivalents

	31.12.2022	31.12.2021
	$'000	$'000
In U.S. dollars	3,224	6,460
In other currencies	5,055	6,107
	8,279	12,567

17. Loans from banks

	31.12.2022	31.12.2021
	$'000	$'000
US Dollars - unlinked	-	-
NIS	133	14
South African Rand	8	17
Less - current maturities	(43)	(23)
	98	8

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

During 2017 Mottech South Africa entered into a loan agreement of approximately US$ 37 thousand for the purchase of cars payable over 60 months on a monthly basis. The interest rate is linked to the South Africa prime lending rate.
During 2018 Mottech South Africa had entered into a loan agreement of approximately US$ 30 thousand for the purchase of cars, which is payable over 36 - 48 months on a monthly basis. The interest rate is linked to the South Africa prime lending rate.
During 2022 PSK had entered into a loan agreement of approximately US$ 133 thousand for the purchase of cars, which is payable over 36 - 48 months on a monthly basis. The interest rate is linked to the Prime interest rate.

At December 31 2022	**First year**	**Second year**	**Third year and thereafter**
		000'$	
Long-term loan	43	41	57

18. Employee benefits

A. Composition:

	As at December 31	
	2022	**2021**
	$'000	**$'000**
Present value of the obligations	1,660	1,851
Fair value of plan assets	(908)	(983)
	752	868

B. Movement in plan assets:

	2022	**2021**
	$'000	**$'000**
Year beginning	983	930
Foreign exchange gain (loss)	(121)	31
Interest income	22	15
Contributions	13	14
Benefit paid	-	(16)
Re measurements gain (loss)		
Actuarial gain (loss) from financial assumptions	7	1
Return on plan assets (excluding interest)	4	8
Year end	908	983

C. Movement in the liability for benefit obligation:

	2022	**2021**
	$'000	**$'000**
Year beginning	1,851	1,756
Initially consolidated company	104	-
Foreign exchange loss (profit)	(196)	46
Interest cost	41	49
Current service cost	37	42
Benefits paid	(58)	(25)
Re measurements loss (gain)		
Actuarial loss (gain) from financial assumptions	(120)	(61)
Adjustments (experience)	1	(1)
Year end	1,660	1,851

Supplementary information

1. The Group's liabilities for severance pay, retirement and pensions pursuant to Israeli law and employment agreements are recognized in full - in part by managers' insurance policies, for which the Group makes monthly payments and accrued amounts in severance pay funds and the rest by the liabilities which are included in the financial statements.
2.

18. Employee benefits (cont.)

3. 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.
4. Principal nominal actuarial assumptions:

	As at December 31,	
	2022	**2021**
Discount rate on plan liabilities	5.18%	2.15%
Expected increase in pensionable salary	2%	2%

5. 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,	
	2022	**2021**
	$'000	**$'000**
The change as a result of:		
Salary increases of 1 %	54	65
Salary decreases of 1 %	(48)	(58)
The change as a result of:		
Increase of 1% in discount rate	(48)	(56)
Decrease of 1% in discount rate	54	64

	Year ended December 31,	
	2022	**2021**
	$'000	**$'000**
Expenses in respect of defined contribution plans	552	489

19. Trade and other payables

	As at December 31,	
	2022	**2021**
	$'000	**$'000**
Trade payables	5,739	5,346
Employees' wages and other related liabilities	1,675	1,895
Advances from trade receivables	348	3,404
Accrued expenses	909	819
Government authorities	209	158
Lease liability	449	440
Others	37	179
	9,366	12,241

20. Current maturities and short-term bank credit

		As at December 31,	
	Interest rate as at December 31, 2022	**2022**	**2021**

	%	$'000	$'000
Current maturities In NIS	Prime + 0.9	38	14
Current maturities In SA ZAR	9.5 - 11	5	9
Total Current maturities and short-term bank loans		43	23

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 2022	**31**	**905**	**936**
Changes from financing cash flows:			
Payments of lease liabilities	-	(560)	(560)
Receipt of long-term loans from banks	141	-	141
Repayment of long-term loans from banks	(39)	-	(39)
Total changes from financing cash flows	**133**	**345**	**478**
Changes in fair value:			
New leases	**-**	533	533
Interest expense	**-**	52	52
Interest paid	-	(52)	(52)
Total changes from financing cash flows	**133**	**878**	**1,011**
Effects of foreign exchange	8	(126)	(118)
At 31 December 2022	**141**	**752**	**893**

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

	Loans and borrowings	Lease liabilities	Total
		$'000	
At 1 January 2021	142	386	528
Changes from financing cash flows:			
Payments of lease liabilities	-	(449)	(449)
Repayment of long-term loans from banks	(117)	-	(117)
Total changes from financing cash flows	**25**	**(63)**	**(38)**
Changes in fair value:			
New leases	**-**	957	957
Leases cancelled before maturity	**-**	(1)	(1)
Interest expense	**-**	48	48
Interest paid	-	(48)	(48)
Total changes from financing cash flows	**25**	**893**	**918**
Effects of foreign exchange	6	12	18
At 31 December 2021	**31**	**905**	**936**

21. Financial instruments - Risk Management

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

- Foreign currency risk

· Liquidity risk
· Credit risk

Foreign currency risk

Foreign exchange risk arises when Group companies enter into transactions denominated in a currency other than their functional currency.

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

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

Management mitigates that risk by holding some cash and cash equivalents and deposit accounts in NIS. The Company also purchases from time to time some forward contracts on the NIS/$ exchange rate to hedge part of the salary costs. As of December 31, 2022 no such transactions were open. Since the purchase of Mottech the Group has an additional currency risk due to its subsidiaries' activity.

21. Financial instruments - Risk Management (Cont.)

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

	Profit (loss) from change	Book value	Profit (loss) from change
	December 31, 2022		
NIS exchange rate	0.27	0.284	0.298
Total assets, net	280	5,617	(280)
	December 31, 2021		
NIS exchange rate	0.327	0.311	0.295
Total assets, net	100	1,992	(100)

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

Total	Other currencies	NIS	USD	
	As of December 31, 2022			
				Assets
				Current assets:
8,279	1,972	3,083	3,224	Cash and cash equivalents
11,939	639	6,668	4,632	Trade receivables
1,300	22	1,126	152	Other receivables
				Liabilities
				current liabilities:
43	5	38	-	Current maturities and short-term bank credit and loans
5,739	1,115	3,048	1,576	Trade payables
3,178	881	2,079	218	Other accounts payables
				non- current liabilities:
98	3	95	-	Loans from banks, net of current maturities
12,640	**629**	**5,617**	**6,214**	**Total assets, net**

21. Financial instruments - Risk Management (Cont.)

Total	Other currencies	NIS	USD	
	As at December 31, 2021			
				Assets
				Current assets:
12,567	5,167	940	6,460	Cash and cash equivalents
12,104	619	5,919	5,526	Trade receivables
1,318	11	1,069	238	Other receivables
				Liabilities
				current liabilities:
23	9	14	-	Current maturities and short-term bank credit and loans
5,346	1,192	2,835	1,319	Trade payables
6,895	3,372	3,127	396	Other accounts payables
				non- current liabilities:
8	8	-	-	Loans from banks, net of current maturities
13,717	**1,216**	**1,992**	**10,509**	**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, 2022	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years	Total
			$'000			
Loans from banks	43	41	38	19	-	141
Trade payables	5,739	-	-	-	-	5,739
Payables	3,627	-	-	-	-	3,627
	9,409	41	38	19	-	9,507

December 31, 2021	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	> 4 years	Total
			$'000			
Loans from banks	23	6	2	-	-	31
Trade payables	5,346	-	-	-	-	5,346
Payables	6,895	-	-	-	-	6,895
	12,264	6	2	-	-	12,272

Credit risks

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

21. Financial instruments - Risk Management (Cont.)

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

expected credit losses accordingly. Since January 2019 the Company has had an agreement with a credit insurance company to further mitigate this risk. The aging analysis of these trade-receivable balances by business segment is as follows:

December 31, 2022				**Past due trade receivables with aging of**	
	Revenues	**Total trade receivables**	**Neither past due nor impaired**	**< 30 days**	**>30 days**
Antennas - other receivables	11,627	5,570	5,394	175	1
Water Solutions - other receivables	18,196	3,645	3,567	54	24
Distribution & Consultation - other receivables	16,662	2,724	2,650	58	16
Intercompany	(215)	-	-	-	-
Total	**46,270**	**11,939**	**11,611**	**287**	**41**

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

Fair value

A. Fair value of financial assets and liabilities:

	Fair value measurements using input type U.S. $ in thousands			
	Level 1	**Level 2**	**Level 3**	**Total**
As of December 31, 2022				
Put option liability (see note 3)	-	-	1,376	1,376
Contingent consideration liability (see note 3)	-	-	56	56
	-	-	1,432	1,432

21. Financial instruments - Risk Management (Cont.)

Reconciliation of fair value measurements that are categorized within Level 3 of the fair value hierarchy:

	2022
	U.S. $ in thousands
Balance as of January 1	-
Put option liability (see note 3)	1,376
Contingent consideration liability (see note 3)	56
Net loss recognized in Profit or loss	-
Balance as of December 31	1,432

B. Financial instruments not measured at 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.
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	
	2022	2021	2022	2021
	$'000			
Financial liabilities:				
Long-term loan with interest (1)	98	8	98	8

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

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

December 31, 2022:

	NIS	Unlinked	S.A Rand	Total
	$'000			
Financial liabilities measured at amortized cost	38	-	5	43

December 31, 2021:

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

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.

21. Financial instruments - Risk Management (Cont.)

The gearing ratios at 31 December 2022 and 2021 were as follows:

	31.12.2022	31.12.2021
Loans from banks	141	31
bank credit	-	-
Total liabilities	**141**	**31**

	31.12.2022	31.12.2021
Share capital	209	209
Additional paid-in capital	23,078	23,126
Retained earnings	3,775	2,406
Capital reserves	(250)	172
Non-controlling interest	1,226	1,098
Total equity	**28,038**	**27,011**
Leverage ratio	**0.5%**	**0.1%**

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 2022 derived mainly from the 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.

22. Subsidiaries:

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

Name	Country of incorporation	Proportion of ownership interest on 31 December		Held by
		2022	2021	
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%	M.T.I Summit electronics ltd.
Mottech Water Management (Shenzhen) Ltd.	China	100%	60%	Mottech water solutions ltd.
Mottech Parkland (pty) Ltd.	Australia	50%	50%	Mottech water solutions ltd.
Mottech Water Management ltd.	Canada	100%	-	Mottech water solutions ltd.
P.S.K Wind Technologies Ltd.	Israel	51%	-	M.T.I Summit electronics ltd.

(*) On 22 March 2022, the Company announced that it had disposed of its Russian operations and sold its entire holding in M.T.I Summit SPB ltd. ("SPB") for a de minimis amount, with this sale not having any significant profit/loss impact on the Company.

The effect of the sale on the financial position of the Group is as follows:

	$'000 Unaudited
Other receivables	(417)
Inventories	(6)
Current tax receivables	(10)
Cash and cash equivalents	(2,785)
Other trade payables	3,218
Net assets and liabilities	**-**
Consideration received, satisfied in cash	-
Cash and cash equivalents disposed of	(2,785)
Net cash outflows	(2,785)

23. Share capital

	Authorized			
	2022	2022	2021	2021
	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			
	2022	2022	2021	2021
	Number	NIS	Number	NIS
Ordinary shares of NIS 0.01 each at beginning of the year	88,538,724	885,388	88,538,724	885,388
Changes during the year				
Exercise of options to share capital	-	-	-	-
At end of the year	88,538,724	885,388	88,538,724	885,388

24. Commitments and guarantees

A. Royalty commitments

(i) The Group is committed to pay royalties to the Government of Israel on proceeds from sales of products in the research and development of which the Government of Israel participates by way of grants. Under the terms of the Group's funding from the Government of Israel, royalties of 2%-3.5% are payable on sales of products developed from a project so funded, up to 100% of the amount of the grant received, including amounts received by the Parent Company and its subsidiaries through July 1, 2000. In 2021 and 2022 the Group received $147,000 and $123,000 respectfully, as additional grants for development of new products and therefore the maximum royalty amount payable by the Group on December 31, 2022, is US$ 740,000.

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

During 2022 the Group did not pay any royalties.

(ii) The Group is committed to pay royalties to the Government of Israel on proceeds from growth in sales of Mottech's products in China of which the Government of Israel participates by way of grants. Under the terms of the Group's funding from the Government of Israel, royalties of 3% from the increase of sales in China (base year was 2017) shall be paid up to 100% of the amount of the grant received. Payment of royalties shall begin after completion of the grant receipt, which occurred in 2020. The maximum royalty amounts payable by the Group at December 31, 2022 is US$ 217,000.

B. Guarantees

The Group has provided guarantees in favour of customers and government institutes in the amount of US$ 660,000 and US$ 55,000 respectively. The guarantees are mainly to guarantee advances received from customers and performance of contracts signed.

25. Transactions with related parties:

A. **Service Agreement with controlling shareholder:**

On 9 March 2022, an amendment to the agreement with Mokirey Aya Management Ltd. (hereinafter: the "Management Company") was renewed to include remuneration (per month) of:

1. 56,000 NIS to Mr. Zvi Borovitz for his service as a chairman of the board of the Company in capacity of at least 50% of a standard working week and
2. 79,000 NIS to Mr. Moni Borovitz for his service as CEO of the Company in capacity of at least 90% of a standard working week.

All amounts are prior to VAT which will be added to the invoices and are linked to the increase in the consumer price index. In addition to the above, and in accordance with the remuneration policy adopted by the Company, as required under rule 20 to the Israeli Companies Law, a bonus scheme was granted to each of the managers. The bonus scheme states that Zvi Borovitz and Moni Borovitz will be entitled (each one of them) to a bonus amounting to 2.5% of the Company's net profit exceeding US$800,000 per year, prior to any bonuses granted in the Company. In the case of a loss in a year the bonus for the next year will be for a net profit exceeding US$800,000 above the loss made in the previous year. In addition, Mr. Moni Borovitz shall be entitled to a bonus equal to three months' management fee, based on the meeting of targets specified by the remuneration committee at the beginning of each year or per the remuneration committee's decision to give

such for special performance, plus one month's management fee if the consolidated revenue of the Company increases by more than 5% from the previous year. A ceiling to the bonuses was set at eight months management fees for Mr. Moni Borovitz and US$100,000 for Mr. Zvi Borovitz. The agreement also states that the Company shall reimburse the Management Company for any expense made in performance of the manager's duty. The Company shall also provide each of the managers with a car and phones and will be responsible for all its related expenses, including all relevant taxes.

B. Transaction with the Parent Group:

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

	2022	2021
	$'000	$'000
Management Fee	823	819

Compensation of key management personnel of the Group:

	2022	2021
	$'000	$'000
Short-term employee benefits *	1,245	1,262

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

Balances with related parties:

	2022	2021
	$'000	$'000
Other accounts payables	277	299

26. Significant Events:

A. On 24 January 2019, the Company announced a share repurchase program to conduct market purchases of ordinary shares of par value 0.01 Israeli Shekels each ("Ordinary Shares") in the Company up to a maximum value of £150,000 (the "Programme"). Thereafter, the board of directors of the Company and the board of directors of MTI Engineering decided to continue with the Programme for several further periods. On 13 April 2022, the Company announced that it would extend the Programme until 31 March 2023, with the Programme having an increased maximum value of up to £200,000 and with the Programme being managed by Shore Capital Stockbrokers Limited pursuant to the terms as announced. As at 31 December 2022, 150,000 Ordinary Shares were held in treasury under the Programme.

B. On 9 March 2022 at an extraordinary shareholders meeting, Mr. Luke Ahern was elected as an external director for three year term. At the same meeting approval for the extension of an updated Remuneration Policy for a period of three years or for a longer period, to the extent prescribed in the provisions of the Israeli Companies Law, was granted.

27. Subsequent events

A. The Board of directors has decided to declare a cash dividend of 3 US cents per share being approximately $2,656,000. This dividend will be paid on 6 April 2023 to shareholders on the register at the close of trading on 24 March 2023 (ex-dividend on 23 March 2023).

B. The financial statements were authorized for issue by the board as a whole following their approval on 12 March 2023.

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