2016
annual report and accounts

amiad® WATER SYSTEMS

ARKAL FILTOMAT AMIAD

Contents

Directors & Senior Management, Secretary & Advisers

Directors & Senior Management

Eli Opper **(Non-executive Chairman)**
Dori Ivzori **(Chief Executive Officer)***
Irit Ben-Dov **(Chief Financial Officer)**
Simon Olswang **(Statutory External Director)**
Derek Zissman **(Statutory External Director)**
Avraham Azani **(Non-executive Director)**
Amos Shalev **(Non-executive Director)**
Jenny Cohen Derfler **(Non-executive Director)**
Zehava Simon **(Non-executive Director)**
Dr. Gilead Fortuna **(Non-executive Director)**
Oded Rosen **(Non-executive Director)**

Company Secretary

Nanny Balas

Registered and Head Office

Amiad Water Systems Ltd.
D.N. Galil Elyon 1, 1233500
Israel

Nominated Adviser and Broker

Stifel Nicolaus Europe Limited
150 Cheapside
London EC2V 6ET
UK

Solicitors to the Company as to English Law

Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA
UK

Solicitors to the Company as to Israeli Law

Barnea & Co.
Electra City Tower
58 HaRakevet St.
Tel Aviv 6777016
Israel

Auditors and Reporting Accountants

Kesselman & Kesselman
(a member of PricewaterhouseCoopers International Ltd.)
Certified Public Accountant (Isr.)
Trade Tower, 25 Hamered Street, Tel Aviv 68125
P.O.Box 452, Tel Aviv 61003
Israel

Bankers

Bank Hapoalim Ltd.
Branch No. 472
Afula
Israel

United Mizrahi Bank Ltd.
Branch No. 487
Kiryat Shmona
Israel

Bank Leumi le-Israel B.M.
Branch No. 745
Afula
Israel

First International Bank of Israel Ltd.
Branch No. 002
Tiberias
Israel

Registrar

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham Kent BR3 4TU
UK

Financial Public Relations Adviser

Luther Pendragon
48 Gracechurch Street
London EC3V 0EJ
UK

* Appointment effective November 3, 2016

Financial & Operational Summary

Financial Summary

- Revenue was $105.6m (2015: $118.8m)
- Gross margin was 39.3% (2015: 40.5%)
- Operating profit was $3.7m (2015: $8.8m)
- Profit before tax was $3.1m (2015: $6.7m)
- Fully diluted earnings per share of $0.095 (2015: $0.166)
- Dividend for 2016 of $0.032 per share (2015: $0.067 per share)
- Net debt at 31 December 2016 of $8.8m (30 June 2016: $10.4m)
- Cash and cash equivalents at December 31, 2016 of $16.1m (30 June 2016: $16.2m)

Operational Summary

- Improved operational efficiency of manufacturing process and supply chain
- Revenues in the second half of the year were significantly higher than the first half in every segment except Irrigation, resulting in slight growth in total revenues compared with the first half
- Progress made by Amiad Australia where sales increased by 11.0% primarily due to growth in the Irrigation segment based on sales of the new Omega and Sigma filters
- Irrigation segment sales, which accounted for 51.9% of total revenue, were lower overall primarily due to the drought in California, US
- Industrial segment sales decreased to $39.7m (2015: $42.8m), primarily due to weakness in Asia
- Sales in the Oil & Gas segment were significantly lower at $3.9m, compared with a strong 2015 (2015: $11.6m), due to the lack of projects as a result of the low oil price environment over much of 2016
- Municipal segment continued to suffer from lack of investment in major infrastructure projects by local authorities as revenue declined to $7.2m compared with $8.9m in 2015

Chairman's Statement

2016 was a year of mixed performance and the two halves of the year were very different. One thing in common was that, fundamentally, the underlying business was robust, with the right products on which to capitalise when the markets turned. The first half was our weakest for a while where we saw a decline in the number of projects across the world. The second half was slightly higher in revenues than the first half, but if you exclude the Irrigation numbers, then the second half of the year was a great achievement with very significant growth compared with the first half. This confirmed to us that the foundations of the business are sound and our solutions are very much in demand.

The global demand for clean water solutions will continue to grow. The problems of access to clean water is just not a problem of the developing nations but also the developed world. For example, the drought in California was particularly harsh on its irrigation sector. Our customers who had stocked up inventory at the end of 2015 hoping that this drought would end, were left with spare inventory in the first half of the year and did not purchase more from us. This was one of the main reasons for the decline in revenues in the Irrigation segment – the largest segment for our company. Towards the end of the year, our customers started replenishing these stocks and we are expecting a good improvement in sales in this segment in the coming year.

Water is the foundation of life. And still today, all around the world, far too many people spend their entire day searching for it. We take great pride in having the right products and solutions to clean water so that it can be reused effectively and efficiently. Our new products of Omega and Sigma continue to perform well and interest in them remains high. Even though we did not have major projects this year, you will see in this annual report some good examples of projects where our products and solutions performed vital roles in cleaning contaminated water.

We continue to innovate and invest in Research & Development. Even in a tough year, where we cut a lot of costs, we invested more in R&D. We strongly believe that if we do not continue to innovate then we will be left behind. We will be introducing new products for the Irrigation segment towards the end of this year and are expanding our portfolio of products too. The expansion of our product portfolio is to ensure we can provide our customers with any solution they are looking for. We aim to be a full service company.

Towards the end of the year, we saw a changing of the guard at the top of your company. Arik Dayan, who had been with us for 16 years of which seven years were as chief executive officer, decided to leave us. We thought we would find it difficult to replace him. However, in Dori Ivzori we have found someone who understands the industry and someone who has vast experience of building a business. The Board is excited by the prospects of watching him take Amiad to the next phase of its development.

Finally, I would like to thank all of our staff and shareholders for their ongoing support. With the strengthening of Amiad's foundations, we are well-positioned to benefit as markets return. I look forward to continuing to report our progress and deliver shareholder value.

Eli Opper
Chairman
24 April 2017

Chief Executive's Review

The year was characterised, as expected, by the lack of multiple multi-million projects – particularly in the Oil & Gas segment, which had benefited from some exceptionally large projects in 2015. Also, the Irrigation segment saw a drop in revenues as projects were postponed in the US due to the drought in California. Half way through the year, Amiad reacted rapidly to align the cost base to the expected lower revenues and redouble sales efforts. With the slight sequential growth in revenues in the second half combined with the actions we took to adjust our expenses, we maintained annual profitability.

We also continued to seek ways of improving our manufacturing processes, including investing in the supply chain by developing an in-house metal fabrication capability. This is expected to be fully operational by mid-2017 and will further improve efficiency and quality, complementing the previous investment in the polymeric production process, thereby further reducing material costs in future years.

Segment Performance

The Irrigation and Industrial segments generated $54.8m and $39.7m respectively, accounting for 51.9% and 37.6% of the Company's revenue. The Irrigation segment declined primarily due to the impact of the drought in California impeding investment in new orchards, especially in the almond industry. The Industrial segment revenues were reduced mainly because of weakness in Asia.

The Municipal segment sales were $7.2m, accounting for 6.8% of 2016 revenue, with the reduction due to a lack of investment by municipal entities in large infrastructure projects. Revenue in the Oil & Gas segment was $3.9m, or 3.7% of total sales, with the decline due to a reduction in projects as a result of the continuing low oil price environment, compared with a strong year in 2015 based on projects awarded in 2014 and delivered in 2015.

Global Activity

US & Latin America

In the US, revenues amounted to $23.6m compared with $26.0m in 2015 due to a decline in the Irrigation segment – primarily as a result of the drought in California impeding investment – and the Municipal and Oil & Gas segments. However, this was partly offset by an increase in revenues in the Industrial segment.

EMEA

Revenues in EMEA were significantly lower in aggregate over 2015, primarily due to weaker performance in Turkey – especially in the Oil & Gas segment where we'd delivered exceptional projects in 2015.

Specifically in Europe, the reported revenue was slightly below 2015, but would be higher on a constant currency basis, partly due to the first full twelve-month contribution in the Industrial and Municipal segments from a newly set up UK subsidiary. Sales in the Irrigation segment in Europe increased as the sales office established in the region continued to build on success of the prior year. Overall revenues in Europe in the second half of 2016 were 30% higher than in the first half.

Asia

Sales in Asia, on aggregate, decreased compared with 2015, but there were improved margins in non-irrigation business. In China, the Industrial segment continued to suffer due to the decline in the steel mill industry. However, revenues in China in the second half of 2016 were 80% higher than in the first half due to the delivery of Industrial segment projects.

Australia

In Australia, revenues were 11% higher at $11.1m. The Irrigation segment performed well based on sales of our new Omega and Sigma filters. The Industrial and Municipal segments also saw a slight increase in revenues, but there was a sharp drop in Oil & Gas revenues as expected.

Outlook

Amiad entered 2017 with a higher backlog compared with the same time of the prior year supported by increased customer demand. We expect good growth in the Irrigation segment, particularly in the US following the recovery from the drought, and an increase in revenue in the Industrial segment. However, if the weakness of the US Dollar against the New Israeli Shekel continues, it has the potential of having a negative impact. Consequently, we are committed to maintaining tight cost control whilst continuing to invest in targeted sales & marketing. Despite this, we expect to return to sales growth in 2017.

Dori Ivzori
Chief Executive Officer
24 April 2017

Chief Financial Officer's Statement

Revenue for the twelve months ended 31 December 2016 was $105.6m compared with $118.8m for 2015. The reduction was due to weakness across our segments and geographies (except Australia) – in particular, due a reduction in the number of substantial projects delivered in 2016, with some being delayed to 2017. However, as anticipated, revenue in the second half of the year was slightly higher than the first six months of 2016.

Gross margin was 39.3% (2015: 40.5%). We maintained tight cost control with lower selling & marketing and administrative & general expenses, however this was not sufficient to fully offset the decline in revenues and as a result operating margins declined. Spending on R&D increased as we invested in sustaining our product innovation to support future sales.

Operating profit was $3.7m (2015: $8.8m) and profit before tax was $3.1m compared with $6.7m for the prior year. Fully diluted earnings per share were $0.095 compared with $0.166 in 2015. Across the currencies with which Amiad operates, there was no material impact from foreign exchange movements in 2016. We have hedging arrangements in place for the first six months of 2017 that are secured at 2016 average FX rates.

As at 31 December 2016, cash and cash equivalents were $16.1m (30 June 2016: $16.2m). Net debt at year-end 2016 was $8.8m (30 June 2016: $10.4m), which was reduced more than expected as a result of tight management of the working capital and expense level.

Irit Ben-Dov
Chief Financial Officer, VP Finance
24 April 2017

New Products Driving Growth

SUPER GALAXY SERIES

Project case study
Power Plant – NC, USA

Storm water runoff treatment, before release to environment

Water source

Storm water

Benefits of Amiad solution

Polymeric construction renders it durable in corrosive environments, including brackish water.
High filtration efficiency at a low price.
Short automatic backwash with regulated water volume for a small footprint, long-term operation with minimal maintenance.

Project case study
Desalination Plant - Trinidad

Desalination for drinking water

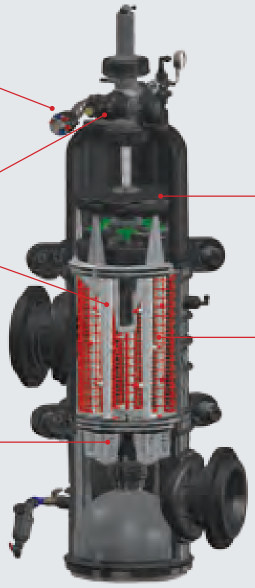
Water source

Sea water

Benefits of Amiad solution

Polymeric construction renders it durable in corrosive environments, including brackish water.
High filtration efficiency at a low price.
Short automatic backwash with regulated water volume for a small footprint, long-term operation with minimal maintenance.

SIGMA SERIES



Project case study
Protection for Drip Irrigation, Israel

Protection for drip irrigation in a persimmon grove

Water source
Wastewater

Benefits of Amiad solution
Polymeric construction, low working pressure, large filtration area, small footprint (compact) and easy installation.
Short automatic backwash with regulated water volume for a small water footprint; long-term operation with minimal maintenance.

Project case study
Protection for Drip Irrigation, S. Africa

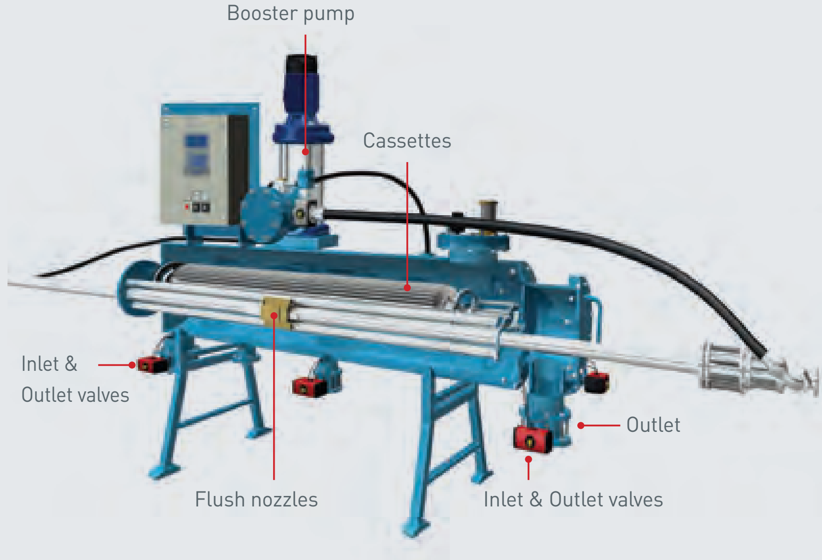
Protection for drip irrigation in a citrus plantation

Water source
River – Dam

Benefits of Amiad solution
Polymeric construction, low working pressure, large filtration area, small footprint (compact) and easy installation.
Short automatic backwash with regulated water volume for a small water footprint; long-term operation with minimal maintenance.

New Products Driving Growth

AMF SERIES



Project case study
Moveable Containerized System, Ireland

Turbidity removal and barrier to Criptosporidium in potable water plant

Water source

River - Underground

Benefits of Amiad solution

The AMF technology is compact – a single unit can be installed in a 20' container and a duplex system in a 40' standard container – making the AMF filter the ideal partner for integrated drinking water system providers who ship worldwide.

Project case study
La Reunion Project, Reunion Island, France

Water supply to drinking water plant of 5 municipalities, irrigation of surrounding field and water supply to hydroelectric plant

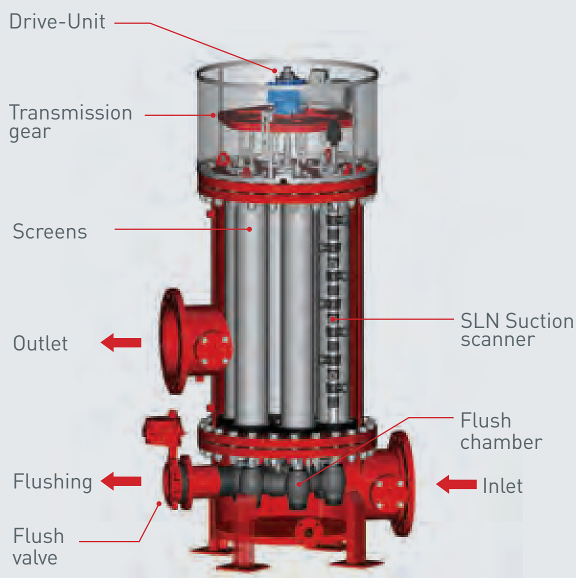
Water source

River water

Benefits of Amiad solution

After considering the use of a standard lamella clarifier (a type of settler designed to remove particulates from liquids), the customer chose our chemical-free solution despite a slightly higher price.

OMEGA SERIES



Project case study
Cooling Tower Filtration Unit, Mexico

Filtration in a power generation unit

Water source

Storm water

Benefits of Amiad solution

New technology with exceptionally high filtration area and flow rate per unit (alternative to Media filtration), enables lower OPEX.

Project case study
Drip irrigation, Australia

Protection for drip irrigation in anorchard

Water source

River

Benefits of Amiad solution

Amiad's new technology with exceptionally high filtration area and flow rate per unit protects the drip irrigation systems from clogging.

Directors' Report

For the year ended December 31, 2016

The Directors have pleasure in presenting their report together with the audited accounts of the Company and its subsidiaries for the year ended December 31, 2016.

1. Principal activities

The Company was incorporated in Israel in June 1997. On December 5, 2005, the Company's shares were admitted to trading on AIM, a market operated by the London Stock Exchange plc.

The Company is a producer and global supplier of water filters and filtration systems used in two key markets, being the industrial market, which includes municipal, ballast water and oil and gas markets, and the irrigation market.

The Company specialises in automatic self-cleaning filters that require low maintenance and can be adapted to provide bespoke solutions to a wide range of applications in a number of industries, in addition to a variety of other applications in the irrigation market.

2. Financial

A financial review of the results for the year 2016 is set out on page 7 and the full financial statements are from page 23 onwards.

3. Dividend

The directors approved a dividend payment for the year 2016 of 3.2 cents (US$) per share, with an ex-dividend date of April 6, 2017, a record date of April 7, 2017, and a payment date of May 4, 2017.

4. Business and strategic review

The information that fulfils the requirements of the strategic report and business review, including details of the results for the year ended December 31, 2016, principal risks and uncertainties, research and development, financial KPIs and the outlook for future years, are set out in the Chairman's, Chief Executive Officer's and Chief Financial Officer's statements on pages 5, 6 and 7 respectively, and in this Directors' Report.

5. Risk management

The Company's financial risk management is discussed in Note [4] to the financial statements. The Directors regularly assess the Company's key commercial risks, which are considered to be changing industry standards and the ability of larger competitors, with greater financial resources, to develop and market products and services that compete with those offered by the Company in terms of technology or pricing. Commercial risks are managed through ongoing research and development, enhancing know-how and technical capability resulting in the introduction of new products and services, and by maintaining high levels of customer service and commitment to understanding the needs of customers.

6. Share capital

Details of the issued share capital of the Company and movements during the year 2016 are set out on page 52.

7. Research and development

As at December 31, 2016 the Company employed 27 people worldwide in research and development and engineering.
It currently intends to invest 3.20 per cent of sales revenues on R&D on an ongoing basis.

8. Directors

The following Directors held office on December 31, 2016:

• Eli Opper	Appointed September 2014
• Dori Ivzori	Appointed November 2016
• Simon Olswang	Appointed April 2009
• Amos Shalev	Appointed July 2010
• Jenny Cohen Derfler	Appointed August 2013
• Zehava Simon	Appointed March 2014
• Avraham Azani	Appointed September 2014
• Derek Zissman	Appointed March 2015
• Gilead Fortuna	Appointed March 2015
• Oded Rosen	Appointed July 2015

Biographical details of the Directors are set out on pages 16-18.

Mr. Arik Dayan, who was appointed as excutive director in July 2009, ceased to serve as an executive director and Chief Executive Officer with effect from November 3, 2016.

Mr. Dori Ivzori was appointed as a director and Chief Executive Officer with effect from November 3, 2016.

9. Directors' Interests

As of December 31, 2016:

Director	Number of ordinary shares	Number of ordinary shares under option	Percentage of issued share capital on a fully diluted basis
Eli Opper	Nil	50,000	0.21
Dori Ivzori	Nil	125,000	0.55
Simon Olswang	Nil	Nil	Nil
Amos Shalev[1]	2,049,193	Nil	9.04
Jenny Cohen Derfler	Nil	Nil	Nil
Zehava Simon	Nil	Nil	Nil
Avraham Azani[2]	10,436,187	Nil	46.04
Derek Zissman	12,500	Nil	0.06
Gilead Fortuna	Nil	Nil	Nil
Oded Rosen[3]	10,434,187	Nil	46.04

1. Mr. Shalev serves as business development manager in Bermad Industries A.C.S. Ltd. ("**Bermad**") and in Kibbutz Evron. Out of the 2,049,193 ordinary shares in which Mr. Shalev was interested as of December 31, 2016, 10,750 ordinary shares were held directly and registered in his name and 2,038,443 ordinary shares were registered in the name of Bermad who is a party to a shareholders' agreement with Kibbutz Amiad, pursuant to which the parties have agreed to vote their shares together at all meetings of the shareholders of the Company, as shall be agreed between them or, in the absence of agreement, as shall be decided by Kibbutz Amiad.

2. Mr. Avraham Azani is a member of Kibbutz Amiad, HaChoshlim Foundation - Agriculture Cooperative Society for Business Ltd. ("**HaChoshlim Foundation**") and the Board of HaChoshlim Foundation. Out of the 10,436,187 ordinary shares in which Mr. Azani had an interest, as of December 31, 2016, 2,000 ordinary shares were held directly and registered in his name. 10,298,987 ordinary shares were held by A.M.SI. Investments (1997) Ltd., a wholly-owned subsidiary of HaChoshlim Foundation which is an affiliate of Kibbutz Amiad, and 135,200 ordinary shares were registered in the name of Kibbutz Amiad.

3. Mr. Oded Rosen is a member of Kibbutz Amiad and HaChoshlim Foundation, as well as a member of the Board of Kibbutz Amiad and the board of HaChoshlim Foundation. Out of the 10,434,187 ordinary shares in which Mr. Rosen had an interest, as of December 31, 2016, 10,298,987 ordinary shares were held by A.M.SI. Investments (1997) Ltd., a wholly-owned subsidiary of HaChoshlim Foundation - Agriculture Cooperative Society for Business Ltd., which is an affiliate of Kibbutz Amiad, and 135,200 ordinary shares were registered in the name of Kibbutz Amiad.

10. Directors' remuneration

Name	Salary/Fee benefits (in US $)		Pension contribution (in US $)		Total (in US $)	
	For the year ended		For the year ended		For the year ended	
	2015	2016	2015	2016	2015	2016
Simon Olswang	62,961	60,526	Nil	Nil	62,961	60,526
Arik Dayan*	346,553	718,324**	Nil	Nil	346,553	718,324**
Amos Shalev	17,837	23,651	Nil	Nil	17,837	23,651
Jenny Cohen Derfler	24,935	27,359	Nil	Nil	24,935	27,359
Zehava Simon	19,805	21,753	Nil	Nil	19,805	21,753
Avraham Azani	18,685	21,637	Nil	Nil	18,685	21,637
Eli Opper	160,189	148,829	Nil	Nil	160,189	148,829
Derek Zissman	46,922	59,785	Nil	Nil	46,922	59,785
Dr. Gilead Fortuna	12,283	20,269	Nil	Nil	12,283	20,269
Oded Rosen	8,360	23,557	Nil	Nil	8,360	23,557
Dori Ivzori***	____	52,057	____	2,656	____	54,714

* Mr. Arik Dayan resigned from his position as executive director and as the CEO of the Company, as of November 3, 2016.

** This includes Mr. Dayan's salary for the year and his retirement package.

*** Mr. Dori Ivzori took office as of November 3, 2016, and also serves as the CEO of the Company.

11. Health, safety and environmental policy

The Company recognises its legal responsibilities to ensure the well-being, safety and welfare of its employees and to maintain a safe environment for visitors and contractors. The Company has a health and safety policy which is available to all employees. In summary, the Company's policy is to behave in an environmentally responsible manner, consistent with local legislation and protocols.

12. Substantial shareholders

As at December 31, 2016, the Company had been notified of the following interests in 3 per cent or more of the issued ordinary share capital of the Company:

Name	Number of shares	% of issued ordinary share capital
Kibbutz Amiad Agricultural Cooperative Association Ltd.*	10,434,187	46.04
Kleinwort Benson Investors Dublin Ltd.	2,242,657	9.90
Bermad Industries Agricultural Cooperative Association Ltd.	2,038,433	8.99
Impax Asset Management Limited	1,607,763	7.09
ACTIAM	1,071,355	4.73
Kibbutz Beit Zera Agricultural Cooperative Association Ltd.	1,019,223	4.50
Hunter Hall Investment Management Limited	920,000	4.06

* As of December 31, 2016, 135,200 of these shares were directly held by Kibbutz Amiad and 10,298,987 shares were held by A.M.SI. Investments (1997) Ltd., a wholly-owned subsidiary of HaChoshlim Foundation - Agriculture Cooperative Society for Business Ltd. which is an affiliate of Kibbutz Amiad.

13. Creditor payment policy and practice

The Company's policy is that payments to suppliers are made in accordance with the terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

14. Going concern

The directors have reviewed the latest forecast results and cash flow projections of the Company. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

15. Directors' responsibilities

The Israeli Companies Law, 5799-1999 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the relevant financial year pursuant to applicable accounting standards.

16. Auditors

Kesselman & Kesselman, a member of PricewaterhouseCoopers International Limited, were appointed as the Company's auditors for the financial year ended December 31, 2016. The total fee paid to the Company's auditors for audit services rendered to the Company during that year was NIS 500,000.

17. Nominated adviser and broker

The Company's nominated adviser and broker is Stifel Nicolaus Europe Limited.

By order of the Board
April, 2017

Eli Opper
Chairman

Dori Ivzori
Chief Executive Officer

Directors' & Senior Management Biographies

Eli Opper

Non-executive Chairman

Mr. Opper was appointed Non-executive Chairman in September 2014. He has over 45 years' experience in the global engineering and technology sectors. He has held an array of high profile roles, including Chief Scientist at the Ministry of Economy in Israel from 2002–2010 and Chairman of intergovernmental organisation for innovation funding, EUREKA, where he lead the promotion of industrial research and development from 2010–2011. Mr. Opper began his career in 1968 as a Communication & Navigation Engineer in the Israeli Air Force before spending a year as a researcher at The Technion-Israel Institute of Technology. In 1973 he joined Rafael Advanced Defense Systems where he spent 27 years, holding several senior positions, including Vice President of Research and Development, Chief of Staff, Vice President of Advanced Topics and General Manager of the Electronic Systems Division. After leaving Rafael, he joined Giza Venture Capital before being appointed Chief Scientist.

More recently, Mr. Opper has held, and continues to hold, a number of advisory roles focusing on R&D and innovation policy for both government organisations and companies. He has also presented at numerous conferences and is a well-known lecturer on R&D policy and economical growth engines.

Dori Ivzori

Chief Executive Officer

Mr. Ivzori was appointed CEO of Amiad on November 3, 2016. Mr. Ivzori joined Amiad from Tama Plastic Industry, General Partnership ("Tama Plastics") where he was the Managing Director, performing the functions of Chairman and CEO of the business since 2008. As Managing Director, he was responsible for the strategic direction of Tama Plastics, including M&A in Europe and the USA, and the running of the day-to-day operations. Tama Plastics is a world-leading manufacturer of cutting-edge agricultural technology with a turnover of over US$500m and more than 1,300 employees spread across nine production sites and 15 subsidiaries. Prior to his promotion to Managing Director, Mr. Ivzori held other senior posts at Tama Plastics since 2000. Mr. Ivzori was admitted to the Bar in Israel in 2000 and started his career in 1986 working in Kibbutz Mishmar Haemek, including four years managing the kibbutz's farming activity.

Simon Olswang

Statutory External Director

Mr. Olswang joined the board on April 1, 2009 as a statutory external director following a distinguished career in law and business. Since retiring from the law, among other appointments, Simon has served as a member of the Board of the British Library, Advisory Board of Palamon Capital Partners and on the board of Amdocs Limited (NASDAQ: DOX), a leading provider of technology to the global telcos and cable companies where he is a member of the Audit Committee and chairs the Nominating and Corporate Governance Committee. He was appointed to the Board of Trustees of Tel Hai Academic College in Israel in April 2012.

Amos Shalev

Non-executive Director

Mr. Shalev joined the Board as a non-executive director on August 3, 2010. Mr. Shalev currently serves as the Chairman of Bermad A.C.S. Ltd. and Evron-Tamam Recycling Ltd. Partnership. He has previously served on the Board of Directors of Miluot Regional Cooperative and Arkal Filtration Systems A.C.S. Ltd., has held the position of CEO and International Marketing Manager of Bermad A.C.S. Ltd. and until recently served as Director in the Israel Export and International Cooperation Institute. Mr. Shalev studied Management, Administration, International Marketing & General Marketing at Tel Aviv University, Haifa University and Ruppin Academic Center.

Jenny Cohen Derfler

Non-executive Director

Ms. Cohen Derfler was appointed as non-executive director as of August 13, 2013. She has over 25 years' experience of conducting business at multinational companies, including over 18 years at Intel where she performed various management roles, such as General Manager of Intel's factory in Kiriat Gat, Israel. In 2008, Ms. Cohen Derfler left Intel to take-up a senior director and factory manager position at Numonyx BV, an Intel spin-off, which was subsequently acquired by Micron Semiconductors, where she spent six years as General Manager of the manufacturing facility. Her most recent role was Vice President of Global Operations at electric vehicle network services provider, Better Place. Ms. Cohen Derfler now divides her time between "Haredim to the Academy", a non-profit social investment fund, and "Air Doctor", a start-up company.

Avraham Azani

Non-executive Director

Mr. Azani joined the Board as a non-executive director in September 2014. Mr. Azani is a member of Kibbutz Amiad and has over 40 years of business experience. He has spent the majority of his career at Kibbutz Amiad, including as Finance Director. From 2010 up to the beginning of 2017, Mr. Azani served as a Director of Kibbutz Amiad and a member of its Economic Committee. From 2015 Mr. Azani has served as a board member of HaChoshlim Foundation - Agriculture Cooperative Society for Business Ltd., an affiliate of Kibbutz Amiad. He was appointed as non-executive director of Amiad after having sat as an observer on the Board for two years.

Zehava Simon

Non-executive Director

Ms. Simon joined the Board as a non-executive director on March 31, 2014. She has significant experience in conducting business at multinational technology companies, most recently spending over 10 years at BMC Software Inc, which she joined in 2000 as VP of Finance & Operations for BMC Software Israel before being appointed Regional VP, CEO & President of the Israeli subsidiary and then promoted to VP of Corporate Development for BMC Software based at the company's headquarters in Houston, Texas. Prior to this, Ms. Simon held various positions at Intel Israel, including leading Finance & Operations where she was responsible for growing the business' footprint in Israel and expanding operations. During her career, Ms. Simon has held several advisory roles, including as Director of Insightec, M-Systems and Tower Semiconductor. In addition, she has advised the Israeli Trade Ministry and US-Israel Chamber of Commerce. Ms. Simon is currently a Director of AudioCodes Ltd. (NASDAQ: AUDC; TASE: AUDC), Nova Measuring Instruments Ltd. (NASDAQ: NVMI) and Nice-Systems Ltd. (NASDAQ:NICE).

Derek Zissman

Statutory External Director

Mr. Zissman joined the board on March 3, 2015 as a statutory external director. Mr. Zissman, a UK Chartered Accountant, has over 45 years' experience in the capital markets in the UK. He joined KPMG UK ("KPMG") in 1971 and was promoted to Partner within five years – a position he held for over 30 years. During his time at KPMG, Mr. Zissman was a founding Partner of the UK's Corporate Finance Group and the Private Equity Group in the UK and US. Following his retirement in March 2008, he has held Directorships at Alchemy Partners, Barclays Wealth & Investment Management Advisory Board and Seymour Pierce. He is a current Director and member of the Audit Committee at a number of companies operating in the IT, leisure, food, transportation and engineering sectors, including AIM-listed The 600 Group PLC.

Directors' & Senior Management Biographies (continued)

Dr. Gilead Fortuna

Non-executive Director

Dr. Fortuna joined the Board as a non-executive director on March 27, 2015. He has over 40 years' experience in business development, strategy and R&D, primarily in the technology, chemical engineering - including water treatment - and pharmaceutical sectors. He holds a BSc and MSc from the Technion - Israel's Institute of Technology - and a PhD in Chemical Engineering from the University of Illinois. During his career, he has held senior positions at ICL-Israel Chemicals Ltd. (NYSE and TASE: ICL) and at Teva Pharmaceutical Industries Ltd. (NYSE and TASE: TEVA). In 2000, he established Aquise Ltd., a water treatment company in Israel. Currently, Dr. Fortuna serves as a Senior Research Fellow, Founder and Head of the "Center for Industrial Excellence" at the Samuel Neaman Institute for National Policy Research. As part of this role, he is a consultant to Newtech, a government agency responsible for advancing Israel's national water and energy program and serves on the Board of Governors and Council of the Technion and as a member of the committee of Science R&D policy of the Israeli Ministry of Science.

Oded Rosen

Non-executive Director

Mr. Rosen joined the board as a non-executive director on July 28, 2015. He has been a member of Kibbutz Amiad, which is the major shareholder of the Company, since 1961 and currently sits on the General Management Board of the Kibbutz and Hachoshlim Foundation - Agricultural Cooperative Society for Business Ltd. In 1982, he joined the Company as CEO and was instrumental in Amiad's decision to enter the automatic filtration market. He subsequently assumed the position of Vice President for Production Operations, a role he held from 1986 until his retirement in 2010.

Irit Ben-Dov

Chief Financial Officer

Ms. Ben-Dov, a Certified Public Accountant, has approximately 20 years' financial management experience with public companies as well as private businesses. She joined Amiad in February 15, 2015 from Baccara Geva A.C.S. Ltd., an Israeli manufacturer of pneumatics, automation and control solutions, where she was V.P. of Business and Finance. Since 2012, she has been an External Director of Caesarstone Sdot-Yam Ltd., a NASDAQ-listed manufacturer of engineered quartz stone surfaces and currently holds the position of Chairman of the Audit Committee. She has also been an External Director of Palram Industries) Ltd., a TASE-listed manufacturer of extruded thermoplastic sheets since 2015. Ms. Ben-Dov was an External Director of Polyram Ltd, a TASE-listed manufacturer of components for the automotive, electrical, irrigation and construction industries between 2010 and 2015, where she is Chairman of the Balance Sheet Committee. Prior to Baccara, Ms. Ben-Dov was CFO at Plassim, a manufacturer of multi-purpose plastic piping systems and solutions for domestic sanitation and waste discharge. Plassim is a wholly-owned subsidiary of Gaon Agro Industries Ltd., a holding company that was listed on TASE. From 2003-2010, Ms. Ben-Dov was CFO of Maytronics Ltd., a TASE-listed water treatment systems manufacturer and distributor, headquartered in Israel with operations in the US and France. At Maytronics, she was responsible for all financial management and regulatory obligations with regards to TASE. She also played a central role in leading strategic business processes, including the listing on TASE, the foundation of the subsidiary in the US and the establishment of its finance system, and the acquisition of a company in France. Prior to this, Ms. Ben-Dov was an accountant at Ernst & Young. She began her career in 1996 as Cost Accountant at Kibbutz Yizrael.

Corporate Governance Report

For the year ended December 31, 2016

As the Company's shares are traded on AIM, the Company is not required to comply with the UK Corporate Governance Code published by the Financial Reporting Council (the "Code"). However, the Directors recognise the importance of sound corporate governance and intend that the Company will comply with the main provisions of the Code and Corporate Governance Code for Small and Mid-size Quoted Companies 2013 insofar as they are appropriate given the Company's size and stage of development and insofar as is permitted by the Israeli Companies Law, 5759-1999 (the "Israeli Act"). Accordingly, a statement of how the Code has been applied by the Company and how it is intended it will continue to be applied is given below.

The Company also intends to comply with the applicable corporate governance requirements under the Israeli Act. Further details are set out below.

1. Board of Directors

During the course of 2016, the Company maintained a balanced board of directors (the "**Board**") comprising one executive director and the remainder non-executive directors.

The Company's executive director is Mr. Dori Ivzori (Chief Executive Officer). Mr. Ivzori was appointed as executive director and Chief Executive Officer on November 3, 2016, and replaced the retiring executive director and Chief Executive Officer, Mr. Arik Dayan, who held the position throughout 2016 until his retirement.

The non-executive directors of the Company during the year were:

- Eli Opper (Chairman)
- Simon Olswang
- Amos Shalev
- Jenny Cohen Derfler
- Zehava Simon
- Avraham Azani
- Derek Zissman
- Dr. Gilead Fortuna
- Oded Rosen

Biographical details of the directors are set out on pages 16-18.

Mr. Olswang and Mr. Zissman are statutory external directors and considered to be independent, all in accordance with the independence criteria stipulated in section 12 of this Corporate Governance Report. Under the Code, Mr. Olswang, Mr. Zissman, Ms. Simon, Ms. Derfler and Mr. Fortuna are considered to be independent in accordance with the criteria set forth in this section. The difference between the two classifications is that the Ms. Simon, Ms. Derfler and Mr. Fortuna had not given an external director's declaration and that the Audit Committee has not classified them as being independent in accordance with the criteria of the Israeli Act.

The Board is responsible for promoting the success of the Company by directing and supervising the Company's affairs and formulating, reviewing and approving the Company's strategy, budgets and corporate actions.

The roles of Chairman and Chief Executive Officer have been separated and clearly defined. The principal differentiating factors in their respective responsibilities are:

Chairman
Reports to the Board
Only the Chief Executive Officer reports to him
Responsible for leadership of the Board

Chief Executive Officer
Reports to the Chairman and the Board
All executive management report to him, directly or indirectly
Responsible for managing the business and operations of the Company
Responsible for implementing the Board's decisions

The Code recommends that the board of directors of a listed company should include an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision taking. The Code states that the board should determine whether a director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The Board has considered the independence of its non-executive directors in line with the principles of the Code and, following careful consideration, assessed that, in the period from January 1, 2016 to December 31, 2016, five of the Company's directors were non-executive directors considered by the Board to be independent.

2. Board conduct

The Company seeks to hold Board meetings at least four times each financial year and at other times as and when necessary.

There were seven Board meetings in 2016, held on March 23, May 4, June 6, June 21, September 6, November 15 and December 13. Mr. Avraham Azani was absent from the meeting which took place on June 6.

At each Board meeting, there is a formal schedule of matters reserved for the Board's attention.

Board packs containing relevant financial and non-financial information are supplied to directors in advance of each Board/committee meeting. Additional requests for information from directors are met and directors are entitled to table agenda items at Board meetings.

The appointment and removal of the company secretary is a matter for the Board as a whole.

The non-executive directors' terms of appointment entitle them to take independent professional advice as required, at the Company's expense.

3. Retirement and re-election

Other than those directors who are "external directors" for the purpose of the Israeli Act and whose appointment must be made in accordance with the provisions of the Israeli Act, directors are, under the Company's articles of association, required to stand for re-election at each Annual General Meeting.

Each of the directors (other than the external directors) will seek re-election at the forthcoming Annual General Meeting of the Company. The Board considers that the performance of each of these directors has, since their appointment, been effective and that they have demonstrated commitment to their roles.

4. Relations with shareholders

Mr. Arik Dayan, in the relevant period in 2016 for which he served the Company as Chief Executive Officer, Mr. Dori Ivzori, the current Chief Executive Officer since November 3, 2016, and Ms. Irit Ben Dov, Chief Financial Officer, have met regularly with institutional shareholders and analysts. Non-executive directors are also available for such meetings, subject to institutional shareholder requests.

Press releases were issued throughout the year and the Company maintained a website (www.amiad.com) during that period. Additionally, this annual report, which is sent to all registered shareholders and holders of depositary interests, contains extensive information about the Company's activities. Enquiries from individual shareholders on matters relating to their shareholdings and the business of the Company are welcomed.

The Annual General Meeting is a key forum for communication with shareholders. The notice of meeting and annual report and accounts will be sent out at least 20 UK working days before the meeting. Shareholders are encouraged to attend the Annual General Meeting to discuss the progress of the Company.

As was the case with the Company's 2016 Annual General Meeting, separate votes will be held for each proposed resolution at this year's Annual General Meeting and a proxy count will be given in each case.

5. Internal control

The Board has overall responsibility for the Company's internal control and effectiveness in safeguarding the assets of the Company. Internal control systems are designed to reflect the particular type of business and operations risks and to identify and manage risks, but not entirely all potential risks to which the business is exposed. As a result, internal controls can only provide a reasonable, but not absolute, assurance against material misstatements or loss.

The processes used by the Board to review the effectiveness of the internal controls are through the audit committee and the executive management reporting to the Board on a regular basis, where business plans, budgets and authorisation limits for the approval of significant expenditure, including investments, are appraised and agreed.

The Board also seeks to ensure that there is a proper organisational and management structure across the Company with clear responsibilities and accountability. The Board is also at liberty to engage independent professional advice on risk assessment matters.

6. Audit Committee

Under the Israeli Act, the board of directors of a public company must appoint an audit committee from among its members. The number of members of the audit committee must be no fewer than three directors, including all the "external directors" which every Israeli public company is required to have and with the majority of independent directors (according to the definition of independency under the Israeli Act). The Company has established an audit committee of the Board (the "**Audit Committee**"). In the period between January 1, 2016 and December 31, 2016, the committee comprised Mr. Derek Zissman, Ms. Jenny Cohen Derfler and Mr. Simon Olswang, who serves as the chairman of the Audit Committee.

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It receives and reviews reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee adheres to detailed terms of reference, which are available for inspection upon request. The Audit Committee is given unrestricted access to the Company's auditors. Under the Israeli Act, the Audit

Committee's role also includes the review and approval of certain related party transactions.

The Audit Committee holds, twice a year, a discussion regarding deficiencies in the management of the Company's business in the presence of the internal auditor and the external auditor of the Company, and without the presence of the officers who are not members of the Audit Committee, after giving them the opportunity to express their views.

The Audit Committee regularly reports its decisions and recommendations to the Board.

There were five meetings of the Audit Committee in 2016, held on March 22, April 21, June 6, September 5 and December 12. All of the relevant Audit Committee members attended these meetings.

7. Remuneration Committee

Under the Israeli Act, the board of a public company must appoint a remuneration committee from among its members (the "**Remuneration Committee**"). The number of members of the Remuneration Committee must be no fewer than three directors, including all the "external directors" which every Israeli public company is required to have and with the majority of independent directors (according to the definition of independency under the Israeli Act). In the period between January 1, 2016 and December 31, 2016, the Remuneration Committee comprised of Mr. Simon Olswang, Ms. Jenny Cohen Derfler and Mr. Derek Zissman, who serves as the chairman of the Remuneration Committee.

The Remuneration Committee's responsibility is to make recommendations to the Board with respect to updates on the Company's remuneration policy for the terms of service and employment of office holders and to examine the remuneration policy's implementation from time to time. In addition, the Remuneration Committee decides whether to approve transactions concerning the terms of service or employment of the office holders of the Company and holds the authority to provide an exemption, under certain circumstances, from obtaining approval of the general meeting of the shareholders, to the appointment of a candidate to serve as the chief executive officer. The Remuneration Committee also serves as nomination committee. The Company's remuneration policy is published on the Company's website.

The Remuneration Committee regularly reports its decisions and recommendations to the Board.

There were four meetings of the Remuneration Committee in 2016, held on March 22, June 6, June 16 and September 5. All of the relevant Remuneration Committee members attended these meetings.

According to section 267A to the Israeli Act, a remuneration policy that every Israeli public company is required to adopt expires at the end of the three year period following its adoption. As per the Israeli Act, remuneration policy is intended to regulate and set guidelines for the remuneration of the office holders of the company. In 2016, the Company's 2013 remuneration policy expired and the 2016 Remuneration Policy was adopted by the Company, after the recommendation and approval of the Remuneration Committee, the approval of the Board and with the approval of the shareholders of the Company by the majority vote required (both simple majority vote and special majority vote).

8. Strategic Committee

During 2015, the Board established a strategic committee (the "**Strategic Committee**"). The number of members of the Strategic Committee must be no fewer than three members, which will be appointed by the Board. The executive director who serves as the Chief Executive Officer shall be a member of the Strategic Committee. The Strategic Committee shall aim to meet at least three time a year. In the period between January 1, 2016 and December 31, 2016, the Strategic Committee comprised of Mr. Arik Dayan (until November 2016 when he was replaced by Mr. Dori Ivzori), Mr. Amos Shalev, Ms. Zehava Simon, Mr. Oded Rosen, Mr. Simon Olswang, Dr. Gilead Fortuna and Mr. Eli Opper, who serves as the chairman of the Strategic Committee.

The Strategic Committee's responsibility is to advise and make recommendations to the Board with respect to Company's business strategy.

The Strategic Committee regularly reports its decisions and recommendations to the Board.

There were two meetings of the Strategic Committee in 2016, held on January 25 and August 8.

9. Finance Committee

During 2015, the Board established a finance committee (the "**Finance Committee**"). The number of members of the Finance Committee must be no fewer than three members, which will be appointed by the Board. The Finance Committee shall aim to meet at least three times a year. In the period between January 1, 2016 and December 31, 2016, the Finance Committee comprised of Mr. Derek Zissman, Mr. Avraham Azani and Ms. Zehava Simon, who serves as the chairman of the Finance Committee.

The Finance Committee's responsibility is to review and make recommendations to the Board on financial strategies and policies that support the mission, values, and strategic goals of the Company.

The Finance Committee regularly reports its decisions and recommendations to the Board.

There were two meetings of the Finance Committee in 2016, held on February 29 and June 20.

10. Internal audit

Under the Israeli Act, the board of directors of a public company must appoint an internal auditor proposed by the audit committee. The role of the internal auditor is to examine whether such public company's actions comply with the law, integrity and orderly business procedure. The internal auditor must not be an interested party or office holder, or a relative of any interested party or office holder, or a member or representative of the Company's external auditors. The Israeli Act defines the term "interested party" for such purposes so as to include a person who holds five per cent or more of the Company's outstanding share capital or voting rights, a person who has the right to appoint one or more directors or the general manager or any person who serves as a director or as the general manager.

The Company's internal auditor is a certified accountant, nominated by the Audit Committee and approved by the Board. The internal auditor is invited to attend every meeting of the Audit Committee. The internal auditor performs an internal audit according to an annual plan that is based on a risk assessment that was conducted by the said internal auditor in the Company.

11. Share dealings

Since it was admitted to trading on AIM, the Company has maintained a code for directors' and employee share dealings. In light of the new Market Abuse Regulation (EU No 596/2014) coming into force in July 2016, the Company has adopted in 2016 a new Code on Dealing that also corresponds to the new regulation.

12. External directors

The Israeli Act requires public companies to elect at least two members who qualify as "external directors" under the Israeli Act. At least one of the external directors must have "financial and accounting expertise" and the other external director must have either a "professional qualification" or "financial and accounting expertise". The conditions and criteria for a director qualifying as having financial and accounting expertise or a professional qualification (as the case may be) are set out in regulations which have been adopted under the Israeli Act. The evaluation of the external directors' expertise is carried out by the Board.

Each external director must meet certain standards of independence at the time of his or her appointment and during the two year period prior to such appointment. Pursuant to such standards, an external director must not have, at the time of his or her appointment and during a period of two years prior to his or her appointment, any affiliation with the Company, its controlling persons or any entity which was controlled by the Company or any of its controlling persons at the time of his or her appointment or at any time during the two year period immediately prior to his or her appointment. Affiliation includes employment relationships, business and professional relationships on a regular basis, control relationships and service as an office holder.

The term "affiliation" does not include an affiliation resulting from such person being appointed to serve as a director of the Company during a period that the Company's shares are about to be offered for the first time to the public. Also, and without derogating from the foregoing, an individual must not serve as an external director if he, his relative, his partner, his employer or the person to whom he is directly or indirectly subject or, if a body corporate of which he is a controlling member, has or had - on the date of the appointment or during the two years that preceded the appointment - business or professional ties with a person to whom an affiliation or relationship is prohibited as described above, even if those ties are not general except for negligible ties - and also an individual who received consideration in violation of the provisions of section 244(b) to the Israeli Act.

In addition, a person may not be appointed as an external director if his other activities or position create or are likely to create a conflict of interest with his service as a director.

The initial term of an external director according the Israeli Act is three years. The external director may be re-elected, subject to certain circumstances and conditions, for up to two additional terms of three years each, and thereafter, subject to conditions set out in the regulations promulgated under the Israeli Act, to further three year terms.

Mr. Simon Olswang and Mr. Derek Zissman were elected on February 25, 2015 to serve as the Company's external directors for a third term and a first term, respectively, for a duration of three years, at a specially convened extraordinary general meeting.

By order of the Board
April, 2017

Eli Opper
Chairman

Dori Ivzori
Chief Executive Officer

Independent Auditor's Report and Financial Statements 2016

For the year ended December 31, 2016

Independent Auditor's Report

To the shareholders of
AMIAD WATER SYSTEMS LTD.

We have audited the accompanying consolidated statements of financial position of Amiad Water Systems Ltd. (hereafter - the Company) as of December 31, 2016 and 2015, and the related consolidated statement of comprehensive income, statements of changes in equity and statements of cash flows for each of the two years in the period ended on December 31, 2016. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of certain consolidated companies, whose assets included in consolidation constitute approximately 24.9% and 17.6% of total consolidated assets as of December 31, 2016 and 2015 respectively, and whose revenues included in consolidation constitute approximately 23.7% and 25% of total consolidated revenues for each of the two years in the period ended December 31, 2016 respectively. The financial information of the above consolidated companies was audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to financial information included for these companies, is based on reports of the other auditors.

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

In our opinion, based on our audit and the reports of other independent auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2016 and 2015, and the consolidated results of their operations, changes in equity and their cash flows for each of the two years in the period ended on December 31, 2016, in accordance with International Financial Reporting Standards (IFRS).

Haifa, Israel	Kesselman & Kesselman
March 28, 2017	Certified Public Accountants (Isr.)
	A member firm of PricewaterhouseCoopers International Limited

Consolidated Statements of Financial Position

	Note	December 31	
		2016	2015
		$ in thousands	
Assets			
Current Assets			
Cash and cash equivalents	14a	16,091	17,018
Financial assets at fair value through profit or loss - derivatives	14d	85	148
Trade and other receivables:	14b		
Trade		33,939	36,014
Other		4,331	4,488
Inventories	7	24,938	24,719
Current income tax assets		417	430
Total Current Assets		79,801	82,817
Non-Current Assets:			
Investment in joint venture		10	10
Severance pay fund, net	10	361	95
Long-term receivables		59	43
Property, plant and equipment	5	10,783	10,731
Intangible assets	6	14,532	15,690
Deferred income tax assets	13g	2,222	1,778
Total Non-Current Assets		27,967	28,347
Total Assets		107,768	111,164

Eli Opper	Dori Ivzori	Irit Ben-Dov
Chairman of the Board	CEO and Director	CFO

Date of approval of the financial statements by the board of directors: March 29, 2017.

Consolidated Statements of Financial Position

(continued)

	Note	December 31 2016	December 31 2015
		$ in thousands	
Liabilities and Equity			
Current Liabilities:			
Bank credit and current maturities of borrowings from bank	14c	11,253	14,188
Financial liabilities at fair value through profit or loss- derivatives	14d	66	214
Trade and other payable:	14e		
Trade		13,854	15,461
Other		10,278	9,946
Liability to the CEO of a subsidiary	17	-,-	1,367
Current income tax liability		816	321
Total Current Liabilities		36,267	41,497
Non-Current Liabilities:			
Borrowings from banks (net of current maturities)	8	13,596	11,673
Liability to the CEO of a subsidiary	17	-,-	1,508
Accrued severance pay, net	10	369	321
Deferred income tax liabilities	13g	6	329
Total Non-Current Liabilities		13,971	13,831
Total Liabilities		50,238	55,328
Equity:	12		
Capital and reserves attributable to equity holders of the Company:			
Share capital		2,798	2,798
Capital reserves		28,520	28,437
Transaction with non-controlling interests		(259)	(180)
Currency translation reserve		(6,288)	(4,145)
Retained earnings		29,857	28,773
		54,628	55,683
Non-controlling interests		2,902	153
Total Equity		57,530	55,836
Total Liabilities and Equity		107,768	111,164

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

Consolidated Statements of Comprehensive Income

	Note	Year ended December 31 2016	2015
		$ in thousands except per share data	
Revenue	14f	105,590	118,779
Cost of revenue	14g	64,077	70,630
Gross Profit		41,513	48,149
Research and development, net	14h	3,402	2,932
Selling and marketing costs	14i	24,423	25,460
Administrative and general expenses	14j	9,953	11,049
Other gains (losses)	14k	(34)	114
Operating Profit		3,701	8,822
Finance income	14l	1,009	790
Finance costs		(1,622)	(2,960)
Finance costs, net		(613)	(2,170)
Profit before income taxes		3,088	6,652
Income tax expenses	13h	677	1,581
Profit for the year		2,411	5,071
Other comprehensive loss (income):			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations, net		(260)	92
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		2,147	1,963
Other comprehensive income for the year		1,887	2,055
Total comprehensive income for the year		524	3,016
Profit attributable to:			
Equity holders of the Company		2,342	4,921
Non-controlling interests		69	150
		2,411	5,071
Total comprehensive income attributable to:			
Equity holders of the Company		459	2,872
Non-controlling interests		65	144
		524	3,016
Earnings per share attributable to the equity holders of the Company during the year (see note 15):			
Basic		0.103	0.217
Diluted		0.095	0.166

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

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company								
	Number of shares	Share capital	Capital reserve	Currency translation reserve	Transaction with non-controlling interest	Retained earnings	Total	Non-controlling interest	Total equity
	$ in thousands								
Balance At 1 January 2015	22,663,651	2,798	28,371	(2,188)	(180)	23,944	52,745	9	52,754
Comprehensive income (loss):									
Profit (loss) for the year						4,921	4,921	150	5,071
Currency translation differences				(1,957)			(1,957)	(6)	(1,963)
Remeasurement of net defined						(92)	(92)		(92)
benefit liability				(1,957)		4,829	2,872	144	3,016
Total comprehensive income (loss)									
Transaction with owners:									
Recognition of compensation related to									
employee stock and options grants			66				66		66
Total transaction with owners			66				66		66
Balance At December 31, 2015	22,663,651	2,798	28,437	(4,145)	(180)	28,773	55,683	153	55,836
Comprehensive income (loss):									
Profit for the year						2,342	2,342	69	2,411
Currency translation differences				(2,143)			(2,143)	(4)	(2,147)
Remeasurement of net defined									
benefit liability						260	260		260
Total comprehensive income (loss)				(2,143)		2,602	459	65	524
Transaction with owners:									
Transaction with non-controlling									
interests					(79)		(79)	2,684	2,605
Recognition of compensation related to									
employee stock and options grants			83				83		83
Dividend ($0.067 per share)						(1,518)	(1,518)		(1,518)
Total transaction with owners			83		(79)	(1,518)	(1,514)	2,684	1,170
Balance At December 31, 2016	22,663,651	2,798	28,520	(6,288)	(259)	29,857	54,628	2,902	57,530

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

Consolidated Statements of Cash Flows

	Note	2016	2015
		Year ended December 31	
		$ in thousands	
Cash Flows From Operating Activities:			
Cash generated from operations	16	6,166	16,425
Interest paid		(764)	(781)
Interest received		124	130
Income taxes paid, net		(635)	(312)
Net cash generated from operating activities		4,891	15,462
Cash Flows From Investing Activities:			
Purchase of property, plant and equipment		(2,564)	(2,084)
Purchase of intangible assets		(225)	(334)
Investment grants received		127	131
Proceeds from sale of property, plant and equipment		38	131
Restricted deposit		465	25
Net cash used in investing activities		(2,159)	(2,131)
Cash Flows From Financing Activities:			
Dividends paid to equity holders of the Company		(1,518)	-,-
Receipt of long-term borrowings		9,014	10,000
Payments of long-term borrowings		(11,394)	(8,522)
Increase (decrease) in bank credit and short-term borrowing, net		1,370	(10,958)
Net cash used in financing activities		(2,528)	(9,480)
Exchange Rate Loss On Cash And Cash Equivalents		(1,131)	(923)
Net Increase (Decrease) In Cash And Cash Equivalents		(927)	2,928
Cash And Cash Equivalents At Beginning Of Year		17,018	14,090
Cash And Cash Equivalents At End Of Year		16,091	17,018

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

Notes to Consolidated Financial Statements

(continued)

NOTE 1 - GENERAL INFORMATION:

a. Amiad Water Systems Ltd. (hereafter –"the Company") and its subsidiaries (together- the Group) is a producer and global supplier of water filters and filtration systems used in the industrial & municipal market and the irrigation market.

b. The Company was incorporated in Israel in June 1997. The address of its registered office is Kibbutz Amiad, Israel.
The Company is traded in the Alternative Investment Market in London (AIM), a part of the London Stock Exchange, since December 2005. The principal shareholders of the Company holding, as of the report release date, are Kibbutz Amiad (hereafter - The "Kibbutz"), who holds directly 3% of the Company's outstanding shares, and HoChoshlim Foundation - Agricultural Cooperative Society for Business Ltd. (hereafter 'HaChoshlim Foundation'), an affiliate of Kibbutz Amiad, who holds A.M.S.I. Investments Ltd. (hereafter - "AMSI"), the holding company through which the Kibbutz held shares representing 45.4% of the Company's outstanding shares. The Kibbutz has transferred HaChoshlim Foundation the entire issued share capital of AMSI on December 21, 2016 as part of its assets re-organization (hereafter - the "Share Transfer").

c. On June 30, 1998, the Company entered into an agreement ("the purchase agreement") with the Kibbutz and with the limited partnership (hereinafter – "Partnership"), in which the Kibbutz is the general partner whereby all of the Partnership's business activities, assets, including goodwill and intellectual property, but excluding property rights (lease rights and/or ownership to land and buildings) were transferred to the Company in effect as from January 1, 1998. All of the Partnership's liabilities were also transferred to the Company as of the same date, except for certain guarantees and charges that remained in the Partnership.

d. HaChoshlim Foundation and AMSI are engaged in a shareholders agreement with Kibbutz Beit Zera Cooperative Agricultural Society Ltd. and two cooperative societies held by Beit Zera (hereinafter – "Beit Zera") which own 4.5% of the Company's outstanding shares and with Bermad Industries Cooperative Agricultural Society Ltd. (hereinafter – "Bermad") which owns 8.99% of the Company's outstanding shares. The agreement was signed at April 2010 between the Kibbutz, AMSI, Beit Zera and Bermad, upon Beit Zera and Bermad becoming shareholders in the Company pursuant to the acquisition of Arkal Filtration Systems Cooperative Agricultural Society Ltd. The Shareholders Agreement was assigned from the Kibbutz to HaChoshlim Foundation upon the Share Transfer described above. AMSI remained a party to the Shareholders Agreement.

Pursuant to the shareholders agreement the parties thereto shall vote their shares together at all meetings of the shareholders of the Company, as shall be agreed among them or in the absence of an agreement as shall be decided by the Kibbutz. In addition, the shareholders agreement imposes on Beit Zera and Bermad certain limitations on the transferability of shares of the Company they received pursuant to the acquisition of Arkal Filtration systems Cooperative Agricultural Society Ltd.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these consolidated financial statement, are set out below. These policies have been consistently applied through all the years presented, unless otherwise stated.

a. Basis of preparation

The Group's financial statements as of December 31, 2016 and 2015 and for the two years ended ended December 31, 2016, are in compliance with International Financial Reporting Standards (hereafter – IFRS) and interpretations to IFRS issued by the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements have been prepared under the historical cost convention, subject to adjustments in respect of revaluation of amounts funded for severance pay and financial assets and liabilities at fair value through profit or loss presented at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

New standards and interpretations not yet adopted.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

IFRS 9 will be implemented in periods commencing January 1, 2018. The Company is currently evaluating the possible impact of IFRS 9 but is presently unable to assess its effect, if any, on the financial statements.

- In May 2014, the IASB issued IFRS 15 ("IFRS 15").
IFRS 15 replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", IFRIC 13, "Customer Loyalty Programs", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC-31, "Revenue - Barter Transactions Involving Advertising Services".

The IFRS 15 introduces a five-step model that will apply to revenue earned from contracts with customers:
Step 1: Identify the contract with a customer, including reference to contract combination and accounting for contract modifications.
Step 2: Identify the separate performance obligations in the contract.
Step 3: Determine the transaction price, including reference to variable consideration, financing components that are significant to the contract, non-cash consideration and any consideration payable to the customer.
Step 4: Allocate the transaction price to the separate performance obligations on a relative stand-alone selling price basis using observable information, if it is available, or using estimates and assessments.
Step 5: Recognize revenue when the entity satisfies a performance obligation over time or at a point in time.

The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method).

IFRS 15 will be implemented in periods commencing January 1, 2018. The Company is currently evaluating the possible impact of IFRS 15 but is presently unable to assess its effect, if any, on the financial statements. The Company has yet to decide on how to apply the standard.

- In January 2016, the IASB issued IFRS 16 - Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract and replaces the previous leases standard, IAS 17 - Leases.
IFRS 16 eliminates the classification of leases for the lessee as either operating leases or finance leases as required by IAS 17 and instead introduces a single lessee accounting model whereby a lessee is required to recognize assets and liabilities for all leases with a term that is greater than 12 months, unless the underlying asset is of low value, and to recognize depreciation of leases assets separately from interest on lease liabilities in the income statement. As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, a lessor will continue to classify its leases as operating leases or finance leases and to account for those two types of leases differently. IFRS 16 is effective from January 1, 2019 with early adoption allowed only if IFRS 15 - Revenue from Contracts with Customers is also applied. The Group is currently evaluating the impact of adoption on its Consolidated Financial Statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

b. Consolidation

1) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognize any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquirer's identifiable net assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (see note 6). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

As to the accounting treatment applied to Filterasyon Aritim Sistemleri Sanayi ve Ticaret (hereafter- FTS) see note 17.

c. Foreign currency translation

1) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in U.S. dollar, which is the Group's functional and Group's presentation currency.

2) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.
Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs.

3) Group companies- Translation from Functional to presentation currency

The results and financial position of those Group entities (none of which has the currency of hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at that statement of financial position date.

b) Income and expenses for each statement of comprehensive income are translated at an average exchange rate.

c) All resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

d. Property, plant and equipment

1) Property, plant and equipment (including leasehold improvements) items are stated at historical cost net of investment grants, property, plant and equipment is presented net of accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized 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. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

2) The assets are depreciated using the straight-line method over their estimated useful lives.

Annual rates of depreciation are as follows:

	%
Machinery and equipment	7 - 20 (mainly 10%)
Office furniture and equipment	7 - 20 (mainly 10%)
Computers and peripheral equipment	10 - 33 (mainly 20%)
Motor vehicles	15 - 20 (mainly 15%)

Leasehold improvements (fixtures) in buildings under operating leases are depreciated using the straight-line method over the shorter of the term of the lease or the estimated useful lives of the improvements.

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

3) Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains (losses)' in the income statement.

e. Intangible assets

1) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

2) Contractual customer relationships and know-how

Contractual customer relationships and know-how acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations and know-how have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method (customer relations and know-how is three to four years and seven years respectively).

3) Brand name

Brand names acquired in a business combination are recognized at fair value at the acquisition date. Brand name has a finite useful life and is carried at cost less accumulated amortization. Amortization of brand name is calculated using the straight-line method (amortization period- twenty five years).

4) Technology

Technology acquired in a business combination is recognized at fair value at the acquisition date. Technology has a finite useful life and is carried at cost less accumulated amortization. Amortization of technology is calculated using the straight-line method (fifteen years).

5) Computer software and licenses

Acquired computer software and licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (three to ten years).
Costs associated with maintaining software programmes are recognised as an expense as incurred.

6) Research and development expenses

Cost incurred in respect of development projects (attributable to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are met:

- Technical feasibility exists for completing development of the intangible asset so that it will be available for use or sale.
- It is management's intention to complete development of the intangible asset for use or sale.
- The Company has the ability to use or sell the intangible asset.
- It is probable that the intangible asset will generate future economic benefits, including existence of a market for the output of the intangible asset or the intangible asset itself or, if the intangible asset is to be used internally, the usefulness of the intangible asset.
- Adequate technical, financial and other resources are available to complete development of the intangible asset, as well as the use or sale thereof.
- The Company has the ability to reliably measure the expenditure attributable to the intangible asset during its development.

Other development costs that do not meet the foregoing conditions are charged to operations as incurred. Development costs previously expensed are not recognized as an asset in subsequent periods.

f. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

g. Financial assets

1) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are derivative that classified as financial assets held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'long-term receivables', 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

2) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the settlement date - the date on which an asset is delivered to or by the Group. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.
Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'finance income/costs' in the period in which they arise.

3) Impairment of financial assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

h. Derivative financial instruments

The Group does not designate its derivatives as hedging instruments for accounting purposes.
Foreign currency derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently accounted at fair value through profit or loss. Changes in the fair value in any of these derivative instruments are recognized immediately in the statement of comprehensive income within 'finance income/costs'.

i. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.
If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

j. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

k. Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value.
The cost of raw materials, purchased products auxiliary, materials and packing materials are determined on the basis of "weighted average costs".
The cost of work in progress and finished products are determined on the basis of standard cost including materials, labor and other direct and indirect manufacturing costs (based on normal operating capacity).
Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

l. Income tax

The tax expenses for the reported years comprise of current and deferred tax. Tax is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the statement of financial position date in the countries where the Company and the subsidiaries operate and generate taxable income. Management periodically evaluates tax issues related to its taxable income, based on relevant tax law, and makes provisions in accordance with the amounts payable to the Income Tax Authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.
Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

As stated in Note 13c, upon distribution of dividends from tax-exempt income of "approved enterprises" or "benefited enterprises", the amount distributed will be subject to tax at the rate that would have been applicable had the Company not been exempted from payment thereof. The amount of the related tax is charged as an expense in the statement of comprehensive income.

m. Employee benefits

1) Pension obligations

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2) Vacation and recreation pay

Under Israeli law, each employee is entitled to vacation days and recreation pay, both computed on an annual basis. The entitlement is based on the length of the employment period. The Group recognizes a liability and an expense for vacation and recreation pay, based on the entitlement of each employee in short-term.

3) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

4) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

n. Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).
At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.
When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.
The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

o. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts band value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

1) Sales of goods

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of value added tax, rebates and after eliminating Inter-company sales. Revenue is recognized when the significant risks and reward of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement in regards to the goods, and the amount of revenue can be measured reliably.

2) Contract work performed

A construction contract is defined by IAS 11 as a contract specifically negotiated for the construction of an asset.

Revenue from works under construction contracts are recognized using the stage of completion method when all the following are present: revenue is known or can be measured reliably, collection of revenue is expected, costs associated with performance of the works are known or can be estimated reliably, no material uncertainly exists as to the ability of the Group (the construction contractor) to complete the work and meet the contractual terms and conditions with the customer, and the stage of completion can be estimated reliably. The stage of completion is determined based on engineering stages of the work.

When the outcome of construction contract cannot be estimated reliability, revenue is recognized at the amount of the costs incurred whose recovery is probable (the "zero margin method").

When a contract is expected to result in a loss, the entire amount of loss is recognized immediately in cost of sales, regardless of the stage of completion.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade receivables'.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

3) Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

p. Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

q. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

r. Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

s. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

t. Basic and diluted earnings per share

1) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company.
- By the weighted average number of ordinary shares outstanding during the financial year.

2) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

u. Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Notes to Consolidated Financial Statements

(continued)

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

1) Estimated impairment of goodwill

   The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(e)(1).
   Impairment of goodwill is measured through separate cash-generating units.The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

2) Inventory valuation

   Inventory, which is a material part of the Group's total assets, is valued at the lower of cost and net realizable value. If actual market prices for finished products prove less favorable than those projected by management, inventory write-downs may be required. Inventory is written down for estimated obsolescence based upon assumptions about future demand and market conditions. Likewise, favorable future demand and market conditions could positively impact future operating results if inventory that has been written down is sold.

3) Provision for impairment of receivables

   The Group follows the guidance of IAS 39 on determining whether a trade receivable is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the ageing analysis of the balances, historical bad debts, repayment patterns, the financial health and the near-term business outlook of the customer and industry trends.
   The evaluation of the provision for impairment of receivables may have material effect on the Group's consolidated financial statements.

4) Deferred tax assets

   The Group recognizes deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The Group regularly reviews its deferred tax assets for recoverability, based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and the implementation of tax planning strategies. If the Group is unable to generate sufficient future taxable income in certain tax jurisdictions, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, the Group could be required to eliminate a portion of the deferred tax assets, resulting in an increase in its effective tax rate and an adverse impact on operating results.

5) Revenue recognition

   The Group uses the percentage-of-completion method in accounting for its fixed price contracts to deliver filtration solutions. Use of the percentage-of-completion method requires the Group to estimate the work performed to date as a proportion of the total work to be performed (based on engineering stages of the work).

NOTE 4 - FINANCIAL RISK MANAGEMENT:

a. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge (not for accounting purposes) certain risk exposures.
Risk management is carried out by the Group treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

1) Market risk:

a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the NIS, Euro and Australian Dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

Management has set up a policy which requires the Group treasurer to manage Group foreign exchange risk against the Company's functional currency and the local currency in Israel. To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the treasurer uses various derivatives. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group treasury's risk management policy is to hedge (not for accounting purposes) up to 70% of anticipated cash flows (mainly net sales over purchase of inventory and other expenses) in each major foreign currency strengthening for the subsequent 12 months mainly in NIS, Euro and Australian Dollar.

The following table presents currency exposure in respect of balance denominated in currencies that are different than the functional currency of the Company and also the effect on income after taxes. At December 31, 2016 and 2015, if the currencies specified below had weakened/strengthened by 1% against the other functional currencies of Group companies, with all other variables unchanged:

	December 31, 2016		
	$ in thousands		
	NIS	**Euro**	**Australian dollar**
Financial assets (liabilities), net	(6,506)	4,860	3,463
Gain (loss) from change:			
Impact of 1% weakening	160	(49)	(33)
Impact 1% strengthening	(155)	49	33

	December 31, 2015		
	$ in thousands		
	NIS	**Euro**	**Australian dollar**
Financial assets (liabilities), net	(7,461)	7,499	2,325
Gain (loss) from change:			
Impact of 1% weakening	173	(75)	(23)
Impact 1% strengthening	(174)	75	23

NOTE 4 - FINANCIAL RISK MANAGEMENT (continued):

b) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

During 2016 and 2015 most of the Group's long-term borrowings were in USD at variable rate. In 2016 and 2015 the long-term borrowings in other currency was immaterial.

At December 31, 2016 and 2015, the Group's long-term borrowings at variable rate were $18,191 and $19,845 thousand, respectively and long-term borrowings at fixed rates were $1,432 and $2,159 thousand, respectively.

At December 31, 2016, if interest rates on USD-denominated floating rate borrowings had been 1% higher/lower with all other variables held constant, pre-tax profit for the year would have been $182 thousands (2015: $198 thousands) lower/higher, as a result of higher/lower interest expenses on floating rate borrowings.

2) Credit risk

Credit risk is monitored on Group basis and managed based on the currency exposure analysis as reflected at the Company's books. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. With regards to customer credit control, the Company defines credit limits to its customers based on credit insurance coverage, securities from customers and management decision, based on its financial position, past experience and other factors. The utilization of credit limits is regularly monitored. The Group insures part of its outstanding receivables.

The balance of trade receivables as of December 31, 2016 and 2015 includes a balance with a principal customer in the amount of $8,772 and $8,628 thousand, respectively.

3) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group treasurer maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Group's non derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**
At December 31, 2016:			
Banks credit and borrowings	11,814	6,044	8,283
Trade and other payables	21,751		
At December 31, 2015:			
Banks credit and borrowings	14,844	4,875	7,381

b. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

The account receivables of the Group consist mostly of customers defined as big customers with no defaults in the past.

NOTE 4 - FINANCIAL RISK MANAGEMENT (continued):

	December 31	
	2016	2015
	$ in thousands	
Cash at bank and short-term bank deposits:		
Group A	4,772	3,801
Group B	5,324	7,091
Group C	5,911	6,098
	16,007	16,990
Financial assets:		
Group A	85	148

Definitions according to Group are external rating:

Group A = Israeli banks rated as AA+ and AA.
Group B = international banks and First class local bank in subsidiaries countries.
Group C = international banks and lower then First class local bank in subsidiaries countries.

None of the financial assets that are fully performing have been renegotiated in the last year.

c. Fair value estimation

The fair value of financial instruments is determined by the valuation method according to three different levels that are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data the instrument is included in level 3.

The Group assets and liabilities that are measured at fair value at December 31, 2016 and 2015 are trading derivatives and are classified as level 2 measurements.

The fair value of the derivatives as of December 31, 2016 and 2015 is immaterial.

The Group liabilities that are measured at fair value are put option and are classified as level 3 measurements.

The following table presents the changes in level 3 instruments (put option) for the year ended December 31, 2015:

	Put Option
Open balance	2,927
Liability to the CEO of a subsidiary (see note 17)	(2,927)
Closing Balance	-,-

NOTE 5 – PROPERTY PLANT AND EQUIPMENT:

Composition of assets, Grouped by major classifications, and changes therein is as follows:

Year ended December 31, 2016:

	Cost[1]				
	Balance at beginning of year[1]	Additions during the year	Disposals during the year	Exchange differences	Balance at end of year[1]
	$ in thousands				
Machinery and equipment	22,946	1,297	(97)	(58)	24,088
Computers and peripheral equipment	4,177	268	(31)	(37)	4,377
Office furniture and equipment	2,209	34	2	(3)	2,242
Motor vehicles	961	59	(29)	(22)	969
Leasehold improvements	5,112	779	-,-	(56)	5,835
	35,405	2,437	(155)	(176)	37,511

Year ended December 31, 2015:

	Cost[1]				
	Balance at beginning of year[1]	Additions during the year	Disposals during the year	Exchange differences	Balance at end of year[1]
	$ in thousands				
Machinery and equipment	21,985	1,076	(49)	(66)	22,946
Computers and peripheral equipment	3,948	289	(41)	(19)	4,177
Office furniture and equipment	2,200	67	(1)	(57)	2,209
Motor vehicles	912	211	(115)	(47)	961
Leasehold improvements	4,868	310	-,-	(66)	5,112
	33,913	1,953	(206)	(255)	35,405

1) Net of investments grants amounting to $5,749 thousands (2015 - $5,622 thousands) which the Company and a subsidiary received by virtue of the law for Encouragement of Capital Investments, 1959 - see note 13(c).

NOTE 5 – PROPERTY PLANT AND EQUIPMENT (continued):

Year ended December 31, 2016:

	Accumulated depreciation					Net book amount	
						December 31	
	Balance at beginning of year	Additions during the year	Disposals during the year	Exchange differences	Balance at end of year	2016	2015
	$ in thousands					$ in thousands	
Machinery and equipment	16,573	1,335	(41)	(24)	17,843	6,245	6,373
Computers and peripheral equipment	3,801	224	(31)	(36)	3,958	419	376
Office furniture and equipment	1,747	114	-,-	(1)	1,860	382	462
Motor vehicles	482	143	(26)	(20)	579	390	479
Leasehold improvements	2,071	435	-,-	(18)	2,488	3,347	3,041
	24,674	2,251	(98)	(99)	26,728	10,783	10,731

Year ended December 31, 2015:

	Accumulated depreciation					Net book amount	
						December 31	
	Balance at beginning of year	Additions during the year	Disposals during the year	Exchange differences	Balance at end of year	2015	2013
	$ in thousands					$ in thousands	
Machinery and equipment	15,241	1,379	(46)	(1)	16,573	6,373	6,744
Computers and peripheral equipment	3,648	204	(40)	(11)	3,801	376	300
Office furniture and equipment	1,674	128	-,-	(55)	1,747	462	526
Motor vehicles	458	144	(100)	(20)	482	479	454
Leasehold improvements	1,708	394	-,-	(31)	2,071	3,041	3,160
	22,729	2,249	(186)	(118)	24,674	10,731	11,184

NOTE 6 - INTANGIBLE ASSETS:

	Know-how	Customer relation-ship	Goodwill	Brand name	Software and licenses	Technology	Capitalization of development	Total
				$ in thousands				
Year ended December 31, 2016:								
Opening net book amount	172	6	7,516	720	3,091	3,838	347	15,690
Additions during the year					225			225
Amortization during the year	(11)	(7)		(46)	(583)	(533)		(1,180)
Currency translation differences	(12)	1	(187)	(8)	3			(203)
Closing net book amount	149	-,-	7,329	666	2,736	3,305	347	14,532
Closing net book amount at December 31, 2016:								
Cost	3,092	1,936	7,520	1,154	7,847	6,806	347	28,702
Accumulated amortizations	(2,943)	(1,936)	(191)	(488)	(5,111)	(3,501)		(14,170)
Depreciated cost at December 31, 2016	149	-,-	7,329	666	2,736	3,305	347	14,532
Year ended December 31, 2015:								
Opening net book amount	196	21	7,790	782	3,340	4,373	347	16,849
Additions during the year					334			334
Amortization during the year	(17)	(16)		(50)	(579)	(535)		(1,197)
Currency translation differences	(7)	1	(274)	(12)	(4)			(296)
Closing net book amount	172	6	7,516	720	3,091	3,838	347	15,690
Closing net book amount at December 31, 2015:								
Cost	3,092	1,956	7,707	1,154	7,619	6,806	347	28,681
Accumulated amortizations	(2,920)	(1,950)	(191)	(434)	(4,528)	(2,968)		(12,991)
Depreciated cost at December 31, 2015	172	6	7,516	720	3,091	3,838	347	15,690

Amortization of $639 thousands (2015: $653 thousands) in 'administrative expenses' and $541 thousands (2015: $544 thousands) in 'Cost of sales'. Goodwill is allocated to the Group's cash-generating units (CGUs).

Notes to Consolidated Financial Statements

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NOTE 6 - INTANGIBLE ASSETS (continued):

Impairment tests for goodwill:

A CGUs summary of the goodwill allocation is presented below.

	2016	2015
	Total	
	$ in thousands	
FTS	894	1,081
USA	1,530	1,530
Israel	4,905	4,905
	7,329	7,516

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections covering a five-year period based on one-year period financial budgets approved by management. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations in 2016 and 2015 are as follows:

	2016			2015		
	USA	Israel	FTS	USA	Israel	FTS
EBITDA margin	5%	6%	17%	4%	7%	34%
Growth rate long-term	2%	2%	2%	2%	2%	2%
Discount rate	15%	13%	20%	19%	14%	20%

These assumptions have been used for the analysis of each CGU within the operating.

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pretax and reflect specific risks relating to the relevant CGU.

The result of the above analysis as of December 31, 2016 and 2015 show that the value of goodwill of each of the said CGU has not been impaired.

NOTE 7 - INVENTORIES:

Composition of inventories grouped by major classification:

	December 31	
	2016	2015
	$ in thousands	
Raw materials, auxiliary materials and packing materials	3,883	3,266
Work-in-progress	13,898	14,717
Finished products	7,157	6,736
	24,938	24,719

The cost of inventories recognized as expense and included in "cost of sales" amounted to $39,381 thousands (2015: $45,384 thousands). The total amount of inventory includes provision for slow moving inventory in the amount of $3,850 thousands (2015: $3,569 thousands). The slow movement inventory expense in 2016 which included in "cost of sales" amounted to $281 thousands (2015: $569 thousands).

NOTE 8 - LONG-TERM BORROWING FROM BANKS:

a. The long-term borrowings from banks may be classified by currency and interest as follows:

	Weighted average interest rates	December 31 2016	Weighted average interest rates	December 31 2015
	%	$ in thousands	%	$ in thousands
In U.S. dollars	3.23%	19,604	2.64%	21,986
Other	1.04%	19	1.2%	18
		19,623		22,004
Current maturities of long-term borrowings from banks		6,027		10,331
		13,596		11,673

The borrowings bear interest at variable rates mostly linked to the Libor rate.
The carrying amounts of the long-term borrowings approximate their fair value.

b. The loans mature in the following years after balance sheet dates:

	December 31	
	2016	2015
	$ in thousands	
Second year	5,663	4,571
Third year	3,762	3,771
Fourth year	3,170	1,964
Fifth year and on	1,001	1,367
	13,596	11,673

NOTE 9 - LIABILITIES SECURED BY PLEDGES AND RESTRICTIONS PLACED IN RESPECT OF LIABILITIES:

a. Financial covenants

As to December 31, 2016 and 2015 the Group has no financial covenants in respect to borrowing from banks.

b. Charges

1) As collateral for liabilities to banks, a fixed charge was recorded on all of the machinery, equipment and share capital of the Group's companies and a floating charge was recorded on all of the Group's assets.
The balances of secured liabilities to banks as of December 31, 2016 are as follows:

	$ in thousands
Current liabilities	5,226
Long-term liabilities (including current maturities)	19,623
	24,849

2) As for charges with respect to grants received under the Law for the Encouragement of Capital Investments, 1959, see note 13c(1).

NOTE 10 - SEVERANCE PAY ASSETS AND OBLIGATIONS:

a. Labor laws and agreements in Israel and abroad require companies in the Group to pay a certain multiple of monthly pay as severance benefits to employees who are dismissed, resign or retire from their employment. This obligation is covered partly by regular deposits with severance pay funds and by purchase of insurance policies.

b. As described in note 18d(1), under the manpower service agreement with Kibbutz Beit Zera, the kibbutz members are employed through the manpower agreement. There are no liabilities for severance pay obligation with respect to members of Kibbutz Beit Zera or candidates for membership in Kibbutz Beit Zera.

c. The Company's obligation in Israel to make pension payments with respect to retiring employees is covered by regular deposits with defined contribution plans. The amounts deposited are not reflected in the statement of financial position.

d. The Company's severance pay liability in respect of Israeli employees for whom the said liability is covered under section 14 of the Severance Pay Law is covered by regular deposits with defined contribution plans. The amount recorded in respect of Israeli employees under section 14 for the years 2016 and 2015 was $1,026 thousand and $863 thousands, respectively.

Changes in net liability (asset):

	Present value of obligation	Fair value of plan assets	Net liability (asset)
		$ in thousands	
Balance as of January 1, 2016	4,957	(4,731)	226
Current service cost	126	-,-	126
Interest expenses (income)	128	(140)	(12)
	5,211	(4,871)	340
Remeasurements of the net liability (asset):			
Return on plan assets, excluding amounts included in interest expense (income)	-,-	103	103
Loss (gain) from change in financial Assumptions	(213)	-,-	(213)
Experience loss (gain)	(150)	-,-	(150)
	4,848	(4,768)	80
Exchange differences	67	(66)	1
Employer's contributions	-,-	(72)	(72)
Benefit payments	(402)	401	(1)
Balance as of December 31, 2016	4,513	(4,505)	8
Balance as of January 1, 2015	5,855	(5,510)	345
Current service cost	122	-,-	122
Interest expenses (income)	145	(173)	(28)
	6,121	(5,683)	439
Remeasurements of the net liability (asset):			
Return on plan assets, excluding amounts included in interest expense (income)	-,-	102	102
Loss (gain) from change in financial Assumptions	42	-,-	42
Experience loss (gain)	(52)	-,-	(52)
	6,112	(5,581)	531
Exchange differences			
Employer's contributions	(47)	22	(25)
Benefit payments	-,-	(171)	(171)
Balance as of December 31, 2015	(1,108)	999	(109)
	4,957	(4,731)	226

NOTE 10 - SEVERANCE PAY ASSETS AND OBLIGATIONS (continued):

The following amounts were recognized in the statement of financial position for post-employment defined benefit plans:

	December 31	
	2016	2015
	$ in thousands	
Present value of obligations arising from fully or partially funded plans	4,513	4,957
Fair value of plan assets	(4,505)	(4,731)
Balance of liability recognized in the statement of financial position	8	226

Employee benefit expenses of $68 thousands (2015: $61 thousands) are included in 'cost of sales', $52 thousands (2015: $66 thousands) in the 'selling, and marketing costs' and $11 thousands (2015: $2 thousands) in 'administrative expenses'.

The principal actuarial assumptions used were as follows:

	2016	2015
Retirement rate	7.5%	7.5%
Discount rate	3.3%	2.8%
Future salary increases	4.0%	4.0%

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions assuming all other assumptions remained unchanged and which were reasonably possible at the end of the reported period is:

	Increase (decrease) in defined benefit obligation	
	December 31	
	2016	2017
	$ in thousands	
Discount rate:		
1% increase	(270)	(297)
1% decrease	357	392
Salary growth rate:		
1% increase	521	573
1% decrease	(172)	(189)

The change in the rate of retiring employees at the end of the reported period did not have a material effect on the defined benefit liability.

NOTE 11 - COMMITMENTS:

1) The Group has lease agreements in respect of rent of buildings, service agreements and motor vehicles.

2) As to sublease agreement and services agreement with the Kibbutz and Beit Zera, see Note 18c and 18d respectively.

3) The Group has lease contracts for various periods with estimated monthly lease payments of $239 thousands.

4) The future aggregate minimum lease payments under non-cancellable operating lease agreements subsequent to the statement of financial position date are as follows:

	December 31	
	2016	**2015**
	$ in thousands	
Not later than 1 year	2,864	2,863
Later than 1 year and not later than 5 years	7,812	8,760
Later than 5 years	379	1,830
	11,055	13,453

Operating lease expenses for 2016 were $2,933 thousands (2015: $2,879).

5) The Company participates in programs sponsored by the Israeli Government for the support of research and development activities. The Company obtained grants from the Office of the Chief Scientist in the Israeli Innovation Authority ("the IIA").

The Company is obligated to pay royalties to the IIA on some of those programs amounting to 2% of the sales of the products and other related revenues generated from such projects, up to an amount equal to 100% of grants received, linked to the exchange rate of the U.S. dollar and the Libor rate. As collateral for the fulfillment of the conditions relating to the receipt of investment grants, the Company recorded floating charges on all of Company's assets in favor of the State of Israel.
The Company's management believes that as of the date of the approval of the financial statements, the Company meets the conditions of the instruments of approval.
The Company is not expecting to sell products and other related revenues generated from old programs that have any royalty obligation (as to new programs with royalty obligations see 7-8 below).

6) The Company participates in a collaborative grant project of the European Union as part of the FP7 program, for the development of a decision supporting system tool for the Indian regulator to assist him picking the right technological solution for water treatment in rural areas in India. The receipt of grants is conditional upon the fulfillment of a number of operating milestones.

As of December 31, 2016, the Company met the conditions and recognized revenue from grants in the amount of $153 thousands in selling and marketing expenses.

7) During 2015 and 2016, The Industrial Research and Development Administration at the IIA awarded the Company a grant for development of an automated electrical filtering device that operates in a 30% liquid environment. In respect of that grant, the Company is committed to pay royalties on any revenue derived from that system up to the dollar-linked amount of the grant. As of December 31, 2016, the Company has an outstanding grant liability of $209 thousands (2015: $206 thousands).

8) In 2015, The Industrial Research and Development Administration at the IIA awarded the Company a grant for development of an automatic self-cleaning cartridge filter for fine filtration degrees, full polymeric solution. In respect of that grant, the Company is committed to pay royalties on any revenue derived from that system up to the dollar-linked amount of the grant. As of December 31, 2016, the Company has an outstanding grant liability of $295 thousands (2015: $254 thousands).

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NOTE 12 - SHAREHOLDERS' EQUITY:

a. Composed of ordinary shares of NIS 0.5 par value, as follows:

	Number of shares	
	December 31	
	2016	2015
Authorized	24,000,000	24,000,000
Issued and fully paid*	22,663,651	22,663,651

* The shares are quoted on the London Stock Exchange Alternative Market (AIM), as of December 31, 2016 at GBP 1.05 (USD 1.29) per ordinary share of NIS 0.5 par value.

The ordinary shares confer upon their holders voting rights and the right to participate in shareholders' meetings (the holders of shares of NIS 0.5 par value are entitled to one vote per share), the right to receive profits and the right to a share in excess assets upon liquidation of the Company.

b. Share based payment

1) The Company has seven option grants (1) under the first grant (hereinafter - the first grant) 385,000 options were granted in December 2012, (2) second grant (hereinafter - second grant) 40,000 options were granted in March 2014, (3) under the third grant (hereinafter - third plan) 80,000 options were granted in December 2014 (4) under the fourth grant (hereinafter - fourth plan) 204,500 options were granted in June 2015 (5) under the fifth grant (hereinafter - fifth plan) 80,000 options were granted in December 2015 (6) under the sixth grant (hereinafter - sixth plan) 25,000 options were granted in June 2016 (7) under the seventh grant (hereinafter –seventh plan) 125,000 options were granted in November 2016.

The options were granted to senior employees, management and services providers as approved by the board of the Company. Each option is exercisable into 1 ordinary share of the Company.

The options vest over 4 years, in 4 equal batches. The exercise price for each share will be equal to the average price of one of the Company's shares on the AIM in the 30 days prior to the date of actual grant. The option will be held during the vesting period by a trustee and will be released in accordance with the terms of the option plan. Unexercised options expire within 7 years after date of grant. Vested options shall expire 3 months after the termination of employer-employee relations.

Vested options will generally be exercised only through a cashless mechanism (other than certain options granted to non-Israeli optionee that will be excersied upon the payment of the full consideration), whereby the Optionee shall waive and surrender part of his vested Options and may exercise the remaining Options by payment of the nominal value of the underlying Shares, in lieu of payment of the Purchase Price ("Cashless Exercise") pursuant to the formula set forth in the option grants.

For the first plan, granted in December 2012, the weighted average fair value of the options as at the grant date is $1.32 per share, and was estimated using the Black and Scholes option pricing model based on the following significant data and assumptions: Share price - $4.71; exercise price - $4.85, expected volatility – 37%; risk-free interest rate – 2.96%, expected dividends – 2.4% and expected average life of grants 4 years.

For the second grant, granted in March 2014, the weighted average fair value of the options as at the grant date is $0.89 per share, and was estimated using the Black and Scholes option pricing model based on the following significant data and assumptions: Share price - $4.48; exercise price - $4.61, expected volatility – 29%; risk-free interest rate – 1.73%, expected dividends – 2.62% and expected average life of options 4 years.

For the third grant, granted in December 2014, the weighted average fair value of the options as at the grant date is $0.29 per share, and was estimated using the Black and Scholes option pricing model based on the following significant data and assumptions: Share price - $2.19; exercise price - $2.65, expected volatility – 27%; risk-free interest rate – 1.62%, expected dividends – 2.62% and expected average life of options 4 years.

For the fourth grant, granted in June 2015, the weighted average fair value of the options as at the grant date is $0.56 per share, and was estimated using the Black and Scholes option pricing model based on the following significant data and assumptions: Share price - $2.38; exercise price - $2.29, expected volatility – 30%; risk-free interest rate – 1.69%, expected dividends – 2.09% and expected average life of options 4 years.

NOTE 12 - SHAREHOLDERS' EQUITY (continued):

For the fifth grant, granted in December 2015, the weighted average fair value of the options as at the grant date is $0.51 per share, and was estimated using the Black and Scholes option pricing model based on the following significant data and assumptions: Share price - $2.46; exercise price - $2.57, expected volatility – 29%; risk-free interest rate – 1.73%, expected dividends – 2.03% and expected average life of options 4 years.

For the sixth grant, granted in June 2016, the weighted average fair value of the options as at the grant date is $0.59 per share, and was estimated using the Black and Scholes option pricing model based on the following significant data and assumptions: Share price - $2.61; exercise price - $2.56, expected volatility – 29%; risk-free interest rate – 1.25%, expected dividends – 1.79% and expected average life of options 4 years.

For the seventh grant, granted in November 2016, the weighted average fair value of the options as at the grant date is $0.33 per share, and was estimated using the Black and Scholes option pricing model based on the following significant data and assumptions: Share price - $1.47; exercise price - $1.5, expected volatility – 30%; risk-free interest rate – 1.68%, expected dividends – 1.79% and expected average life of options 4 years.

2) As of 31 December 2016 (i) 199,000 options expired, thus making the total amount of outstanding options equal to 740,500 outstanding potential shares;
(ii) from the first grant, four batches have vested; from the second and third grant two batch has vested and from the fourth and fifth grant one batch has vested. Out of the 740,500 outstanding potential shares to be issued, 333,875 options are exercisable.

The options were granted in the framework of the Company's option grant that was submitted to the Israeli Tax Authorities, in accordance with the provisions of Section 102 to the Israeli Income Tax Ordinance and the remaining options were granted under the provisions of section 3(i) of the Income Tax Ordinance.
Under section 102, the grantee's income will be taxed at a reduced tax rate of 25% and the Company will not be allowed to deduct the corresponding expense for tax purposes with the exception of the work–income benefit component, if any, determined on the grant date. Notwithstanding the foregoing, the December 2015 grants, which were granted to non-Israeli participants were granted in accordance to the applicable tax regime in the relevant territory.

The following table summarizes information about exercise price and the contractual terms of options outstanding at December 31, 2016:

Share rights outstanding						Share rights exercisable		
Plans	31 December	Expiry Date	Exercise Prices	Number outstanding	Average remaining contractual life	Weighted average exercise price	Number exercisable	average remaining contractual life
			$		Years	$		Years
1	2015	December 18, 2019	$4.85	215,000	4	$4.85	161,250	4
1	2016	December 18, 2019	$4.85	215,000	3	$4.85	215,000	3
2	2015	March 31, 2021	$4.61	40,000	5.25	$4.61	10,000	5.25
2	2016	March 31, 2021	$4.61	20,000	4.25	$4.61	10,000	4.25
3	2015	December 11, 2021	$2.65	80,000	6	$2.65	20,000	6
3	2016	December 11, 2021	$2.65	80,000	5	$2.65	40,000	5
4	2015	June 16, 2022	$2.29	204,500	6.5	$2.29	-,-	
4	2016	June 16, 2022	$2.29	195,500	5.5	$2.29	48,875	5.5
5	2015	December 17, 2022	$2.57	80,000	7	$2.57	-,-	
5	2016	December 17, 2022	$2.57	80,000	6	$2.57	20,000	6
6	2016	June 6, 2023	$2.56	25,000	6.5	$2.56	-,-	
7	2016	November 15, 2023	$1.5	125,000	7	$1.5	-,-	

Notes to Consolidated Financial Statements

(continued)

NOTE 12 - SHAREHOLDERS' EQUITY (continued):

c. Phantom Bonus

In December 2015, the Board approved a cash phantom bonus to one key employee. A total of 30,000 phantom units were granted. The cash phantom bonus will be equal to the positive difference between the exercise price and the share price at the time of the option's exercise per each unit of phantom award.

The exercise price for each share will be equal to the average price of one of the Company's shares on the AIM in the 30 days prior to the date of actual grant.

The phantom awards shall be vested in four equal annual tranches over a period of four years (at the first, second, third and fourth anniversary of the grant date). Any un-vested phantom rewards shall expire upon the termination of the employment of the employee. Any vested phantom rewards that were not exercised by the employee, shall expire upon the earlier of: (i) four years as of grant of the phantom reward; (2) the termination of the employment of the employee.

The weighted average fair value of the phantom bonus as at the grant date is $0.51 per phantom unit, and was estimated using the Black and Scholes option pricing model based on the following significant data and assumptions: Share price - $1.05; exercise price - $1.72, expected volatility – 30%; risk-free interest rate – 1.01%, expected dividends – 2.03% and expected average life of options 4 years.

The fair value of this unit on 31 December 2016 and 2015, using the Black and Scholes option pricing model, is $0.10 and $0.51 per unit respectively.

d. Dividends

The Company's board of directors has adopted a dividend policy, pursuant to which the Company, subject to future performance and funding requirements, will distribute annual dividends of up to 50% of the net income in the calendar year.

In May 2016 the Company distributed dividends to its shareholders in the amount of $1,518 thousands, $0.067 per share.

NOTE 13 - TAXES ON INCOME:

a. Corporate taxation in Israel

1) **Measurement of results for tax purposes under the Income Tax (Inflationary Adjustments) Law, 1985** (hereafter - the Inflationary Adjustments Law)

Commencing in fiscal year 2008, the results of the Company and its Israeli subsidiary is accounted, for tax purposes, at nominal values. Until the end of fiscal year 2007, the results for tax purposes were measured in real terms, adjusted for the changes in the Israeli CPI, based on the Inflationary Adjustments Law (1985).

2) **Tax rates applicable to income**

The income of the Company and its Israeli subsidiaries (other than income from "approved" or "beneficiary enterprises" or "preferred enterprise") is taxed at the regular rate.

In January 2016, the Law for the Amendment of the Income Tax Ordinance (No. 216) was published, enacting a reduction of corporate tax rate in 2016 and thereafter, from 26.5% to 25%.

In December 2016, the Economic Efficiency Law (Legislative Amendments for Implementing the Economic Policy for the 2017 and 2018 Budget Year), 2016 was published, introducing a reduction in corporate tax rate from 25% to 23%. However, the law also included a temporary provision setting the corporate tax rate in 2017 at 24%. As a result, the corporate tax rate will be 24% in 2017 and 23% in 2018 and thereafter.

NOTE 13 - TAXES ON INCOME (continued):

b. Subsidiaries outside Israel

Subsidiaries that are incorporated outside Israel are assessed for tax under the tax laws in their countries of residence. The principal tax rates applicable to subsidiaries outside Israel are as follows:

USA- tax rates are: Federal tax is 34% and average state tax rate is 5%.
Australia - tax rate is 30%.
France- tax rate is up to 33.3%.
Singapore- tax rate of 17%.
China- corporate tax rate is 25%.
Turkey- tax rate is 20%.
India - tax rate is 33.06%.
Mexico - tax rate is 30%.
Brazil - tax rate is 34%.
Netherlands - tax rate is up to 25%.
United Kingdom - tax rate is 20%.

c. The Law for the Encouragement of Capital Investment, 1959

1) General:

The Encouragement of Capital Investment Law offers a number of tax benefit programs to companies by virtue of a status of "approved enterprise" or "benefited enterprise" granted to some of their enterprises / some of their production facilities / and additional benefits by virtue of their status as "foreign investor company" as this term is defined in the Encouragement of Capital Investment Law.

The Israel Law of Economic Policy for the Years 2011 and 2012 (Legislation Amendments), which was passed by the Knesset (the Israeli parliament) on December 29, 2010, includes an amendment to the Israel Capital Investment Encouragement Law, 1959 (hereinafter - the amendment).

The amendment sets out new benefit programs to replace those previously provided by the Encouragement of Capital Investment Law prior to the amendment, as follows: a grants program for entities in Development Area A, and two new tax benefit programs ('preferred enterprise' and 'special preferred enterprise'), which mainly provide a uniform tax rate on the entire preferred income of an entity, as the term preferred income is defined in the amendment.

According to the existing provisions of the Law, a company qualifying to benefits under the Encouragement of Capital Investment Law prior to its amendment may elect to enter the scope of the amendment every year beginning in the first year of implementation (2011) and take advantage beginning in that year from tax benefits under the plans set in the amendment. The election of the company to enter into the scope of the amendment is irreversible, and beginning from that year, the company is no longer entitled to the tax benefits granted under the benefits tracks under the Encouragement of Capital Investment Law prior to its amendment. A company that does not elect to enter the scope of the amendment will continue to take advantage of the tax benefits under the Encouragement of Capital Investment Law prior to its amendment, until the end of the benefits period, as defined by the Law.

2) Tax benefits

The Company elected to enter into the scope of the amendment beginning in 2011 under the "preferred enterprise" track.
As part of the Economic Efficiency Law which was published in December 2016 (see a2 above), the tax rate on income of companies with enterprises in Development Zone A will be 7.5% instead of 9% in 2017 and thereafter.
The deferred tax balances as of December 31, 2016, were not changed materially as a result of the above reduction of the corporate tax rate.

Through 2010, the Company had tax benefits under the Encouragement of Capital Investment Law prior to its amendment, where during the benefits period provided by the law, the Company was liable to reduced tax rates / tax exemption on its income attributed to "approved enterprises" or "benefited enterprises" they own.

Notes to Consolidated Financial Statements

(continued)

NOTE 13 - TAXES ON INCOME (continued):

d. The Law for the Encouragement of Industry (Taxation), 1969

The Company and its Israeli subsidiary are an "industrial company" as defined by this law. As such, these companies are entitled to claim depreciation at increased rates for equipment used in industrial activity as stipulated by regulations published under the inflationary adjustments Law.

e. Tax loss carry forwards

As of December 31, 2016 and 2015, the tax loss carry forwards of the Group were approximately $ 1,657 thousands and $ 1,793 thousands respectively. The Group created deferred tax asset for tax loss carry forward to the extent that the realization of the related tax benefit through future taxable profits is probable. For an amount of $ 930 thousands the Company did not create a deferred tax asset for tax loss carry forward.

f. Tax assessments

The Company received final tax assessments through 2011.
Amiad USA received final tax assessments through 2013.
Amiad FTS (Turkey) final tax assessments through 2011.
Filtration & Control Systems (s) Pte Ltd. (Amiad Singapore) received final tax assessments through 2012.
Amiad filtration systems (India) received final tax assessments through 2013.
Amiad Australia Pty Ltd. (Australia) received final tax assessments through 2011.
Amiad France SARL (France) received final tax assessments through 2014.
Yixing Taixing Environtec Co. Ltd. received final tax assessments through 2015.
The remaining of the foreign subsidiaries have not received final tax assessments since their incorporation.

g. Deferred income tax assets (liabilities)

1) The deferred income tax assets (liabilities) balance and deferred tax benefit (expenses) recognized in the statement of comprehensive income are as follows:

	Balance Figures						
	$ in thousands						
	Provisions for employee rights	Fixed assets	Depreciable intangibles	Loss for tax purposes	Other provisions	Inventory	Total
	$ in thousands						
Balance at December 31, 2014	252	(608)	(453)	192	1,022	1,510	1,915
Changes during the year ended December 31, 2015:							
Amounts attributed to Profit & Loss	1	11	51	94	(502)	(121)	(466)
Balance at December 31, 2015	253	(597)	(402)	286	520	1,389	1,449
Changes during the year ended December 31, 2016:							
Amounts attributed to Profit & Loss	(89)	276	31	(77)	496	130	767
Balance at December 31, 2016	164	(321)	(371)	209	1,016	1,519	2,216

2) Deferred income tax balances are measured using the enacted tax rates expected to be in effect when the differences are expected to reverse.

NOTE 13 - TAXES ON INCOME (continued):

3) Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

4) Deferred taxes are presented in the statements of financial position as follows:

	December 31	
	2016	2015
	$ in thousands	
Among non-current assets	2,222	1,778
Among non-current liabilities	(6)	(329)
	2,216	1,449

h. Taxes on income

1) As follows:

	Year ended December 31	
	2016	2015
	$ in thousands	
For the reported year:		
Current	1,592	1,079
Deferred income taxes:		
Recognize and reversal of deferred income tax and liability	(767)	466
	825	1,545
For previous years - current	(148)	36
	677	1,581

2) Theoretical tax reconciliation:

Following is a reconciliation of the theoretical tax expense, assuming all income is taxed at the regular tax rates applicable to companies in Israel (note 13a above) and the actual tax expense:

	Year ended December 31	
	2016	2015
	$ in thousands	
Income before taxes on income	3,088	6,652
Theoretical tax expense in respect of the profit or loss - at 25% (2015: 26.5%)	772	1,763
Increase (decrease) in taxes on income due to:		
Different tax rates applicable to foreign subsidiaries	(161)	(199)
Deferred tax balance that was measured using tax rates that are different from the theoretical tax rate	(8)	(114)
Non-deductible expenses	89	101
Taxes in respect of previous years	(148)	36
Other	133	(6)
Income tax expense	677	1,581

NOTE 13 - TAXES ON INCOME (continued):

i. Effect of adoption of IFRS on the tax liability

The Company prepares its financial statements in accordance with IFRS.

IFRS standards differ from accounting principles generally accepted in Israel and accordingly, the preparation of financial statements in accordance with IFRS may reflect a financial position, results of operations and cash flows that are materially different from those presented in financial statements presented in accordance with accounting principles generally accepted in Israel.

In accordance with the law for the amendment of the Income Tax Ordinance which was published in the official gazette in the years 2010, 2012 and 2014 (hereinafter together – the temporary provision), the provisions of Israel Accounting Standard No. 29 of the Israel Accounting Standards Board do not apply in determining taxable income for tax years 2007 to 2013, even if applicable in financial statements for those tax years. The meaning of the temporary provision is that IFRS do not apply in practice when calculating the reported income for tax purposes in the specified tax years.

During 2014 the Government of Israel published a law memorandum in connection with the amendment to the Income Tax Ordinance (hereafter – the law memorandum) resulting from application of IFRS in the financial statements. Generally, the law memorandum adopts IFRS. However, it suggests several amendments to the Income Tax Ordinance that will serve to clarify and determine the manner of computing taxable income for tax purposes in cases where the manner of computation is unclear and IFRS is incompatible with the principles of the tax method applied in Israel. At the same time, the law memorandum generally adopts IFRS. The legislation process involving the law memorandum has not been completed, and is not likely to be completed in the near future.

Since the legislation procedures relating to the law memorandum have not yet been completed the Company estimates that the term of the temporary order which applies to the years 2007 to 2013 shall be extended to 2014, 2015 and 2016 as well. Due to the application of temporary provision on the 2007-2013 tax years, as above, and the possibility for extension to 2014, 2015 and 2016, management expects at this stage that the new legislation will not apply to tax years preceding 2017.

Considering that the temporary provision applies to the 2007-2013 tax years and company assessment on the likelihood for taxation to cover 2014, 2015 and 2016, as above, the Company computed its taxable income for 2007-2016 based on the Israeli accounting standards that existed prior to adopting IFRS in Israel.

NOTE 14 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION:

a. Cash and cash equivalent

	December 31	
	2016	**2015**
	$ in thousands	
Cash at bank and on hand	15,863	16,896
Short-term bank deposits	228	122
	16,091	17,018

NOTE 14 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

The cash and cash equivalents consist of currencies as follows:

	December 31	
	2016	2015
	$ in thousands	
U.S. dollars	7,579	9,113
NIS	240	143
Euro	2,726	2,864
Chinese RMB	2,001	1,798
Australian dollar	2,251	1,948
Singapore dollar	20	187
Turkish pound	495	12
INR	513	584
Pound Sterling	186	64
Other	80	305
	16,091	17,018

b. Trade and other receivables

1) Trade:

	December 31	
	2016	2015
	$ in thousands	
Open accounts*	35,237	36,637
Checks receivable	1,220	1,692
	36,457	38,329
Less - provision for impairment of trade receivables	(2,518)	(2,315)
	33,939	36,014

* Include balance from primary customer as of December 31, 2016 and 2015 in the amount of $8,772 thousands and $8,628 thousands respectively.

Movements on the Group provision for impairment of trade receivables are as follows:

	2016	2015
	$ in thousands	
At 1 January	2,315	1,380
Provision for receivables impairment	407	1,242
Receivables written off	(120)	(145)
Collection of receivables	(48)	(155)
Exchange Differences	(36)	(7)
At 31 December	2,518	2,315

NOTE 14 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

The creation and release of provision for impaired receivables have been included in 'Administrative and general and expenses' in the statement of comprehensive income (note 14j). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

As of 31 December 2016, trade receivables of $8,389 thousands (2015: $8,186 thousands) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trades receivables is as follows:

	December 31	
	2016	2015
	$ in thousands	
Up to 3 months	5,186	5,403
3 to 6 months	880	858
Over 6 months	2,323	1,925
	8,389	8,186

As of 31 December 2016, trade receivables of $2,535 thousands (2015: $2,333 thousands) were impaired and provided for. The amount of the provision was $2,518 thousands as of 31 December 2016 (2015: $2,315 thousands). The ageing of these receivables is as follows:

	December 31	
	2016	2015
	$ in thousands	
Over 6 months	2,535	2,333
	2,535	2,333

2) Other:

Government authorities	1,536	1,205
Prepaid expenses	593	691
Advances to suppliers	302	557
Employees	273	227
Restricted deposit	414	875
Income Receivable	350	599
Construction contract work in progress due from customers	745	193
Other	118	141
	4,331	4,488

NOTE 14 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

The carrying amounts of trade and other receivables are denominated in the following currencies:

	December 31	
	2016	2015
	$ in thousands	
Trade:		
NIS	3,533	3,034
U.S. dollar	16,547	19,021
Euro	4,254	2,636
Australian dollar	3,702	2,380
Chinese RMB	3,177	4,646
Singapore dollar	377	157
Turkish pound	875	3,413
Other	1,474	727
	33,939	36,014
Other:		
NIS	1,659	1,041
U.S. dollar	409	509
Euro	707	1,425
Australian dollar	337	475
Chinese RMB	327	149
Turkish pound	590	684
Other	302	205
	4,331	4,488

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above, excluding prepaid expenses and advances to suppliers. The Group does not hold any collateral as security.

The carrying amounts of the trade and other receivables (excluding prepaid expenses and advances to suppliers) represent their fair value since they are short-term receivables.

c. Bank credit and borrowings from banks

	December 31	
	2016	2015
	$ in thousands	
1) Composed as follows:		
Bank credits	5,226	3,857
Current maturities of long-term borrowings from Banks (see note 8)	6,027	10,331
	11,253	14,188

NOTE 14 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

2) Classified by currency, linkage terms and interest rates, the short-term bank borrowings (excluding current maturities of long-term loans (note 8(a)) are as follows:

	Weighted average interest rates*	December 31 2016	Weighted average interest rates*	December 31 2015
	%	$ in thousands	%	$ in thousands
Denominated In U.S. dollars	1.84%	4,553	1.61%	3,716
Denominated in Euro		41		73
Denominated in ILS	3.60%	362		-,-
Denominated in TRY	5.52%	270		68
		5,226		3,857
Current maturities of long-term loans from banks and others (see note 8)		6,027		10,331
		11,253		14,188

* The credit bears interest at variable rates. The weighted average interest rates are as of 31 December for each of the years.

3) The Group has the following undrawn borrowing facilities:

	December 31	
	2016	2015
	$ in thousands	
Floating rate:		
Expiring within one year	16,251	17,625

The carrying amounts of the short-term borrowings from banks are approximately their fair value.

d. Financial assets at fair value through profit or loss

The Group assesses the value of the derivative financial instrument at each period end date and uses the services of an external expert for that purpose.
The valuation of the derivative forward contracts was based on translating the ILS amount of the hedging instrument at current forward rate for the remaining hedging period (level 2 fair value hierarchy). The valuation of option derivatives fair value calculation was based on Garman-Kohlhagen model (a theoretical model for options valuation that is an expansion of Black–Scholes model for foreign exchange options) in which the fair value of each option is equal to the premium that will be received or paid for the option, based on observable market data, such as spot rate, yield curves, exchange rate volatility and quoted prices for similar options, as of the fair value calculation date (level 2 fair value hierarchy).

	December 31	
	2016	2015
	$ in thousands	
Derivatives:		
Assets	85	148
Liabilities	(66)	(214)

NOTE 14 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

	December 31	
	2016	2015
	$ in thousands	
e. Trade and other payables		
1) Trade payables:		
Open accounts	13,759	15,418
Checks payables	95	43
	13,854	15,461
2) Other accounts payable:		
Employee benefit expenses and other Liabilities relating to wages and salaries (including accrued vacation pay)	3,276	4,549
Customer advances	2,181	1,168
Related parties (the Kibbutz)	1,234	1,083
Commissions and other accrued expenses	1,973	1,993
Provision for governments grants (see note 11 (7-8))	504	582
Construction contract work in progress due to customers	579	-,-
Sundry	531	571
	10,278	9,946

The carrying amount of accounts payables is a reasonable approximation of their fair value since the effect of discounting is immaterial.

	Year ended December 31	
	2016	2015
	$ in thousands	
f. Sales by customer location		
North America	26,308	30,922
Europe	20,384	19,949
Australia	12,837	11,423
Israel	9,711	8,430
South America	7,175	8,965
Africa	5,068	4,645
Middle east	4,794	13,309
The Far East	19,313	21,136
Total	105,590	118,779

Revenues of approximately $19,317 thousands in 2016 and $20,997 thousands in 2015 are derived from a single external customer.

NOTE 14 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

	Year ended December 31	
	2016	2015
	$ in thousands	
g. Cost of revenue		
Materials consumed	38,081	40,071
Subcontractors	1,698	3,403
Employee benefit expenses	15,262	15,818
Manpower services provided by Kibbutz Beit Zera	334	389
Amortization and depreciation	2,205	2,223
Rent and maintenance	3,592	3,422
Other manufacturing expenses	3,303	3,394
	64,475	68,720
Decrease (increase) in inventories of work in progress	(819)	1,571
Decrease (increase) Increase in inventories of finished products	421	339
Total changes in inventories	(398)	1,910
Total	64,077	70,630
h. Research and development costs		
Materials consumed	67	67
Subcontractors	305	120
Employee benefit expenses	1,899	1,790
Manpower services provided by the Kibbutz	122	116
Professional fees	31	19
Motor vehicle maintenance including depreciation	383	358
Sundry	595	462
	3,402	2,932
i. Selling and marketing costs		
Employee benefit expenses	14,260	14,418
Distribution, commissions and maintenance of sales offices	1,290	2,981
Delivery, packing, release and insurance	2,660	1,797
Advertising	896	858
Travel abroad	755	789
Motor vehicle maintenance including depreciation	1,053	1,070
Manpower services provided by Kibbutz Beit Zera	193	249
Travel	823	830
Sundry	2,493	2,468
	24,423	25,460

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(continued)

NOTE 14 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

	Year ended December 31	
	2016	**2015**
	$ in thousands	
j. Administrative and general expenses		
Employee benefit expenses	4,643	4,466
Rent and maintenance	472	471
Professional fees	1,735	2,066
Amortization and depreciation	969	961
Manpower services provided by Kibbutz Beit Zera	75	66
Doubtful accounts and bad debts	359	1,087
Telephone and communication	137	142
Office expenses	44	56
Vehicle Expenses	338	374
Sundry	1,181	1,360
	9,953	11,049
k. Other gains (loss)		
Sales of assets	(19)	111
Sundry	(15)	3
	(34)	114
l. Finance income and costs		
Finance income:		
Interest income on short-term bank deposits	181	240
Net severance pay fund	11	28
Foreign currency derivative	155	64
Foreign exchange differences	649	446
Other	13	12
Total finance income	1,009	790
Finance costs:		
Interest expenses- borrowings	771	778
Foreign exchange differences	486	1,819
Bank and other commissions	365	363
Total finance costs	1,622	2,960
Net finance costs	(613)	(2,170)

NOTE 14 - SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION (continued):

	Year ended December 31	
	2016	2015
	$ in thousands	
m. Non-Current assets classified by geographical areas		
Israel	21,110	21,631
United States	2,159	2,301
Turkey	1,114	1,369
Other	991	1,163
	25,374	26,464

n. Construction contracts

1) Balance sheet

Current assets		
Trade receivables	2,607	2,055
Other Receivables		
Construction contract work in progress due from customers	745	193
Current Liabilities - Other Payables		
Construction contract work in progress due to customers	579	-,-

2) Income statement

Contract revenue	9,463	13,541
Contract costs	6,057	8,537
Gross profit	3,406	5,004

	December 31	
	2016	2015
	$ in thousands	
3) Construction contract		
The aggregate costs incurred and recognized profits	9,360	8,258
Less: Progress billings	9,194	8,065
Net balance sheet position for ongoing contracts	166	193

NOTE 15 - EARNINGS PER SHARE:

Basic:

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of issued and outstanding ordinary shares.

	Year ended December 31	
	2016	2015
	in thousands	
Number of shares at the beginning of the period	22,664	22,664
Number of shares used for calculation of earnings per share – basic	22,664	22,664

Diluted:

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares - share options. The calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended December 31	
	2016	2015
Number of shares used for calculation of earnings per share – basic (in thousands)	22,664	22,664
Number of shares used for calculation of earnings per share - diluted (in thousands)	22,653	22,664
Net income attributable to equity holders of the parent – basic (in U.S. dollars, thousands)	2,342	4,921
Net income attributable to equity holders of the parent – diluted (in U.S. dollars, thousands)	2,151	3,752
Basic earnings per share (in U.S. dollars)	0.103	0.217
Diluted earnings per share (in U.S. dollars)	0.095	0.166

The diluted earnings per share including 682 thousands options whose effect is anti-diluting.

Notes to Consolidated Financial Statements

(continued)

NOTE 16 - CASH FLOWS FROM OPERATING ACTIVITIES:

	Year ended December 31	
	2016	**2015**
	$ in thousands	
Profit for the year	2,411	5,071
a. Adjustments to reconcile net income to net cash generated from operating activities		
Depreciation and amortization	3,431	3,446
Interest paid	764	781
Interest received	(124)	(130)
Income taxes paid, net	635	312
Share based payment, net	83	66
Distribution of profits to the CEO of a subsidiary	(371)	(102)
Changes in liability to the CEO of a subsidiary	151	50
Decrease (increase) in deferred income taxes, net	(814)	442
Accrued severance pay, net	65	(155)
Exchange rate differences on borrowings	91	347
Increase in assets at fair value through profit or loss	(85)	(548)
Loss (profit) from sale of property, plant and equipment	19	(111)
	3,845	4,398
Changes in working capital:		
Decrease (increase) in accounts receivable:		
Trade	878	6,383
Other	(491)	(1,101)
Increase in long-term receivable	(18)	(5)
Increase (decrease) in accounts payable:		
Trade	(980)	1,617
Other	1,127	1,670
Increase in inventories	(606)	(1,608)
	(90)	6,956
Cash generated from operations	6,166	16,425
b. Supplementary information on investing activity not involving cash flows-		
Transaction with the non-controlling interests	2,605	-,-

NOTE 17 - SHARE PURCHASE AGREEMENT OF FTS:

On July 10, 2008 the Group entered into a share purchase agreement with the owners of FTS (hereafter "the seller"), to purchase 51% of the shares of FTS that confer ownership and control in FTS.
According to the agreement, the Group had an option to acquire from the seller the remaining 49% of FTS's share capital and the seller had an option to sell to the Group his share in FTS under certain restrictions.
On September 30, 2015 the Group entered into a conditional share purchase agreement with the seller.
The conditional share purchase agreement supersedes all previous agreements.

In previous years, the Company applied accounting treatment that fully consolidated the results of its operations, assets and liabilities of FTS. In addition, the Company recognized a liability for acquisition of shares held by the seller.

At the end of 2016, the parties decided to cancel the conditional share purchase agreement. Therefore the Company derecognized the liability to purchase the share of the seller, against recognition of minority interest at their carrying amount. The resulting negligible difference was recognized according to IFRS to an equity reserve.

In 2016 and 2015 the general assembly of FTS has approved the distribution of dividends of the entire distributable profit of fiscal year 2014 and 2013 in the amount of $533 and $ 470 thousands, respectively.

NOTE 18 - RELATED PARTIES:

a. Transactions with related parties

	Year ended December 31	
	2016	**2015**
	$ in thousands	
Expenses:		
Lease fees to the Kibbutz (see c below)	582	567
Maintenance fees to the Kibbutz (see c below)	213	208
Manpower services provided by Kibbutz Beit Zera	724	821
Lease fees to Kibbutz Beit Zera (see d below)	797	797
Maintenance fees to Kibbutz Beit Zera (see d below)	224	222
Raw materials purchases from Bermad	2,162	2,066
Sales of goods to Bermad	108	208
Key management compensation:		
Salaries and other short-term employee benefits	2,281	2,149
Termination benefits	147	179
Other long-term benefits	48	44
	7,286	7,261

* see also option granted to key management in note 12b.

NOTE 18 - RELATED PARTIES (continued):

b. Balances with related parties

	December 31	
	2016	**2015**
	$ in thousands	
Current payables to related parties - presented in the statement of financial position among current liabilities:		
Other accounts payables to related parties	1,234	1,083
Other accounts payables to key management	132	359
	1,366	1,442

* see also Liability to the CEO of a subsidiary in note 17.

c. Agreements between the Kibbutz and the Company

According to several agreements between the Kibbutz and the Company, the Kibbutz provides the Company with use of land and buildings, utilities and maintenance services.
These agreements were amended or renewed in September 1, 2011.

1) Sublease agreement

According to a sublease agreement between the Company, the Kibbutz and Amiad Assets 2005 LLP (formerly Amiad Filtration Systems LLP); (hereafter - the "Lessor") the monthly rent is $48.8 thousands which is linked to the Israeli consumer price index. The rent is reviewed every 3 years. The term of the sublease is until July 31, 2021 with an option to extend until July 31, 2031.

2) Service agreement

According to a service agreement, the Kibbutz agreed to provide the Company with various services including utilities, maintenance, etc. The term of the agreement is until July 31, 2021 with an option to extend for an additional period of 10 years In accordance with the addendum, the cost of services is $17.6 thousands per month linked to the Consumer Price Index.

d. Agreements between Kibbutz Beit Zera and the Company

As part of the purchase of Arkal on April 28, 2010 the Company has entered into several agreements with Kibbutz Beit Zera ("Beit Zera") pursuant to which Beit Zera provides the Company with use of land and buildings, utilities, maintenance and manpower services.
The sublease and services agreements were amended in August 3, 2011.

1) Manpower Services Agreement

According to manpower agreement between the Company and Beit Zera, Beit Zera supplies the Company with manpower. The term of the agreement is 10 years commencing on April 28, 2010. The agreement is automatically renewable for additional periods of 10 years each, unless either party notifies the other party its intention not to renew the term of the agreement by six months prior to the end of the term of the agreement. Beit Zera may terminate the agreement by issuing four months written notice at any time. Upon termination, all workers supplied by Beit Zera may become employees of the Company. The cost of the manpower services under the agreement is paid monthly based on a formula which varies depending on the number of workers and the function each worker undertakes at the Company.

NOTE 18 - RELATED PARTIES (continued):

2) Sublease agreement

According to a sublease agreement between the Company and Beit Neta Cooperative Agricultural Society Ltd. (hereafter - the "Lessor") the monthly rent is $66.2 thousands and is linked to the Israeli consumer price index. The rent is reviewed every 3 years. The term of the sublease is 10 years as from the date on which the additional land and buildings that the Company is supposed to rent will be made available to the Company, with an option to extend the term for additional 10 years. The Company is obliged to finance, by granting a loan, all changes made to the leased property by the Lessor at the request of the Company. Such loan shall be repayable to the Company by the Lessor offsetting against any increased rent due by virtue of the changes to the property having increased the value of the leased property. As from December 31, 2012 no loans were extended in respect of changes in the leased property.

3) Services agreement

According to a service agreement, Beit Zera agreed to provide the Company with various services including utilities, maintenance, etc. The term of the agreement shall be the same as the abovementioned sublease agreement and shall terminate on the date of the termination of the sublease agreement. In accordance with the addendum, the cost of services is $18.6 thousands per month linked to the Israeli consumer price index.

e. Agreements between Bermad and the Company

The Company purchases from Bermad valves incorporated in the Company's products, and supplies Bermad certain products. All these transactions are made at market terms and prices.

NOTE 19 - EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On March 28, 2017 the Company's board of directors resolved to distribute dividends in the amount of $725 thousands, $0.032 per share.

APPENDIX I

LIST OF SUBSIDIARIES AND JOINT VENTURES:

Name of Company	Country	Percentage of shareholding and control	
		December 31	
		2016	2015
		%	%
Amiad USA Inc.	USA	100%	100%
Filtration & Control Systems PTE Ltd.	Singapore	100%	100%
Yixing Taixing Environtec Co. Ltd.	China	100%	100%
Amiad Australia Pty Ltd.	Australia	100%	100%
Amiad Filtration Solutions Ltd.	Germany	100%	100%
Amiad Filtration Solutions (2004) Ltd.	Israel	100%	100%
Amiad Water Systems Europe SAS	France	100%	100%
FTS Fitrasyon Aritim Sistemleri Sanayive Ticaret	Turkey	51%	51%
EFS-European filtration Solutions Cooperatief U.A	Holland	100%	100%
PEP Filters Inc (USA)	USA	100%	100%
Amiad Filtration Systems (India) Private Limited	India	60%	60%
JSK Engg. Private Limited	India	40%	40%
Amiad Sistemas de Agua LTDA	Brazil	100%	100%
Amiad Mexico Sa De CV	Mexico	100%	100%
C.O.R Filtration.Netherlands B.V	Holland	100%	100%
Amiad Water Systems UK Limited	UK	100%	100%
Shanghai Taixing Environmental Technology co. Ltd.	Shanghai	100%	100%

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