MTI Wireless Edge Ltd. ▪ רח' המלאכה 11. פארק התעשיה אפק ראש העין 48091
11 Hamelacha St. Afek Industrial Park Rosh-Ha'Ayin 48091, Israel
Tel: +972-3-9008900 ▪ Fax: +972-3-9008901 ▪ www.mtiwe.com

Annual Report 2016

Company Overview

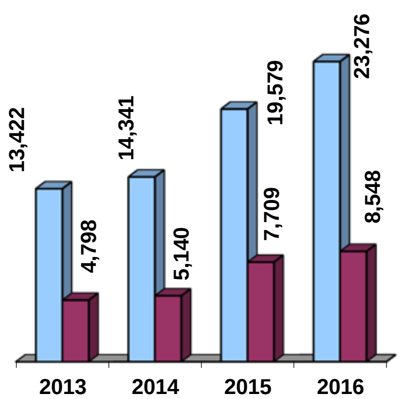
MTI is a developer and manufacturer of sophisticated antennas and antenna systems, including antennas that are sold for use in Broadband Wireless Access compliant systems.

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

MTI is now based in Israel, India, USA, South Africa and Australia employing (as at 31 December 2016) a total of 130 employees.

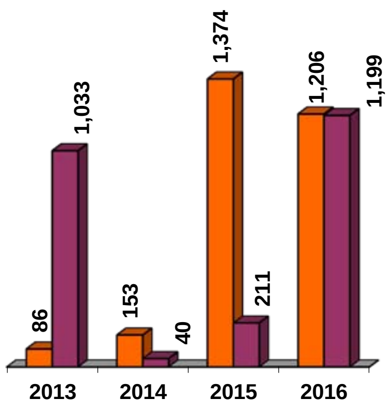
Revenue & Gross Profit 2013 - 2016
(US dollar in thousands)

- Revenue
- Gross Profit



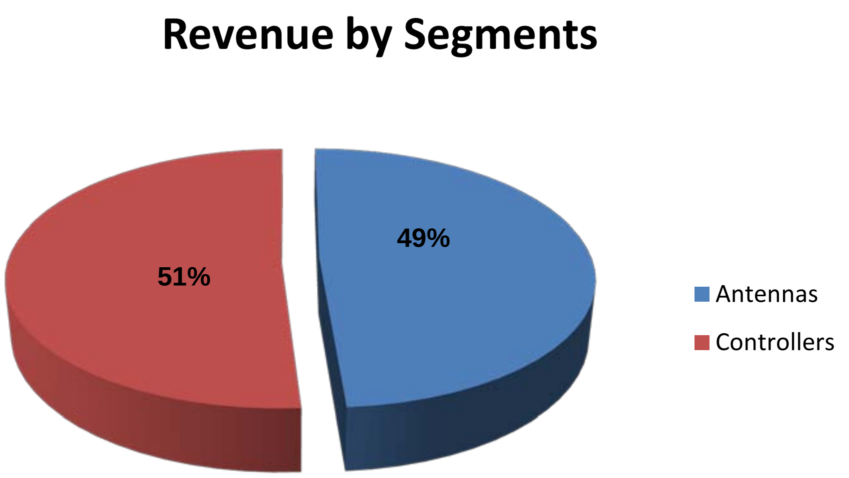
Profit before tax and cash flow 2013 - 2016
(US dollar in thousands)

- Profit before tax
- Cash generated from operation



2016 Highlights

- Revenues increased by 19% during the Period to $23.3m (2015: $19.6m)
- Gross profit increased during the Period by 11% to $8.6m (2015: $7.7m)
- Generated over $1.2m of cash from operation (2015: $0.2m)
- Profit before tax remains strong at $1.2m (2015: $1.4m)
- Earnings per share of 1.81 US Cents (2015: 2.37 US cents)
- Shareholder's equity grew during the Period to $18.9m (31 December 2015: $18.4m)
- Dividend of $0.01 per share declared with a scrip dividend alternative offered to all shareholders



Chairman's Statement

I am pleased to report on our audited results for the financial year ended 31 December 2016, during which we completed the integration in our recently acquired Mottech Water Solutions and we strengthened our sales and marketing in key territories. The steps we took returned the business to growth and laid the foundations to capitalize on the enormous opportunities and the future growth. We were able to further develop our management software to support Mottech's existing and potential customers under tight control to assure our operating profits in this segment continue to grow. As water is becoming more critical natural resource and as its management is becoming essential we will see more demand for our solutions. Our offices on different continents (including representatives around the world) continues to provide an enormous opportunity for Mottech.

In the antenna military segment we continue to see good demand and, given the current backlog and pipeline of opportunities in this segment, we have a strong belief that the growth will continue in 2017 and beyond. In the broadband wireless access sector the pipeline of opportunities we currently see in the market should produce a return to growth in 2017, including from the millimeter wave (including 60 – 80 GHz and 5G) where we see slow improvement in demand and where our key advantage of flat antenna remains solid. 2016 brought new significant potential for this segment with new customer wins. We are confident that this will be part of MTI's growth in the future.

We believe the underlying drivers of our business, such as continued growth in data usage and increasing subscriber numbers, are part of long-term trends that we expect to continue for the foreseeable future. This, together with the requirement for efficient water management, provides us with confidence in both the Company's short and long term growth prospects.

Following a review of the business, the Board decided to declare a final dividend of $0.01 per share. We strongly believe it is in the interest of Shareholders to receive a yearly yield on their investment, while at the same time the Company manages its earnings and cash generation and therefore decided to offer a scrip dividend alternative to Shareholders. The Board believes that the ability for qualifying shareholders to elect to receive dividends from the Company in the form of new Ordinary Shares or new Depositary Interests rather than cash is likely to benefit both the Company and Shareholders. If qualifying shareholders do elect to receive scrip dividend shares, the Company will benefit from the ability to retain the cash which would otherwise have been paid out as dividends. A circular regarding the scrip dividend alternative will be issued shortly.

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

Zvi Borovitz
Non-Executive Chairman

Chief Executive's review

During 2015 we made a profit enhancing acquisition that seems today, a year and a half post it, as a true step up in the value-chain and provides wireless control solutions and services. We continued, in 2016, our positive momentum in this segment and were able to grow the overall business despite difficulties in our broadband access antenna business.

Our wireless controller segment completed its integration into the Company and we were able to bring more enthusiasm into our sales and distribution partners around the globe – this increased our business and brought new opportunities which we aim to capitalize in the near future. We see many opportunities to grow this business and remain focused on building our offering for various markets in the water management segment.

In the antenna military segment, we continued to see good demand and were able to grow the business in 2016 and given the current backlog and pipeline of opportunities in this segment we have strong belief that the growth will continue in 2017 and beyond. We continue to build the capabilities and offerings in order to have a larger share in this market.

Our RFID segment showed over 20% growth in 2016, passing the US $2m revenue for the first time. We see more applications which require the use of such solutions and our position in this market, still in its initial stages, remains strong and our key goal is to ensure that MTI remains well positioned in this market and to maximise the benefits of RFID technology continuing its world-wide growth.

In broadband wireless access we saw a revenue decrease in 2016 – the legacy part of broadband access had been slow in 2016 and from the pipeline of opportunities we currently see in the market we believe 2017 would be much better. In the millimeter wave (including 60 – 80 GHz and 5G) we see slow improvement in demand coupled with cost reduction initiatives of all players in the market. Our key advantage of flat antenna remains solid and we expect to be with full line ready for production in the second half of 2017. Nevertheless, 2016 brought new significant potential for this segment with new customer wins. We are confident that this will be part of MTI's growth in the future.

To achieve future growth, the Company aims to expand its leadership in the antenna markets and further develop Mottech's control software to make sure we continue to lead the offering in this market and bring our customer added value.

Dov Feiner

Chief Executive Officer

Our Board

Zvi Borovitz – Chairman
Non Executive Director

Zvi founded MTI in the early 70's together with his late wife Aya. He has more the 40 years of experience in the development and management of high tech companies. Zvi holds an MS in Electrical Engineering from the Polytechnic Institute of Brooklyn.

Dov Feiner – Chief Executive
Executive Director

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

Moshe (Moni) Borovitz – Finance Director
Executive Director

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

Lihi Elimelech Bechor, Adv.- Non Executive Director

Lihi is a senior legal professional with many years of experience, specialising in intellectual property including copyrights, patents, designs and trademarks and managing the IP portfolio of various companies. Mrs. Elimelech-Bechor, Adv. currently serves as an external director of (i) Malibu Investments Inc. (a real estate company listed on the Tel Aviv Stock Exchange) with headquarters in Canada and (ii) Inbar Issuing and Finance Ltd. (shares issuing and distribution company).

Zvi Kanor - Non Executive Director

Zvi Kanor started his career as a fighter pilot and retired as a Brigadier General having served in the Israeli Defence Forces (IDF) until 1993. In 1994 he became CEO of BVR Technologies Ltd, an Israeli company involved in the development, manufacture and market of advanced training and simulation systems for the aerospace industry. In 1997 Zvi served as the CEO of Ophir Tours, an Israeli pacakage holiday and travel company. Until recently Zvi served as the CEO of the Tel Aviv Foundation, which is the international fund-raising arm of the City of Tel Aviv-Yafo. The foundation raises money for educational, social and cultural projects in Tel Aviv-Yafo.

Richard Bennett - Non Executive Director

Richard Antony Bennett started his career with General Electric in Asia in 1990. In 1994, he was a founding shareholder of J2/JFAX Inc., in New York, which has become a leading internet unified messaging service and is currently listed on NASDAQ. From 1999 to 2001 he joined Virtual Internet as commercial director where he helped manage their admission to AIM. In 2001 he became a founder and director of Pixago which was later sold to First Media. Richard also served as a director and founder of PZERO Ltd, a renewable energy technology consultancy business, whose UK customers were sold to The Carbon Advisory. From 2005 until recently he served as the CEO of the AIM listed Coms plc, an internet telephony service provider. He is currently a non-executive director of AIM listed China New Energy as well as the founder and CEO of Sunbird Bioenergy.

Corporate Governance

The following statement of corporate governance reflects the position of the Company as at 31 December 2016.

The board is responsible for the Company's corporate governance policy, and recognize the importance of high standard of integrity, and consistently seeks to apply the principles set out in the Combined Code of on Corporate Governance (the "Code") to the extant they are appropriate for, and applicable to, a company of MTIs' size and which has its shares traded on AIM, a market operated by the London Stock Exchange plc.

Directors

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

All the directors have access to the advice and services of the Company Secretary and may, in furtherance of their duties, take independent legal and financial advice at the Company's expense. They also have access to the minutes of the board, in which any concerns expressed by them regarding matters pertaining to the Company are recorded. While there is no formal process, the performance and effectiveness of each director, including the non-executive directors, is assessed on an on-going basis by the other members of the board. All members of the board are free to bring any matter to the attention of the board, at any time.

Board Meetings

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

Committees

Audit & Financial Statements Committee
The audit committee and the financial statements committee are chaired by Mrs. Lihi Elimelech Bechor. The other members are Richard Bennett and Zvi Kanor. The external auditors, together with the finance director, are invited to attend these meetings as and when required.

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

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

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

On November 12, 2012 Amendment No. 20 to the Israeli Companies Law was published (the "Amendment").

According to the Amendment, a public company is required to appoint a remuneration committee (its composition and manner of discussion shall be in accordance with the provisions of the Amendment), and adopt a policy regarding the conditions of service and employment of officers of the Company, in accordance with the recommendations of such remuneration committee, subject to the approval of the general meeting of the shareholders of the Company. In addition, the Amendment regulates the method of approval of the terms of service and employment of officers of public companies.

The Company established its three years policy in July 2013 after receiving the approval of its shareholders. This Policy was renewed in May 2016.

Relations with Shareholders

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

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

Internal Control

The board has overall responsibility both for the Company's system of internal controls, which includes internal financial controls and for reviewing their effectiveness. The directors recognize that no system of internal control can provide absolute assurance. The Company's systems are designed to manage the risk of failure to achieve business objectives and therefore can only provide the directors with reasonable assurance against material misstatement or loss. The key elements of the Company's internal control system, which have been operational since the Company's flotation in March 2006, are as follows:

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

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

Internal Audit
The board has, in accordance with the Israeli Companies Law, appointed Mr. Eyal Weitzman as its internal auditor.

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

Compliance Statement
Corporate Governance procedures are subject to regular review by the board. Throughout the year the Company complied with the provisions as set out in Section 1 of the Code, to the extent that they are appropriate for, and applicable to, a company of MTI's size listed on AIM.

Report on Directors' Remuneration

Remuneration Committee

The Remuneration Committee was responsible for managing the process and defining the new remuneration policy adopted by the company pursuant to the board's and shareholder's approval, as required by the Israeli Companies Law. Following such approval the remuneration committee is responsible to check and make required changes, if any, in the remuneration of each of the executive of the company within the boundaries of the approved policy.

Policy on Company Remuneration

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

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

Policy on Senior Executive Remuneration

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

Directors' Remuneration

Name	Total Company cost (including bonuses in Thousands)	Shares held by each Director
Dov Feiner	$333	2,789,000
Moshe Borovitz*	$281**	113,000
Zvi Borovitz*	$154**	882,000
Lihi Elimelech Bechor	$18	-
Richard Bennett	$18	-
Zvi Kanor	$6	-

(*) Each of Zvi and Moshe Borovitz also has an interest in 25 per cent.of Mokirei Aya Ltd. which controls 43.5 per cent. of the issued share capital of MTI Computers, as of 31 December 2016, which has an interest in 52.1 per cent. of the issued share capital of the Company.

(**) Zvi and Moshe Borovitz provide management services to the company through a company controlled by them (the "Management Company"). These management services will consist of the services of Mr. Zvi Borovitz who serves as a non-executive chairman of the Company and Mr. Moshe Borovitz who serves as the finance director of the Company.

Service Contracts

The Company has a service agreement with the Management Company as described above, in respect of the services of Messrs Zvi and Moshe Borovitz. The term of this agreement was approved by shareholders and is for a period of three years starting June 1st, 2016.

Dov Feiner has a service contract with a notice provision in excess of six months. According to a new regulation in the Israeli Companies Law and change in remuneration policy to the CEO of the Company will have to be brought to the approval of the shareholders after a long term strategy is proposed by the remuneration committee. This was approved on May 18, 2016.

The two Non Executive External Directors were entitled to a fee of $18,000 per annum, paid quarterly. According to the Israeli Companies Law, non-executive independent directors (defined as external directors in the Israeli Companies Law) are elected for three year terms. On April 29, 2015 Mrs. Lihi Elimelech Bechor was appointed and on 18 May, 2016 Mr. Richard Bennett was reappointed for three year term.

Zvi Kanor, the third non-executive director had joined the board on 18 April, 2013 and is entitled, for a fee based on the number of meeting, paid quarterly ($6k in 2016). His appointment is subject to shareholders' approval at the AGM.

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

Financial Statement

M.T.I WIRELESS EDGE LTD.

Annual Report and Financial Statements

Year Ended

December 31, 2016

M.T.I WIRELESS EDGE LTD.

(An Israeli Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

Independent Auditors' Report to Shareholders of
<u>M.T.I Wireless Edge Ltd.</u>

We have audited the accompanying consolidated statements of financial position of M.T.I Wireless Edge Ltd (the "Company") and its subsidiaries (hereafter- "the Group"), as of December 31, 2016 and 2015 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years than ended. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of certain subsidiaries, whose assets included in consolidation constitute approximately 9% and 9% of total consolidated assets as of December 31, 2016 and 2015 respectively, and whose revenues included in consolidation constitute approximately 8% and 11% of total consolidated revenues for the years ended on those dates, respectively. The financial information of the above subsidiaries 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 the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the accompanying 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 the years than ended in accordance with International Financial Reporting Standards (IFRS).

Tel-Aviv, Israel February 15, 2017

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Comprehensive Income

	Note	For the year ended December 31, 2016 $'000	2015 $'000
Revenues	3, 5	23,276	19,579
Cost of sales		14,728	11,870
Gross profit		8,548	7,709
Research and development expenses		1,079	1,216
Distribution expenses		3,346	2,408
General and administrative expenses		2,640	2,323
Profit from operations	4	1,483	1,762
Finance expense	6	334	432
Finance income	6	57	44
Profit before income tax		1,206	1,374
Income tax expense	7	222	110
Profit		984	1,264
Other comprehensive income (loss) net of tax:			
Items that will not be reclassified to profit or loss:			
Re measurements on defined benefit plans		(16)	(42)
		(16)	(42)
Items that may be reclassified to profit or loss:			
Adjustment arising from translation of financial statements of foreign operations		121	(77)
		121	(77)
Total other comprehensive income (loss)		105	(119)
Total comprehensive income		1,089	1,145
profit attributable to:			
Owners of the parent		936	1,222
Non-controlling interest		48	42
		984	1,264
Total comprehensive income attributable to:			
Owners of the parent		1,041	1,103
Non-controlling interest		48	42
		1,089	1,145
Earnings per share (dollars)			
Basic	8	0.0181	0.0237
Diluted	8	0.0178	0.0235

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2016:

	Attributable to owners of the parent							
	Share capital	Additional paid-in capital	Capital Reserve from share-based payment transactions	Adjustment arising from translation of financial statements of foreign operations	Retained earnings	Total attributable to owners of the parent	Non-controlling interest	Total equity
	$'000							
Balance as at January 1, 2016	109	14,945	304	(77)	3,116	18,397	266	18,663
Changes during 2016:								
Comprehensive income								
Profit for the year	-	-	-	-	936	936	48	984
Other comprehensive income								
Re measurements on defined benefit plans	-	-	-	-	(16)	(16)	-	(16)
Translation differences	-	-	-	121	-	121	-	121
Total comprehensive income for the year	-	-	-	121	920	1,041	48	1,089
Share issuance to non-controlling interest in subsidiary	-	(10)	-	-	-	(10)	10	-
Exercise of options to share capital	*	29	(1)	-	-	28	-	28
Dividend paid	-	-	-	-	(568)	(568)	-	(568)
Share based payment	-	-	20	-	-	20	-	20
Balance as at December 31, 2016	109	14,964	323	44	3,468	18,908	324	19,232

(*) less than 1 thousand dollar

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Changes in Equity (Cont.)

For the year ended December 31, 2015:

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

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Financial Position

	Note	As at December 31, 2016 $'000	As at December 31, 2016 $'000	As at December 31, 2015 $'000	As at December 31, 2015 $'000
ASSETS					
Non-current assets:					
Property, plant and equipment	10	5,453		5,643	
Investment property	11	630		656	
Deferred tax assets	13	500		393	
Goodwill		573		573	
Intangible assets	12	321		429	
Long-term prepaid expenses		48		28	
Total non-current assets			7,525		7,722
Current assets:					
Inventories	14	4,910		4,426	
Current tax receivables		455		139	
Trade and other receivables	15	8,865		9,370	
Other current financial assets		-		2,086	
Cash and cash equivalents	16	4,428		2,634	
Total current assets			18,658		18,655
TOTAL ASSETS			26,183		26,377
LIABILITIES					
Non-current liabilities:					
Loans from banks	17	1,664		2,381	
Employee benefits, net	18	405		387	
Other liabilities	19	-		92	
Total Non-current liabilities			2,069		2,860
Current Liabilities:					
Current tax payables		3		192	
Trade and other payables	20	4,077		3,870	
Current maturities and short term Loans	21	802		792	
Total current liabilities			4,882		4,854
Total liabilities			6,951		7,714
TOTAL NET ASSETS			19,232		18,663

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

		As at December 31,		As at December 31,	
		2016	**2016**	**2015**	**2015**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Capital and reserves attributable to owners of the parent	23				
Share capital		109		109	
Additional paid-in capital		14,964		14,945	
Capital reserve from share-based payment transactions		323		304	
Translation differences		44		(77)	
Retained earnings		3,468		3,116	
			18,908		18,397
Non-controlling interests			324		266
TOTAL EQUITY			19,232		18,663

The financial statements on pages 4 to 46 were approved by the Board of Directors and authorised for issue on February 15, 2017, and were signed on its behalf by:

February 15, 2017			
Date of approval of financial statements	Moshe Borovitz Chief Finance Director	Dov Feiner Chief Executive Officer	Zvi Borovitz Non-executive Chairman

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Cash Flows

	For the year ended December 31,		For the year ended December 31,	
	2016	**2016**	**2015**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Operating Activities:				
Profit for the year	984		1,264	
Adjustments for:				
Depreciation and amortization	635		593	
Gain from investments in financial assets	(57)		(36)	
Equity settled share-based payment expense	20		18	
Finance expenses, net	122		113	
Income tax expense	222		110	
Changes in working capital and provisions		1,926		2,062
Decrease (increase) in inventories	(466)		90	
Decrease (increase) in trade receivables	19		(1,136)	
Decrease (increase) in other accounts receivables	572		(326)	
Increase (decrease) in trade and other payables	105		(98)	
Increase (decrease) in employee benefits, net	2		(54)	
Interest paid	(122)		(113)	
Income tax paid	(837)		(214)	
		(727)		(1,851)
Net cash provided by operating activities		1,199		211

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

	For the year ended December 31,		For the year ended December 31,	
	2016	**2016**	**2015**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Investing Activities:				
Proceeds from sale of investments in financial assets, net	2,142		1,639	
Acquisition of subsidiary, net of cash acquired (App. B)	-		(3,042)	
Acquisition of Property, plant and equipment	(314)		(297)	
Net cash provided by (used in) investing activities		1,828		(1,700)
Financing Activities:				
Proceeds from exercise of share options	28		-	
Proceeds of long term loan received from banks	87		2,090	
Dividend paid to the owners of the parent	(568)		(351)	
Repayment of long-term loans from banks	(793)		(526)	
Net cash provided by (used in) financing activities		(1,246)		1,213
Increase (decrease) in cash and cash equivalents		1,781		(276)
Cash and cash equivalents at the beginning of the year		2,634		2,918
Exchange differences on balances of cash and cash equivalents		13		(8)
Cash and cash equivalents at the end of the year		4,428		2,634

Appendix A - Non-cash transactions:

	For the year ended December 31,	
	2016	**2015**
	$'000	**$'000**
Purchase of property, plant and equipment with credit	5	8
Transfer from investment property to property, plant and equipment	-	552

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

M.T.I Wireless Edge Ltd.

Consolidated Statements of Cash Flows (Cont.)

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

	For the year ended December 31,		For the year ended December 31,	
	2016	**2016**	**2015**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Working capital (excluding cash and cash equivalents)	-		2,530	
Property, plant and equipment	-		95	
Intangible assets	-		483	
Goodwill	-		167	
Deferred taxes	-		(66)	
Non-current liabilities	-		(67)	
The subsidiaries' assets (excluding cash and cash equivalents) and liabilities at date of acquisition		-		3,142
Non-controlling interests		-		(8)
Contingent consideration		-		(92)
Total		-		3,042

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

1. Accounting policies

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

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

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

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

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

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

Basis of preparation

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

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

Details of the changes in foreign currency:

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

	December 31,	
	2016	**2015**
NIS (in Dollar per 1 NIS)	0.260	0.256

	Year ended December 31,	
	2016	**2015**
	%	%
NIS	0.015	(0.003)

Estimates and assumptions

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

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates used by the the Company and its subsidiaries (hereafter - the Group) that may result in a

1. Accounting policies (Cont.)

Estimates and assumptions (Cont.)

General description of the Group and its operations

material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

Revenue recognition

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

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

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

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

Customer discounts

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

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

1. Accounting policies (Cont.)

Basis of consolidation

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

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

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

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

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

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

Consolidated financial statements

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

Goodwill

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

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

1. Accounting policies (Cont.)

Intangible assets

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

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

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

Impairment of non-financial assets

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

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

Impairment charges are included in general and administrative expenses line item in the statement of comprehensive income. During the years 2015 and 2016 no impairment charges of non-financial assets were recognized.

1. Accounting policies (Cont.)

Foreign currency transactions

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

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

Financial assets

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

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

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

Fair value measurement

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

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

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

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

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

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

1. Accounting policies (Cont.)

Classification by fair value hierarchy:

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

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

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

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

Financial Liabilities

The Group classifies its financial liabilities as follows:

Financial liabilities at fair value through profit or loss: Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

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

De-recognition of financial instruments

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

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

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

Where an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the existing liability and new liability is recognized in profit or loss.

1. Accounting policies (Cont.)

De-recognition of financial instruments (cont.)

If the exchange or modification is not substantial, it is accounted for as a change in the terms of the original liability and no gain or loss is recognized on the exchange.

Impairment of financial assets

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

Financial assets carried at amortized cost:

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

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

Government grants

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

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

1. Accounting policies (Cont.)

Deferred tax

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

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

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

Inventories

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

Property, plant and equipment

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

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

1. Accounting policies (Cont.)

Investment property

An investment property is property (land or a building or both) held by the owner (lessor under an operating lease) or by the lessee under a finance lease to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. Investment property is measured initially at cost including costs directly attributable to the acquisition. After initial recognition, investment property is measured at cost, less accumulated depreciation and accumulated impairment losses and accounted for similarly to property, plant and equipment measured at cost. Investment property is depreciated on a straight-line basis at annual rates of 3.13%.

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

Cash and cash equivalents

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

Provision for warranty

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

Share-based payments

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

Employee benefits

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

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

1. Accounting policies (Cont.)

Employee benefits (cont.)

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

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

Earnings per Share (EPS)

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

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

Segment reporting

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

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

1. Accounting policies (Cont.)

Segment reporting (cont.)

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

New IFRSs in the period prior to their adoption

- **IFRS 9 Financial Instruments:**

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

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

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

Subsequent measurement of all other and financial assets should be at fair value.

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

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

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

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

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

- Simplified effectiveness testing, including removal of the 80-125% highly effective threshold.
- More items will now qualify for hedge accounting, e.g. pricing components within a non-financial item, and net foreign exchange cash positions.

1. Accounting policies (Cont.)

New IFRSs in the period prior to their adoption (cont.)

- Entities can hedge account more effectively the exposures that give rise to two risk positions (e.g. interest rate risk and foreign exchange risk, or commodity risk and foreign exchange risk) that are managed by separate derivatives over different periods.
- Less profit or loss volatility when using options, forwards, and foreign currency swaps.
- New alternatives available for economic hedges of credit risk and 'own use' contracts which will reduce profit or loss volatility.

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

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

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

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

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

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

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

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

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

The standard shall be applied retrospectively for annual reporting periods starting on January 1, 2018 or thereafter, taking into account the reliefs specified in the transitional provisions of IFRS 15. Under these provisions, early adoption of the standard is allowed.

The Group believes that IFRS 15 is not expected to have a material impact on the financial statements.

2. Business combination

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

- The amount of equity shall not be lower than 40% of total assets of the Company. As of December 31, 2016 the Company meets the covenant.

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

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

Acquisition cost of Mottech at the date of acquisition:

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

The result of the company were consolidated into the financial statement of the group commencing May 31, 2015

Cash outflow/inflow on the acquisition:

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

2. Business combination (cont.)

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

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

Contingent consideration:

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

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

As of the acquisition date, the fair value of the contingent consideration was estimated at US$ 92 thousand.

3. Revenues

	For the year ended December 31, 2016 $'000	For the year ended December 31, 2015 $'000
Revenues arises from:		
Sale of goods	17,314	13,987
Rendering of services	2,449	2,182
Projects	3,513	3,410
	23,276	19,579

4. Profit from operations

	For the year ended December 31,	
	2016	**2015**
This has been arrived at after charging**:**	**$'000**	**$'000**
Wages and salaries	7,962	6,525
Depreciation and amortization	635	593
Material and subcontractors	10,279	8,668
Operating lease expense	81	162
Plant, Machinery & Usage	1,024	681
Travel & Exhibition	474	260
Advertising & Commissions	417	207
Consultants	274	401
Others	647	320
	21,793	17,817

5. Operating segments

1. Segment information

	For the year ended December 31, 2016		
	Antennas	**Water Solutions**	**Total**
		$'000	
Revenue			
External	11,427	11,849	23,276
Total	11,427	11,849	23,276
Segment profit (loss)	(108)	1,591	1,483
Unallocated corporate expenses			
Finance expense, net			(277)
Profit before income tax			1,206
Other			
Depreciation and amortization	591	44	635

5. Segments (cont.)

1. Segment information (cont.)

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

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

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

	For the year ended December 31,	
	2016	**2015**
	$'000	**$'000**
Israel	10,856	9,658
North America	4,299	4,331
Europe	4,038	2,269
Africa	1,819	1,276
Asia	645	547
Other	1,619	1,498
	23,276	19,579

3. Additional information about revenues:

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

	For the year ended December 31,	
Revenues	**2016**	**2015**
	$'000	**$'000**
Customer A - Antennas segment	2,424	2,808
Others (non major customers)	20,852	16,771
	23,276	19,579

6. Finance expense and income

	For the year ended December 31,	
	2016	**2015**
	$'000	**$'000**
Finance expense		
Interest on bank loans	122	113
Net Foreign exchange loss	51	146
Interest and bank fees	161	173
	334	432
Finance income		
Gains from financial assets classified as held for trading	57	44
	57	44
	277	388

7. Income Tax

A. Tax Laws in Israel

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

   In December 2010, the "Knesset" (Israeli Parliament) passed the Law for Economic Policy for 2011 and 2012 (Amended Legislation), 2011 ("the Amendment"), which prescribes, among others, amendments to the Law. The Amendment became effective as of January 1, 2011. According to the Amendment, the benefit tracks in the Law were modified and a flat tax rate applies to the Company's entire preferred income. Commencing from the 2011 tax year, the Group will be able to opt to apply (the waiver is non-recourse) the Amendment and from the elected tax year and onwards, it will be subject to the amended tax rates that are: 2014 and thereafter will be 16% (in development area A - 9%).

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

2. Tax rates:

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

   - Decreasing the corporate tax rate to 24% in 2017 and to 23% in 2018 and thereafter (instead of 25%).
   - Commencing tax year 2017 and thereafter the tax rate on the income of preferred enterprises of a qualifying Company in Development Zone A as stated in the Encouragement of Capital Investment Law, shall decrease to 7.5% (instead of 9%) and for companies located in zones other than Zone A the rate shall remain 16%.
   - In addition, the tax rate on dividends distributed on January 1, 2014 and thereafter originating from preferred income under the Encouragement Law will be raised to 20% (instead of 15%).

   Therefore the applicable corporate tax rate for 2014 and thereafter is 16%. The real capital gains tax rate and the real betterment tax rate for the years 2014-2015 -26.5% and 25% in 2016.

7. Income Tax (cont.)

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

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

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

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

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

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

C. Income tax assessments

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

	For the year ended December 31,			
	2016	**2016**	**2015**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Current tax expense				
Income tax on profits for the year	329		201	
		329		201
Deferred tax income				
Origination and reversal of temporary differences	(107)		(91)	
		(107)		(91)
Total tax expense		222		110

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

	For the year ended December 31,	
	2016	**2015**
	$'000	**$'000**
Profit before income tax	1,206	1,374
Tax computed at the corporate rate in Israel of 16%	193	220
Un deductible expenses (Income not subject to tax)	20	13
Taxes resulting from different tax rates applicable to foreign and other subsidiaries	40	22
Utilization of previously unrecognized tax losses	-	(102)
Other	(31)	(43)
Total income tax expense	222	110

8. Earnings per share

Net earnings per share attributable to equity owners of the parent

	For the year ended December 31,	
	2016	2015
	$'000	$'000
Net Earnings used in basic EPS	936	1,222
Net Earnings used in diluted EPS	936	1,222
Weighted average number of shares used in basic EPS	51,687,853	51,571,990
Effects of:		
Employee options	887,740	325,037
Weighted average number of shares used in diluted EPS	52,575,593	51,897,027
Basic net EPS (dollars)	0.0181	0.0237
Diluted net EPS (dollars)	0.0178	0.0235

The employee options have been included in the calculation of diluted EPS as the weighted average share price during the year greater than their exercise price (i.e. they are in-the-money) and therefore it would be advantageous for the holders to exercise those options. The total number of options in issue is disclosed in note 25.

9. Dividends

	For the year ended December 31,	
	2016	2015
	$'000	$'000
Dividend of 1.1 cents (0.68 cents) per ordinary share proposed and paid during the year relating to the previous year's results	568	351

After the date of the financial statements the board of directors declared a dividend of 1 cent per share totaling US$ 518 thousands. This dividend has not been accrued at the reporting date (December 31, 2016).

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

10. Property, plant and equipment

	Building	Machinery & equipment	Office furniture & equipment	Computer equipment	Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost:						
Balance as of January 1, 2016	5,186	4,805	302	1,387	387	12,067
Acquisitions	14	97	8	108	74	301
Exchange differences	-	-	4	5	15	24
Balance as of December 31, 2016	5,200	4,902	314	1,500	476	12,392
Accumulated Depreciation:						
Balance as of January 1, 2016	814	3,924	261	1,289	136	6,424
Additions	145	239	17	65	35	501
Exchange differences	-	1	2	-	11	14
Balance as of December 31, 2016	959	4,164	280	1,354	182	6,939
Net book value as of December 31, 2016	4,241	738	34	146	294	5,453

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

11. Investment Property

Composition and movement of Rental properties:

	2016	2015
	$'000	**$'000**
Cost:		
Balance at January 1 and December 31	828	1,380
Disposals during the year:		
Transfer to property, plant and equipment	-	(552)
Balance at December 31	828	828
Accumulated depreciation:		
Balance at January 1	172	140
Additions during the year:		
Depreciation	26	37
Disposals during the year:		
Transfer to property, plant and equipment	-	(5)
Balance at December 31	198	172
Depreciated cost at December 31	630	656

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

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

In addition to the monthly rental payments, the tenants will pay to the Company a monthly management payment of US$ 7,150 per month as a contribution towards certain expenses (including insurance, the use of the car park, maintenance services, rates, water and electricity). This amount will be increased by 3 percent on a yearly basis. Since the acquisition of Mottech and movement of its facility to the Property the Company entered into an agreement with Mottech instead of MTI Computers for about 40% of the area used by MTI Computers and therefore the lease with MTI Computers was reduced to $6,000 per month and $4,290 per month as a contribution towards certain expenses.

The Group estimates that the fair value does not differ from the carrying amount as at December 31, 2016.

12. Intangible assets

	2016	2015
	$'000	**$'000**
At January 1	429	-
Acquisition of consolidated companies	-	483
amortization charge	(108)	(54)
At December 31	321	429

13. Deferred Tax Assets

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

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

	2016	2015
	$'000	$'000
At January 1	393	368
Additional taxes as a result of acquisition of Subsidiaries	-	(66)
Profit charge	107	91
At December 31	500	393

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

Composition:

	31.12.2016	31.12.2015
	$'000	$'000
Accrued severance pay	58	56
Other provisions and employee-related obligations	70	33
Research and development expenses deductible over 3 years	170	189
Depreciable intangibles	(53)	(69)
Carry forward tax losses	255	184
	500	393

Deferred tax assets relating to carry forward capital losses of the Group total approximately $841 and $793 thousand as of December 31, 2016 and 2015 respectively were not recognized in the financial statements because their utilization in the foreseeable future is not probable.

14. Inventories

	31.12.2016	31.12.2015
	$'000	$'000
Raw materials and consumables	3,713	3,198
Work-in-progress	99	97
Finished goods and goods for resale	1,098	1,131
	4,910	4,426

15. Trade and other receivables

	31.12.2016	31.12.2015
	$'000	$'000
Trade receivables	8,159	8,074
Other receivables	706	1,296
	8,865	9,370

15. Trade and other receivables (cont.)

Trade receivables:

	31.12.2016	31.12.2015
	$'000	$'000
Trade receivables (*)	5,227	5,602
Unbilled receivables – Projects	2,751	2,307
Notes receivable	315	247
Allowance for doubtful accounts	(134)	(82)
	8,159	8,074

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

As at 31 December 2016 trade receivables of $ 535K (2015 – $595K) were past due but not impaired. They relate to the customers with no default history. The aging analysis of these receivables is as follows:

	31.12.2016	31.12.2015
	$'000	$'000
Up to 3 months	514	477
3 to 6 months	13	43
6 to 12 months	8	75
	535	595

Unbilled receivables:

	31.12.2016	31.12.2015
	$'000	$'000
Actual completion costs	3,022	2,046
Profit recognised	1,608	1,466
Billed revenue	(1,879)	(1,205)
Total Unbilled receivables – Projects	2,751	2,307

Other receivables:

	31.12.2016	31.12.2015
	$'000	$'000
Prepaid expenses	127	210
Advances to suppliers	74	263
Employees	73	54
Tax authorities – V.A.T	86	230
Other receivables	346	539
	706	1,296

16. Cash and cash equivalents

	31.12.2016	31.12.2015
	$'000	$'000
In U.S. dollars		
Cash on hand and in banks	4,428	648
Deposits with banks	-	1,986
Total	4,428	2,634

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

17. Loans from banks

Composition:

	31.12.2016	31.12.2015
	$'000	$'000
US Dollars - unlinked	1,063	1,313
NIS	1,343	1,860
South African Rand	60	-
Less - current maturities	802	792
	1,664	2,381

In 2011 the Company received US$ 2.5 Million loan for the purchase of the company building in Rosh ha'ayin, Israel, secured by a mortgage on the said asset. The loan is for 10 years, the repayment on a quarterly basis from April 2011 until January 2021 and bears interest at a fixed rate of 4.9%.

On December 2013 and July 2014, the Company received NIS 150,000 (approximately US$ 39 thousand) and NIS 107,000 (approximately US$ 28 thousand) loans respectively for purchase of cars. The loans are for 4 and 3 years, respectively, with a monthly repayment starting January and July 2014, respectively and bear interest of Prime +0.75% (1.6% as of December 31, 2016). Each of these bank loans is secured by a fixed lien on the cars.

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

During 2016 Mottech South Africa had entered into loan agreement of approximately US$ 60 thousand for purchase of cars payable in 36 months on a quarterly basis. Interest rate is linked to the South Africa prime lending rate.

At December 31 2016	First year	Second year	Third year	Fourth year	Fifth year and thereafter
			$'000		
Long-term loan	802	806	541	254	63

18. Employee benefits

A. Composition:

	As at December 31	
	2016	**2015**
	$'000	**$'000**
Present value of the obligations	977	983
Fair value of plan assets	(572)	(596)
	405	387

B. Movement in plan assets:

	As at December 31	
	2016	**2015**
	$'000	**$'000**
Year begin	596	488
Foreign exchange gain (loss)	8	(2)
Interest income	11	9
Contributions	13	206
Benefit paid	(50)	(41)
Re measurements loss		
Actuarial loss from financial assumptions	(1)	-
Return on plan assets (excluding interest)	(5)	(64)
Year end	572	596

C. Movement in the liability for benefit obligation:

	As at December 31	
	2016	**2015**
	$'000	**$'000**
Year begin	983	853
Foreign exchange loss (gain)	15	(3)
Interest cost	30	28
Current service cost	17	123
Contributions	-	49
Benefits paid	(78)	(45)
Re measurements loss (gain)		
Actuarial loss (gain) from financial assumptions	(16)	5
Adjustments (experience)	26	(27)
Year end	977	983

18. Employee benefits (cont.)

Supplementary information

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

	As at December 31,	
	2016	**2015**
Discount rate on plan liabilities	3.31%	3.11%
Expected increase in pensionable salary	2%	2%

4. Sensitivity test for changes in the expected rate of salary increase or in the discount rate of the plan assets and liability as at December 31, 2016:

	Change in defined benefit obligation
	$'000
The change as a result of:	
Salary increase of 1 %	(66)
Salary decrease of 1 %	54
The change as a result of:	
Increase of 1% in discount rate	50
Decrease of 1% in discount rate	(63)

19. Other liabilities

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

As of the acquisition date, the fair value of the contingent consideration was estimated at US$ 92 thousand. The fair value was determined using the Monte-Carlo method. As at December 31, 2016 the fair value of the contingent consideration estimated at zero.

20. Trade and other payables

	As at December 31, 2016 $'000	2015 $'000
Trade payables	2,285	1,772
Employees' wages and other related liabilities	776	772
Advances from trade receivables	28	114
Accrued expenses	534	775
Government authorities	20	54
Others	434	383
	4,077	3,870

21. Current maturities and short term Loans

	Interest rate as at December 31,02016 %	As at December 31, 2016 $'000	2015 $'000
Current maturities In NIS	Prime+0.75	15	21
Current maturities In NIS	3.5	520	512
Current maturities In SA ZAR	10	17	9
Current maturities In US $	4.9	250	250
Total Current maturities and short-term bank loans		802	792

22. Financial instruments - Risk Management

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

- Foreign currency risk
- Liquidity risk
- Credit risk

Foreign currency risk

Foreign exchange risk arises when Group companies enter into transactions denominated in a currency other than their functional currency. Management mitigates that risk by holding some cash and cash equivalents and deposit accounts in NIS. The company also purchases from time to time some forwards on the NIS/$ exchange rate to hedge part of the salaries costs. As of December 2016 no such transactions were open.

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

22. Financial instruments - Risk Management (Cont.)

Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group have sufficient availability of cash including the short-term investment of cash surpluses and the raising of loans to meet its obligations by cash management, subject to Group policies and guidelines.

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

December 31, 2016	**Less than one year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**> 5 years**	**Total**
	$'000					
Loans from banks	889	862	566	261	64	2,642
Trade payables	2,285	-	-	-	-	2,285
Payables	1,792	-	-	-	-	1,792
	4,966	862	566	261	64	6,719

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

Credit risks

Financial instruments which have the potential to expose the Group to credit risks are mainly deposits accounts, trade receivables and other receivables. The Group holds cash and cash equivalents and deposit accounts in big banking institutions in Israel and in the Switzerland, thereby substantially reducing the risk to suffer credit loss. With respect to trade receivables, the Group believes that there is no material credit risk which is not provided in light of Group's policy to assess the credit risk instruments of customers before entering contracts. Moreover, the Group evaluates trade receivables on a day to day basis and adjusts the allowance for doubtful accounts accordingly.

Fair value

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

Sensitivity tests relating to changes in market price of listed securities

The Group has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the profit or loss and change in equity (before tax) in respect of each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date.

22. Financial instruments - Risk Management (Cont.)

The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk with reference to the functional currency and assuming that all the other variables are constant. The sensitivity tests for listed investments with quoted market price (bid price) were performed on possible changes in these market prices.

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

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

	Carrying amount		Fair value	
	2016	2015	2016	2015
Financial liabilities:	$'000			
Long-term loan with interest (1)	2,642	3,173	2,656	3,202

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

Financial assets measured at fair value:

December 31, 2015:

	Level 1	Level 2	Level 3
	$'000		
Financial assets at fair value through profit or loss:			
Marketable securities	2,086	-	-
Financial liabilities			
Contingent consideration liability	-	-	92

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

	For the year ended December 31,	
	2016	2015
	$'000	$'000
Balance as of January 1	92	-
Re-measurement recognized in Profit or loss:		
Purchases	-	92
Transfers out of Level 3	92	-
Total Contingent consideration liability	-	92

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

December 31, 2016:

	NIS	Unlinked	S.A Rand	Total
	$'000			
Financial liabilities measured at amortized cost	1,343	1,063	60	2,466

December 31, 2015:

	NIS	Unlinked	S.A Rand	Total
	$'000			
Financial liabilities measured at amortized cost	1,860	1,313	-	3,173

23. Subsidiaries:

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

Name	Country of incorporation	Proportion of ownership interest at 31 December		Held by
		2016	2015	
AdvantCom Sarl	Switzerland	100%	100%	M.T.I Wireless Edge
Global Wave Technologies PVT Limited	India	80%	80%	AdvantCom Sarl
Mottech Water Solutions LTD	Israel	100%	100%	M.T.I Wireless Edge
Aqua Water Control Solution LTD	Israel	100%	100%	Mottech Water Solutions
Mottech Water Management (pty) LTD	South Africa	85%	90%	Mottech Water Solutions
Mottech Water Management (pty) LTD	Australia	97.5%	97.5%	Mottech Water Solutions
Mottech USA Inc	United states	100%	100%	Aqua Water Control Solution

24. Share capital

	Authorized			
	2016	2016	2015	2015
	Number	NIS	Number	NIS
Ordinary shares of NIS 0.01 each	100,000,000	1,000,000	100,000,000	1,000,000

	Issued and fully paid			
	2016	2016	2015	2015
	Number	NIS	Number	NIS
Ordinary shares of NIS 0.01 each at beginning of the year	51,571,990	515,720	51,571,990	515,720
Changes during the year	207,500	2,075	-	-
At end of the year	51,779,490	517,795	51,571,990	515,720

25. Share-based payment

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

The vesting period of the options is as follows: 2 years for 50% of the options, 3 years for additional 25% of the options and 4 years for the rest of the options. An approval for the replacement of plans was received from the tax authorities on July 22, 2013, providing the Company, the employees and the trustee of the plan to submit the documentation required within 60 days from approval. As part of the grant of this plan an allocation of 280,000, 250,000 and 200,000 options was granted to the CEO, CFO and the Chairman of the board, respectively.

25. Share-based payment (Cont.)

The weighted average fair value of the options as at the grant date was 2 pence (approximately 3 cents) per option, and was estimated using a Black and Scholes option pricing model based on the following significant data and assumptions:

Share price - 7 pence (representing approximately 11 cents)

Exercise price - 9.5 pence (representing approximately 15 cents)

Expected volatility - 25.90%

Risk-free interest rate - 0.8%

And expected average life of options 4.375 years

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

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

Share price - 19.88 pence (representing approximately 29 cents)

Exercise price - 27 pence (representing approximately 39)

Expected volatility - 45.34%

Risk-free interest rate - 0.85%

And expected average life of options 4.375 years

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

The expense recognized in the financial statements for employee services received for the year ended December 31, 2016 and 2015 was US $20,000 and US $18,000 respectively.

25. Share-based payment (Cont.)

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

	2016 weighted average exercise price	2016 Number	2015 weighted average exercise price	2015 Number
	$		$	
Outstanding at beginning of year	0.15	1,800,000	0.15	1,920,000
Exercised during the year	0.15	(207,500)		
Granted during the year	0.39	800,000	-	-
Forfeited during the year	0.15	(50,000)	-	(120,000)
Outstanding at the end of the year	0.23	2,342,500	0.15	1,800,000
Exercisable at the end of the year	0.15	1,142,500	0.15	900,000

The weighted average remaining contractual life for the share options outstanding as of December 31, 2016 was 2.33 years (2015 – 3.66 years).

26. Commitments and guarantees

A. Royalty commitments

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

The maximum royalty amount payable by the Group at December 31, 2016 is US$ 470,000.

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

During 2016 the Group did not pay any royalties.

B. Guarantees

i. The Group has guarantees in favour of customers and government institutes in the amount of US$ 932,000 and US$77,000 respectively. The guarantees are mainly to guarantee advances received from customers and performance of contracts signed.

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

26. Commitments and guarantees (Cont.)

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

On February 10, 2016 the parent Company notified the Company that the loan was totally returned and no further guaranty is needed.

C. Charges

In order to secure the Group's liabilities, real estate properties were mortgaged and fixed charges were recorded on property and some bank deposits (see note 17).

27. Transactions with related parties:

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

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

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

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

In addition to the above, and in accordance to the remuneration policy adopted by the company, as required under rule 20 to the Israeli Companies Law, a bonus scheme was granted to each of the managers. The bonus scheme states that Zvi Borovitz and Moni Borovitz will be entitled (each one of them) to a bonus amounting 2.5% of the company's net profit exceeding 250,000 USD per year, prior to any bonuses grant in the Company. In case of a loss in a year (commencing from 2013 as first year for accumulation) the bonus for the next year will be for a net profit exceeding 250,000 USD above the loss made in the previous year. In addition Mr. Moni Borovitz shall be entitled to a bonus equal to one month management fee, based on the meeting of targets specified by the remuneration committee at the beginning of each year. A ceiling to the bonuses was set at 8 months management fees for Mr. Moni Borovitz and 100,000 USD for Mr. Zvi Borovitz.

27. Transactions with related parties (Cont.)

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

As part of the new policy the shareholders meeting also approved a change to the share option plan of the Company, subject to the approval of the Israeli Tax Authorities. As part of the new option plan Mr. Zvi Borovitz was granted 200,000 options and Mr. Moni Borovitz was granted 250,000 options. Further details re the new option plan are detailed in section 25 above

Following the receipt of recommendations of both the remuneration committee and the board of directors of the Company, an amendment to the service agreement between the Company and the controlling shareholders (via their management company) was approved at a shareholders’ meeting held on May 18, 2016. According to the amendment, the agreement is in place for 3 years starting June 1, 2016, after which it will be renewed for periods of 3 years in accordance to the relevant rules and regulations. Nevertheless the agreement can be terminated by either party by providing 90 days' notice. The agreement includes remuneration (per month) of:

1. 25,000 NIS to Mr. Zvi Borovitz (raised from 20,000 NIS prior to this approval) for his service as a chairman of the board of the Company in capacity of at least 25% and
2. 65,000 NIS to Mr. Moni Borovitz (raised from 60,000 NIS prior to this approval) for his service as CFO of the Company in capacity of at least 80%.

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

In addition to the above, and in accordance with the remuneration policy adopted by the Company, as required under rule 20 to the Israeli Companies Law, a bonus scheme was granted to each of the managers. The bonus scheme states that Zvi Borovitz and Moni Borovitz will be entitled (each one of them) to a bonus amounting 2.5% of the company’s net profit exceeding US$400,000 per year (raised from US$250,000 prior to this approval), prior to any bonuses grant in the Company. In case of a loss in a year the bonus for the next year will be for a net profit exceeding US$400,000 above the loss made in the previous year. In addition Mr. Moni Borovitz shall be entitled to a bonus equal to two months management fee, based on the meeting of targets specified by the remuneration committee at the beginning of each year. A ceiling to the bonuses was set at 8 months management fees for Mr. Moni Borovitz and US$100,000 for Mr. Zvi Borovitz.

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

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

27. Transactions with related parties (Cont.)

B. Transaction with the Parent Group:

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

	2016	2015
	$'000	$'000
Purchased Goods	369	328
Management Fee	428	410
Services Fee	249	212
Lease	(72)	(104)

Compensation of key management personnel of the Group:

	2016	2015
	$'000	$'000
Short-term employee benefits *)	810	738

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

All Transactions are made on market value. As of December 31, 2016 and 2015 the Group owed to the parent group and related party US $207,000 and US $26,000 respectively.

28. Subsequent events

A. The Board of directors has decided to declare a dividend of 1 cent per share being approximately $518,000**.** The dividend has a scrip option (see note 9).

B. During January 2017 an employee exercised options to 60 thousand shares in exchange for an approximately of $7 thousand.

C. The financial statements were authorized for issue by the board as a whole following their approval on February 15, 2017.