ANNUAL REPORT 2015

BATM Advanced Communications

Welcome to

BATM Advanced Communications

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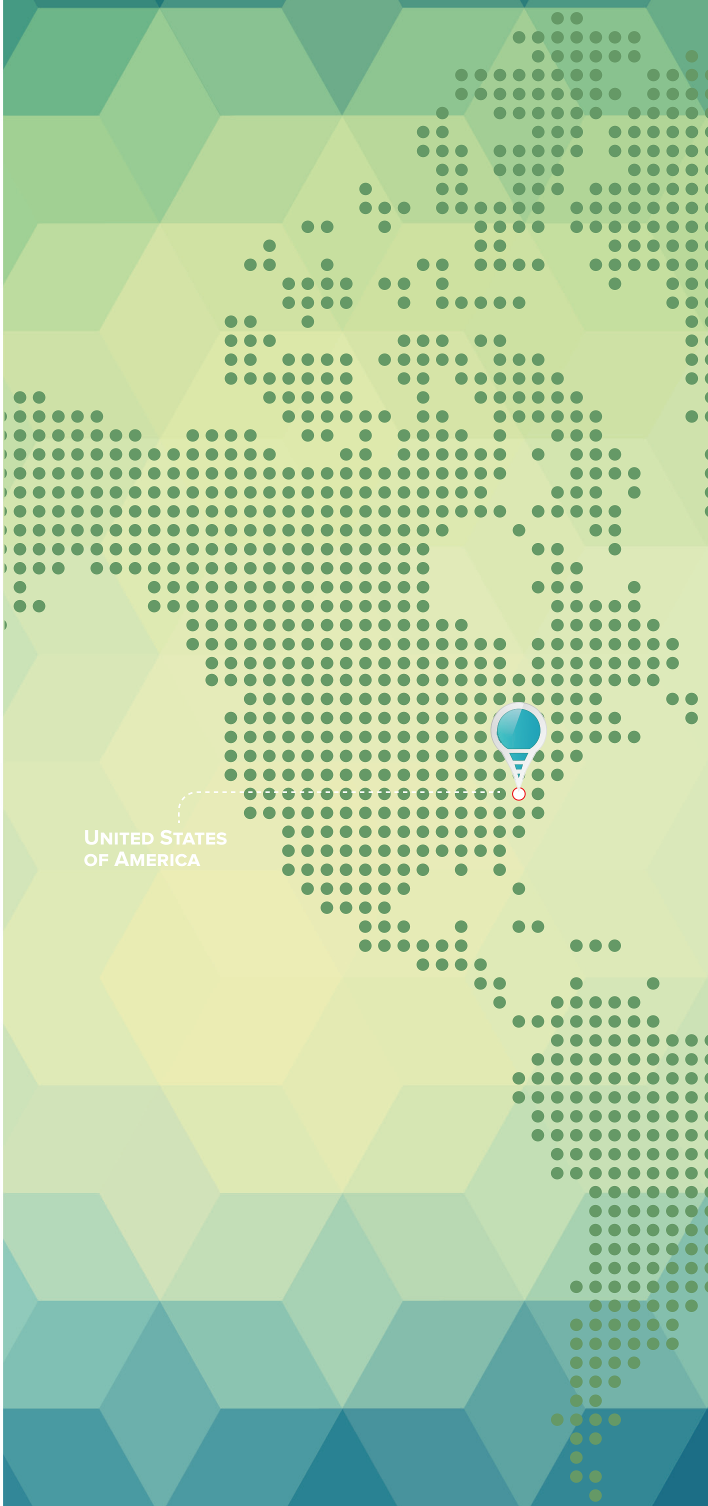

BATM Advanced Communications continues to lead the market in Metro Area Network Ethernet solutions.

BATM Bio-Medical is a leader in providing niche, cost effective diagnostic and sterilization solutions to medical laboratories.

For more information on BATM, please visit:

www.BATM.com

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BATM Bio-Medical is a leader in providing niche, cost effective diagnostic and sterilization solutions to medical laboratories.

International IVD manufacturer and developper of In-vitro Diagnostic Systems and Reagents to detect viral infections, to diagnose immune system diseases and measurement of human hormone responses

Our products include instruments and reagents for small to medium labs, blood banks and hospitals

We offers assistance and dedicated services for customised OEM production of IVD-products

Genomics and Bioinformatics Services:
- Geneticists and Clinicians
- Pharma and Biotech
- Personal Genetics

BIO-MEDICAL DIVISION

Diagnostic Equipment Distribution - We represent international leaders in their field of the In-vitro Diagnostic and Analytical Products in Diagnostic Services such as: hematology, hemostasis, clinical chemistry, immunology and microbiology

Developer and manufacturer of high quality sterilizers and medical waste management

Pharmaceutical, Agricultural, Commercial waste solutions with Integrated Sterilizer and Shredder

Exclusive models of Steam Sterilizers for the medical and laboratory market

Cyber Security Solutions

Business Ethernet

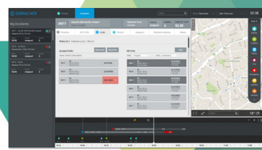
Mobile Backhaul

Cloud Networking

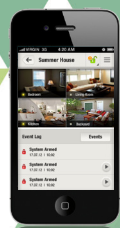
ATCA Solutions

Surveillance Solutions

NETWORKING & CYBER DIVISION



From Concept to Delivery



- UX- User experience and User interface for mobile app and web sites.
- Mobile-mobile development on iOs and Android.
- Web- Building digital brands and any web environment.
- E-commerce- on line store, with real retail experience.
- Animated clips-Illustration and after effects.
- Online marketing - PPC, SEO, social media, content management

- Automated testing-planning and development
- Real time and embedded operating system
- Enterprise Cloud
- Cyber

2015 Revenue

$97.1 million

2015 Adjusted operating profit[1]

$ 0.7 million

2015 Cash and financial assets

$ 23.8 million

	2015	2014
Revenue	$97.1m	$109.2m
Gross profit	$30.9m	$34.1m
Adjusted operating profit (loss)[1]	$0.7m	($1.0m)
Other operating expenses	$1.4m	$1.7m
Operating loss	($0.7 m)	($2.7 m)
Adjusted profit (loss)[2] of the year	$0.1m	($3.5m)
Loss for the year	($14.1m)	($3.5m)
Adjusted profit (loss) per share [2]	0.02¢	(0.36¢)
Loss per share	(3.29 ¢)	(0.79 ¢)

Throughout this report:
1. Excluding amortisation and impairment of other intangible assets.
2. Excluding amortisation of intangible assets and certain non-operational items.

Dr. Gideon Chitayat
Chairman

Chairman's Statement

I am delighted to present the annual report and accounts for 2015, which was a transformational year for BATM. Overall Group performance amounted to an increase of 2.3% in revenue compared with 2014 on a constant currency basis and we returned to adjusted operating profitability driven by growth in the Bio-Medical Division. The Networking and Cyber Division (formerly the Telecoms Division) started showing recovery and achieved an operating profit for the second half of the year. Sales of our new products and technologies continued to increase and replace legacy products – positioning BATM for further improvement in revenues and gross margins. These achievements validate the strategy that I outlined last year and which we will continue to build on.

Bio-Medical

Throughout 2015, our Bio-Medical operations showed a continuous increase in revenue and profits. Our primary focus remains the Diagnostics business, where our goal is for BATM to become integral in the diagnosis of disease in selected markets such as China, South America and Russia. BATM's strategy is to focus on the development of solutions for small- and medium-sized laboratories, with a particular emphasis on private practice laboratories, including the supply of a broad range of reagents. The Diagnostics operations are mainly conducted by Adaltis, which is located in Rome. We are continuing to advance this strategy in 2016, in particular through our agreement with Gamida for Life to establish a joint venture company, Ador Diagnostics, to progress the development and marketing of a unique rapid-results molecular diagnostics system.

In the Pathogenic Waste Treatment and Sterilisation business, BATM's focus is on the development of a service model for Medical Waste Solutions and the Integrated Sterilizer and Shredder (ISS). In 2015, we were successfully awarded our first significant contract for our biological waste solution developed for the biopharmaceutical industry. We also signed our first two major contracts in the agricultural sector – and we plan to continue expanding within these industries as well as our existing market of hospitals in North America, the Middle East and the Far East.

Our Distribution business will continue to support the other two units in the Bio-Medical Division by developing networks of laboratories and hospitals for the sale of our products. This is facilitated by our acquisition of Green Lab Hungary Engineering Ltd in January 2016, a Hungary-based developer and distributor of analytical instruments, which also provides emphasis on development, sales and support of environmental measuring systems. The Green Lab distribution network will be complementary to our analytical instruments distribution in Romania, and it will also strengthen current activities in our Sterilisation and ECO units.

Networking and Cyber

We have renamed our Telecoms Division Networking and Cyber Division to reflect the focus of this business. At present, we are concentrating on addressing service provider challenges in both the Metro area and with Network Ethernet Telecom systems, to become a leading provider of access solutions. We will continue to execute our strategy of targeting Tier 1 customers.

We are particularly excited at the prospects of our Cyber business – operating through our CELARE subsidiary. We have already achieved significant milestones in this area, having secured contracts with defence agencies of two national governments. We look forward to continuing our progress in this field, further leveraging our technologies and capabilities.

All of this is a tribute to the commendable efforts of a highly-capable global team of senior executives who are successfully executing our strategy. I am fully confident that the admirable abilities of our managers on all levels, our R&D and our employees will enable us to continue BATM's present underlying growth, increasing value to our shareholders.

I would like to thank our CEO, Dr. Zvi Marom, our Directors, managers and employees for their ongoing contribution to the success of BATM, and I would like to thank our shareholders for their continued support.

Dr. Gideon Chitayat
Chairman

21 April 2016

Principal Activities and Review of the Business

BATM's main activities are the research and development, production and distribution of Bio-Medical products, including laboratory diagnostics equipment, as well as research and development, production and marketing of data and Networking and Cyber products in the field of metropolitan area networks. BATM has offices in North America, Israel, Europe and the Far East.

Results

The results of the year are set out in the consolidated statement of profit or loss. After reporting a $1.4 million amortisation of intangible assets for the year, a $9.6 million loss on an available-for-sale financial asset (investment in Israel Broadband Company (2013) Ltd (Hereinafter - "IBC")) and $2.4 million reduction in deferred tax assets, we recorded a loss of $14.1million.

Market Review

BATM operates two divisions. The Bio-Medical Division, which focuses on developing countries in Eastern Europe and Asia, continues to benefit from the increase in investment in developing the health systems in these countries. The Networking and Cyber (formerly known as the telecom) division mainly targets Tier 1 telecom operators in developed markets. This industry is undergoing a transition to more cloud-based solutions and software defined products, and BATM's Networking and Cyber Division has shifted its product focus to address these trends.

BATM offices:

Hod-Hasharon, Israel

Mansfield MA, USA

Yokneam, Israel

Guidonia di Montecelio, Rome, Italy

Corporate Strategy and Business Model

BATM is a development and sales Company based in Israel with International sales, manufacturing and development operations.

BATM strategy is based on building two strong technology divisions - the Bio-Medical Division and the Networking and Cyber Division - into leading providers of the highest quality market innovation and cost effective products in their respective fields.

The Bio-Medical Division is focused on becoming a leading provider of diagnostic laboratory equipment as well as a distributor of leading brands of other diagnostic equipment suppliers to emerging market countries. The most prominent countries for BATM are China, Russia, Mexico, and Brazil, which have huge potential for upward growth. The division is built on high reliability, fast and easy to operate equipment for small diagnostic laboratories with an emphasis on emerging markets.

In addition, the division offers an innovative product to treat medical waste in laboratories and hospitals with unique patented technology. This technology has been used and recommended by the WHO (World Health Organization). The business remains focused on the treatment of medical and biological waste, based on unique patented technology, and the expansion of its OEM relationships. In 2015, the Group continued expansion of the applications for its biological waste solution, including for pharmaceutical plants and agricultural applications.

The Bio-Medical Division's products are highly sophisticated, environmental-friendly and very cost effective.

BATM Bio-Medical has partnerships with reagent manufacturers and academic institutions to develop an innovative, "one stop shop", flexible offering to its customers. The Bio-Medical Division has announced some unique product offerings during 2015 and expects to offer several more in 2016. The business model includes selling instruments as well as associated reagents and consumables. In addition, the distribution business of the Bio-Medical group re-sells other manufacturers' instruments, reagents and other Bio-Medical supplies.

BATM is growing its Networking and Cyber Division to be the worldwide leader of Carrier Ethernet and MPLS access solutions. The Company is servicing a wide need for networking access solutions to the ever expanding Mobile & Cloud markets as well as for the wireline infrastructure.

The division is now working closely with customers and partners to define needs in cloud-based networks, Network Function Virtualisation (NFV) and advanced access solutions. Several of these applications are already reaching the markets and are at the Proof of Concept phase with customers. The business model is based on selling a solution that combines integrated hardware and sophisticated software. The Group is expanding its investment in software based products, which will result in higher volume of software licensing revenues in the coming years.

Future Developments

Management intends to continue to invest significantly in R&D and sales and marketing activities in order to support the organic growth of the business. In addition, management intends to make niche acquisitions to strengthen its position in the Networking and Cyber Division and Bio-Medical markets. The Bio-Medical Division's products are positioned to address the growing needs of developing markets. BATM usually competes with other mid-size manufacturers, but also sells certain products under OEM agreements with leading vendors in the industry. The Networking and Cyber Division is continuing to focus on the new strategy of concentrating on Tier 1 clients, SDN (Software Driven Networks) and NFV (Network Function Virtualisation).

Key Performance Indicators

BATM has several key performance measures used internally to monitor and challenge performance and to assist in investment decisions. The most important performance indicators in the current and prior years are summarized as follows:

	2015	2014	Change %
Revenue	$97.1m	$109.2m	-11.08
Gross profit margin	31.8%	31.2%	0.6
R&D spend, net	$6.7m	$8.7m	-22.99
Cash and Financial Assets	$23.8m	$34.9m	-31.8
Adjusted operating profit (loss)1	$0.7m	($1.0m)	170
Adjusted profit (Loss) per share2	0.02¢	(0.36)¢	105.5
Earnings (loss) per share	(3.29)¢	(0.79)¢	316.45

1. Excluding amortisation and impairment of other intangible assets.
2. Excluding amortisation of intangible assets and certain non-operational items.

Risk Management and Internal Control

Risk management is currently reviewed on an ongoing basis by the Board as a whole.

The Company has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that has been in place from 2011 and up to the date of approval of the Annual Report and Financial Statements. Principal controls are managed by the executive directors and key employees, including regular review by management and the Board of the operations and the financial statements of the Company.

The Board has overall responsibility for ensuring that the Company maintains adequate systems of internal control and for determining the nature and extent of principal risks. The Board confirms that they have carried out during 2015 a robust assessment of such risks accordingly, including those that would impact the Company's business model, future performance, solvency or liquidity, and have considered how they are to be mitigated. To this end, in accordance with the Israeli Companies Law, the Company has appointed and retains the services of an independent qualified internal auditor. Each year, the Audit Committee reviews with the internal auditor potential risks and a proposed plan for their scope of work. Each year the Audit Committee usually selects at least two areas of the Company's operations on which it requests the internal auditor to focus and prepare an internal audit report with recommendations. Following the completion of each report the internal auditor sends it to all the Directors and presents his findings to the Audit Committee. The Audit Committee then reports to the Board on any major findings together with the internal auditor's recommendations for improving controls and corporate responsibility.

The key features of the financial controls of the Company include a comprehensive system of financial reporting, budgeting and forecasting, and clearly laid down accounting policies and procedures. The Board is furnished with detailed financial information on a monthly basis.

The main elements of internal control currently include:

- **Operating Controls:** The identification and mitigation of major business risks on a daily basis is the responsibility of the executive Directors and senior management. Each business function within the Group maintains controls and procedures, as directed by senior management, appropriate to its own business environment while conforming to the Company's standards and guidelines. These include procedures and guidelines to identify, evaluate the likelihood of and mitigate all types of risks on an ongoing basis.

- **Information and Communication:** The Group operating procedures include a comprehensive system for reporting financial and non-financial information to the Directors. Financial projections, including revenue and profit forecasts, are reported on a monthly basis to senior management compared with corresponding results for previous periods. The central process for evaluating and managing non-financial risk is monthly meetings of business functions, each involving at least one Director, together with periodic meetings of executive Directors and senior management.

- **Finance Management:** The finance department operates within policies approved by the Directors and the Chief Financial Officer. Expenditures are tightly controlled with stringent approvals required based on amount. Duties such as legal, finance, sales and operations are also strictly segregated to minimize risk.

- **Insurance:** Insurance coverage is provided externally and depends on the scale of the risk in question and the availability of coverage in the external market.

Principal Risks and Uncertainties

As the Group is involved in the development of new products and services, it is subject to the development risk inherent in such activity, including in particular the failure of products and services in development to proceed to completion and to the market. This includes the risk of failing key research and development hurdles such as clinical trials and regulatory authorisation.

The Group has made several acquisitions. Such growth in the Group carries increased demand for cash and resources in the Group's business, not all of which may be capable of being adequately serviced. Furthermore, certain acquisitions have not reached one hundred per cent ownership of the relevant target companies, in some cases due to local regulatory requirements as to share ownership and structuring. As a result, certain companies in the Group have non-controlling interests, typically held by the local management of the subsidiaries. Relationships with these non-controlling interests are frequently key to the continued success of the relevant business and projects. They carry certain risks, including those inherent in diversified control in a trading business, for example that key business decisions favoured by the Group may not proceed to implementation, and the consequences of a breakdown of the cooperation between the Group as the majority holder and the local partner as the minority.

Due to current global economic conditions, the Group's diversified business activities are aimed at emerging markets which have significant upward potential, yet at the same time are subject to greater risks than more developed markets, including economic, currency, political, social, legal and legislative risks. The Group's business and consequently, its financial results and returns to investors, may be adversely affected by a decrease in demand in such emerging markets, which can typically be less easy to predict or manage than in more stable and developed economies. The political and socioeconomic stability of emerging markets is frequently lower than that seen in more established markets, and this carries the risk that the Group's business and consequently, its financial results and returns to investors may be adversely affected by negative changes in conditions for business and investment, which may occur more frequently or with more severity than in more developed markets. BATM has exposure to material fluctuations in currencies since BATM sells in various different currency zones including USD, Euro, Romanian Lei and Moldavian Lei.

Corporate, Social and Environmental Responsibilities

The Company endeavours to be honest and fair in its relationships with customers and suppliers, and to be a good corporate citizen respecting the laws of the countries in which it operates. The Company is accountable to its shareholders but also endeavours to consider the interests of all of its stakeholders, including its employees, customers and suppliers, as well as the local communities and environments in which the Company operates. In this context the Company takes regular account of the significance of social, environmental and ethical matters to its operations as part of its regular risk assessment procedures, with such matters regularly considered by the executive Directors.

The Board is committed to monitoring the Company's corporate social responsibility policies in key areas. Management monitors the Company's day-to-day activities in order to assess risks in these areas and identify actions that may be taken to address those risks. At present, the Board does not consider it appropriate to link the management of these risks to remuneration incentives, given the difficulties in measuring the changes to those risks objectively. Given the Company's relatively low social and environmental impact, the Company believes that there are few risks to its short and long term value proposition arising from these matters, although it considers the potential to deliver greater value by responding to these issues appropriately. The Board believes the Company has adequate information to assess these matters, and effective systems for managing any risks. The Company's website includes a section dedicated to corporate ethical, employment and environmental issues.

Whilst the Board considers that material risks arising from social, ethical, employment and environmental issues are limited, given the nature of the Company's business, policies have been adopted in key areas to ensure that such risks are limited. The Company's policy is to behave in an environmentally responsible manner consistent with local environmental regulations and standards. These include ensuring that any waste is dealt with in accordance with all local waste disposal regulations, improving recycling and upgrading the energy and lighting systems in the Company's facilities to more low energy equivalents.

Employment Policies

BATM employs approximately 908 people and in order to continue to grow as a business, the Company needs to continue to recruit and retain only the best talent. Therefore, it is the Company's policy to pursue practices that are sensitive to the needs of its people. The Company strives for equal opportunities for all of its employees, including disabled employees, and does not tolerate harassment of, or discrimination against, its staff. The Company's priorities are:

- Providing a safe workplace with equality of opportunity and diversity through our employment policies.
- Encouraging our people to reach their full potential through career development and promotion from within where possible.
- Communicating openly and transparently within the bounds of commercial confidentiality, whilst listening to our people and taking into account their feedback.
- Recognising and rewarding our people for their contribution and encouraging share ownership at all levels.

The Company respects the rule of law within all jurisdictions in which it operates and supports appropriate internationally accepted standards including those on human rights. The Company ensures that its suppliers undertake to comply with all international standards and laws relating to human rights and non-abuse of minors. The Company's equal opportunities policies prohibit discrimination on grounds such as race, gender, religion, sexual orientation or disability. This policy includes, where practicable, the continued employment of those who may become disabled during their employment. The Company's policies strive to ensure that all decisions about the appointment, treatment and promotion of employees are based entirely on merit, and continued development of the Company is made with the maximum involvement and input from employees practicable.

All employees of the Company are expected to behave ethically when working for the Company and this is reflected in the rules and policies in effect in the Company. The Company has an ethics policy which has been communicated to all of its employees which incorporate specific anti-bribery and corruption policies and emphasises an ethical business standard for carrying on business dealings with its customers and suppliers.

Employees with Disabilities

The Company's policy is to give full and fair consideration to suitable applications from people with disabilities for employment. If existing employees become disabled they will continue to be employed, wherever practicable, in the same job or, if this is not practicable, every effort will be made to find suitable alternative employment and to provide appropriate training.

Environmental Policies and adherence to EU Environmental Directives

The Directors recognise the importance of the Group adhering to clear environmental objectives.

Its environmental policy is to:

- Meet the statutory requirements placed on it;
- Adopt good environmental practice in respect of premises, product development and manufacturing, and consumption of resources;
- Aim to recycle as much of its waste products as it is economically practicable to do.

The Company has programs to reduce its electricity and fuel consumption.

In addition the Company designs certain product lines that are designed to reduce energy consumption and waste production. During 2012 the Company launched a new product, in the Bio-Medical Division, to treat medical waste and convert it into normal waste. The successful launch of this product into dialysis centres, laboratory and hospitals and the relevant environmental certifications will position the Company as a leader in this field. The Pathogenic Waste Treatment Sterilisation unit launched a unique solution, based on its patented ISS technology, for agri-business, which treats waste from poultry and larger animals such as cattle, pigs and cows. Over the last year, the solution has been tested with the relevant regulatory authorities to confirm its uniqueness and efficiency.

The Company has implemented the recommendations of ROHS (The Restriction of Hazardous Substances) in Electrical and Electronic Equipment (ROHS) Directive (2002/95/EC), and as of year 2008 onwards, all of its products are fully ROHS certified.

The Company is ISO 14000 certified and the Group's facilities are also ISO 9001:2008 certified for their quality management systems and controls, thus ensuring that the Company's Networking and Cyber and Bio-Medical products comply with relevant quality and safety standards.

Ethical Business Practices

All employees are expected to behave ethically when working for the Company and this is reflected in our policies which are disseminated to all of our employees.

Charitable Policies

BATM maintains a number of small charitable giving policies. BATM did not make any political donations in the 2015 financial year and made only charitable donations.

The Company actively encourages every employee to work to further charitable goals.

Community Involvement

BATM is involved with a number of community projects. These include involvement with local charitable organizations and hospitals that are designed to help bridge socio-economic divides and help the sick.

Financial Review

Revenues in 2015 decreased to $97.1m (2014: $109.2m). However, on a constant currency basis, Bio-Medical Division revenues increased by 12.8% to $66.3m (2014: $58.8m) whilst Networking and Cyber Division revenues decreased by 9.9% to $45.4m (2014: $50.4m), resulting in total revenues of $111.7m.

The blended gross profit margin for the year was 31.8% (2014: 31.2%). This increase is mostly due to an improvement in the Diagnostics unit. The Diagnostics unit achieved a significant improvement in gross margin to 34.3% compared with 21.3% in the prior year due to a revenue mix shift to higher reagent revenues and lower instruments and self-production reagent revenues.

Sales and marketing expenses were $14.4m (2014: $15.2m), representing 15% of revenues compared with 14% in 2014.

General and administrative expenses were $9.6m (2014: $11.2m), representing 9.8% of revenues compared with 10.2% in 2014, a decrease of $1.6m compared with 2014. This decrease reflects lower expenses, mostly due to a decreased salary and related expenses in both the Diagnostics and Sterilisation units and a one-time allowance of $0.4m for doubtful debts in the Diagnostics unit in H1 2014.

R&D investment in 2015 decreased to $6.7m (2014: $8.7m). This decrease of $2m was primarily due to a change in the focus of Networking and Cyber Division R&D towards a new solution for Tier 1 service provider clients.

The Group continues to have a 7.5% equity interest in IBC and, in June 2015, extended a loan to IBC of $5m with interest of 11% per annum. The Group is required to evaluate this asset every reporting period and engages valuation specialists, GSE (Giza Singer Even Ltd.), to provide this service. On their advice, the Group is reducing the value of the asset on its balance sheet by $9.6m for the time being. IBC is seeking to raise additional capital and has retained the services of Rothschild Bank to secure the funding required to continue its fibre deployment. The Group is currently not committed to any additional funding obligations to IBC. IBC has a contractual commitment to purchase, $15m of BATM equipment by 2023.

As a result of the reduction in available-for-sale financial assets (namely, IBC), the net finance expense was $10.7m (2014: $0.9m).

Adjusted net profit attributable to equity holders of the parent Company amounted to $0.1m (2014: $1.5m loss), resulting in an adjusted basic earnings per share of 0.02¢ (2014: 0.36¢ loss).

The Group's balance sheet remains strong with effective liquidity of $23.8m at 31 December 2015 compared with $30.2m at 30 June 2015 and $34.9m at 31 December 2014. Period-end cash is comprised as follows: cash and deposits up to three months duration of $17.0m and short-term cash deposits up to one year of $6.8m. The decline in cash balances is mainly due to a tax payment of $3.3m resulting from final tax assessments for the years 2007-2012, a payment of $1.6m related to the investment in the IBC construction of a new nationwide fibre optic network and the extended loan to IBC of $5m.

Inventories decreased to $22.6m (30 June 2015: $23.2m; 31 December 2014: $24.2m). The decrease is due to a lower level of inventory in the Moldavian company, Becor, and in the Networking and Cyber Division.

Trade and other receivables increased to $31.2m from $27.3m at 30 June 2015 and $31.0m at the end of 2014, mostly due to an increase in trade receivables in the Networking and Cyber Division.

Intangible assets and goodwill was $15.6m (30 June 2015: $15.6m; 31 December 2014 $16.4m). This decrease compared with the prior year was due to the amortisation of intangible assets.

Property, plant and equipment and investment property decreased slightly to $21.9m (30 June 2015: $22.0m; 31 December 2014: $22.9m). The decrease is due to the depreciation of property, plant and equipment.

The balance of trade and other payables was $27.4m (30 June 2015: $24.5m; 31 December 2014: $28.0m).

Cash out flow from operations was reduced to $2.2m for 2015, compared with an outflow of $5.3m for the prior year, due to improvement in working capital.

Business Review

This was a transformational year for BATM. During the year, the Group made significant operational advances as new products and technologies received increasing interest and sales. In particular, the Bio-Medical Division had its best year to date as it reached break-even for the first time and helped the Group to return to full year profitability. However, Group revenues showed a drop to $97.1m (2014: $109.2m) as fluctuations in currency, in particular of the Moldavian lei, Euro and Romanian Ron against the reporting currency- US dollar had a negative impact of $14.6m. Without the currency fluctuations, the Group would have reported an increase in revenues of 2.3% to $111.7m.

Significant growth was experienced by the Diagnostics business as more home-grown reagents were sold than ever before. The Networking and Cyber Division launched the industry's first quad-tech demarcation device, T-Marc 3308, and the cyber business, Celare, received its first multi-million dollar contract.

The Bio-Medical Division accounted for 54% of total Group sales with the contribution from the Networking and Cyber Division being 46%.

Bio-Medical Division

	H1 2015	H2 2015	FY 2015	FY 2014
Revenues	$26.5m	$26.2m	$52.7m	$58.8m
Gross margin	25%	25%	25%	23%
Operating profit (loss)	$0.2m	$0.2m	$0.4m	$(1.5m)

In 2015, the decline in revenues was due to the adverse impact of foreign currency exchange rates: on a constant currency basis, revenues grew 12.8% to $66.3m (2014: $58.8m). The gross profit margin was higher in 2015 at 25% compared with 23% in 2014. Adjusted operating profit was $0.4m in 2015 compared with an adjusted operating loss of $1.5m in 2014.

Distribution

The Distribution business unit contributed approximately 67% of Bio-Medical Division revenues in 2015 compared with 64.2% of revenues in 2014. On a constant currency basis, the unit's revenues grew in all territories (27% increase in revenues). Gross margin in 2015 was higher by 0.6% compared with 2014. As a result, the Distribution unit generated an adjusted operating profit of $1.3m for 2015 compared with an adjusted operating profit of $1.2m in 2014.

Post period, BATM acquired the entire issued and to be issued share capital of Green Lab Hungary Engineering Ltd, a Hungary-based developer and distributor of analytical instruments, for a total consideration of $3.8m payable in cash over a three-year period. In addition to supplying analytical laboratory instruments, Green Lab provides emphasis on development, sales and support of environmental measuring systems. Green Lab's unaudited revenues for the full year 2015 amounted to $3.3m with operating profit of $0.62m.

Pathogenic Waste Treatment Sterilisation

The Pathogenic Waste Treatment Sterilisation unit accounted for 16% of Bio-Medical Division revenues in 2015 compared with 17% of revenues in 2014.

In June 2015, the Pathogenic Waste Treatment Sterilisation unit was awarded its first significant contract for its biological waste solution for the biopharma industry, which the Group believes is the first of its kind globally. The unit received an initial order of $0.3m from the customer, which is a major manufacturer of vaccines for animal health. The first order was installed at one of the customer's production sites in Europe during the year. This project is expected to grow to $1.2m following further orders for the customer's European and US-based production sites in 2016. The Pathogenic Waste Treatment Sterilisation unit's solution will automate the safe disposal of biohazardous waste that is created during the manufacture of vaccines, and will enable the customer to treat the waste on site, mitigating the risk of cross-contamination.

The Sterilisation unit launched a unique solution, based on its patented ISS technology, for agri-business, which treats waste from poultry and larger animals such as cattle, pigs and cows. Over the last year, the solution has been tested with the relevant regulatory authorities to confirm its uniqueness and efficiency. In September 2015, the Pathogenic Waste Treatment Sterilisation unit was awarded two major contracts in the agricultural sector with an initial value of approximately $2.2m, which the Group believes could increase to approximately $7.5m over the next two years.

Diagnostics

The Diagnostics unit represented 17% of Bio-Medical Division revenues in 2015 compared with 18% during 2014, and reached a significant milestone by achieving break-even in 2015. This was primarily due to the increased capacity resulting from the automation of the production facility, which enabled sales of reagents to increase dramatically compared with the prior year. This includes the increase in sales of reagents that were produced in-house, which contributed to an increase in gross margin to 34.3% compared with 21.3% in 2014.

Towards the end of the year, the Diagnostics unit entered into an agreement with Gamida Group. Under the terms of the agreement, Adaltis, a wholly-owned diagnostics subsidiary of BATM, and Gamida will invest $1.5m, respectively, into a joint venture company, named Ador limited, based on the attainment of defined milestones. Ador will prepare for production, and market, a novel nucleic acids molecular diagnostics platform (NAT), which has been jointly developed by Adaltis and Gamida. The new company is entitled to receive licenses to more than 10 patents in the US which are owned by Gamida and is receiving great interest from the medical community. The Group anticipates converting this into sales when the first instruments and kits become commercially available, which is expected to occur by the end of this year.

Additionally, the Diagnostics business is developing a new disruptive technology in the US. Whilst still in the early stages of development, patents have been granted and research grants have been received.

Networking and Cyber (formerly known as the telecom) Division

	H1 2015	H2 2015	FY 2015	FY 2014
Revenues	$20.9m	$23.5m	$44.4m	$50.4m
Gross margin	40%	40%	40%	41%
Operating profit (loss)	$(0.2m)	$0.5m	$0.3m	$0.5m

In 2015, there was a $6.0m decrease in revenues to $44.4m as the division continued to wind down the legacy products business. Gross profit margin was 40% in 2015 compared with 41% in 2014. However, the gross margin was higher than the 36% in H2 2014, demonstrating solid recovery. In addition, adjusted operating profit for the second half of 2015 was $0.5m (H1 2015: $0.2m loss).

In 2015, the Networking and Cyber Division was awarded a major contract for mobile backhaul 10GE upgrade by a leading North American operator. This project will enable the operator to support advanced LTE deployments with large high bandwidth needs. In order to support this extensive deployment of hundreds of mobile sites, the Networking and Cyber Division will supply the operator with its state-of-the-art 10GE CE2.0 switches and its outdoor units.

The Networking and Cyber Division has continued with its market leadership and innovation by introducing the Open Edge Alliance to create an industry-leading ecosystem of best-of-breed SDN and distributed NFV (D-NFV) solutions for the network edge. The Open Edge Alliance has already attracted several key industry players: amongst them CheckPoint, AudioCodes and Netrounds. As testament to its leadership and innovation specifically in the SDN/NFV industry, the Networking and Cyber Division won three major industry awards during the year: NFV Pioneer Award, SDN Excellence Award and the Mobility Tech Zone Wireless Backhaul Distinction Award.

In June 2015, the Networking and Cyber Division announced the release of the industry's first quad-tech demarcation device, T-Marc 3308. Combining the four technologies of CE 2.0, MPLS, IP Layer 3 and SDN, the T-Marc 3308 delivers the most cost-effective and flexible solution to communications service providers today and includes the value-added advantage of risk-free transitioning to future intelligent networks.

In July 2015, the Networking and Cyber Division was awarded a significant contract to be the sole supplier for the delivery of a leading-edge cyber-security solution to a government defence ministry. In December 2015, the Networking and Cyber Division was awarded a further \$1m under this contract to develop future platforms and design modifications to broaden the applications. Initially worth \$4.7m, the Networking and Cyber Division expects accumulated orders to increase to over \$10m by 2017, with a total value estimated by the customer of approximately \$20m over the next five years. The Networking and Cyber Division was awarded the long-term contract following a rigorous proof-of-concept (POC) program conducted over a two-year period in which its solution was deemed the best-of-breed among its competitors. Deployment is expected to be completed in 2016 with expansion to follow.

In October 2015, the Networking and Cyber Division launched a new cyber-protection solution to address many of the security vulnerabilities associated with deploying SDN and NFV technologies and infrastructures. The new NFV CyberGuard solution consists of advanced network monitoring sensors embedded on the CloudMetro virtualisation platform, a big data analytics engine and an SDN controller running on the Division's EdgeGenie Orchestrator.

The Group continues to maintain tight cost control in this division and reduced operating expenses by 12.8% compared with last year.

Outlook

The Group entered 2016 in a stronger position, with a higher backlog, than at the same time the prior year. Growth in the Bio-Medical Division will continue to accelerate, driven by the Diagnostics unit which is expected to grow significantly. This growth will be based on the increase in production capacity, both for instruments and reagents, which was implemented during 2015 to address anticipated demand in 2016. The strategy of the Networking and Cyber Division to focus on Tier 1 customers continue to show promise and the Group expects the division to continue to be profitable in H1 2016.

Whilst foreign exchange fluctuations will continue to have an impact, the Group expects to maintain gross margin and overall profitability as expenses are in the same currency.

As a result, the Board believes that, after a transformational year, the Group is on track for sustained growth in line with market expectations and looks forward to the future with confidence.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group will be able to operate within the level of available facilities and cash for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Viability statement

The Directors have assessed the Company and the Group's viability over a period of three years. In making their assessment, the Directors took account of the Company and the Group's current financial and operational positions and contracted capital expenditure. They also assessed the potential financial and operational impacts, in severe but plausible scenarios, of the principal risks and uncertainties set out on page 11 and the likely degree of effectiveness of current and available mitigating actions. Based on this assessment, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all their liabilities as they fall due up to three years as above. In making this statement, the Directors have also made key assumptions (see note 4 to the financial statement).

On behalf of the Board of Directors

Dr. Gideon Chitayat
Chairman

21 April 2016

Corporate Governance

The Company is committed to high standards of corporate governance and the Board is accountable to the Company's shareholders for such governance. The Board carefully reviews all new regulations relating to the principles of good corporate governance and practice and endeavours to apply them where applicable. It also carefully reviews any comments received from independent reviewing agencies and shareholders and communicates with them directly. The Company believes that the combination of the experience of its Chairman, Dr. Gideon Chitayat, as well as the experience and expertise of its external directors provides the Company with the relevant leadership to address its position as an Israeli company that is traded on the London Stock Exchange. As a result of amendments in the Israeli Companies Law on corporate governance which came into effect during 2012, as well as comments received during 2012 from corporate governance consultants of UK institutional and pension investors, the Company implemented various improvements in its corporate governance policies, as described in more detail in this Report, and which continue to be effective.

The main thrust of the improvements was designed to:

(a) Guarantee full independence of the various committees of the Board, including the nomination, audit and remuneration committees;

(b) Improve transparency between the Board and senior management of the Company;

(c) Improve the remuneration policy of the Company by refining the parameters and determining pre-defined key performance indicators as a requisite for performance-linked remuneration to its senior executives; and

(d) Improve the Company's environmental policy and responsibility.

This report also outlines how the Company has applied the Main Principles set out in the UK Corporate Governance Code issued by the UK Financial Reporting Council in September 2014 (the "Governance Code").

Directors

The following served as Directors during the year and are currently serving:

Dr Gideon Chitayat, non-executive Chairman, is is the Chairman and CEO of GMBS Ltd- Strategic Consulting Firm .He is currently a Director of Delta Galil Industries, Paz Oil Company and Milissron Shopping malls. Dr.Chitayat has served as a director for Teva Israel Pharmaceutical Industries, Bank Hapoalim and Israel Aircraft Industries. He has provided consultancy services to the Board and Presidents of Companies. Dr Chitayat holds a Ph.D. in Business & Applied Economics from the University of Pennsylvania and a Masters in Business & Applied Economics from the Hebrew University, Jerusalem and joined the Board of BATM in June 2010.

Dr. Zvi Marom, Chief Executive Officer, founded BATM in 1992. He holds degrees in Engineering and Medicine. Prior to establishing BATM, he was the head of the Electronic faculty of the Israeli Open University and senior consultant to several industrial and academic institutions. He graduated in excellence from the naval academy and served in combat command posts. He was awarded the Techmark "Technology Man of the Year" award from the London Stock Exchange in 2000. He is currently a director of Shore Capital Group PLC, a UK listed Company.

Gideon Barak, non-executive external Director, Mr. Barak has held senior executive positions in leading Israeli technology companies and has served as CEO, director and chairman of the Board in numerous technology companies since 1984. He has founded several companies which were later acquired by international leading corporations including Intel and Pixim/Sony. He currently holds the position of director and chairman of the Board in several telecom companies including Spikko Telecom Ltd. He has also served in the past as a venture partner in Benchmark Capital and Blue Run Venture Fund. Mr. Barak holds a BA degree in Economics and an MBA degree from Tel-Aviv University.

Ofer Bar-Ner, executive director and COO of Bio-Medical Division, joined BATM in 1999. From 1996 he was Chief Financial Officer of Silver Arrow LP, a subsidiary of Elbit Systems and EL-OP, and between 1989 and 1993 he was group manager in the finance department of Elbit. He graduated in Industrial Engineering and Management from the Technion in Haifa and has an MBA and MA in accounting from Northeastern University in Boston, MA (* Mr. Bar-Ner resigned as director effective 1 January 2016).

Orna Pollack, non-executive external Director, has extensive experience of more than twenty years in senior management positions in the fields of biotechnology, medical diagnostics, medical devices and clinical laboratory automation. Mrs. Pollack holds a B.Sci degree from the Hebrew University of Jerusalem and a Masters in Science degree in biochemistry from the Hebrew University of Jerusalem. She currently holds the position of CEO of Galmedics Biotechnologies and previously held CEO or similar level executive positions in well-known medical biotech companies, such as MicroMedic Technologies (TASE:MCTC), AgroGreen and Gamidor Diagnostics. Mrs Pollack was appointed to the Board in September 2015.

Dr. Avigdor Shafferman, non-executive external Director, Dr. Shafferman holds a Ph.D. in physical chemistry from the Hebrew University of Jerusalem. He has served for the past eighteen years as general manager and Head of R&D of a leading governmental applied research institute specializing in the fields of biology, medicinal chemistry and environmental sciences. He was a visiting professor in the University of California, San Diego at the biology department as well as a visiting senior research scientist at various leading research institutions in the United States in various medical areas including vaccines.

The following served as Directors during 2015:

Elka Nir, non-executive external Director, Currently holds the position of director (and chairwoman) in several medical companies, two of which are publicly traded on the Tel-Aviv Stock Exchange and is also a venture partner in Giza Venture Capital (in the life sciences field) which manages 600 million USD in its funds. She has over twenty years' experience in leading dynamic cutting edge technology organizations and held senior managerial positions in leading global medical and healthcare corporations including Biosense Webster, Johnson & Johnson, GE Healthcare and Elscint. Mrs. Nir holds a BSc degree from the Technion Institute in Haifa in Computer Science (1986) and a diploma in Business Administration from the University of Haifa (1996).she joined the Board of BATM in June 2012 and served on the BOD until July 2015 when her term of office expired.

Rules about appointment and replacement of Directors; Amendment of Articles

Pursuant to the Company's articles of association and Israeli Companies Law, directors are elected at the Annual General Meeting by the vote of the holders of a majority of the voting power represented at such meeting in person or by proxy and voting on the election of directors. Each director (except for the public external appointed directors) shall serve until the next Annual General Meeting following the Annual General Meeting at which such director was appointed, or his earlier removal. The holders of a majority of the voting power represented at a General Meeting and voting thereon shall be entitled to remove any director(s) from office, to elect directors in place of the directors so removed or to fill any vacancy, however created, in the Board of directors by way of ordinary resolution. Non-executive public "external" directors, as defined by Israeli Company Law, are appointed and elected for a mandatory term of three years, which is renewable for no more than two further terms of three years each. The appointment of the external directors must be approved by the shareholders in general meeting.

Apart from the authority of the General Meeting to remove a director from office, subject to giving such director a reasonable opportunity to present his position to the General Meeting, under the Company's articles, the office of a director shall be vacated ipso facto, upon his death, or if he be found to be of unsound mind, or becomes bankrupt or if he becomes prohibited by law from being a director in a public Company, or if the director is a Company upon its winding up.

Of the two executive Directors, the CEO, Zvi Marom will be proposed for re-election at the coming Annual General Meeting (AGM). Mr. Barner resigned his position as director as of 1 January 2016 in order to concentrate all his efforts on growing the Bio-Medical Division under his responsibility and the CFO, Mr. Moti Nagar was nominated by the Board as an interim director to fill Mr. Barner's place until the coming AGM and he will be proposed for election at the coming AGM.

Under the Israeli Companies Law a Company may amend its articles by a simple majority of the shareholders at a General Meeting. Any proposed amendments to the articles regarding modification of rights attached to shares of the Company and/or dividing the share capital into various classes of shares requires the approval of the holders of 75% of the issued shares in the Company.

Compliance with the Governance Code

Throughout the year ended 31 December 2015, and through to the date of approval of the financial statements, the Board considers that the Company has complied with the Main Principles of the Governance Code. The Company has applied the Main Principles set out in the section with that heading by complying with the Governance Code as set forth below and in the Directors' Remuneration Report below. Further explanation of how the principles and supporting principles have been applied is set out below and in the Directors' Remuneration Report.

In addition, as outlined below, the Company's responsibilities under Israeli Company legislation is such that it is obliged to appoint two independent non-executive directors (defined as "external directors" within Israeli law), who must be appointed for a minimum of one three year term, which may be extended by the Company for no more than two additional terms of three years each. With the exception of the "external" non-executive directors who serve for a period of three years in accordance with Israeli company law, all directors have to be re-elected by the shareholders at an AGM, if proposed for re-election.

The current independent non-executive Directors which qualify as "external directors" under Israeli law are Mr. Gideon Barak, Mrs. Orna Pollack and Dr. Avigdor Shafferman. Mr. Barak was appointed in July 2013 for a term of three years which expires in July 2016. Dr. Shafferman was appointed in February 2015 for a term of three years and Mrs. Pollack was appointed in September 2015 for a term of three years.

The Board – leadership and effectiveness.

The Board which currently comprises two Executive and four non-executive Directors including the Chairman, is responsible collectively for the long term success of the Company. In compliance with Israeli company legislation the Board meets at least four times a year in formal session. Prior to each meeting, the Board is furnished with information in a form and quality appropriate for it to discharge its duties concerning the state of the business and performance.

Board and committee activities in 2015 were as follows:

	Meetings	Written Consent	Attendance
Board of Directors	8	Note 1	Note 1
Audit Committee	3	Note 2	Note 2
Remuneration Committee	3		
Nominations Committee	1		

1) All Directors attended 100% of the Board meetings during 2015 except for 2 absences of Mr. Gideon Barak from 2 board meetings due to last-minute trips overseas and 2 absences of Mrs. Elka Nir from two board meetings due to illness in one case and the death of her mother in the second case.

(2) All Audit Committee members attended 100% of meetings during 2015, except for 2 absences of Mr. Gideon Barak due to last-minute trips overseas.

There is not a formal schedule of matters specifically reserved to the Board for decision, as set out in A.1.1 of the Governance Code, however, provisions in the Israeli company legislation set out the responsibilities and duties of and areas of decision for the Board which includes approval of financial statements, dividends, Board appointments and removals, long term objectives and commercial strategy, changes in capital structure, appointment, removal and compensation of senior management, major investments including mergers and acquisitions, risk management, corporate governance, engagement of professional advisors, political donations and internal control arrangements. The ultimate responsibility for reviewing and approving the annual report and financial statements, and for ensuring that they present a balanced assessment of the Company's position, lies with the Board. These provisions have been fully complied with.

The Board comprises six Directors, four of whom are non-executive Directors, under the chairmanship of Dr. Gideon Chitayat. The Chief Executive is Dr. Zvi Marom. The Board's members have a wide breadth of experience in areas relating to the Company's activities and the non-executive Directors in particular bring additional expertise to matters affecting the Company. All of the Directors are of a high calibre and standing. The biographies of all the members of the Board are set out on page 19. The interest of the Directors in the Company and their share holdings are set out on page 28. All the non-executive Directors are independent of management and not involved in any business or other relationship, which could materially interfere with the exercise of their independent judgment. The Board is of the opinion that each of its members has the skills, knowledge, aptitude and experience to perform the functions required of a director of a listed Company and that the Board comprised a good balance of executive and non-executive Directors.

The induction of newly elected Directors into office is the responsibility of the Chairman of the Board. The new Directors receive a memorandum on the responsibilities and liabilities of directors as well as presentations of all activities of the Company by senior members of management and a guided tour of the Company's premises. All Directors are invited to visit the Company premises and its manufacturing facilities.

Each month every Director receives a detailed operating report on the performance of the Company in the relevant period, including a consolidated statement of financial position. A fuller report on the trading and quarterly results of the Company is provided at every Board meeting. Once per year a budget is discussed and approved by the Board for the following year. All Directors are properly briefed on issues arising at Board meetings and any further information requested by a Director is always made available.

The Company has an experienced Company Secretary, Mr. Arthur Moher, who is also one of the Company's legal advisers and all the Directors have access to Mr. Moher's services. Accordingly, the Company complies with section A.1.4 of the Governance Code.

The Directors may take independent professional advice at the Company's expense in furtherance of their duties. Independent outside counsel is present at every Board meeting and Board committee meetings.

Relations with Shareholders and Significant Shareholders

Communication with shareholders is given high priority. The half-yearly and annual results are intended to give a detailed review of the business and developments. A full Annual Report is made available on the Company's website to all shareholders and printed copies made available on request. The Company's website (www.batm.com) contains up to date information on the Company's activities and published financial results. The Company solicits regular dialogue with institutional shareholders (other than during closed periods) to understand shareholders views. The Board also uses the Annual General Meeting to communicate with all shareholders and welcomes their participation. Directors are available to meet with shareholders at appropriate times. The Company is committed to having a constructive engagement with its shareholders.

As of 31.12.2015, to the best of the Company's knowledge, the following persons or entities had a significant holding of BATM ordinary shares:

Dr. Zvi Marom, the Company's CEO and founder – 23.91%

Henderson Global Investors - 20.15%

Legal & General Investment Management – 12.00%

Herald Investment Management – 5.06%

All of the above hold ordinary shares of the Company.

Committees

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee to deal with specific aspects of the Company's affairs:

Audit Committee

Members: Mr. Gideon Barak, Mrs. Orna Pollack, Mr. Ofer Barner, and Dr. Avigdor Shafferman
Chairman: Gideon Barak (*)

(*)Mrs. Elka Nir was the chairman until 30 June 2015, Mr.Gideon Barak replaced her as Chairperson on 1 July 2015.

The members of the Audit Committee have significant financial expertise. The Committee's terms of reference include, among other things, monitoring the scope and results of the external audit, the review of interim and annual results, the involvement of the external auditors in those processes, review of whistle blowing procedures, considering compliance with legal requirements, accounting standards and the Listing Rules of the Financial Conduct Authority, and for advising the Board on the requirement to maintain an effective system of internal controls. The Committee also keeps under review the independence and objectivity of the Group's external auditors, value for money of the audit and the nature, extent and cost-effectiveness of the non-audit services provided by the auditors (see note 9 to the financial statements).

The Committee has discussed with the external auditors their independence, and has received and reviewed written disclosures from the external auditors regarding independence. During 2009 the external auditors replaced the partner in charge of the audit to comply with their internal independence regulations. Non-audit work is generally put out to tender. In cases which are significant, the Company engages another independent firm of accountants to consulting work to avoid the possibility that the auditors' objectivity and independence could be compromised; work is only carried out by the auditors in cases where they are best suited to perform the work, for example, tax compliance. However, from time to time, the Company will engage the auditors on matters relating to acquisition accounting and due diligence.

The Committee meets at least twice a year, and always prior to the announcement of interim or annual results. The external auditors and Chief Financial Officer are invited to attend all meetings in order to ensure that all the information required by the Committee is available for it to operate effectively. The external auditor communicates with the members of the Audit Committee during the year, without executive officers present.

The Audit Committee adheres to the functions and requirements prescribed to it by the Israeli Companies Law and Israeli Regulations. The Chairman of the Audit Committee maintains close contact with the Company on a regular basis.

Remuneration Committee

Members: Mr. Gideon Barak, Mrs. Orna Pollack, Mr. Gideon Chitayat and Dr. Avigdor Shafferman
Chairman: Gideon Barak (*)

(*)Mr. Gideon Barak was the chairman until 31 December 2015, Dr. Avigdor Shafferman replaced him on 1 January 2016.

The Company's Remuneration Committee is constituted in accordance with the recommendations of the Governance Code. The Committee consists of three out of the four non-executive Directors and excludes the chairman as is required under Israeli Company Law. Since January 2015 the Committee has been chaired by Gideon Barak, one of the external Directors (as mandatory under the Israeli Companies Law) and its other members are Orna Pollack and Dr. Avigdor Shafferman, both of whom are non-executive independent Directors. None of the Committee members has any personal financial interests, conflicts of interests arising from cross-directorships or day-to-day involvement in running the business.

None of the Directors plays a part in any determination of his own remuneration.

The Remuneration Committee met three times during the financial year. It has responsibility for making recommendations to the Board on the Company's policy on staff remuneration and for the determination, within agreed terms of reference, of specific remuneration packages for the Chairman of the Company and each of the executive Directors (including pension rights and any compensation payments).

The primary responsibilities of the Committee are to ensure:

1. That individual pay levels for executive Directors should generally be in line with levels of pay for executives in similar companies with similar performance achievement and responsibilities.

2. That share option and bonus schemes should be set at a level that provides sufficient incentive to the executive to produce results that will reflect and exceed the Board's expectations, and be appropriately balanced alongside fixed-level and more immediate remuneration.

3. That total pay and long term remuneration will be sufficient to retain executives who perform.
4. That aggregate pay for all executive Directors is reasonable in light of the Company's size and performance and is compatible with the Company's risk policies and systems.

5. Information of the Company's policy regarding the setting of Directors' remuneration together with the remuneration of Directors is set out in the Directors' Remuneration Report on page 25–28. The Company's remuneration policy as recommended by the Remuneration Committee was approved at the Annual General Meeting of the Company in September 2014. The remuneration policy is more fully explained below in the Directors' Remuneration Report.

Information of the Company's policy regarding the setting of Directors' remuneration together with the remuneration of Directors is set out in the Remuneration Report on page 25–28. The Company's remuneration policy as recommended by the Remuneration Committee was approved at the Annual General Meeting of the Company in September 2014. The remuneration policy is more fully explained below in the Remuneration Report.

No external remuneration advisers were engaged during the year.

Nomination Committee

Members: Mr. Gideon Chitayat, Dr. Zvi Marom and Dr. Avigdor Shafferman
Chairman: Dr. Avigdor Shafferman (*)

(*) Dr. Avigdor Shafferman was the chairman until 31 December 2015, Mr. Gideon Chitayat replaced him on 1 January 2016.

In compliance with recent amendments to Israeli law, the chairman of the Nomination Committee is chaired by an independent non-executive director thereby improving the independence of this Committee.

In addition to the Company's diversity policy for existing employees (as disclosed on page 12),the Nomination Committee is specifically tasked with assessing the process utilised by the Company in relation to board appointments and in monitoring diversity during the recruitment process and in the context of the resulting appointment made. During the process, the Nomination Committee ensures that assessment is made of the skills and experience in identifying a candidate pool and in the recruitment of Board members from such potential candidates, with consideration given to the balance of skills, experience, independence and knowledge of the Board. Board appointments are made on merit set against objective criteria having due regard, amongst other things, to the benefits of diversity on the board, including gender.

In accordance with Israeli company law, the Company has one female non-executive board member. As at 31 December 2015, there was one woman on the Board (representing 16.6% of Board membership), Orna Pollack having been appointed to the Board in September 2015 following Elka Nir having stepped down from the Board in July 2015.

Prior to the date of expiration of office of a director or in cases of early resignation of a director, a number of appropriate candidates (who have relevant experience in those lines of business in which the company is engaged and the personal qualifications that fit the company) are interviewed by the Chairman of the Board. After the interview the Nomination Committee presents its recommendations to the Board which, if deemed necessary may expand on the interview and research process in order to find the optimum candidate for the office of director in the company.

Conflicts

Throughout 2015 the Company has complied with procedures in place for ensuring that the Board's powers to authorize conflict situations have been operated effectively and this has also been considered at a committee level where appropriate. During 2015 no conflicts arose which would require the board to exercise authority or discretion in relation to such conflicts.

Introduction

This report sets out BATM Advanced Communication's executive remuneration policy and details Directors' remuneration and benefits for the financial year under review. The recent amendments to the UK Companies Act 2006 in relation to the preparation and approval of directors' remuneration policies and reports for certain listed companies do not apply to BATM as it is not incorporated in England. The remuneration policy and report referred to below are not necessarily intended to comply with the provisions of such laws, although the Board considers that the Company's current remuneration policy would comply with the Governance Code and have taken into account the requirement that the Company's remuneration policies (including any performance-related elements of executive remuneration) must be designed to promote the long-term success of the Company.

In accordance with Israeli Company law, the Board recommends and the General Meeting of the Company is asked to approve the remuneration policy of the Company for executives in the Company, after it has been first approved by the Company's Remuneration Committee and Board of Directors. The current remuneration policy was approved by the shareholders at the AGM held in September 2014.

No remuneration consultants were engaged by the Company in 2015.

Unaudited information – Remuneration Policy

The Company's current Remuneration Policy and Guidelines (hereinafter – "Remuneration Policy") came into effect after its approval by the Shareholders' Meeting by a majority vote as prescribed in section 267A (b) of the Israeli Companies Law, 1999 (the "Law") at the Annual General Meeting held in September 2014.

Objects of the Remuneration Policy:

a) To design appropriate remuneration packages to attract, retain and motivate senior executives and managers (including the CEO, CFO, executive and non executive directors and others determined by the Board to fall within this category) of the quality required to run the Company successfully (without paying more than is necessary for this purpose) while considering and managing the business risks and linking such remuneration policy to the Company's long term strategy and performance and its sustainable financial health;

b) To create long term performance-linked remuneration that will incentivize the senior executives to achieve those performance criteria and profits for the Company;

c) To link rewards for senior executives of the Company to corporate and individual performance which will be measured by both quantitative and qualitative criteria, balancing reward in the short and long term and fixed and variable elements of reward packages;

d) To control and position compensation for executive directors and senior executives in the Company in comparison with salaries and benefits of other employees in the Company, as well as senior executives in similar companies;

e) To align the interests of executive directors and senior executives with the interests of shareholders; and

f) To design remuneration packages that are flexible enough to cope with the Company's changing needs as it grows and its strategy evolves.

Remuneration Principles

a) The remuneration of senior executives of the Company shall be comprised of:

(i) **fixed remuneration**, (including pensions, social benefits and fringe benefits) that is commensurate with the individual executive's skills, experience, education, qualifications and responsibilities. Base salary, benefits and pension will be set at a broadly mid market level (including with reference to the country in which an executive principally works), and reviewed annually taking account of individual responsibilities and performance;

(ii) **variable remuneration**, comprising:

(A) Annual Bonus.

The level of the bonus paid to any executive director or senior executive, and its composition in cash and/or deferred payment (such as conditional share awards or options) will be established to link rewards with the Company's annual business targets, based on quantifiable measurements and targets set out at the start of the financial year by the Remuneration Committee. Up to half shall be based on the achievement of strategic or operational objectives and at least half of any annual bonus shall be referenced to financial performance or targets as will be determined by the Remuneration Committee and the Board of Directors. Between 10% and 20% will be based on non-financial key performance indicators based on the evaluation of the Company's CEO, or when appropriate, the Remuneration Committee. Annual bonuses may be withheld in whole or in part if the business has suffered an exceptional negative event, even if some specific targets have been met. The Remuneration Committee has overall discretion to ensure that a payment that is inappropriate in all the Company's circumstances is not made. The maximum aggregate bonus shall be 100% of annual base salary and may be delivered in cash or partly in cash and partly in share options under the BATM Share Option Scheme ("Scheme") (or through another long term incentive mechanism) subject to appropriate vesting conditions, as the Remuneration Committee may determine.

(B) Long Term Incentives.

The Company's long term incentive package for senior executives will be established to support the Company's strategy by incentivising the delivery of growth, increase in profitability, superior shareholder returns and sustained financial performance. Long term incentives are currently intended to be satisfied by the issue of options under the Scheme, although other incentive mechanisms may be established following appropriate Board, Remuneration Committee and shareholder approvals.

a) Any award shall be subject to the attainment of the following threshold conditions:

- The Company must show a net profit over a three year period from the date this Remuneration Policy comes into effect; and

- The Company must show an accumulative EBITDA of at least USD 10 million excluding from M&A transactions and/or one-time financial transactions over the coming two year period from the date this Remuneration Policy comes into effect.

If the above threshold conditions are met, then the Board may grant options which shall be subject to:

- a minimum vesting period of three (3) years from the date of the grant and options shall not be exercisable more than ten years after the date of the grant;

- The vesting shall be conditioned on attaining the performance targets based on the above financial metrics over a three year performance period, intended to stimulate future growth, with vesting on a sliding scale so that outstanding performance is required for 100% vesting; and

- The price ("exercise price") at which options may be granted shall not be under the average market price in the month preceding the date of the grant plus 5% above this market price.

The maximum annual long term incentive award (which would be subject to vesting and performance conditions as above) is 150% of base salary.

b) Variable remuneration will be subject to appropriate claw-back provisions in circumstances of misstatement or misconduct, or an error in the calculation of the Company's financial performance of any target or threshold as well as subject to appropriate provisions as to lapse or cessation of employment.

c) The Remuneration Committee shall have due regard to conditions elsewhere within the BATM Group and take them into account when determining executive remuneration.

d) The Company's long-term incentive schemes, as applicable to directors and senior executives, should provide that commitments to issue BATM shares must not exceed (in aggregate across all schemes) 5% of the issued ordinary share capital (adjusted for share issuance and cancellation) in any rolling 10 year period.

e) Notice or contract periods for the executive directors of the Company and senior managers should be set at 12 months or less, save where necessary in the short term to recruit individuals of the appropriate calibre. Compensation commitments for loss of office or early termination of an executive director or senior manager should not have the effect of rewarding poor performance and shall reflect the departing executive's obligations to mitigate loss.

The Board approved the grant of options to purchase BATM shares to the new CFO, Moti Nagar, in a value of $255 thousands. 50% of the options may be exercised by Mr. Nagar starting 31.12.2016 and another 50% may be exercised by Mr. Nagar starting 31.12.2017 provided that Mr. Nagar remains in his position as CFO at those dates and certain pre-defined financial performance criteria have been achieved by the Group.

Audited information

The table of Directors' remuneration is set out below and is consistent with note 35 to the financial statements.

Table A – Emoluments of the Directors with comparatives

	Basic Salary $000	Social benefits $000	Pension benefits $000	Performance bonus $000	2015 Total $000	2014 Total $000
Zvi Marom	369	3	1	-	373	349
Ofer Bar Ner	235	30	9	-	274	232
Gideon Chitayat	52	-	-	-	52	45
Avigdor Shafferman	44	-	-	-	44	-
Gideon Barak	39	-	-	-	39	46
Elka Nir	19	-	-	-	19	48
Orna Pollack	17	-	-	-	17	-
Peter Sheldon	-	-	-	-	-	54

Table B – Interests of the Directors

The interests of the Directors and their immediate families, both beneficial and non-beneficial, in the ordinary shares of the Company at 31 December 2015 were as follows.

	2015 Ordinary shares	2014 Ordinary shares
Zvi Marom	96,394,500	93,894,500
Ofer Bar Ner	212,500	212,500
Gideon Chitayat	2,000,000	600,000
Avigdor Shafferman	-	-
Gideon Barak	-	-
Orna Pollack	-	-

Table C – Share Options

No options were held by the Directors during the year.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable laws and regulations. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS). Israeli company law requires the Directors to prepare such financial statements.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make an assessment of the Company's ability to continue as a going concern and disclose where they consider it appropriate; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration Report which comply with the Listing Rules and the Disclosure and Transparency rules.

Legislation in Israel governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors confirms to the best of his or her knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

2. the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and

3. the annual report and financial statements, taken as a whole, are fair, balanced, and understandable, and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Financial Statements

The Directors present their report together with the audited financial statements for the year ended 31 December 2015.

Dividends

The Board is not proposing a dividend this year.

Corporate Governance Statement

The information that fulfils the requirement of the corporate governance statement in accordance with Rule 7.2 of the Financial Conduct Authority's Disclosure and Transparency Rules can be found in this Directors' Report and in the Corporate Governance information on pages 18 to 24 which is incorporated into the Directors' Report by reference.

Accountability and Audit

Brightman Almagor Zohar & Co., a member firm of Deloitte Touche Tohmatsu Limited, has expressed its willingness to continue in office and a resolution to re-appoint the firm will be proposed at the annual general meeting.

The Directors Report has been brought for review to the Board and has been approved in its present form.

The Directors Report is signed on behalf of the Board by:

Dr. Zvi Marom, Director & CEO

Deloitte.

Independent Auditors' Report to the Shareholders of BATM Advanced Communications Ltd.

We have audited the accompanying consolidated financial statements of BATM Advanced Communication Ltd and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BATM Advanced Communication Ltd and its subsidiaries as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Brightman Almagor Zohar & Co.

Certified Public Accountants — Tel Aviv, Israel

Member firm of Deloitte Touche Tohmatsu Limited — 21 April 2016

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	Note	Year ended 31 December	
		2015	2014
		US$ in thousands	
Revenues	5,6	97,096	109,247
Cost of revenues	7	66,175	75,143
Gross profit		30,921	34,104
Operating expenses			
Sales and marketing expenses	8	14,388	15,243
General and administrative expenses	9	9,556	11,165
Research and development expenses	10	6,692	8,716
Other operating expenses	31	959	1,708
Total operating expenses		31,595	36,832
Operating loss		(674)	(2,728)
Finance income	12	257	510
Finance expenses	13	(10,937)	(1,454)
Loss before tax		(11,354)	(3,672)
Income (expense) tax benefits	14	(2,746)	140
Loss for the year		**(14,100)**	**(3,532)**
Attributable to:			
Owners of the Company		**(13,250)**	**(3,176)**
Non-controlling interests		**(850)**	**(356)**
Loss for the year		**(14,100)**	**(3,532)**
Profit (loss) per share (in cents) from continuing operations basic and diluted	15	**(3.29)**	**(0.79)**

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

	Year ended 31 December	
	2015	2014
	US$ in thousands	
Loss for the year	(14,100)	(3,532)
Items that may be reclassified subsequently to profit or loss:		
Net gain on available-for-sale financial assets	(473)	473
Exchange differences on translating foreign operations	(4,463)	(4,254)
Total comprehensive loss for the year	**(19,036)**	**(7,313)**
Attributable to:		
Owners of the Company	(17,964)	(7,037)
Non-controlling interests	(1,072)	(276)
	(19,036)	**(7,313)**

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

	Note	31 December	
		2015	2014
		US$ in thousands	
Assets			
Current assets			
Cash and cash equivalents		17,042	15,940
Trade and other receivables	17	31,180	31,025
Financial assets	16	6,778	18,974
Inventories	18	22,630	24,202
Assets classified as held for sale	21	-	916
		77,630	91,057
Non-current assets			
Property, plant and equipment	19	18,140	20,250
Investment property	20	3,791	2,659
Goodwill	22	11,430	11,459
Other intangible assets	23	4,168	4,946
Available for sale Investments carried at fair value	30	611	5,741
Deferred tax assets	25	3,582	5,990
		41,722	51,045
Total assets		**119,352**	**142,102**
Equity and liabilities			
Current liabilities			
Short-term bank credit		2,763	4,187
Trade and other payables	26	27,442	27,973
Provisions	27	217	3,562
		30,422	35,722
Non-current liabilities			
Long-term liabilities	26	6,636	4,983
Deferred tax liabilities	25	1,095	1,174
Retirement benefit obligation	34	707	786
		8,438	6,943
Total liabilities		**38,860**	**42,665**
Equity			
Share capital	28	1,216	1,216
Share premium account		407,436	407,345
Reserves		(20,388)	(15,674)
Accumulated Deficit		(306,314)	(293,064)
Equity attributable to the:			
Owners of the Company		81,950	99,823
Non-controlling interests		(1,458)	(386)
Total equity		**80,492**	**99,437**
Total equity and liabilities		**119,352**	**142,102**

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

The financial statements were approved by the board of directors and authorised for issue on 21 April 2016.
They were signed on its behalf by:

Dr. Z. Marom
CEO

M. Nagar
CFO

	Share capital	Share Premium account	Translation reserve	Other reserves	Accumulated Deficit	Attributable to owners of the parent	Non-controlling interest	Total equity
	US $ in thousands							
Balance as at 1 January 2014	1,216	407,300	(11,478)	(335)	(289,888)	106,815	(110)	106,705
Exercise of share based options by employees	-	3	-	-	-	3	-	3
Recognition of share-based payments	-	42	-	-	-	42	-	42
Loss for the year	-	-	-	-	(3,176)	(3,176)	(356)	(3,532)
Other comprehensive income (loss) for the year	-	-	(4,334)	473	-	(3,861)	80	(3,781)
Total comprehensive loss for the year	**-**	**-**	**(4,334)**	**473**	**(3,176)**	**(7,037)**	**(276)**	**(7,313)**
Balance as at 31 December 2014	**1,216**	**407,345**	**(15,812)**	**138**	**(293,064)**	**99,823**	**(386)**	**99,437**
Recognition of share-based payments	-	91	-	-	-	91	-	91
Profit (loss) for the year	-	-	-	-	(13,250)	(13,250)	(850)	(14,100)
Other comprehensive income (loss) for the year	-	-	(4,241)	(473)	-	(4,714)	(222)	(4,936)
Total comprehensive loss for the year	**-**	**-**	**(4,241)**	**(473)**	**(13,250)**	**(17,964)**	**(1,072)**	**(19,036)**
Balance as at 31 December 2015	**1,216**	**407,436**	**(20,053)**	**(335)**	**(306,314)**	**81,950**	**(1,458)**	**80,492**

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

	Note	Year ended 31 December	
		2015	2014
		US$ in thousands	
Net cash used in operating activities	31	(2,247)	(5,282)
Investing activities			
Interest received		128	150
Proceeds on disposal of property, plant and equipment		1,402	293
Proceeds on disposal of financial assets carried at fair value through profit and loss		270	240
Proceeds on disposal of deposits		14,222	32,556
Proceeds on available for sale investments carried at fair value		-	133
Purchases of property, plant and equipment		(2,460)	(1,788)
Increase of other intangible assets		(1,361)	-
Purchases of financial assets carried at fair value through profit and loss		(573)	(157)
Purchases of deposits		(1,800)	(24,946)
Investment in available for sale investments carried at fair value and loan		(6,621)	(408)
Net Cash outflow on acquisition of business combinations		(546)	(676)
Net cash from investing activities		2,661	5,397
Financing activities			
Increase (decrease) in short-term bank credit		(55)	478
Bank loan repayment		(1,717)	(1,427)
Bank loan received		2,778	2,537
Proceeds on issue of shares		-	3
Net cash from financing activities		1,006	1,591
Increase in cash and cash equivalents		1,420	1,706
Cash and cash equivalents at the beginning of the year		15,940	13,812
Effects of exchange rate changes on the balance of cash held in foreign currencies		(318)	422
Cash and cash equivalents at the end of the year		**17,042**	**15,940**

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

Note 1 - General Information

BATM Advanced Communications Ltd. ("the Company") is a Company incorporated in Israel under the Israeli Companies law. The address of the registered office is POB 7318,Nave Ne'eman Ind. Area 4, Ha'harash street, 45240 Hod Hasharon, Israel. The Company and its subsidiaries ("the Group") are engaged in the research and development, production and marketing of data communication products in the field of Metropolitan area networks and is operating in the Bio-Medical market. The Bio-Medical division of the Group is engaged in the research and development, production, marketing and distribution of Bio-Medical products, primarily laboratory diagnostics and sterilization equipment.

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

Note 2 - Application of new and revised International Financial Reporting Standards (IFRSs)

New and revised IFRSs in issue but not yet effective

Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 – 2013 Cycle

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments [1]
IFRS 15	Revenue from Contracts with Customers [1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [2]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle [2]
IFRS 16	Leases [3]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise 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. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016.

Annual Improvements to IFRSs 2012 - 2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The Company has not yet examined the impact of the 2012-2014 Cycle on the Group's consolidated financial statements.

IFRS 16 – Leases

This new standard, which was published in January 2016, replaces IAS 17 – Leases and its accompanying interpretations, and prescribes the principles for the recognition, measurement, presentation and disclosure of leases in relation to both sides of the transaction; i.e., the customer ('the lessee') and the supplier ('the lessor'). The new standard eliminates the current differentiation for a lessee between finance leases and operating leases and prescribes a uniform accounting model in relation to all types of leases.

According to the new model, in respect of any leased asset, the lessee is required, on the one hand, to recognise the right-of-use in respect of the asset and, on the other hand, the financial liability in respect of the lease fees. The provisions regarding recognition of an asset and liability as stated shall not apply to assets being leased for a period of only up to 12 months or in relation to the leasing of low-value assets (such as personal computers).

The new standard amends the current accounting handling in the lessor's books.

The standard will come into mandatory effect in relation to annual reporting periods beginning on or after January 1, 2019. Early application is permitted, provided that IFRS 15 – Revenue from Contracts with Customers is also applied. As a rule, the standard is to be applied retrospectively; however, entities will be permitted to choose particular adjustments under the standard's transitional instructions relating to application to previous reporting periods.

The Company has not yet examined the impact of the provisions of the amendment on asset lease contracts it has.

Note 3 - Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses 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 listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

For new IFRS 15 Revenue from Contracts with Customers see note 2.

Sale of goods

(communication products, Bio-Medical products such as primarily laboratory diagnostics and sterilization products)

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

(software services such as Training, Technical support and maintenance related to the communication products, Mobile & Web Solutions, UI, UX Design, Branding, Graphical Design, Drivers & Embedded solutions)

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- Revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.
- Revenue from long-term contracts is recognised in accordance with the Group's accounting policy on long-term contracts (see below).

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Long-Term contracts

Where the outcome of a long-term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the consolidated statements of financial position date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The individual financial statements of each Group Company are prepared in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group Company are expressed in the US dollar, which is the presentation currency for the consolidated financial statements.

In preparing the financial statement of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (operations in foreign currencies) are translated at exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate) within the Group's translation reserve. Such translation reserves are reclassified from equity to profit or loss in the period in which the foreign operation is disposed.

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

Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Forgivable loans are loans which the lender {Israeli Chief Scientist Officer (ISO)} undertakes to waive repayment under certain prescribed conditions. In a case where Government grants takes the form of a forgivable loan, a liability is recognised in regards to this loan at fair value, based on estimations of future cash flows arising from the relevant grant. It is the Group's policy to designate all such loans as financial liabilities measured at fair value through profit and loss under IAS 39, as such all changes in the fair value of such a liability are recognised in the consolidated statement of profit or loss.

Government grants towards research and development costs are netted against related expenses over the periods necessary to match them with the related costs.

Employee benefits

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Share based payments arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 33.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share premium reserve.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the cost model.

Transfers from owner-occupied property to investment property made when the Company ends of owner-occupation.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statements of financial position on a historical cost basis, being the historical cost at the date of acquisition, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for production, administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land over their estimated useful lives, using the straight-line method, on the following bases:

Land and Buildings	0 - 5%
Plant and equipment	10 - 33%
Motor Vehicles	15-20%
Furniture and fittings	6-15%
Leasehold Improvements	10%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Research and development expenditure

Internally-generated intangible assets - research and development expenditure.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method between 10%-20%.

Acquired intangible assets

Acquired intangible assets are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on the "first-in–first-out" basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 36.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Group has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and measured at fair value at the end of each reporting period. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'finance income/(expenses)' line item. Fair value is determined in the manner described in note 36.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 36.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables

Trade and other payables and other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the consolidated statements of financial position date, and are discounted to present value where the effect is material.

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Note 4 - Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the consolidated statements of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of Intangible Assets and goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units (CGU) to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows of the CGU and a suitable discount rate in order to calculate present value. The carrying amount of intangible assets and goodwill at the consolidated statement of financial position date was $15.6 million (2014: $ 16.4 million), see note 22 and note 23.

Judgments with respect to Available for sale Investments carried at fair value and loan

The fair value of Available for sale Investments and loan are determined using discounted cash flows based on assumptions supported by prices and observable market rates. The Company's management used the services of an external valuator for the measurement of fair value and examined the assumptions that were used. For further information about the assumptions used by the Group, see note 36.

Judgments with respect to the calculation of tax provision

The Group operates a number of companies in varying tax jurisdictions. Each jurisdiction has its own tax regime, and the differences between regimes are often complex. Tax authorities may challenge income tax positions taken by the Group in determining current income tax expense and either require further payments or disallow tax losses or other tax attributes. In assessing the tax liability in each Company management are required to exercise judgement as to the best estimate of probable liabilities that may arise in these differing regimes.

Judgments with respect to actuarial assumptions

The assessment of actuarial assets and liabilities requires management to exercise judgement with regards to a number of underlying assumptions including the rate of future pay rises, the rate of leavers and other actuarial assumptions in regards to mortality rates, see note 34.

Judgments with respect to a liability to the chief scientist

The assessment of the liabilities to the chief scientist requires management to exercise judgement in regards to future royalty-bearing revenues and a suitable discount rate in order to calculate fair value. The total liability at the year-end is $3.7 million (2014: $3.9 million).

Judgments with respect to deferred tax assets

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from loss carry-forwards in different territories, management's estimation that it will be able to utilize them in the foreseeable future, see note 25.

Note 5 - Revenues

An analysis of the Group's revenues is as follows:

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Sales of goods (*)	81,384	92,883
Services (*)	15,712	16,364
	97,096	**109,247**

(*) For more details see note 6.

Note 6 - Business and Geographical Segments

Business segments

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided, and in respect of two major operating divisions – Networking and Cyber Division and Bio-Medical Division. These divisions are the basis on which the Group reports its primary segment information. The principal products and services of each of these divisions are as follows:

Networking and Cyber Division – mostly includes the research and development, production and marketing of data communication products in the field of local and wide area networks and premises management systems. Sales for this segment are global.

Bio-Medical Division – engaged in the research and development, production, marketing and distribution of medical products, primarily laboratory diagnostic equipment and sterilization equipment. Sales for this segment are primarily in Europe.

A. Segment revenues and segment results

Year ended 31 December 2015

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Revenues	44,098	52,633	365	97,096
Adjusted Operating profit (loss)(*)	120	360	200	680
Reconciliation-Other operating expenses				(1,354)
Operating loss				(674)
Net Finance expense				(10,680)
Loss before tax				(11,354)

Year ended 31 December 2014

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Revenues	49,962	58,790	495	109,247
Adjusted Operating profit (loss)(*)	285	(1,576)	271	(1,020)
Reconciliation-Other operating expenses				(1,708)
Operating loss				(2,728)
Net Finance expense				(944)
Loss before tax				(3,672)

(*) Excluding amortisation and impairment of other intangible assets.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year.

B. Segment assets, liabilities and other information

As at 31 December 2015

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Assets	65,491	50,070	3,791	119,352
Liabilities	18,626	20,234	-	38,860
Depreciation and amortisation	1,405	1,631	101	3,137
Additions to non-current assets	1,504	2,541	-	4,045

As at 31 December 2014

	Networking and Cyber $'000s	Bio-Medical $'000s	Unallocated $'000s	Total $'000s
Assets	89,467	49,060	3,575	142,102
Liabilities	24,683	17,982	-	42,665
Depreciation and amortisation	1,777	1,681	133	3,591
Additions to non-current assets	2,044	1,350	-	3,394

C. Revenue from major products and services

The following is an analysis of the Group's revenue from operations from its major products and services.

	Year ended 31 December	
	2015 $'000	2014 $'000
Telecommunication Products	33,445	39,101
Software services	10,967	11,299
Distribution of medical products	35,148	37,763
Clinical Chemistry diagnostic products	9,026	10,845
Sterilization products	8,510	10,239
	97,096	**109,247**

D. Geographical information

The Group operates in three principal geographical areas – United States of America (USA), Israel and Europe.

The Group's revenue from external customers and information about its segment assets by geographical location are presented by the location of operations and are detailed below:

	Revenue from external customers		Long-lived assets (**)		Acquisition of assets	
	2015 $'000s	2014 $'000s	2015 $'000s	2014 $'000s	2015 $'000s	2014 $'000s
USA	18,621	21,931	18,353	20,487	358	591
Israel	27,092	29,773	55,587	75,300	1,965	1,714
Moldova	24,676	27,920	12,319	14,594	850	65
Italy	8,847	10,736	13,932	11,845	648	290
Rest of Europe (*)	17,474	16,650	18,161	18,870	224	734
Far East	386	2,237	1,000	1,006	-	-
Total	**97,096**	**109,247**	**119,352**	**142,102**	**4,045**	**3,394**

(*) Including the countries: Romania, Hungary and U.K.
(**) Include financial assets and deferred tax assets.

Note 7 - Cost of revenues

	Year ended 31 December	
	2 0 15 $'000s	2 0 14 $'000s
Direct costs- Components and subcontractors	51,132	59,760
Changes in Inventory	98	(1,084)
Salaries and related benefits	10,415	11,857
Overhead and depreciation	2,444	2,870
Other expenses	2,086	1,740
	66,175	**75,143**

Note 8 - Sales and marketing expenses

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Salaries and related benefits	6,507	6,845
Commissions	1,474	1,240
Outside services	780	1,735
Advertising and sales promotion	864	1,144
Overhead and depreciation	1,911	1,990
Travelling and other expenses	2,852	2,289
	14,388	**15,243**

Note 9 - General and administrative expenses

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Salaries and related benefits	4,857	5,786
Professional services(*)	1,477	1,196
Overhead and depreciation	1,262	1,626
Other expenses	1,960	2,557
	9,556	**11,165**
(*) Including		
Auditors' remuneration for audit services	237	240

Amounts payable to Deloitte by the Company and its subsidiaries' undertakings in respect of non-audit services in 2015 were $71,000 (2014: $19,000). In addition, payables in respect of non-audit services to others than the Company's auditors, for tax and internal audit services in 2015, were $45,000 and nil, respectively (2014: $43,000 and nil, respectively).

Note 10 – Research and development expenses

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Salaries and related benefits	4,071	5,452
Components and subcontractors	2,321	3,141
Overhead and depreciation	899	1,098
Other expenses	549	298
Government grants	(1,148)	(1,273)
	6,692	**8,716**

Note 11 - Staff costs

The average monthly number of employees in 2015 (including executive directors) was 884 (2014: 819).

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Their aggregate remuneration comprised:		
Wages and salaries	21,220	24,513
Social security costs	3,807	4,030
Other pension costs	823	1,397
	25,850	**29,940**
Executive Directors' emoluments	**647**	**581**

Note 12 - Finance income

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Interest on bank deposits	130	145
Gain on marketable securities	35	171
Other	92	194
	257	**510**

Note 13 – Finance expenses

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Loss on available-for-sale financial assets (note 30)	(9,618)	-
Loss on derivative financial instruments	-	(218)
Foreign exchange differences, net	(840)	(696)
Interest on loans	(479)	(540)
	(10,937)	**(1,454)**

Note 14 - Income (expense) tax benefits

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Current tax	(327)	(371)
Tax on previous years	(7)	(155)
Deferred tax (note 25)	(2,412)	666
	(2,746)	**140**

Taxation under various laws:

Israel

The Company and its Israeli subsidiaries are assessed under the provisions of the Income Tax Law (Inflationary Adjustments), 1985, pursuant to which the results for tax purposes are measured in Israeli currency in real terms in accordance with changes in the Israeli CPI. The Company and its subsidiaries are assessed for tax purposes on an unconsolidated basis.

The Company is an "industrial Company" as defined in the Israeli Law for the Encouragement of Industry (Taxes) 1969.

On 29 December 2010 an amendment to the Israeli Law for the Encouragement of Capital Investments, the Israeli Parliament, which cancelled the previous tax calculation method, approved at 1959 and a fixed tax rate was determined on all the productive turnover of the Company. The Company is located in a Development area and is entitled to the reduced tax rates. This amendment takes effect from January 1, 2011. The Company chose to implement the amendment by notification to the Israeli Tax Authorities and reflect it in its financial statements.

In August 2013 "The Arrangements Law" (hereinafter - the "Law") was published , which legislated tax changes as follows:

1. Raising the corporate tax rate from tax year 2014 to a rate of 26.5 % (up1.5%).
2. Fixing the Encouragement of Capital Investments, the tax rate applicable to the Company in Development Area A (plan at Yokneam) from January 1, 2014 is 9% (instead of 7 % and 6 % in 2014-2015 and thereafter, respectively).

On January 5, 2016, a law amending the Income Tax Ordinance was promulgated, which prescribes a reduction in the corporate tax rate to 25% (instead of 26.5%). The new corporate tax rate will apply to income generated or earned as of January 1, 2016. The amendment does not apply to the tax rates imposed on revenues by virtue of the Encouragement of Capital Investments Law, 5719 – 1959 (revenues generated by a preferred/beneficiary/approved enterprise, which are specified above in clause E.(1)). Pursuant to the provisions of IAS 12 – Taxes on Income, the deferred tax balances as on December 31, 2015 do not consider the provisions of the said law, since it was enacted subsequent to the end of the reporting period. Had the law been enacted or substantively enacted prior to the end of the reporting period, this would not have had any material impact on the Company's deferred tax liabilities as on December 31, 2015 or on the tax expenses or on the other comprehensive income in 2015.

During the year 2013, approval was received from the tax authorities in Israel regarding the merger for tax purposes of the subsidiary Vigilant with the Company. Following the merger, $ 21 million losses were attributed to the Company and increased the tax loss carry-forwards. As part of the merger approval, there are limitations for utilization of these losses in the future. Legally Vigilant was merged into the Company during 2014 and no longer exists.

The Company has tax loss carry-forwards of $72.8 million of which $69.6 million the Group didn't create deferred tax assets in respect of such losses. According to the Israeli law there is no expiry date to use such losses.

The Company has received final tax assessments for the years up to and including the 2012 tax year (see below). The subsidiaries have not been assessed for tax since their incorporation.

During 2014, the Company negotiated with the Tax Authority in Israel regarding the tax assessments of the years 2007 – 2012. On January 2015, the Company signed an agreement with the Tax Authorities regarding the tax assessments in respect of the years 2007 – 2012, the total effect on the financial statements was $696 thousand interest expenses and $155 thousands tax expenses. On February 2015 the Company paid $3.3m with regards to the tax assessments.

The United States of America

Since acquisition, Telco Systems has incurred losses for tax purposes. In addition, in accordance with U.S. tax law, Telco Systems made an election to amortize a substantial part of the excess cost paid by the Company in its acquisition over a period of 15 years. This has resulted in tax loss carry-forwards which may be expire before having been utilized. Accordingly, the future use of part of these benefits is uncertain. Other US subsidiaries are assessed for tax purposes on a consolidated basis with Telco Systems. Deferred tax assets of $2.0 million have been recognised in respect of such losses. The amount of brought forward losses is $315.5 Million. According to US law, losses can be carried forward for 20 years. Accordingly, the first portion of the tax losses in the US subsidiary will expire in 2021.

Other jurisdictions

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The Group has tax loss carry-forwards of $17.3 million in Europe subsidiaries of which $14.8 million the Group didn't recognise deferred tax assets in respect of such losses.

The income tax (benefit)/expense for the year can be reconciled to the profit per the consolidated statement of profit or loss as follows:

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Loss before tax:	**(11,354)**	**(3,672)**
Tax benefit at the Israeli corporation tax rate of 26.5%	(3,009)	(973)
Tax reduced income	(116)	(98)
Deferred taxes recognised in the past regarding losses carried forward, which were deducted in the current period	2,354	-
Tax losses which no deferred tax assets have been recognised	2,822	406
Tax on previous years	7	155
Other differences	688	370
Tax expenses (benefits) for the year	**2,746**	**(140)**

Note 15 - Earnings (loss) per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 December	
	2015	2014
Loss for the purposes of basic and diluted earnings per share ($'000s) attributable to Owners of the Company	(13,250)	(3,176)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	403,150,820	403,146,217
Effect of dilutive potential ordinary shares:		
Share options	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**403,150,820**	**403,146,217**
Weighted average number of non-dilutive potential ordinary shares	**176,010**	**85,760**

Note 16 – Financial assets

	31 December	
	2015	2014
Interest-bearing deposits(*)	1,653	13,082
Held for trading bonds	5,125	5,892
	6,778	**18,974**

(*) Includes a total of $ 1.5 million of cash deposits designated as security for short term bank credit and presented in financial assets.

The average interest rate of deposits is 0.77% and 0.58% in 2015 and 2014 respectively.

Note 17 - Trade and other receivables

	31 December	
	2015	2014
Trade receivable account	24,569	23,779
Participation in research and development: Government of Israel	933	788
VAT	747	1,770
Tax authorities	155	801
Prepaid expenses	3,928	3,330
Other debtors	848	557
	31,180	**31,025**

The average credit period taken on sales of goods is 73 days (2014: 69 days). No interest is charged on the receivables. An allowance has been made at 31 December 2015 for estimated irrecoverable amounts from the sale of goods of $2,271,000 (2014: $2,234,000). This allowance has been determined by reference to past default experience. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments. The Group's credit risk is primarily attributable to its trade and receivables. The amounts presented in the consolidated statements of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Note 18 - Inventories

	31 December	
	2015	2014
Raw materials	6,811	7,744
Work-in-progress	3,481	2,503
Finished goods	12,338	13,955
	22,630	**24,202**

During the financial year 2015, $ 0.4 million of Inventory was impaired due to slow moving inventory, and expensed to the Profit and Loss account (2014: $ 2.0 million).

Note 19 – Property, plant and equipment

	Land and buildings (*) $'000s	Plant and equipment $'000s	Motor Vehicles $'000s	Furniture and fittings $'000s	Leasehold Improvements $'000s	Total $'000s
Cost						
At 1 January 2014	20,632	11,816	2,498	3,863	867	39,676
Additions	465	1,281	86	144	92	2,068
Disposals	-	(44)	(1,184)	(114)	-	(1,342)
Effect of translation adjustment	(724)	(415)	(88)	(136)	(29)	(1,392)
At 31 December 2014	20,373	12,638	1,312	3,757	930	39,010
Additions	730	952	181	597	-	2,460
Disposals	-	(400)	(194)	(241)	-	(835)
Allocated to investment property(*)	(1,458)	-	-	-	-	(1,458)
Effect of translation adjustment	(838)	(520)	(54)	(155)	(38)	(1,605)
At 31 December 2015	18,807	12,670	1,245	3,958	892	37,572
Accumulated depreciation						
At 1 January 2014	3,607	9,447	1,853	3,115	794	18,816
Depreciation expense	649	644	143	288	51	1,775
Disposals	-	(8)	(1,105)	(4)	-	(1,117)
Effect of translation adjustment	(157)	(345)	(69)	(114)	(29)	(714)
At 31 December 2014	4,099	9,738	822	3,285	816	18,760
Depreciation expense	525	596	90	383	64	1,658
Disposals	-	(400)	(156)	(126)	-	(682)
Allocated to investment property(*)	(224)	-	-	-	-	(224)
Effect of translation adjustment	(18)	(42)	(3)	(14)	(3)	(80)
At 31 December 2015	4,382	9,892	753	3,528	877	19,432
Carrying amount						
At 31 December 2015	**14,425**	**2,778**	**492**	**430**	**15**	**18,140**
At 31 December 2014	**16,274**	**2,900**	**490**	**472**	**114**	**20,250**

(*) See note 20.

Additional information:
The Company has been leasing the land on which the building in Yokneam has been built from the Israel Lands Authority under a capitalized lease for a period of 49 years ending on July 2044.

Note 20 – Investment Property

	31 December	
	2015 $'000s	2014 $'000s
At 1 January	2,659	3,802
Allocated to Assets classified as held for sale-cost (*)	-	(1,159)
Allocated to Assets classified as held for sale-Accumulated Depreciation(*)	-	243
Allocated to Investment Property-cost	1,458	-
Allocated to Investment Property - Accumulated Depreciation	(224)	-
Depreciation expense	(125)	(85)
Exchange rate differences	23	(142)
At 31 December	**3,791**	**2,659**

The useful lives used; between 10-50 years.
(*) See note 21.

Amounts recognised in the consolidated statements of profit or loss

	31 December	
	2015 $'000s	2014 $'000s
Rental income from Investment property	336	495
Operating expenses related to Income from Investment property	(164)	(180)
Operating expenses related to Investment property which produced no income	(33)	(44)

Additional Information:

Fair value disclosures for investment properties measured using the cost model:

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 31 December 2015 are as follows:

	31 December 2015		31 December 2014	
	At Amortised Cost $'000s	Fair value level 3 $'000s	At Amortised Cost $'000s	Fair value level 3 $'000s
A Yokneam, Israel - office	1,768	2,998	1,693	3,021
B Boston MA, USA-office(*)	1,190	1,305	-	-
C Rome, Italy- office	833	1,190	966	1,328

The fair value of completed investment property is determined using a discounted cash flow (DCF).
Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the cash inflows associated with the real property.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property.

In the case of investment properties, periodic cash flow is typically estimated as gross income, non-recoverable expenses, collection losses, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net cash inflows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

(*)The Company started to rent part of the office in Boston MA during October 2015. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

Note 21 – Assets classified as held for sale

During February 2015 the Company sold its building in Kfar Netter for a consideration of $1.5m, the Company classified the amortized cost of the building to Assets classified as held for sale in the current assets as of 31, December 2014 in the Company's consolidated statements of financial position.

Note 22 - Goodwill

The Group tests annually goodwill for impairment, or more frequently if there are indications that goodwill might be impaired. The Group has two reportable business segments and goodwill is associated with CGUs within the Bio-Medical segment or CGUs within the Networking and Cyber segment. The CGU of Bio-Medical at the amount of $ 5,059 thousands (2014: $ 5,111 thousands) has been divided into 3 CGUs: Sterilization, Diagnostic and Distribution. The CGUs within the Networking and Cyber segment at the amount of $ 6,371 thousands (2014:$ 6,348 thousands).

The Goodwill is allocated to the following CGUs:

Sterilization: $2,550 thousands (2014: $2,550 thousands)

Diagnostic: $1,544 thousands (2014: $1,487 thousands)

Distribution: $965 thousands (2014: $1,074 thousands)

Telecommunications: $1,984 thousands (2014: $1,984 thousands)

Software services: $4,387 thousands (2014: $4,364 thousands)

The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Pre-tax discount rates of between 12% - 17.5% have been used which is consistent with the rate used for determining the value of purchased intangibles. Changes in selling prices and direct costs are based on recent history and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budget approved by management and extrapolates indefinite cash flows based on estimated growth rates. For the purposes of this calculation management have used a revenue growth rates of 30%, 30%, 0% and 0% for years 2-5 respectively, and then 0% thereafter, for the Telco CGU and 8% for years 2-5, and then 1% thereafter, for the Telecoms Outsourcing CGU and 15% for years 2-5 respectively, and then 1% thereafter for the Sterilization and 15%, 12%, 10% and 10% for years 2-5 respectively, and then 1% thereafter for the Diagnostic and 14% for years 2-5 respectively, and then 1% thereafter for the Distribution.

Fixed expenses have been assumed to grow at 21%, 24%, 0%, 1% for years 2-5 respectively, and then have been assumed to remain constant thereafter in the Telco and Telecoms Outsourcing CGU and 5%, 4%, 4% and 3% for years 2-5 respectively, and then have been assumed to remain constant thereafter for Sterilization, Diagnostic and Distribution CGU. Variable expenses (directly linked to sales) have been assumed to grow at 19%, 20%, 2%, 3% for years 2-5 respectively, and then 0% thereafter for the Telco and Telecoms Outsourcing CGU, and 15%, 13%, 13% and 13% for years 2-5 respectively, and then 1% thereafter for the Sterilization, Diagnostic and Distribution CGU. The rates used above reflect historical rates achieved and expected levels for 2016 but then are prudently adjusted for subsequent years.

Sensitivity of the recoverable amount to changes in the key assumptions

The recoverable amount of the Sterilization activity is higher from the carrying amount in amount of $1.9 million. Reduction of 3% growth rate taken into account in calculating the value in use of the activity will result in a decrease of $2.1 million recoverable amount of the activity. Decrease in growth rate as stated will lead to changes in other assumptions taken for the calculation of value in use .Increase of 3% in pre-tax discount rate taken into account in calculating the value in use of the activity will result in a decrease of $2.4 million recoverable amount of the activity.

	2015 $'000s	2014 $'000s
Balance at 1 January	11,459	12,096
Additions in the year	224	215
Foreign Exchange difference	(253)	(852)
Balance at 31 December	11,430	11,459

Note 23 - Other Intangible Assets

	Customer Relationships and Backlog	Technology	Other (*)	Total
	$'000s	$'000s	$'000s	$'000s
Cost				
At 1 January 2014	16,635	10,881	1,941	29,457
Additions	-	-	1,111	1,111
Effect of translation adjustments	(1,110)	(413)	(299)	(1,822)
At 31 December 2014	15,525	10,468	2,753	28,746
Additions	-	-	1,361	1,361
Disposals	-	-	(333)	(333)
Effect of translation adjustments	(109)	(681)	(430)	(1,220)
At 31 December 2015	**15,416**	**9,787**	**3,351**	**28,554**
Accumulated amortisation				
At 1 January 2014	13,296	8,685	1,387	23,368
Effect of translation adjustments	(1,252)	(158)	134	(1,276)
Amortisation expense	1,244	368	96	1,708
At 31 December 2014	13,288	8,895	1,617	23,800
Effect of translation adjustments	(552)	(603)	293	(862)
Disposals	-	-	94	94
Amortisation expense	997	318	39	1,354
At 31 December 2015	**13,733**	**8,610**	**2,043**	**24,386**
Carrying amount				
At 31 December 2015	**1,683**	**1,177**	**1,308**	**4,168**
At 31 December 2014	**2,237**	**1,573**	**1,136**	**4,946**

(*) include Capitalized R&D, R&D in process, Brand name and Non-competition.

Other intangible assets are amortised on a straight-line basis over their estimated useful lives, which range from 3 to 11 years.

Amortisation by categories;

Customer Relationships and Backlog: mainly 7 to 10 years.
Technology: mainly 10 to 11 years.
Other: 3 to 10 years.

Note 24 - Subsidiaries

A list of the significant direct and indirect investments in subsidiaries, including the name, country of incorporation, and percent of ownership interest as at 31 December 2015 is presented below.

Name of subsidiary	Principal Activity	Country of incorporation	Ownership interest	Date of acquisition
Telco Systems Inc.	Telecommunication	United States of America	100%	April 2000
A.M.S. 2000	Distribution	Romania	100%	June 2007
NGSoft Ltd	Software	Israel	100%	October 2007
Becor	Distribution	Moldova	51%	July 2008
Adaltis	Diagnostics	Italy	100%	November 2009
ISE	Diagnostics	Italy	100%	February 2009

Note 25 - Deferred tax

Deferred tax assets

The following are deferred tax assets recognised by the Group and movements thereon during the current and prior reporting period (see also note 14).

	Deferred development costs $'000s	Retirement benefit obligations $'000s	Losses carried forward $'000s	Other $'000s	Total $'000s
At 1 January 2014	378	209	4,634	262	5,483
Credit (charge) to income	(229)	19	650	92	532
Effect of translation adjustments	-	(25)	-	-	(25)
At 31 December 2014	149	203	5,284	354	5,990
Credit (charge) to income	(149)	(120)	(1,784)	(354)	(2,407)
Effect of translation adjustments	-	(1)	-	-	(1)
At 31 December 2015	**-**	**82**	**3,500**	**-**	**3,582**

Deferred tax liabilities

	Intangible Assets $'000s	Depreciation differences and other $'000s	Total $'000s
At 1 January 2014	1,033	306	1,339
Credit to income	(236)	102	(134)
Effect of translation adjustments	(72)	41	(31)
At 31 December 2014	725	449	1,174
Credit to income	(176)	181	5
Effect of translation adjustments	(59)	(25)	(84)
At 31 December 2015	**490**	**605**	**1,095**

The following are unrecognised taxable temporary differences associated with investments and interests:
Taxable temporary differences in relation to investments in subsidiaries for which deferred tax liabilities have not been recognised are attributable to: 31 December 2015 $3,961 thousands (31 December 2014 $3,466 thousands).

Note 26 - Financial liabilities and other

Trade and other payables

	31 December	
	2015 $'000s	2014 $'000s
Trade creditors	14,293	12,005
Salary accruals	4,426	5,523
VAT and other tax	679	194
Liability to the office of the chief scientist	1,001	1,012
Other creditors and accruals *	7,043	9,239
	27,442	**27,973**

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 59 days (2014: 53 days).The directors consider that the carrying amount of trade payables approximates to their fair value.

*Including liability to a related party, amount of $103 thousands.

Long-term liabilities

	31 December	
	2015	2014
	$'000s	$'000s
Bank Loans (1)	3,374	1,342
Liability to the office of the chief scientist (2)	3,231	3,220
Contingent liability on acquisition of business combinations	-	320
Government institutions	31	101
	6,636	**4,983**

(1) During 2015 one of our subsidiary Becor received a few loans from the bank:
$350 thousand in local currency bearing 11% interest rate paid monthly starting October 2017 for 3 years
1,350 thousands Euro bearing 5.8% interest rate will be paid in 6 equal instalments starting February 2016.
1,050 thousands Euro bearing 5.8% interest rate will be paid in 6 equal instalments starting October 2017.

(2) This liability (hybrid instrument containing embedded derivative) is designated at FVTPL according to relevant accounting policy (see also note 36(k)).

Note 27 - Provisions

	Warranty provision	Onerous Lease provision(1)	Tax and Other provision(2)	Total
	$'000s	$'000s	$'000s	$'000s
At 1 January 2015	315	3	3,244	3,562
Additional provision	-	-	38	38
Change in provision	(98)	-	-	(98)
Payment during the year	-	(3)	(3,282)	(3,285)
At 31 December 2015	217	-	-	217
Included in current liabilities				**217**
Included in non-current liabilities				**-**
				217

The warranty provision represents management's best estimate of the Group's liability under warranties granted on the Group's products, based mainly on past experience.

Tax provision represents liability for the Israeli tax authorities due to final tax assessments of the Company for the years 2007-2012, which were paid to the tax authorities at the beginning of 2015.

Note 28 - Share capital

Ordinary shares of NIS 0.01 each (number of shares).

	2015	2014
Authorised:	**1,000,000,000**	**1,000,000,000**
Issued and fully paid:	**403,150,820**	**403,150,820**

The Company has one class of ordinary shares which carry no right to fixed income.

During 2015 no options were exercised, during 2014, 10,000 options of one employee were exercised into shares.

Note 29 - Business Combinations

In April 2014 - NG Soft acquired the major assets and intellectual property of Stanga, for a consideration of $208 thousands. Stanga engaged in the animation and production studio.

In October 2014 - NG Soft acquired the major assets and intellectual property of Cdtech and Optiwise, for a consideration of $576 thousands. Of this balance $480 thousands has been classified as customer relationship and backlog, $65 thousands as non-compete and $32 thousands as goodwill.

Cdtech provides technological, creative and commercial Internet solutions and Optiwise provides online marketing agency specializing in promoting businesses online.

During 2015, the Company completed the purchase price allocation (PPA) for the purchases above and there are no significant changes from the initial allocation.

Note 30 – Investments

Available for sale Investments carried at fair value and loan

During 2013 the Company made an investment of $3.5m into a consortium for the construction of a new nationwide fiber optic infrastructure network in Israel named Israel Broadband Company (2013) Ltd (Hereinafter - "IBC"). During 2015, as part of the consortium agreement in IBC, the Company has transferred an additional NIS 25m ($6.5m) upon IBC's call for the additional investment, comprising NIS 6.25m ($1.6m) as an additional equity investment in IBC and NIS 18.75m ($4.9m) as a shareholder loan.

In addition as at 31 December 2014 financial reports , the IBC investment was re-appraised by an external valuator and increased the fair value of the available-for-sale financial assets in amount of $0.5m, the increase registered in the other comprehensive income.

As at 31 December 2015, the Company prepared, with assistance of an Independent external valuator, assessing the recoverable amount of the investment in IBC. The Company recognised an impairment loss in the financial statement in the amount of $9.6m comprising: $4.7m impairment loss of the investment in IBC and $4.9m impairment loss of the loan to IBC, which included in the consolidated statement of profit or loss as financial expenses and decreased the fair value of the available-for-sale financial assets in the other comprehensive income in amount of $0.5m.

Note 31 - Note to the cash flow statements

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Operating loss from operations	(674)	(2,728)
Adjustments for:		
Amortisation of intangible assets *	1,354	1,708
Depreciation of property, plant and equipment and investment property	1,783	1,883
Capital gain of property, plant and equipment *	(495)	-
Stock options granted to employees	91	42
Increase (decrease) in retirement benefit obligation	(79)	91
Decrease in provisions	(101)	(77)
Decrease (increase) in inventory	1,683	(1,140)
Decrease (increase) in receivables	(768)	2,395
Increase (decrease) in payables	1,771	(1,326)
Effects of exchange rate changes on the balance sheet	(3,631)	(5,997)
Income taxes paid	(3,505)	(222)
Income taxes received	743	341
Interest paid	(419)	(252)
Net cash used in operating activities	**(2,247)**	**(5,282)**

* Including in other operating expenses

Note 32 - Operating lease arrangements

The Group as lessee

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Minimum lease payments under operating leases		
Recognised in income for the year	**1,571**	**1,546**

At the consolidated statements of financial position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December	
	2015 $'000s	2014 $'000s
Within one year	1,231	622
In the second to fifth years inclusive	1,603	1,440
	2,834	**2,062**

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years.

The Group as lessor

Property rental income earned during 2015 was $366,000 (2014: $495,000). The properties under lease agreements to third parties by the Group have committed tenants for most of the property for the next year.

At the consolidated statements of financial position date, the Group had contracted with tenants for the following future minimum lease payments:

	31 December	
	2015 $'000s	2014 $'000s
Within one year	558	280
In the second to fifth years inclusive	1,304	308
	1,862	**588**

Note 33 - Share-based payments

Equity-settled share option scheme

The Company has a share option scheme for all employees of the Group. Options are usually exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is between three to five years. Unexercised options expire ten years from the date of grant. Options are forfeited when the employee leaves the Group.

Options to certain management employees are exercisable at a price equal to the average quoted market price of the Company's shares less 10% on the date of grant.

Details of the share options outstanding during the year are as follows:

	2015		2014	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		(in GBP)		(in GBP)
Outstanding at beginning of year	4,278,237	0.2849	3,941,289	0.2978
Granted during the year	1,192,321	0.1269	600,000	0.1712
Forfeited during the year	(1,129,530)	0.2496	(253,052)	0.2205
Exercise during the year	(-)	-	(10,000)	0.1684
Outstanding at the end of the year	**4,341,028**	**0.2507**	**4,278,237**	**0.2849**
Exercisable at the end of the year	**2,748,706**	**0.2872**	**3,444,237**	**0.3033**

The options outstanding at 31 December 2015 had a weighted average exercise price of 0.2507 GBP, and a weighted average remaining contractual life of 5.75 years. In 2015, options were granted on May 5. The aggregate of the estimated fair values of the options granted on this date is $261,000. In 2014, options were granted on August 3 and December 10. The aggregate of the estimated fair values of the options granted on those dates is $166,000.

The inputs into the Black-Scholes model are as follows:

	2015 $'000s	2014 $'000s
Weighted average share price (GBP)	0.17	0.18
Weighted average exercise price (GBP)	0.17	0.17
Expected volatility	24-58	33-61
Expected life	7	7
Risk-free rate	1.3%-1.5%	1.3%-2.2%
Expected dividends	0%-2.5%	2.5%

The inputs into the Black-Scholes model for the options granted in 2015 are as follows:

	2014 $'000s
Weighted average share price (GBP)	0.13
Weighted average exercise price (GBP)	0.13
Expected volatility	24
Expected life	7
Risk-free rate	1.3%
Expected dividends	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 1 year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of $91,000 and $42,000 related to equity-settled share-based payment transactions in 2015 and 2014, respectively.

Note 34 - Retirement benefit obligation

Defined contribution plans

The Group operates defined contribution retirement benefit schemes for all qualifying employees in Israel. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Total expenses related to the contribution retirement benefit schemes are: $530 thousands in the year 2015 (2014: $527 thousands).

The employees of the Group's subsidiaries in the United States are members of a state-managed retirement benefit scheme operated by the government of the Unites States. The subsidiary contributes a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

Defined benefit plans

The Group operates defined benefit schemes for qualifying employees of the Company and its subsidiaries in Israel and in Italy.

In Israel this scheme provides severance pay provision as required by Israeli law. Under the plans, the employees are entitled to post-employment benefits equivalent to years of service multiplied by 8.33% of final salary on either attainment of a retirement age of 67 (men) and 64 (women) or redundancy. No other post-retirement benefits are provided to these employees.

In Italy each employee is entitled to have a severance payment as soon as he ends the employment under one of the conditions specified below as except those who decide to choose private insurance during the employment. Principal conditions to release the liability are: 1. Full retirement age 2. Accumulation of minimal working years 3. Termination of employment by the employer 4. Death of employee 5. Occurrence of employee's disability.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 29 February 2016 by Elior Weissberg, FILAA on behalf of Elior Weissberg Ltd. a member of the Institute of Actuaries. The present value of the defined benefit, obligation, the related current service cost and past service cost were measured using the projected unit credit method. The discount rate was based on high quality corporate bonds.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2015	2014
Discount rate(s)	2.3%	3.6%
Expected rate(s) of salary increase	1-3%	3-4%
Expected inflation rate	1.13%	1.4%
Employee turnover rate	8%	13%

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Current service cost	226	331
Interest on obligation	84	172
Return on plan assets (excluding amounts included in net interest expense)	(68)	(151)
Adjustments for restrictions on the defined benefit asset	17	31
Re-measurement on the net defined benefit liability and assets from changes in financial assumptions	(173)	16
Total	**86**	**399**

The amount included in the consolidated statements of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	31 December	
	2015 $'000s	2014 $'000s
Present value of funded defined benefit obligation	3,203	3,748
Fair value of plan assets	(2,496)	(2,962)
Net liability	**707**	**786**

Movements in the present value of the defined benefit obligation in the current period were as follows:

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Opening defined benefit obligation	3,748	5,984
Current service cost	226	331
Interest cost	84	172
Remeasurement (gains)/losses arising from changes in financial assumptions	(199)	(97)
Benefits paid	(1,024)	(1,561)
Re-classified to short-term	(259)	(603)
Exchange rate differences	627	(478)
Closing defined benefit obligation	**3,203**	**3,748**

Movements in the present value of the plan assets in the current period were as follows:

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Opening fair value of plan assets	2,962	4,956
Interest income	51	120
Re-measurement gains return on plan assets (excluding amounts included in net interest expense)	(28)	(117)
Contributions from the employer	175	253
Benefits paid	(783)	(1,561)
Re-classified to short-term	(166)	(269)
Exchange rate differences	285	(420)
Closing fair value of plan assets	**2,496**	**2,962**

Note 35 - Related party transactions

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

Table A – Emoluments of the Directors with comparatives

	Basic Salary $000	Social benefits $000	Pension benefits $000	Performance bonus $000	2015 Total $000	2014 Total $000
Zvi Marom	369	3	1	-	373	349
Ofer Bar Ner	235	30	9	-	274	232
Gideon Chitayat	52	-	-	-	52	45
Avigdor Shafferman	44	-	-	-	44	-
Gideon Barak	39	-	-	-	39	46
Elka Nir	19	-	-	-	19	48
Orna Pollack	17	-	-	-	17	-
Peter Sheldon	-	-	-	-	-	54

The total liability for the Executive Directors in the year-end 2015 was $45 thousand (2014: $25 thousands) related to December 2015 and 2014 wages paid in January 2016 and 2015 respectively.

Table B – Interests of the Directors

The interests of the Directors and their immediate families, both beneficial and non-beneficial, in the ordinary shares of the Company at 31 December 2015 and 2014 were as follows:

	2015 Ordinary shares	2014 Ordinary shares
Zvi Marom	96,394,500	93,894,500
Ofer Bar Ner	212,500	212,500
Gideon Chitayat	2,000,000	600,000
Avigdor Shafferman	-	-
Gideon Barak	-	-
Orna Pollack	-	-

Table C – Share Options

No options were held by the Directors during the year.

Table D – Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2015 $'000s	2014 $'000s
Short-term employee benefits	644	594
Post-employment benefits	11	18
Other long-term benefits	15	19
Termination benefits	18	39
	688	**670**

Note 36 – Financial Instruments

(a) Capital risk management

Management's policy is to maintain a strong capital base in order to preserve the ability of the Company to continue operating so that it may provide a return on capital to its shareholders, benefits to other holders of interests in the Company such as credit providers and employees of the Company, and sustain future development of the business. Management of the Company monitors return on capital, defined as the total amount of equity attributable to the shareholders of the Company and also the amount of dividends distributed to the ordinary shareholders.

The Group's management reviews the capital structure on a periodic basis. As a part of this review the management considers the cost of capital and the risks associated with each class of capital. Based on management's recommendations, the Group will balance its overall capital structure through the payment of dividends. The Group's overall strategy remains unchanged from 2006.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(c) Categories of financial instruments

	2015 $'000s	2014 $'000s
Financial assets		
Cash and cash equivalents*	17,042	15,940
Fair value through profit or loss held for trading	5,125	5,892
Deposits	1,653	13,082
Receivables	30,277	28,454
Available for sale Investments carried at fair value	611	5,741
Financial liabilities		
At amortized cost	32,404	32,601
Fair value through profit or loss	3,727	4,107

* Cash and cash equivalents comprised by $0.9 million deposits up to three months and $16.1 million cash (2014: $3.3 million deposits up to three months and $12.6 million cash).

All fair value through profit or loss asset measurements are level 1 fair value measurements, defined as those derived from quoted prices (unadjusted) in active markets for identical assets.

All fair value through profit or loss liabilities measurements are level 3 fair value measurements, derived from net present value of royalties liability based on estimated future revenues.

(d) Financial risk management objectives

The Group's Finance function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivatives only for economic hedging and does not apply hedge accounting. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide - principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

(e) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer to section f) and interest rates (refer to section g). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including: Structured deposits, call options and forward foreign exchange contracts to hedge the exchange rate risk arising on the export of telecommunications equipment to the United States.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(f) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2015 $'000s	2014 $'000s	2015 $'000s	2014 $'000s
New Israeli Shekel	4,614	12,067	11,242	10,766
Euro	14,091	11,693	6,744	6,464
MDL	3,126	614	4,742	5,443
Other	1,409	1,397	4,270	4,776

Foreign currency sensitivity

The Group is mainly exposed to Euro, NIS and MDL.

The following table details the Group's sensitivity to a 10 percent change in US$ against the respective foreign currencies in 2015 (2014 - 10 percent). The 10 percent is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. A positive number indicates an increase in profit or loss and other equity where US$ weaken against the respective currency. If US$ were to strengthens by the same percentage against the respective currency there would be a similar but reverse impact on the profit or loss and equity as presented in the tables below.

Profit or loss

	2015 $'000	2014 $'000
NIS Impact	291	(289)
Euro Impact	28	24

Equity

	2015 $'000	2014 $'000
NIS Impact	372	159
Euro Impact	(762)	(547)
MDL Impact	162	474
Other currencies Impact	284	346

This is mainly attributable to the exposure outstanding USD receivables and payables at year end in the Group.

The Company engaged in financial instruments contract such as forward contracts, call and put options and structured instruments in order to manage foreign currencies exposure.

During the year the Company engaged in one financial instruments which resulted in $3 thousands recorded as finance expenses. (2014: two financial instruments which resulted in $218 thousands recorded as finance expenses).

(g) Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity this note.

The exposure to floating rate loans is not material.

(h) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Financial liabilities

	Weighted average effective interest rate	0-3 months	3 months to 1 year	1-5 years	Total
	%	$'000s	$'000s	$'000s	$'000s
31 December 2015					
Non-interest bearing	-	26,267	571	6,065	32,903
Bank loans interest bearing (*)	4.27	1,147	1.616	3,374	6,137
		27,414	**2,187**	**9,439**	**39,040**
31 December 2014					
Non-interest bearing	-	26,591	1,294	5,703	33,588
Bank loans interest bearing (*)	4.41	4,187	-	1,342	5,529
		30,778	**1,294**	**7,045**	**39,117**

(*) Part of the Bank loans are linked to a fix rate plus Libor or a fix rate plus Euribor.

The future Bank loan interest to be paid is $327 thousands.

(i) Finance liabilities

Loans from banks are measured at amortised cost using the effective interest method. The difference between the fair value of the loans and their book value is not significant.

(j) Fair value of financial instruments carried at amortized cost

The fair value of the financial instruments of the Group carried at amortised cost is not considered to be materially different from the stated amortised cost.

(k) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 3 based on the degree to which their fair value is observable:

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the liabilities that are not based on observable market data (unobservable inputs).

Reconciliation of Level 3 fair value measurements of financial liabilities - Government grants

Fair value through profit or loss	2015 $'000	2014 $'000
Opening balance	3,927	4,269
Losses/(Gains) in profit or loss	259	(299)
Received	167	837
Paid	(626)	(879)
Closing balance	**3,727**	**3,927**

The liability was measured using the discounted cash flow (DCF) method. The discount rate used to measure the liability is 15.1%. If the discount rate decreased by 1% the liability will Increase by $115 thousands.

The assumptions the Company take into consideration for the calculation of the fair value measurements of the Government grants liabilities are based on two parameters:

1. Future forecast revenues for the next five years, for each year the forecast of the percentage of royalty-bearing revenues.
2. Capitalised interest based on economic parameters in the market such as WACC and CAPM.

Reconciliation of Level 3 fair value measurements of Available for sale Investments carried at fair value - IBC

	Year ended 31 December	
	2015 $'000s	2014 $'000s
Opening balance	5,294	3,414
Unpaid investment	-	1,607
Revaluation	(5,231)	473
Translation differences	(18)	(200)
Closing balance	**45**	**5,294**

Based on the valuation as mentioned, been found that the recoverable amount of the Company's share in the project is estimated as of 31 December 2015, in amount of $45k since the prevailing uncertainty regarding the project has grown significantly and therefore, as part of the WACC (Weighted average cost of capital) of the investment was taken specific risk premium of 2%, and leverage rate lower than the comparison companies which led to WACC of 15.4%. Therefore, the company recognised an impairment loss in the financial statement. Aforementioned impact on the financial statements of the company reflected in recorded a loss in amount of $5.2m, which included: $4.7m in the consolidated statement of profit or loss as financial expenses and decreased the fair value of the available-for-sale financial assets in the other comprehensive income in amount of $0.5m.

During October 2015 the company gave a loan to IBC in the amount of $4.9m (see note 30). At the end of the year, according to the external valuation mentioned above, the Company recognised an impairment loss for the whole loan.

Note 37 - Post balance sheet events

Post period, BATM acquired the entire issued and to be issued share capital of Green Lab Hungary Engineering Ltd, a Hungary-based developer and distributor of analytical instruments, for a total consideration of $3.8 million payable in cash over a three-year period. In addition to supplying analytical laboratory instruments, Green Lab provides emphasis on development, sales and support of environmental measuring systems. Green Lab unaudited revenues for full year 2015 amounted to $3.3 million and operating profit was $0.62 million.

Directors

G. Chitayat	Chairman, Non-executive
Dr. Z. Marom	CEO
O. Bar-Ner	COO
O. Polak	Non-executive
G. Barak	Non-executive
A. Shafferman	Non-executive

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