BATM
Advanced Communications

ANNUAL REPORT 2010

Welcome to BATM Advanced Communications

- BATM Advanced Communications leads the market in Metro Area Network Ethernet Telecom solutions.
- BATM Medical is a leader in providing niche, cost effective diagnostics solutions to SME medical laboratories.

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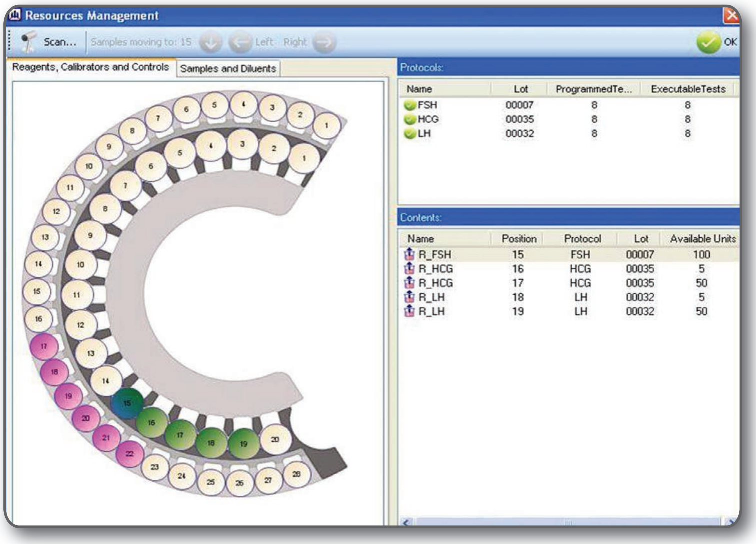
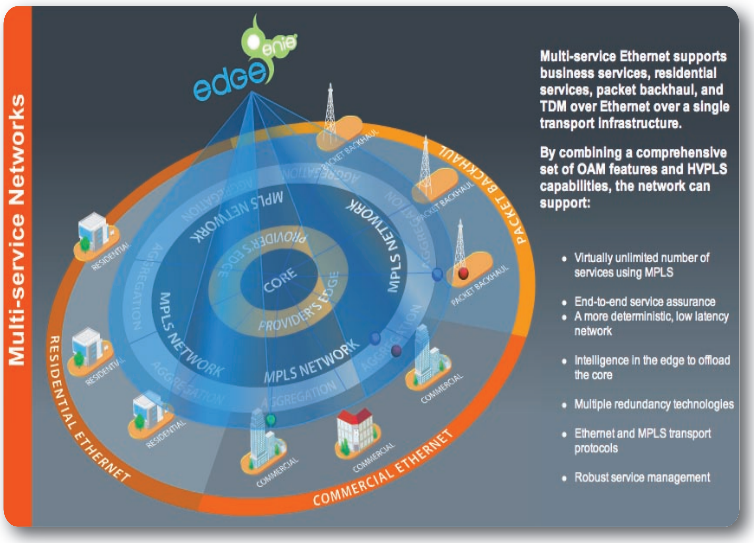
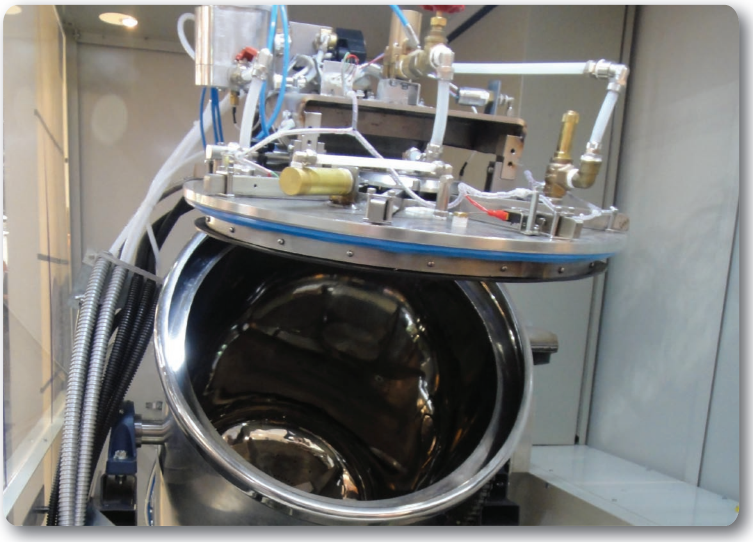
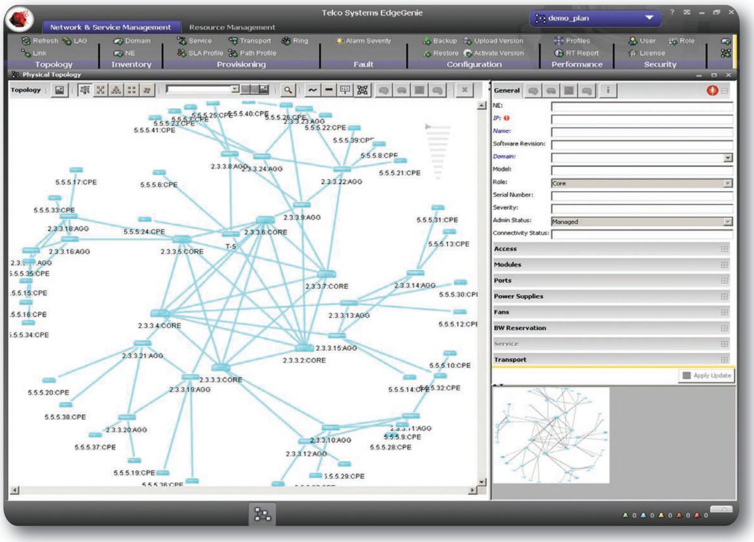
For more information on BATM, please visit:
www.BATM.com

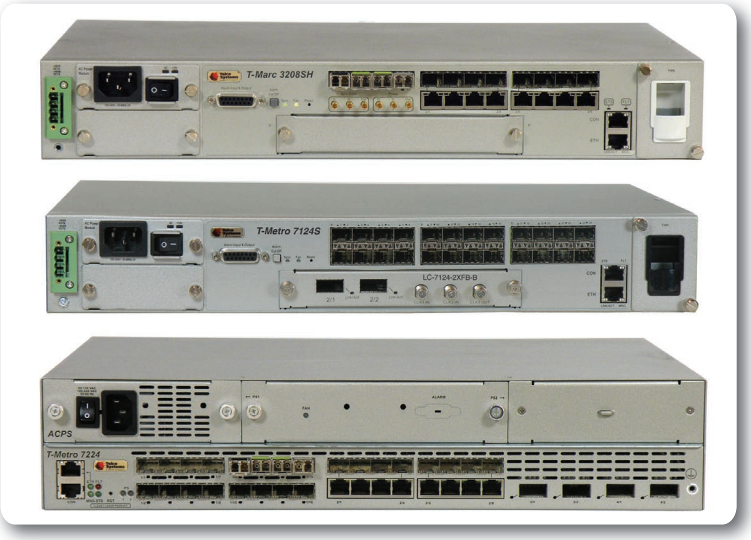
Our products and projects



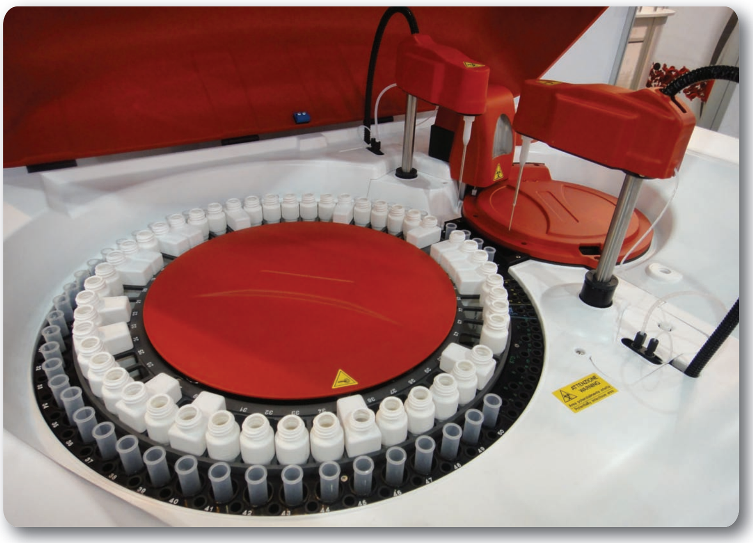


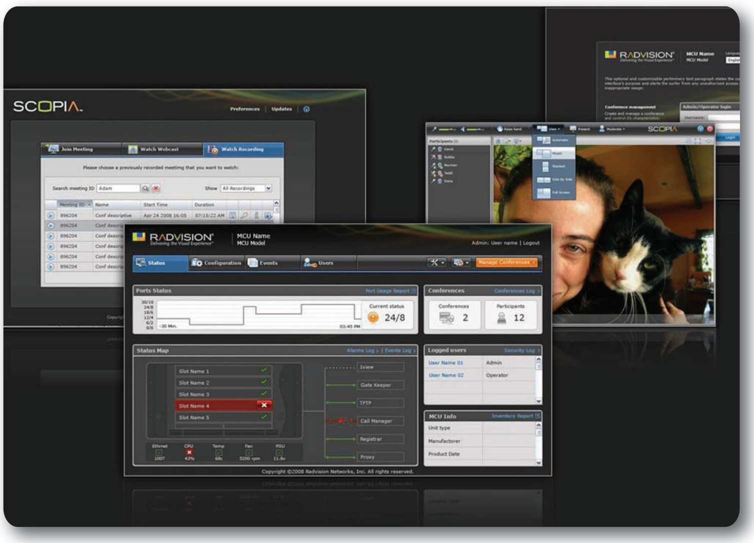



Telco Systems EdgeGenie
Network & Service Management
Resource Management
Topology
Inventory
Provisioning
Fault
Configuration
Performance
Security
Physical Topology
General
Access
Modules
Ports
Power Supplies
Fans
BW Reservation
Service
Transport


T-Marc 3208SH
T-Metro 7124S
LC-7124-2XFB-B
ACPS
T-Metro 7224


ADALTIS




SCOPIA
RADVISION
MCU Name
MCU Model
Status
Configuration
Events
Users
Ports Status
Conferences
Status Map
Logged users
MCU Info

Financial Highlights

$120.6 million

2010 Revenues

$7.7 million

2010 Adjusted EBITDA

$60.2 million

2010 Liquid Assets

	2010	2009	%
Revenue	$120.6m	$135.4m	-10.9%
EBITDA[1]	$7.7m	$24.7m	-68.8%
Gross profit	$42.7m	$57.7m	-26.0%
Net profit[2]	$1.7m	$20.5m	-91.7%
Earnings per share	0.42¢	5.11¢	-91.7%
Liquid investments	$60.2m	$66.8m	-9.9%
Dividend per share	0.8p	1.35p	-40.7%

Notes to the Financial Highlights

Profit before tax is reconciled to adjusted EBITDA in the table below:

	2010 $ millions	2009 $ millions
Profit before tax	1.0	18.4
Amortisation of Intangibles	3.8	4.0
One off items (depreciation)	0.3	1.4
Net finance expenses (income)	0.1	(2.0)
Depreciation	2.5	2.9
Adjusted EBITDA	7.7	24.7

Throughout this report:

1. Before intangibles amortisation of $3.8 million (2009: $4.0 million) and one-off exceptional items of $0.3 million (2009: $1.4).

2. Attributable to owners of the Company.

Chairman's Statement

Peter Sheldon, OBE
Chairman

Peter Sheldon
Chairman

2010 was a challenging year for the Company which suffered from an unexpected and major reduction in orders from our major telecoms customer, NSN (Nokia Siemens Networks), with a consequent severe impact on our profitability. Despite this setback we have continued to gain business from other important customers and win new business which has demonstrated the underlying quality of our product offerings in this sector and the resilience of the company. Our executive team is confident that, over a reasonable time frame, we shall recover the lost sales from the new business we have gained and other opportunities we are pursuing.

Our Medical Division made very good progress and the integration of the new businesses and streamlining of operations has taken us to a point where we expect the division to soon start to make a meaningful contribution to BATM. The nature of our devices is such that certification from the relevant authorities is required before our new products can be brought to market and this is a time consuming operation. This process is going well and we already have certification for some of our markets. All of the indications are that these innovative products have excellent market potential and that our focus on small laboratories requiring high quality diagnostic, sterilization and medical waste disposal equipment aimed at their specific needs is well judged.

Despite the sharp fall in profitability in the year the Company's management has continued to maintain a tight control on all aspects of the business with the result that, notwithstanding the cost of our 2009 dividend and the special element included in it, our liquid resources remain high and this, combined with our confidence that we will soon return to a satisfactory level of profit, has enabled the Board to recommend a similar dividend to the basic dividend declared for 2009 of 0.8 pence per share.

At last year's AGM I indicated my intention to retire from the Board at the 2011 AGM. However, in order to oversee our period of recovery, our Board has requested me to remain in office for the coming year and with the approval of a number of major institutional shareholders, with whom we have held discussions, we will be asking shareholders to approve my re-appointment at the AGM.

During the year all of the other non-executive directors reached the end of their period of appointment. Prof. Gideon Chitayat, Amos Shani and Dr. Amiram Mel were subsequently appointed by shareholders. I am delighted to welcome them to the Board to which they are already making a most valuable contribution.

Our Board is currently engaged in ensuring that we are maximising the potential of our businesses for the benefit of our shareholders. I am confident that we will demonstrate in the coming year that we are well on the way to doing so.

Peter Sheldon
Chairman
28 April 2011

Directors' Report

Business Review

Principal Activities and Review of the Business

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

$120.6 million

2010 Revenues

$ 60.2 million

2010 Liquid Investments

Overview of 2010

2010 was a challenging year for the company which suffered from the substantial decline in sales to Nokia Siemens Networks (NSN). Despite this setback, the company managed to grow revenues by 18.1% in the second half of the year compared to the first half of the year.

BATM maintained its strong cash position with liquid investments of $60.2 at year end and accordingly the Board has decided to maintain its dividend policy and recommend a final dividend for 2010 of 0.8 pence per share.

Directors' Report

Financial Performance

Revenues in H2 2010 grew, as expected, by 18% compared to those in H1 2010, bringing revenues for the year to $120.6 million (2009: $135.4 million). Medical sales totalling $40.7 million (2009: $29.7 million) have continued to show significant growth and have become a larger portion of our overall sales mix.

The gross profit margin for 2010 has decreased to 35.4% (2009: 42.6%) primarily due to the change in the sales mix. The medical division had inventory adjustments and other expenses related to the higher demand expected in 2011 that resulted in a 4% lower gross margin for the division in the second half. The gross profit margin in H2 2010 of 35.1% was slightly lower than the 35.8% recorded in H1 2010.

Total sales and marketing expenses were $15.3 million (2009: $13.6 million), an increase of 12.5% on the previous year. The increase is mostly due to our acquisition of certain assets of Adaltis, a medical diagnostic company, in December 2009, increased distribution revenues in 2010 and costs associated with entering a new software application market from May 2010. As a percentage of revenue, sales and marketing expenses were 12.7% (2009: 10.0%).

General and administrative expenses were $9.2 million (2009: $9.4 million) representing 7.6% of revenue, compared with 6.9% in 2009. The decrease in costs is primarily related to actions we have taken to integrate the medical businesses into three distinct groups (Distribution, Diagnostics and Sterilization).

R&D expenses in 2010 were $12.4 million (2009: $11.8 million), an increase of 5%. R&D expenses in H2 2010 were $5.9 million compare to $6.5 million in H1 2010. The decrease is largely due to efficiency programmes in BATM's traditional R&D units.
Operating profit was $1.1 million (2009: $16.4 million) after other operating expenses of $4.5 million (2009: $6.5 million) which primarily relates to the amortization of intangible assets.

Net finance loss was $0.1 million (2009: $2.0 million profit), comprised of $0.8 million of interest income, as well as $0.7 million of foreign exchange gains, which have been offset by $1.0 million of loss on forward transaction and $0.6 million of finance costs.

Net profit after tax attributable to owners of the Company amounted to $1.7 million (2009: $20.5 million), resulting in a basic earnings per share of 0.42¢ (2009: 5.11¢).

Our balance sheet remains strong with effective liquidity of $60.2 million (2009: $66.8 million). This is after a dividend payment and related taxes of $8.8 million in July 2010. Year-end cash is comprised as follows: cash and deposits of up to one year of $52.6 million, bonds and structure deposit of 7.6 million.

Intangible assets have decreased to $19.8 million (2009: $23.3 million), and Goodwill remains unchanged at $11.3 million (2009: $11.3 million). The decrease in intangible assets is primarily due to the amortization of intangible assets that appears in other operating expenses.

Property, plant and equipment have increased by $4.0 million from 31 December 2009 to $26 million as at 31 December 2010. Towards the end of the year, BATM acquired the manufacturing site of our diagnostics business in Italy in order to start the production of immunoassay reagents.

Total liabilities have increased by $3.6 million from 31 December 2009 to $49.9 million as at 31 December 2010. This increase is primarily due to increase in trade payables of $4 million.

Yokneam, Israel

Hod-Hasharon, Israel

Mansfield MA, USA

Directors' Report

Telecoms Division

The year 2010 has been affected by the substantial decrease in revenues from our major OEM customer Nokia Siemens Networks as reported previously. We expect the trend from this customer to continue to have an impact on our overall telecom business going forward, however due to the significantly lower level of business in 2010 the impact of this trend will be much smaller in 2011.

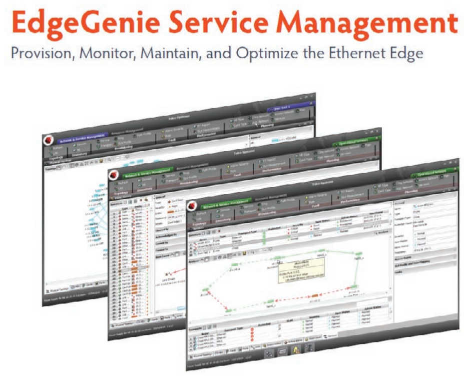
Revenues in the Telecom division increased during H2 2010 to \$44.3 million from \$35.6 million recorded during H1 2010. The increase in revenues was almost evenly distributed between our direct channels in the US and our OEM customers. Following our announcement of a first order from a prominent defence force customer in December 2009, we recorded more than \$1 million worth of revenues in 2010 related to our win for a military version of our next generation secured access platform technology. We expect revenues to grow following deployment at the end of 2011.

We have also recorded approximately \$600,000 of revenue from a leading semi-conductor manufacturer as part of a licensing arrangement reported in April 2010. We expect royalties to grow in the coming years as the licensed chip is released to the market.

In our OEM channels, we announced in February 2011 a new strategic partnership with Advantech to deliver integrated 40G ATCA platforms. This partnership brings our carrier-grade switching software technology and blades to Tier-1 and 2 Telecom Equipment Manufacturers (TEMs) enabling a cost effective, high quality carrier grade solution to support next generation telecom networks.

In our direct channels we added several new Tier 2 and 3 telecom operators to our customer base during the second half of 2010. We have also made significant progress with a major Tier 1 operator in South America, including a new contract and first order from this important customer. These new wins were accomplished by leveraging our latest product offerings including our new Service Management platform that revolutionises the way providers manage their Ethernet edge network. With growth in the market for cell site aggregation and migration to 4G networks, our solution allows operator to upgrade their network without having to replace their core networks. In 2011, our focus will be on the utilities and mobile backhaul markets especially in the US where our product solutions will complement the existing infrastructure as they leverage their assets to build communications networks.

As indicated during our investor day in September, we expect the Telecoms group to return to growth within the next 18 to 24 months. We are now building the necessary channels to replace the revenues recorded with Nokia Siemens Networks, and gain better access to the market both through direct and indirect channels. We believe the progress we have made during the second half of the year will help us achieve our targets.



Gigabit/10GE Ethernet Aggregation

T-Metro 7224

T-Metro 7124S

Magnalink 8000

Optimizing and securing the service edge

NetView - IP Control Center Management Solution

Director's Report

Medical Division

We have made significant progress during 2010 in realising our long term goals for the division. Although growth between H1 and H2 of 2010 was only 7%, the increase is purely organic. During 2010, we continued our investment in the Division by purchasing the manufacturing facility of our diagnostics business. In 2011 we expect to continue to expand this business through investment, albeit at a much lower scale than in 2010. In 2011, we have begun to incorporate operational efficiencies into our growth strategy by consolidating our investments in the medical diagnostics field into one operating entity.

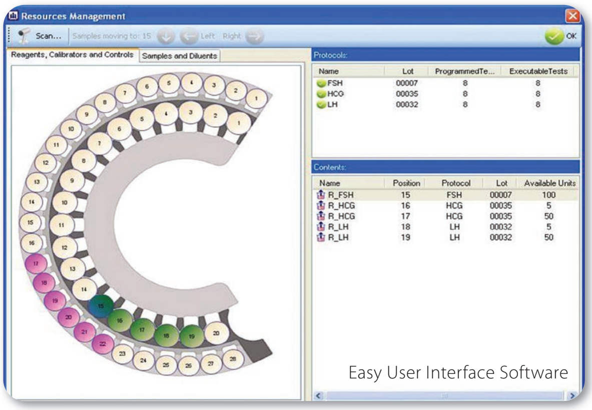
The gross margin of the medical division was 20% in 2010 (2009: 20%). Although the gross margin was lower than expected during the second half of 2010, it includes certain expenses related to inventory adjustment and increasing operating capacity in both the sterilization and diagnostics sectors of our business to meet increased demand and enable much higher revenues in 2011.

The operating loss for the medical division was $2.2 million in 2010 (2009: $1.7 million). The increase is mostly due to higher operating expenses.

During February 2011 we acquired the minority holdings of two of the original founders of the medical group. This will allow us to accelerate the process of improving operational efficiency and growth in the group.

We expect the medical group to continue to grow sales and improve gross margins during 2011. We also expect the sterilization and diagnostics units that currently comprise 43% of the overall revenues of the Division to become a larger portion of our overall sales.

Miura
Up to 500 tests



Easy User Interface Software

Eclectica
Reagent Kits

PERSONAL LAB
Fully automated
2 microplate
analyzer

Integrated Sterilizer
& Shredder (ISS)

Unique technology,
compact solution for
Biohazard waste disposal.

Directors' Report

Dividend

The Board is of the opinion that, in light of the Company's profitability, it should continue its dividend distribution policy. Accordingly, it has proposed, subject to shareholder consent, a final dividend for 2010 of 0.8 pence per share (2009: 0.8p and 0.55p special payment). In making this decision the Board has carefully considered the likely future capital requirements of the business and believes that the Company should have fully adequate cash resources to meet these requirements. The Board does not envisage recommending an interim dividend in the coming year.

Prospects

Trading in the first 2 months of the year is encouraging. Our revenues are 5% ahead of our performance last year and we expect a strong March as well. This and other developments in our business lead us to believe that even after the additional expected reduction in the Nokia Siemens Networks (NSN) business, 2011 will be a year in which we can grow the business.

Financial Statements

The directors present their report together with the audited financial statements for the year ended 31 December 2010.

Results and Dividends

The results of the year are set out in the consolidated profit and loss account. After providing $3.8 million amortization of intangible assets for the year and one off costs of $0.8 million, we recorded a profit of $1,699 thousand attributable to owners of the company.

The Board announced its intention to recommend a final dividend of 0.8 pence per share for the year ended 31 December 2010 in its Preliminary Results announcement.

The dividend will be proposed for approval by shareholders at the Company's Annual General Meeting which will be held on 15 June 2011.

If the payment of the final dividend is approved, it will be paid on 18 July 2011 to all eligible shareholders on the register as at 24 June 2011. The corresponding ex-dividend date will be 22 June 2011.

Director's Report

Directors

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

Dr. Zvi Marom
Chief Executive Officer

Ofer Bar-Ner
Chief Financial Officer

Peter Sheldon OBE, JP, FCA, (69), non-executive Chairman, is a Chartered Accountant and International Business Consultant. He is a former finance director of Hambros Bank and has held positions as Chairman and Director of a number of UK publicly quoted and private companies. His quoted company appointments have included UDS Group; World of Leather; Stirling Group and Geo Interactive Media (now Emblaze). He is currently heavily involved in the charitable sector in a voluntary capacity. He has been a member of the Board of BATM since 1998 and became Chairman in October 1999. He was awarded an OBE in Her Majesty the Queen's 2010 New Year Honours.

Dr. Zvi Marom (56), 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, a UK listed company.

Ofer Bar-Ner (46), Chief Financial Officer, 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.

Dr. Gideon Chitayat (72), non-executive director, is currently Chairman of Delta Galil Industries and Honigman. Dr. Chitayat has served as a director for Teva Pharmaceutical Industries and Bank Hapoalim among others. He has provided consultancy services to the Board and Vice-Presidents of Companies including Teva Pharmaceuticals Industries, Amdocs, Israel and Bank Mizrahi. He 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.

Amos Shani (62), non-executive external director, is an entrepreneur with 30 years of experience in the Semiconductors sector, with an emphasis on Processors, Networking, Audio/Video compression, Wireless multimedia as well as Systems and Consumer Electronics sectors. He is a former Division Engineering Manager for Intel, Israel. Amos holds a BSEE from Tel Aviv University and joined the Board of BATM in June 2010.

Directors' Report

Directors (cont.)

Directors who served during the year and retired/resigned during the year:

Dr. Dan Kaznelson, M.D., D.M.D. (69), Senior non-executive director,

Dr. Kaznelson a member of the Board of BATM from 1996 until June 2010. Served as the Chairman of the Audit and Remuneration Committees.

Koti Gavish (67), non-executive director, served as a member of the Board of BATM from September 2004 until September 2010.

Ariella Zochovitsky (54), CPA (Israel) MBA, non-executive director, Served as a member of the Board of BATM from September 2004 until September 2010.

Roger H.D. Lacey (60), non-executive external director, Served as a member of the Board of BATM from June 2010 until he resigned in November 2010.

Director appointed since the year end:

Dr. Amiram Mel (62), non-executive external director, is a former Chief Executive Officer of Logic Industries Ltd. Prior to Logic he was Group President North America for Amdocs Management Limited, a global leader of telecom billing systems, with responsibility for annual revenues of $1.6B. He was Chief Executive Officer of Crystal Systems Solutions from 1996 to 1999 and led the company through an IPO and a second offering on the NASDAQ stock exchange. Dr. Mel holds a Ph.D in Decision Sciences from the Wharton School of Business at the University of Pennsylvania and was an associate professor at the School of Business Administration at the Hebrew University of Jerusalem. Dr. Mel joined the Board of BATM following an EGM in March 2011.

Corporate Governance

The company is committed to high standards of corporate governance. The Board is accountable to the company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied and the company's compliance with the 2006 FRC Combined Code for Corporate Governance (the "Code") appended to the Listing Rules of the UK Listing Authority.

Compliance with the 2006 FRC Combined Code

Throughout the year ended 31 December 2010, and through to the date of approval of the financial statements, the Board considers that the company has complied with Section 1 of the Code. The company has applied the Principles of Good Governance set out in Section 1 of the Code by complying with the Code of Best Practice as set forth below and in the 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, and who cannot serve for more than two three year terms each. The external Directors Ms Ariella Zochovitzky and Mr Koti Gavish completed the second of their three year terms in September 2010.

Dr. Amiram Mel and Mr. Amos Shani are the new independent non-executive directors defined as external directors. Mr. Shani was appointed in July 2010 and Dr. Mel in March 2011. Mr. Roger Lacey who was appointed as an external Director in July 2010, resigned from this position due to a potential conflict of interest in December 2010.

The Company believes that it is essential to maintain a number of long serving directors who may serve for more than the ten year period recommended under the Code in order to provide continuous experience and knowledge. Its Chairman, Peter Sheldon, has served for 12 years. Mr. Sheldon indicated at the Company's last Annual General Meeting his intention to retire from the Board at the 2011 AGM. To date the Company has been unsuccessful in identifying a suitable successor and following advice from its UK legal advisors, and discussions with major shareholders the Board has requested Mr. Sheldon to offer himself for re-election for the coming year. The Board is of the opinion that the appropriate checks and balances exist to ensure a high level of governance.

The Board

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 2010 were as follows:

	Meetings	Written Consent	Attendance
Board of Directors	4	5	Note 1
Audit Committee	3	-	Note 2
Remuneration Committee	-	1	
Nominations Committee	1	-	

(1) All directors attended 100% of the Board meetings, other than Ofer Bar-Ner who was absent from one meeting during 2010 for personal reasons.

(2) All Audit Committee members attended 100% of meetings

There is not a formal schedule of matters specifically reserved to the Board for decision, as set out in A.1.1 of the 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.

Corporate Governance

The Board comprises six directors, four of whom are non-executive directors, under the chairmanship of Peter Sheldon. The Chief Executive is Dr. Zvi Marom. The senior non-executive director is Dr. Gideon Chitayat. 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 11. The interest of the Directors in the Company and their share holdings are set out on page 16. 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 induction of newly elected directors into office is the responsibility of the senior independent director (presently Dr. Gideon Chitayat). 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. During the year inductions were performed for Dr. Gideon Chitayat and Mr. Amos Shani. 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 Balance Sheet. 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.

Under Israeli law it is not a mandatory requirement for a company to have a secretary and the company does not therefore have a formally appointed secretary. However, Mr. Arthur Moher, who is also one of the company's legal advisers, provides the company with all the functions of company secretary and all the directors have access to Mr. Moher's services. The directors are therefore of the opinion that the spirit of A.1.4 of the Code has been complied with.

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

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.

Committees

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

Corporate Governance

Audit Committee

Until June 2010 the members of the audit committee were Dr. Dan Kaznelson, Ms. Ariella Zochovitzky and Mr. Koti Gavish. In June 2010 Dr Chitayat and Mr Shani were also appointed. In September 2010 Mr Gavish and Ms Zochovitsky stepped down from the audit committee.

The current members of the audit committee are Dr. Chitayat, Mr. Shani and Dr. Mel. Each of them has 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 Services 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.

The committee has discussed with the external auditors their independence, and has received and reviewed written disclosures from the external auditors regarding independence. 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.

Nominations Committee

The Board has a nominations committee which is chaired by Peter Sheldon. The other member of the committee are: Dr. Zvi Marom and Dr. Chitayat. Individuals nominated as directors are elected by the shareholders in general meeting. Executive and non-executive directors are elected by the shareholder's General Meeting for a term of one year. 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 a further term of three years. The re-appointment of a director must be approved by the shareholders in general meeting.

Three nominations of directors were made during the year under review which were all discussed and recommended by the committee in the year under review. Notwithstanding this the members of the nominations committee met both independently and together with a number of potential appointees to the Board during the year to evaluate the potential nominees.

Directors' Remuneration

The Board has a Remuneration Committee, which is currently chaired by Dr. Gideon Chitayat. Until June 2010 was chaired by Dr. Dan Kaznelson. The other members of the committee are Mr. Amos Shani and Dr. Amiram Mel. Until Septemebr 2010 Mr. Koti Gavish and Ms. Ariella Zochovitzky were members of the remuneration committee as well. Information of the Company's policy regarding the setting of directors' remuneration together with details of the service contracts of the executive directors and the remuneration of directors is set out in the Remuneration Report on page 22 - 25.

Corporate Governance

Accountability and Audit

Auditors

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

Significant Risks and Uncertainty

The Group has recently entered the Medical and Surveillance sectors. These are new markets in which the Group has relatively little experience. The success of the Group's investments in these sectors is thus uncertain with consequent risk to the amounts invested.

The Group has made acquisitions which do not attain one hundred per cent ownership of the target Companies. As a result certain companies in the group have minority interests, which are usually the local management of the subsidiaries. Relationships with these minority interests are important and carry certain risks.

The Group has several significant indirect sales channels. The loss, or significant scale down, of any one or more of these channels would have a negative impact on the performance of the Group.

The Company has an ongoing process for identifying, evaluating and managing the significant risks faced by the Company that has been in place for 2010 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.

Key Performance Indicators

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

	2010	2009	Change %
Revenue	$120.6m	$135.4m	- 10.9
Gross profit margin	35.4%	42.6%	- 16.9
R&D spend, net	$12.5m	$11.8m	+ 5.9
Liquid balances	$60.2m	$66.8m	- 9.9
Profit per share	0.42¢	5.11¢	- 91.7

Revenues have decreased due to a significant decline of revenues from a major OEM channel in the telecom division.

The gross profit margin has decreased primarily due to a change in the sales mix, due to the expansion of the Medical Business.

Corporate Governance

Corporate Strategy

BATM strategy is based on building two strong technology divisions - the Telecoms division and the Medical division - into leading entities, supplying the highest quality and cost effective innovative products in their respective fields.

BATM is growing its networking division to be an important provider of access solutions. In the medium term the division is focused on providing groundbreaking technologies in a cellular centric video rich world. This includes expanding the offering to a full access service oriented solution and technological breakthroughs in delivering large scale streams of secured video at speeds of 10Gbps and up.

The division is now working closely with customers to define needs in LTE based applications, as well as applications for networks that are Smartphone rich. Some of these applications are envisaged to reach the markets by the beginning of 2011.

The Medical division is focused on becoming an important provider of diagnostic laboratory equipment. The division is built on high reliability, fast and easy to operate equipment for small diagnostic laboratories with an emphasis on emerging markets.

The division's products are highly sophisticated, environmental friendly and very cost effective. BATM Medical has partnerships with reagent manufacturers and academic institutions to guarantee an innovative, "one stop shop", flexible offering to its customers. The Medical division plans to announce some unique produce offerings during 2011.

Future Developments

Management intends to continue to invest significantly in R&D and sales and marketing activities in order to further the organic growth of the business. In addition, Management intends to make niche acquisitions to strengthen the Group's position in the Telecom and Medical markets.

Corporate Governance

Internal Control

The Board of directors has overall responsibility for ensuring that the Company maintains adequate systems of internal control. To this end, in accordance with Israeli Company Law, the company has appointed and retains the services of an independent qualified internal auditor. During 2009 the internal auditor resigned and a replacement was appointed during early 2010. The internal auditor reports to the Audit Committee, and is responsible for ensuring that the company is run according to good corporate practice.

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

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 of the Company 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 Company 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 Company's 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 regular basis to senior management against corresponding figures for previous periods. The central process for evaluating and managing non-financial risks 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 cover is provided externally and depends on the scale of the risk in question and the availability of cover in the external market.

Conflicts

Throughout 2010 the Company has complied with procedures in place for ensuring that the Board's powers to authorize conflict situations have been operated effectively. During 2010 no conflicts arose which would require the board to exercise authority or discretion in relation to such conflicts.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, the 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 Reporting Standards (IFRS). 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; 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.

We confirm to the best of our 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 of the company and the undertakings included in the consolidation taken as a whole; and

2. the management report, which is incorporated into the directors' 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.

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. Examples of policies and practices in these areas are given below.

Employment Policies

BATM employs approximately 750 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.
- Recognizing 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'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.

Corporate, Social and Environmental Responsibilities

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

The Directors recognize 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 in.

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 the year 2008, all of its products are fully ROHS certified.

The company is ISO 14000 certified.

Ethical Business Practices

BATM is a development and sales company based in Israel with overseas sales, manufacture and development operations. 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.

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.

Remuneration Committee and Remuneration Report

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 report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved. In accordance with Israeli company law, the Board recommends and the general meeting of the Company is asked to approve, the remuneration of the executive and non-executive directors of the company, after it has been first approved by the company's Remuneration Committee.

The regulations also require the auditors to report to the Company's members on certain information within this report and to state whether in their opinion that part of the report has been properly prepared with IFRS. The report is therefore divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration Committee

The Company has a Remuneration Committee (the 'Committee') which is constituted in accordance with the recommendations of the Combined Code. The committee consists of three out of the four non-executive directors and excludes the chairman as is required under Israeli Company Law. Until June 2010 the Committee was chaired by Dr. Dan Kaznelson and its other members were Mrs. Ariella Zochovitzky and Mr. Koti Gavish, since June 2010 the Committee was chaired by Dr. Gideon Chitayat and its other members were Mr. Amos Shani and since March 2011 Dr. Amiram Mel joined the committee.

None of the Committee members has any personal financial interests (other than as a shareholder), 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 Committee met once 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.

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.

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.

Remuneration Committee and Remuneration Report

Remuneration policy

Executive remuneration packages are:

- designed to attract, motivate and retain directors of the calibre needed to maintain the Company's position as a market leader within the Telecoms industry;
- designed to align the interests of Executives with shareholders; and
- constructed with a substantial performance-related element set against appropriately demanding targets.

The performance measurement of the Executive Directors and the determination of their annual remuneration packages, are undertaken by the Committee.

The remuneration of the Non-Executive Directors is determined by the Board. In determining the Directors' remuneration for the year the Committee consulted the Executive Directors and other senior management, about its proposals.

There are currently four main elements of the remuneration package for Executive Directors:

(a) basic salary;

(b) social benefits (including pension arrangements);

(c) annual bonus payments; and

(d) share options incentives;

The Company's policy is that a substantial proportion of the potential remuneration of the Executive Directors should be performance related.

Basic salary

An Executive Director's basic salary is normally reviewed annually, and paid as a fixed cash sum monthly. In some cases, due to social cost implications, part of the basic salary is paid annually in the form of a seniority payment. The Committee, in determining salary adjustments, considers increased responsibilities such as the size of the Group, individual performance and contribution, and market pressures.

Social benefits (including pension arrangements)

BATM rewards Executive Directors with social benefits that are common in the local employment environment, and can confer tax benefits. These can include Pension Contributions, Education Fund contributions and availability of a Company car.

Annual bonus payments

The Directors believe that retaining a workforce which is motivated to achieve the Group's objectives is fundamental to its continued prosperity. Accordingly, Executive Directors are eligible to participate in a performance related annual bonus scheme. The maximum potential bonus for any individual, together with the associated performance measures and targets, is set by the Committee.

In accordance with his service contract which expired at the end of 2010 Dr. Marom was entitled to a bonus based on a percentage of Net Profit before amortization and bonus ("Relevant Profit") on the following basis:

1. If profit increases by between 50% and 100% over the preceding year, 2.75% of Relevant Profit.
2. If profit increases by over 100% over the preceding year, 3.75% of Relevant Profit.
3. If profit which nether paragraph 1 nor 2 apply, 1.75% of Relevant Profit.

Remuneration Committee and Remuneration Report

At the Extraordinary General Meeting held on March 9, 2011 the shareholders approved a new service contract for Dr. Marom, which retains the same bonus arrangements as his previous contract but introduces a cap on the bonus of four times basic salary.

In accordance with his existing service contract which expires 11 March 2013. Mr. Bar-Ner is entitled to a bonus on Net Profit targets calculated as follows:

- If profit increased by up to 50% on the preceding year, one sixth of annual salary
- If profit increased by between 50% and 100% on the preceding year, 25% of annual salary
- If profit increased by over 100% on the preceding year, 50% of annual salary

Bonus Cap

The aggregate bonus of Dr. Zvi Marom shall in no event exceed four times his annual salary.

The aggregate bonus of Mr. Ofer Bar Ner shall in no event exceed 50% of his annual salary.

Share options incentives

The Group operates the BATM Share Option Scheme ('Company Scheme') which is constituted by rules, and includes a section which has been approved by the Israeli tax authorities ('Approved Scheme').

During the year, no options were granted to any of the Directors. Directors have options under grants from previous year that vest over the course of three years.

Audited information

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

Remuneration policy

Table A – Emoluments of the Directors with comparatives

	Basic Salary $000	Social benefits $000	Pension benefits $000	Performance bonus $000	2010 Total $000	2009 Total $000
Zvi Marom	228	21	8	83	340	686
Ofer Bar Ner	150	20	7	-	177	151
Peter Sheldon	43	-	-	-	43	42
Dan Kaznelson	15	-	-	-	15	22
Ariella Zochovitzky	25	-	-	-	25	35
Koti Gavish	25	-	-	-	25	35
Gideon Chitayat	22	-	-	-	22	-
Amos Shani	10	-	-	-	10	-

Remuneration Committee and Remuneration Report

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 2010 were as follows.

	2010 Ordinary shares	2009 Ordinary shares
Zvi Marom	92,044,500	91,219,500
Ofer Bar Ner	-	-
Peter Sheldon	750,000	250,000
Gideon Chitayat	-	-
Amos Shani	-	-
Dan Kaznelson	(*)	82,300
Ariella Zochovitzky	(*)	-
Koti Gavish	(*)	111,370

(*) No longer Directors at the year-end 2010

Table C – Share Options

Options to subscribe for or acquire ordinary shares of the Company were held by the following Directors during the year.

	As at 01 Jan 10	Granted	Exercised	Lapsed	As at 31 Dec 10	Exercise price	Expiry date
Ofer Bar Ner	330,000	-	-	-	330,000	0.279	31/12/2011
Ofer Bar Ner	250,000	-	-	-	250,000	0.407	31/12/2011
Ofer Bar Ner	250,000	-	-	-	250,000	0.407	31/12/2012
Ofer Bar Ner	250,000	-	-	-	250,000	0.407	31/12/2013
Ofer Bar Ner	333,333	-	-	-	333,333	0.270	07/06/2012
Dan Kaznelson	200,000	-	-	200,000	-	0.315	
Ariella Zochovitzky	138,800	-	138,800	-	-	0.162	
Koti Gavish	138,630	-	138,630	-	-	0.154	

At the last AGM, held on 22 June 2010 the shareholders approved that a loan be granted to the CFO totalling $200,000, repayable without interest in four annual instalments. As of 31 December 2010 the loan balance is $150,000.

Auditors' Report

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Deloitte.
Brightman Almagor Zohar

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

We have audited the accompanying consolidated statements of financial position of BATM Advanced Communications Ltd. ("the Company") as of December 31, 2010 and 2009 and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Company's management and Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of certain subsidiaries, whose assets included in consolidation constitute approximately 2% and 2% of total consolidated assets as of December 31, 2010 and 2009, respectively, and whose revenues included in consolidation constitute approximately 4% and 3% of total consolidated revenues for the years ended December 31, 2010 and 2009, respectively. The financial statements of those companies were audited by other auditors, whose reports thereon were furnished to us. Our opinion, insofar as it relates to amounts emanating from the financial statements of such companies, is based on the reports of the other auditors.

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

In our opinion, based on our audits and on the reports of other auditors, the financial statements referred to above present fairly, in all material, the financial position of the Company and its subsidiaries as of December 31, 2010 and 2009, and the results of operations, changes in equity and the cash flows of the Company and its subsidiaries for the years ended December 31, 2010 and 2009 in accordance with International Financial Reporting Standards (IFRS).

Brightman Almagor Zohar & Co.

Certified Public Accountants

A member firm of Deloitte Touche Tohmatsu

Israel, 28 April 2011

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Consolidated Income Statements

	Note	Year ended 31 December 2010	2009
		US$ in thousands	
Revenues	4,5	120,578	135,395
Cost of revenues	6	77,905	77,671
Gross profit		42,673	57,724
Operating expenses			
Sales and marketing expenses		15,332	13,591
General and administrative expenses		9,241	9,407
Research and development expenses	6	12,450	11,763
Other operating expenses		4,517	6,529
Total operating expenses		41,540	41,290
Operating profit	6	1,133	16,434
Finance income	8	1,549	(*)3,822
Finance expenses	9	(1,652)	(*)(1,808)
Profit before tax		1,030	18,448
Income tax benefit (expense)	11	(836)	867
Profit for the year		**194**	**19,315**
Attributable to:			
Owners of the Company		1,699	20,517
Non-controlling interests		(1,505)	(1,202)
Income for the year		**194**	**19,315**
Earnings per share (in cents) basic	13	**0.42**	**5.11**
Earnings per share (in cents) diluted	13	**0.42**	**5.08**

(*) Reclassified

Consolidated Statements Of Comprehensive Income (Loss)

	Year ended 31 December 2010	2009
	US$ in thousands	
Profit for the year	194	19,315
Exchange differences on translating foreign operations	(4,911)	2,669
Total Comprehensive Income (loss) of the year	**(4,717)**	**21,984**
Attributable to:		
Owners of the Company	(4,312)	22,562
Non-controlling interests	(405)	(578)
	(4,717)	**21,984**

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

Consolidated Statements Of Financial Position

	Note	31 December	
		2010	2009
		US$ in thousands	
Non-current assets			
Goodwill	14	11,300	11,345
Other intangible assets	15	19,798	23,323
Property, plant and equipment	16	25,943	21,911
Held to maturity investments	18	-	4,347
Deferred tax assets	22	5,122	4,848
		62,163	65,774
Current assets			
Inventories	19	19,470	22,040
Financial assets	18,21	38,079	34,332
Trade and other receivables	20	30,900	31,171
Cash and cash equivalents	18	22,087	28,095
		110,536	115,638
Total assets		**172,699**	**181,412**
Current liabilities			
Short-term bank credit		6,135	6,139
Trade and other payables	23	27,900	21,624
Provisions	24	3,190	3,505
		37,225	31,268
Net current assets		73,311	84,370
Non-current liabilities			
Long-term liabilities	23	11,840	14,219
Retirement benefit obligation	34	884	875
		12,724	15,094
Total liabilities		**49,949**	**46,362**
Net assets		**122,750**	**135,050**
Equity			
Share capital	25	1,215	1,214
Share premium account	26	406,504	405,961
Foreign currency translation reserve and other reserves	27	(8,798)	(3,229)
Accumulated Deficit	28	(277,236)	(270,808)
Equity attributable to:			
Owners of the Company		121,685	133,138
Non-controlling interests		1,065	1,912
Total equity		**122,750**	**135,050**

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 28 April 2011.
They were signed on its behalf by:

Dr. Z. Marom

O. Bar-Ner

Consolidated Statements Of Change In Equity

	Share capital	Share Premium account	Translation reserve	Other reserves	Accumlated Deficit	Attributable to owners of the parent	Non-controlling interest	Total equity
	US $ in thousands							
Balance as at 1 January 2009	1,210	404,928	(6,060)	-	(286,764)	113,314	4,459	117,773
Exercise of share based options by employees	4	374	-	-	-	378	-	378
Recognition of share-based payments	-	659	-	-	-	659	-	659
Purchase of non- controlling interest	-	-	-	-	-	-	(1,183)	(1,183)
Non-controlling interest acquired	-	-	-	786	-	786	(786)	-
Dividend	-	-	-	-	(4,561)	(4,561)	-	(4,561)
Other comprehensive income	-	-	2,045	-	20,517	22,562	(578)	21,984
Balance as at 31 December 2009	**1,214**	**405,961**	**(4,015)**	**786**	**(270,808)**	**133,138**	**1,912**	**135,050**
Exercise of share based options by employees	1	117	-	-	-	118	-	118
Recognition of share-based payments	-	426	-	-	-	426	-	426
Non-controlling interest acquired	-	-	-	442	-	442	(442)	-
Dividend	-	-	-	-	(8,127)	(8,127)	-	(8,127)
Other comprehensive income	-	-	(6,011)	-	1,699	(4,312)	(405)	(4,717)
Balance as at 31 December 2010	**1,215**	**406,504**	**(10,026)**	**1,228**	**(277,236)**	**121,685**	**1,065**	**122,750**

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

Consolidated Cash Flow Statements

	Note	Year ended 31 December	
		2010	2009
		US $ in thousands	
Net cash from operating activities	30	**12,481**	**20,234**
Investing activities			
Interest received		612	1,461
Proceeds on forward transactions		1,154	-
Proceeds on disposal of held to maturity investments		4,316	3,233
Proceeds on disposal of financial assets carried at fair value through profit and loss		13,108	18,433
Proceeds on disposal of deposits		38,427	30,453
Purchases of property, plant and equipment		(6,392)	(13,583)
Proceeds on disposal of property, plant and equipment		-	61
Purchases of intangible assets		-	(361)
Purchases of activity		-	(2,967)
Purchases of other business combinations		(171)	-
Purchase of forward transaction		(1,099)	-
Purchases of financial assets carried at fair value through profit and loss		(20,221)	(15,450)
Purchases of deposits		(39,727)	(47,335)
Acquisition of subsidiaries	29	-	132
Net cash used in investing activities		**(9,993)**	**(25,923)**
Financing activities			
Dividends paid to owners of the Company		(8,127)	(4,561)
Tax on dividend		(637)	-
Increase (decrease) in short-term bank credit		(1,761)	1,468
Bank loan received		1,500	3,000
Bank loan repayment		(1,032)	(59)
Proceeds on issue of shares		118	378
Net cash from (used in) financing activities		**(9,939)**	**226**
Decrease in cash and cash equivalents		**(7,451)**	**(5,463)**
Cash and cash equivalents at the beginning of the year		**28,095**	**30,737**
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,443	2,821
Cash and cash equivalents at the end of the year		**22,087**	**28,095**

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

Notes To The Consolidated 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 3737, Kfar Neter 40593, Israel. The Company and its subsidiaries ("the Group") are engaged mainly in the research and development, production and marketing of data communication products in the field of Metropolitan area networks. The Group has recently entered the medical diagnostics market. The medical diagnostics division of the Group ("BATM Medical") is engaged in the research and development, production, marketing and distribution of medical products, primarily laboratory diagnostics 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.

Standarts affecting measurement and recording

IAS 36-Impairment of assets	The amendment to IAS 36-Impairment of assets clarifies that in allocation of goodwill to cash generating units or to groups of cash generating units for impairment examination, each unit or group of units will not be larger than a segment, before grouping segments with similar economic characteristics to one segment. The amendment is implemented by way of «from now on» annual reporting periods beginning on January 1, 2010 or thereafter. The financial statements have been effected by the amendment. See note 14.

Standards affecting presentation and disclosure

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)	The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The company presents the changes in note 27.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

Amendments to IFRS 7	Disclosures-Transfer of financial assets
IFRS 9 (as amended in 2010)	Financial Instruments
Amendments to IFRIC 14	ISA 19 – prepayments of minimum Funding Requirements
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
IAS 24 (revised in 2009))	Related Party Disclosure
Amendments to IAS 32	Classification of Rights Issues
Improvements to IFRSs	issued in 2010

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures when the relevant standards come into effect for periods commencing on or after 1 January 2011.

Notes To The Consolidated Financial Statements

Note 2 - Significant Accounting Policies

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, liabilities for employee benefits and forgivable loans, and inventory. The principal accounting policies adopted are set out below.

The going concern basis has been adopted in preparing the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control 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 subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

Notes To The Consolidated Financial Statements

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

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; 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.

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 interest's 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. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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 fair value at the acquisition date (i.e. the date when the Group obtains control) 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 below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Business combinations that took place prior to 1 January 2009 were accounted for in accordance with the previous version of IFRS 3.

Notes To The Consolidated Financial Statements

Goodwill

Goodwill arising from consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are 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 the carrying amount of the unit, 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 on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.
Revenue from the sale of goods is recognised when 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 entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- 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).

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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Notes To The Consolidated Financial Statements

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 balance sheet 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. All of the Group's 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

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Notes To The Consolidated Financial Statements

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.

Since 2008 the functional currency of the Company is Euro.

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 each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

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 on the balance sheet date. 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 classified as equity and transferred to the Group's translation reserve. Such translation reserves are recognised as income or as expense in the period in which the 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.

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 undertakes to waive repayment under certain prescribed conditions. In a case where Government grants takes the form of a forgivable loan, a liability is recognized 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 instruments measured at fair value through profit and loss under IAS 39, as such all changes in the fair value of such a liability are recognized in the income statement.

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

Operating profit

Operating profit is stated before investment revenues, other gains, finance cost and impairment of financial instruments.

Notes To The Consolidated Financial Statements

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 balance sheet date.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Notes To The Consolidated Financial Statements

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 balance sheet 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 and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	2%
Fixtures and equipment	10%
Motor Vehicles	15%
Computers and Manufacturing equipment	10-33%

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.

Judgement is needed to determine whether a property qualifies as investment property. An entity is required to develop criteria so that it can exercise that judgement consistently in accordance with the definition of investment property in IAS 40. Where such a classification is unclear, the Group gives primary weighting to the intention of management. Therefore if an asset is designated for future operational use it is not designated as investment property.

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.

Notes To The Consolidated Financial Statements

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 excluding goodwill

At each balance sheet date, 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). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

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 balance sheet 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.

Notes To The Consolidated Financial Statements

Financial assets

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, '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.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments are classified as held-for-trading, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period.

As of 31 December, 2010 all the Group investments are classified as FVTPL.

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 and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts, swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 21.

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 unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Notes To The Consolidated Financial Statements

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.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Trade and other payables

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 balance sheet 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.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. 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 shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes valuation model. 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.

Notes To The Consolidated Financial Statements

Note 3 - 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 2, 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):

- Judgments with respect to the classification of the functional currency of entity in the Group
- Judgments with respect the non-capitalization of development expenses

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet 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 Held to Maturity Assets

During 2008 an impairment of $ 4 million was recorded in respect to Nortel Networks Inc bond. The impairment charge on the Nortel bond arose from Nortel requesting Chapter 11 creditor protection, and only an impaired carrying value of only $ 1.4 million remained on the balance sheet as at 31 December 2008. Impairment of the asset requires management to estimate future cash flows expected from this Held to Maturity asset. During 2009 these assets were sold for a total of $ 2.2 million.

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 goodwill at the balance sheet date was $ 11.3 million. (2009: $ 11.3 million).

During 2009 an impairment of $ 1,293 thousand was recorded in respect to goodwill carried for the Surveillance CGU. For more details see note 14.

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 are often complex. In assessing the tax liability in each Company management are required to exercise judgement as to the 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 in 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.

Notes To The Consolidated Financial Statements

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, the total liability at the year-end is $4.8 million.(2009: $4.6 million)

Judgments with respect to deferred tax assets

The company has in 2010 $4.3 million (2009: $4.5 million) deferred tax assets related to tax loss carry-forwards in the US, based on management assumptions on future profits.

Note 4 - Revenues

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

	Year ended 31December	
	2010 $'000s	2009 $'000s
Sales of goods	106,652	124,557
Services	13,926	10,838
	120,578	**135,395**

Notes To The Consolidated Financial Statements

Note 5 - Business and Geographical Segments

Business segments

For management purposes, the Group is organised into two major operating divisions – telecommunication and BATM Medical. 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:

Telecommunications – 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.

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

Segment revenues and segment results

Year ended 31 December 2010

	Telecommunications $'000s	BATM Medical $'000s	Total $'000s
Revenues	79,877	40,701	120,578
Segment results profit (loss)	4,771	(3,638)	1,133
Unallocated			(103)
Profit before tax			1,030
Taxation			(836)
Profit for the year			**194**

Year ended 31 December 2009

	Telecommunications $'000s	BATM Medical $'000s	Total $'000s
Revenues	105,702	29,693	135,395
Segment results profit (loss)	19,368	(2,934)	16,434
Unallocated			2,014
Profit before tax			18,448
Taxation			867
Profit for the year			**19,315**

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

During the financial period sales to significant customers were as follows:

Customer A: $ 19.4 million (2009: $ 46.2 million)

Notes To The Consolidated Financial Statements

Segment assets, liabilities and other information

As at 31 December 2010

	Telecommunications $'000s	BATM Medical $'000s	Total $'000s
Assets	128,804	43,895	172,699
Liabilities	34,448	15,501	49,949
Depreciation and amortizations	4,432	1,788	6,220
Additions to non-current assets	2,311	4,893	7,204

As at 31 December 2009

	Telecommunications $'000s	BATM Medical $'000s	Total $'000s
Assets	144,553	36,859	181,412
Liabilities	33,527	12,835	46,362
Depreciation and amortizations	6,305	1,915	8,220
Additions to non-current assets	16,596	7,939	24,535

Revenue from major products and services

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

	Year ended 31 December	
	2010 $'000s	2009 $'000s
Telecommunication products	70,291	97,719
Software services	9,586	7,982
Distribution of medical products	23,383	21,820
Clinical Chemistry Diagnostic	10,735	3,398
Sterilization products	6,583	4,476
	120,578	**135,395**

Notes To The Consolidated Financial Statements

Geographical segments

The Group operates in three principal geographical areas – North America, 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		Segment assets		Acquisition of segment assets	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
North America	35,424	37,671	33,931	33,795	718	3,576
Israel	43,937	63,127	98,916	112,964	5,761	13,154
Europe	41,217	34,597	39,852	34,653	725	7,805
Total	**120,578**	**135,395**	**172,699**	**181,412**	**7,204**	**24,535**

Note 6 - Profit for the year

Profit for the year has been arrived at after charging (crediting):

	Year ended 31 December	
	2010 $'000s	2009 $'000s
Net foreign exchange gains (losses)	767	(1,452)
Research and development costs	13,398	12,715
Government grants	(948)	(952)
Depreciation of property, plant and equipment	2,482	2,865
Amortisation of intangible assets included in operating expenses	3,738	4,062
Impairment of investments, net	-	1,293
Cost of inventories recognised as expense	70,399	68,779
Staff costs (see Note 7)	31,532	26,827
Auditors' remuneration for audit services (see below)	257	234

Amounts payable to Deloitte by the Company and its subsidiaries' undertakings in respect of non-audit services in 2010 were $18,000 (2009: $15,000).

In addition, payables in respect of non-audit services to others than the Company's auditors, for tax and internal audit services in 2010, were $88,000 and $26,000, respectively (2009: $72,000 and $26,000, respectively).

Notes To The Consolidated Financial Statements

Note 7 - Staff costs

The average monthly number of employees in 2010 (including executive directors) was 706 (2009: 552).

	Year ended 31 December	
	2010 $'000s	2009 $'000s
Their aggregate remuneration comprised:		
Wages and salaries	25,234	**21,655**
Social security costs	4,949	**4,152**
Other pension costs (see Note 34)	1,349	**1,020**
	31,532	**26,827**
Executive Directors' emoluments	**517**	**854**

Note 8 - Finance income

	Year ended 31 December	
	2010 $'000s	2009 $'000s
Gain on sale of investment	126	719
Interest on bonds	65	391
Interest on bank deposits	455	1,132
Foreign exchange differences	767	-
Profit on forward contracts	-	901
Other	136	679
	1,549	**3,822**

During 2008 an impairment of $ 4 million was recorded in respect to Nortel Networks Inc bond. The impairment charge on the Nortel bond arose from Nortel requesting Chapter 11 creditor protection, and only an impaired carrying value of only $1.4 million remained on the balance sheet as at 31 December 2008. Impairment of the asset requires management to estimate future cash flows expected from this Held to Maturity asset, and discount them at the original discount rate associated with the note. During 2009 the Company sold this bond and recorded a profit of $0.7 million.

Notes To The Consolidated Financial Statements

Note 9 – Finance expenses

	Year ended 31 December	
	2010 $'000s	2009 $'000s
Loss on forward contracts	(784)	-
Foreign exchange differences	-	(1,452)
Loss on CALL options	(225)	-
Interest on loans	(643)	(356)
	(1,652)	**(1,808)**

Note 10 - Reclassification

The Company reclassified the finance income and the finance expenses in the income statement report, there is no effect on the comparative data in the financial statements, notes 8&9 provide additional information on the finance income and expenses in compare to the former presentation.

The composition of the financing income and expense as was presented before the reclassification:

	Year ended 31 December	
	2010 $'000s	2009 $'000s
Investment revenue	782	2,562
Gains (losses) on financial instruments	(1,009)	1,260
Foreign exchange differences	767	(1,452)
Finance costs	(643)	(356)
	(103)	**2,014**

Notes To The Consolidated Financial Statements

Note 11 - Income tax benefit (expense)

	Year ended 31 December	
	2010 $'000s	2009 $'000s
Current tax	(*)(1,191)	(868)
Deferred tax (Note 22)	355	1,735
	(836)	**867**

(*) Including corporate tax on dividend of $637 thousands in respect of profits derived from approved enterprise.

Taxation under various laws:

Israel

The Company and its Israeli subsidiaries were 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. On February 26, 2008 the Israeli Parliament approved an act for the amendment of the Income Tax Ordinance (Adjustments Due to Inflation) – 1985, under which the law was terminated on December 31, 2007.

The Company and its subsidiaries measure its results in Israeli currency for tax purposes.

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, and, as such, is entitled to certain tax benefits, mainly increased depreciation rates, the right to claim public issuance expenses and the amortization of patents and other intangible property rights as a deduction for tax purposes.

The production facilities of the Company have been granted "approved enterprise" status for several separate programs under the Law for the Encouragement of Capital Investments, 1959, as amended. Under this law, income attributable to each of these programs (in a manner prescribed in such law and its regulations) is fully exempt from tax for eight to ten years.

Such period of benefits commences on the first year in which the enterprise generates taxable income (The expiry date of the period of benefits is limited to the earlier of twelve years from commencement of production or fourteen years from the date of the approval.) The period of benefits of the first program commenced in 1992 and ended in 2000. The period of benefits of the second program commenced in 1998 and ended in 2007.

One of the Israeli subsidiaries has also been granted an Approved Enterprise status for the construction of the Company's plant at Yokneam, on terms similar to the above mentioned. In addition another of the Israeli subsidiaries has also been granted an Approved Enterprise status with a shorter period of tax benefit. This subsidiary has not yet utilized this tax exemption.

In the event of a distribution of a cash dividend out of tax-exempt income, as mentioned above, the Company (or the subsidiary who has also been granted with an Approved Enterprise status) will be liable to corporate tax at a rate of 10%-25% (depending on the percentage of foreign shareholders in the Company's equity), in respect of the amount distributed. In 2010 the Company distributed dividends from tax-exempt income.

The above tax benefits are conditioned upon fulfilment of the requirements stipulated by the aforementioned law and the regulations promulgated there under, as well as the criteria set forth in the certificates of approval. In the event of failure by the Company or the subsidiary to comply with these conditions, the tax benefits could be cancelled, in whole or in part, and the Company or the subsidiary would be required to refund the amount of the cancelled benefits, plus interest and certain inflation adjustments.

Notes To The Consolidated Financial Statements

The company has tax loss carry-forwards of $78 million in Israeli subsidiaries which the company didn't create deferred tax in respect of such losses. According to the Israeli law there is no expiry date to use such losses.

On 23 July 2009 an amendment to the Israeli tax law was approved by the Israeli Parliament which reduces the tax rates imposed on Israeli companies of 26% for 2009 and 25% in 2010; this amendment states that the corporate tax rate will be further reduced in subsequent tax years in an incremental fashion such that in 2011 the rate will be 24%, which will reduce to 18% in 2016.

On 29 December 2010 an amendment to the Israeli Law for the Encouragement of Capital Investments, 1959 was approved by the Israeli Parliament which cancelled the previous tax calculation method and a fixed tax rate was determined on all the productive turnover of the company. The fixed tax rates are as follows:15% in 2011-2012 (Development area 10%), 12.5% in 2013-2014 (Development area 7%), 12% in 2015 and thereafter (Development area 6%). This amendment takes effect from January 1, 2011 and the company has the right to choose to implement the amendment or use the benefits of the previous ruling.

The Company has received final tax assessments for the years up to and including the 2003 tax year. The subsidiaries have not been assessed for tax since their incorporation.

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 might expire before having been utilized. Accordingly the future use of these benefits is uncertain. Other US subsidiaries are assessed for tax purposes on a consolidated basis with Telco Systems. Deferred tax assets of $4.3 million have been recognised in respect of such losses. The total amount remaining to amortise for tax purposes is $96 Million and the amount of reported carried forward NOL's is $243 Million. According to US law, losses can be carried forward for 20 years.

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 31 December	
	2010 $'000s	2009 $'000s
Profit before tax:	**1,030**	**18,448**
Tax at the Israeli corporation tax rate of 25% (2009: 26%)	258	4,796
Tax exempt income	(1,947)	(5,860)
Expenses with unrecognized deferred tax on income or losses	1,660	1,477
Utilization of tax loss carry forward	(38)	(138)
Initial recognition of a deferred tax asset	-	(1,300)
Tax on dividend in respect of profits derived from approved enterprise	637	-
Different tax rates in foreign regimes and other differences	266	158
Income tax expense (benefit) for the year	**836**	**(867)**

The effective tax rate for 2010 was 81.1% resulting mainly from the tax on dividend.

Notes To The Consolidated Financial Statements

Note 12 - Dividends

The Board of the Company, announced its intention to recommend a dividend of 0.8 British pence per share for the year ended 31 December 2010 in the Preliminary Results announcement on 07 March 2011, totalling approximately $ 5 million. The dividend will be proposed for approval by shareholders at the Company's Annual General Meeting which will be held on 15 June 2011. If the payment of the dividend is approved it will be paid on 18 July 2011 to all eligible shareholders on the register as at 24 June 2011 (the Record date). The corresponding ex-dividend date will be 22 June 2011.

On 22 June 2010 a dividend of 1.35 British pence per share totalling $8 million was approved by shareholders at the Company's Annual General Meeting from the profit of the year 2009, the dividend was paid on 26 July 2010.

On 17 June 2009 a dividend of 0.69 British pence per share totalling $4 million was approved by shareholders at the Company's Annual General Meeting from the profit of the year 2008, the dividend was paid on 18 July 2009.

Note 13 - Earnings per share

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

	Year ended 31 December	
	2010	2009
Earnings for the purposes of basic and diluted earnings per share ($'000s)	1,699	20,517
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	402,494,652	401,579,099
Effect of dilutive potential ordinary shares:		
Share options	728,180	2,360,719
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**403,222,832**	**403,939,818**
Weighted average number of non-dilutive potential ordinary shares	**82,515**	**-**

Notes To The Consolidated Financial Statements

Note 14 - Goodwill

The Group tests annually 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 BATM Medical segment or CGUs within the Telecoms segment. According to the amendment of IAS 36 (see note 1), the CGU of BATM Medical at the amount of $ 4,721 thousands (2009: $ 4,929 thousands) has been divided to 3 CGUs: Sterilization, Diagnostic and Distribution. The CGUs within the Telecoms segment remain unchanged.

Sterilization: $2,550 thousands (2009: $2,550 thousands)

Diagnostic: $1,276 thousands (2009: $1,378 thousands)

Distribution: $895 thousands (2009: $1,001 thousands)

Telco: $1,984 thousands (2009: $1,984 thousands)

Telecoms outsourcing: $4,383 thousands (2009: $4,117 thousands)

Telecoms Hardware: $212 thousands (2009: $315)

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. Discount rates of between 10% - 16.5% 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 rate of 13% for years 1-4, and then 0% thereafter, for the Telecoms Outsourcing CGU and 52%, 20%, 15% and 12% for years 1-4 respectively, and then have been assumed to remain constant thereafter for the Sterilization and 10%, 25%, 15% and 12% for years 1-4 respectively, and then have been assumed to remain constant thereafter for the Diagnostic and 22%, 9%, 15% and 12% for years 1-4 respectively, and then have been assumed to remain constant thereafter for the Distribution. Fixed expenses have been assumed to grow at 10% for year 1 and 2% for years 2-5 in the Telecoms Outsourcing CGU and 10% for year 1, and 3.5% for years 2-5 , and then have been assumed to remain constant thereafter for BATM Medical CGU'S. Variable expenses (directly linked to sales) have been assumed to decrease as a constant percentage of sales throughout the forecast period in the BATM Medical CGU'S decreasing by 8%, 0%, 4%, 3% and 3% in years 1-5 respectively and have assumed to remain constant thereafter, and to remain constant in the Telecoms Outsourcing CGU. The rates used above reflect historical rates achieved and expected levels for 2010 but then are prudently adjusted for subsequent years. Having performed impairment testing, it has been determined that an impairment of the goodwill in the Surveillance CGU is necessary as the future expected cash flows from the Surveillance CGU do not justify the carrying value of the goodwill, and therefore a charge of $ 1,293 thousand has been recognised in 2009.

For details of completion of PPA see note 29.

	2010 $'000s	2009 $'000s
Balance at 01 January	11,345	9,418
Additions in the year	-	3,412
Impairment	-	(1,293)
Foreign Exchange difference	(45)	(192)
Balance at 31 December	**11,300**	**11,345**

Notes To The Consolidated Financial Statements

Note 15 - Other intangible assets

	Customer Relationships and Backlog	Technology	Other (*)	Total
	$'000s	$'000s	$'000s	$'000s
Cost				
At 1 January 2009	13,971	7,046	2,431	23,448
Effect of translation adjustments	1,390	440	(686)	1,144
Additions	-	-	361	361
Acquisition trough business combinations	3,911	3,266	-	7,177
At 31 December 2009	19,272	10,752	2,106	32,130
Effect of translation adjustments	(381)	(266)	(246)	(893)
Acquisition trough business combinations	311	-	501	812
At 31 December 2010	19,202	10,486	2,361	32,049
Accumulated amortization				
At 1 January 2009	3,210	717	584	4,511
Effect of translation adjustments	882	44	(692)	234
Charge for the year	2,137	1,190	735	4,062
At 31 December 2009	6,229	1,951	627	8,807
Effect of translation adjustments	(158)	(15)	(121)	(294)
Charge for the year	1,908	1,216	614	3,738
At 31 December 2010	7,979	3,152	1,120	12,251
Carrying amount				
At 31 December 2010	**11,223**	**7,334**	**1,241**	**19,798**
At 31 December 2009	**13,043**	**8,801**	**1,479**	**23,323**

(*) include 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 1 to 10 years.

Notes To The Consolidated Financial Statements

Note 16 – 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 01 January 2009	8,687	10,273	856	2,132	1,057	23,005
Additions	10,386	230	2,076	647	244	13,583
Disposals	(31)	-	-	-	-	(31)
Effect of translation adjustment	(44)	(53)	(4)	(11)	(5)	(117)
Acquisition of subsidiary	1,296	197	-	20	191	1,704
At 31 December 2009	20,294	10,647	2,928	2,788	1,487	38,144
Additions	5,394	469	171	352	6	6,392
Disposals	-	(432)	(27)	(65)	(601)	(1,125)
Effect of translation adjustment	34	18	5	5	4	66
At 31 December 2010	25,722	10,702	3,077	3,080	896	43,477
Accumulated depreciation						
At 01 January 2009	3,214	7,454	218	1,407	671	12,964
Charge for the year	392	895	367	726	485	2,865
Disposals	(3)	-	-	-	-	(3)
Effect of translation adjustment	33	78	2	15	7	135
Acquisition of subsidiary	-	122	-	41	109	272
At 31 December 2009	3,636	8,549	587	2,189	1,272	16,233
Charge for the year	474	985	513	382	128	2,482
Disposals	-	(432)	(27)	(65)	(601)	(1,125)
Effect of translation adjustment	(12)	(29)	(2)	(7)	(6)	(56)
At 31 December 2010	4,098	9,073	1,071	2,499	793	17,534
Carrying amount						
At 31 December 2010	**21,624**	**1,629**	**2,006**	**581**	**103**	**25,943**
At 31 December 2009	**16,658**	**2,098**	**2,341**	**599**	**215**	**21,911**

Notes To The Consolidated Financial Statements

Note 17 - 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 2010 is presented below.

Name of subsidiary	Country of incorporation	Ownership interest (**)	Date of acquisition
Telco Systems Inc.	United States of America	100%	April 2000
Integral Access Inc.	United States of America	100%	July 2005
Critical Telecom Inc.	Canada	100%	September 2006
Metrobility Optical Systems Inc.	United States of America	100%	June 2006
A.M.S. 2000 (c)	Romania	75%	June 2007
NGSoft Ltd (formerly: NSIcom Ltd)	Israel	100%	October 2007
Sunstring (c)	Cyprus	75%	June 2007
Becor	Moldova	38.25%	July 2008
ISE(b)	Italy	44.85%	February 2009
Adaltis (*)	Italy	100%	November 2009
CAT Technologies (a)	Israel	75%	February 2008
Celitron (a)	Hungary	75%	February 2008
Vigilant Technologies Ltd	Israel	100%	November 2008
Vigilant Technologies (UK) Ltd	United Kingdom	100%	November 2008
Vigilant Technologies Inc	United States of America	100%	November 2008
Telco Asia Pacific Limited (*)	Singapore	100%	March 2006
B.T.T. (*)	Israel	100%	March 1999
B.A.T.M. France (*)	France	100%	May 2000
B.A.T.M. land (*)	Israel	100%	December 1994
YAD (c)	Cyprus	75%	June 2007
B.A.T.M. Eshbolot (*)	Israel	100%	November 2009
Eshbolot KFT (*)	Italy	100%	November 2010

(*) Incorporated by the Company

(**) This represents the indirect economic interest of BATM in the subsidiary. All subsidiaries are controlled by BATM.

(a) During July 2009 BATM increased its holding in CAT Technologies and its indirect holding in Celitron from 51% to 75%.
(b) During September 2010 , Sunstring increased its holding in ISE from 55.6% to 59.8%.
(c) During January 2011 BATM increased its holding in Sunstring and YAD from 75% to 100% see note 37.

Notes To The Consolidated Financial Statements

Note 18 – Financial assets, cash and cash equivalents

Financial assets totalling $38.1 million (2009: $34.3 million) presented as current assets include interest-bearing deposits of $27.1 million at 31 December 2010 (2009: $25.1million) and $11.0 million (2009: $9.2 million) include trading bonds, structure deposit and forward transactions.

Non-current, held to maturity investments totalling $4.3 million as at 31 December 2009 consist of investment grade corporate bonds. At 31 December 2010 there is no balance of held to maturity investment.

At 31 December 2010, a total of $3 million of cash deposits was designated as security for short term bank credit and presented in financial assets.

Cash and cash equivalents totalling $22.1 million (2009: $28.1 million) consist of cash deposits less than 3 months.

Note 19 - Inventories

	31 December	
	2010 $'000s	2009 $'000s
Raw materials	5,752	6,143
Work-in-progress	791	522
Finished goods	12,927	15,375
	19,470	**22,040**

During the financial year 2010, $997 thousand of Inventory was impaired, and expensed to the Profit and Loss account (2009: $651 thousand)

See note 6 for cost of inventories recognised as an expense during the year.

During December 2009 the Group purchased certain assets and intellectual property of a clinical chemistry and immunology company for $3 million. The majority of the purchase was for $2.4 million of inventory.

Notes To The Consolidated Financial Statements

Note 20 - Other financial assets

	31 December	
	2010 $'000s	2009 $'000s
Amount receivable for the sale of goods	25,434	25,067
Participation in research and development: Government of Israel	985	808
VAT	231	223
Tax authorities	286	284
Prepaid expenses and other debtors	3,964	4,789
	30,900	**31,171**

The average credit period taken on sales of goods is 43 days (2009: 40 days). No interest is charged on the receivables. An allowance has been made at 31 December 2010 for estimated irrecoverable amounts from the sale of goods of $1,532,000 (2009: $1,402,000). 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. There are no material receivables over their usual credit period.

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 balance sheet 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, except one significant customer which represent no more than 14% of the Group's trade receivable balance as at 31 December 2010. Aside from this significant customer, there is no significant concentration of credit risk.

Notes To The Consolidated Financial Statements

Note 21 - Derivative financial instruments

As of 31 December 2010 the company has foreign exchange forward contracts in the current liabilities totalling $730 thousands.

At the balance sheet date of 2009, the Company had outstanding forward foreign exchange contracts. An amount of $ 901 thousands profit due to fair value adjustments has been transferred to the income statement in 2009 in respect of contracts that matured on January 2010.

As at 31 December 2010 $ 6.7 million was invested in a structured instrument. This balance is measured at fair value. The structured product matures on 30 June 2011. Interest of 1.15% p.a. was receivable on this product; where should the USD / EURO spot on 28 June 2011 have been below 1.335, the instrument would be redeemed in Euro at a conversion rate of 1.335. Should the USD / Euro spot of 28 June 2011 have been above 1.335 the instrument would be redeemed in USD.

As at 31 December 2009 $ 7.2 million was invested in a structured instrument. This balance is measured at fair value. The structured product matured on 5 March 2010. Interest of 5.5 % p.a. was receivable on this product; where should the USD / EURO spot on 05 March 2010 have been below 1.45, the instrument would be redeemed in Euro at a conversion rate of 1.45. Should the USD / Euro spot of 05 March 2010 have been above 1.45 the instrument would be redeemed in USD. On 05 March 2010 the USD / EUR spot was below 1.45 and therefore the instrument was redeemed in Euros at a conversion rate of 1.45.

During June 2010 the company wrote two call options to sell 2 million Euro and 8 million Euro at exercise rate of 1.348 and 1.328 respectively. The expiry date is June 30, 2011. The company received for these two options $260 thousands premium which were recorded as financing income and recorded a liability of $225 thousands on December 31, 2010 according to the options fair value at the year-end.

Note 22 - Deferred tax assets

The following are the major deferred tax assets recognised by the Group and movements thereon during the current and prior reporting period (see also Note 11).

	Deferred development costs $'000s	Depreciation differences $'000s	Retirement benefit obligations $'000s	Losses carried forward $'000s	Other $'000s	Total $'000s
At 1 January 2009	88	178	236	3,029	-	3,531
Credit (charge) to income	(22)	(42)	(57)	1,438	-	1,317
At 31 December 2009	**66**	**136**	**179**	**4,467**	**-**	**4,848**
Credit (charge) to income	164	(7)	51	(186)	252	274
At 31 December 2010	**230**	**129**	**230**	**4,281**	**252**	**5,122**

Notes To The Consolidated Financial Statements

Note 23 - Financial liabilities and Deferred tax liability

Trade and other payables

	31 December	
	2010 $'000s	2009 $'000s
Trade creditors	12,626	8,740
Salary accruals	5,044	4,059
VAT and other tax	163	187
Other creditors and accruals	10,067	8,638
	27,900	**21,624**

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 41 days (2009: 41 days).

The directors consider that the carrying amount of trade payables approximates to their fair value.

Long-term payables

	31 December	
	2010	2009
	$'000s	$'000s
Bank Loans (1)	5,424	6,551
Less- Current maturities	(1,154)	(750)
Forgivable debt to the office of the chief scientist	4,167	4,052
Government institutions	1,278	1,372
Deferred tax liability	1,903	2,304
Liability in regard to acquisitions (2)	-	360
Other long term Liability	222	330
	11,840	**14,219**

(1) In 2009 the company received $ 4.5 million loan drawn for the purchase of the building in Hod Hasharon, Israel, secured by a mortgage on the said asset. The loan is for 4 years and the repayment on a monthly basis, bears annual interest of libor + 1.5% with a maturity date of November 2013. The company has already returned $ 1 million for this loan during 2010.

The subsidiary ISE has a bank loan of $ 2 million bearing annual interest of Euribor + 1% with a last repayment date of July 2022. This loan is secured by a mortgage on the real estate owned by ISE.

(2) The maturity date of the liability is in March 2011.

Notes To The Consolidated Financial Statements

Note 24 - Provisions

	Warranty provision	Onerous Lease provision	Other provision	Total
	$'000s	$'000s	$'000s	$'000s
At 01 January 2010	1,062	1,010	1,433	3,505
Additional provision in the year	-	768	472	1,240
Utilisation of provision	(108)	(766)	-	(874)
Proceed during the year	-	-	111	111
Payment during the year	-	(792)	-	(792)
At 31 December 2010	**954**	**220**	**2,016**	**3,190**
Included in current liabilities				3,190
Included in non-current liabilities				-
				3,190

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.

The onerous lease provision represents the committed lease payments on rental properties that have been abandoned, and whose operations have been relocated to real estate purchased by the Group during 2009.

Note 25 - Share capital

Ordinary shares of NIS 0.01 each (number of shares)

	2010	2009
Authorised:	**1,000,000,000**	**1,000,000,000**
Issued and fully paid:	**402,830,820**	**402,289,390**

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

Notes To The Consolidated Financial Statements

Note 26 - Share premium account

	Share premium $'000s
Balance at 1 January 2009	404,928
Premium arising on issue of equity shares	374
Stock options granted to employees	659
Balance at 31 December 2009	**405,961**
Premium arising on issue of equity shares	117
Stock options granted to employees	426
Balance at 31 December 2010	**406,504**

Note 27 - Translation reserve

	Translation reserve $'000s
Balance at 1 January 2009	(6,060)
Exchange differences arising on translating the foreign operations and presentation currency	2,045
Balance at 31 December 2009	**(4,015)**
Exchange differences arising on translating the foreign operations and presentation currency	(6,011)
Balance at 31 December 2010	**(10,026)**

Note 28 - Accumulated deficit

	Accumulated deficit $'000s
Balance at 1 January 2009	(286,764)
Dividend	(4,561)
Net profit for the year	20,517
Balance at 31 December 2009	**(270,808)**
Dividend	(8,127)
Net profit for the year	1,699
Balance at 31 December 2010	**(277,236)**

Notes To The Consolidated Financial Statements

Note 29 - Acquisition of subsidiaries

During April 2010 the Group acquired the trade and assets of an Israeli Telecoms software services provider for a consideration of $ 784 thousands. Of this balance $ 357 thousands has been classified as brand and $ 427 thousands as customer relationships. This transaction has been accounted for by the purchase method of accounting. As at 31 December 2010, the PPA with respect to the acquisition had not been completed and the transaction was accounted for on the basis of management's best estimates. As at 31 December 2010, $502 thousands of the consideration had not yet been paid (non-cash transaction). This balance will be paid during 2011.

During March 2009 the Group acquired the trade and assets of an Israeli Telecoms software services provider for a consideration of $ 4.4 million. Of this balance $ 2.2 million has been classified as Goodwill and $ 2 million as customer relationships. This transaction has been accounted for by the purchase method of accounting. As at 31 December 2009, $1.6 million of the consideration had not yet been paid (non-cash transaction). This balance was paid during 2010.

On 5 February 2009 the Group acquired an indirect interest of 38.25% and control of an Italian company that develops, manufactures and sells clinical diagnostic equipment ("ISE"). This transaction has been accounted for by the purchase method of accounting.

ISE	2009 $'000s
Net assets acquired	
Property, plant and equipment	1,432
Inventory	205
Trade and other receivables	446
Cash	183
Bank Credit	(2,823)
Trade payables and other liabilities	(2,387)
Long term payables	(3,044)
Non controlling interest	1,183
	(4,805)
Intangible assets	3,625
Goodwill	1,231
Total consideration	**51**
Net cash outflow arising on acquisition	
Cash consideration	51
Cash and cash equivalents acquired	(183)
	(132)

ISE contributed $3,254,000 revenue and made a loss of $798,000 before tax for the period between the date of acquisition and 31 December 2009.

If the acquisition of ISE had been completed on the first day of the 2009 financial year, Group revenues for that year would have been $135,501,000 and Group profit would have been $19,292,000.

Notes To The Consolidated Financial Statements

Note 30 - Note to the cash flow statement

	Year ended 31 December	
	2010 $'000s	2009 $'000s
Operating profit from continuing operations	1,133	16,434
Adjustments for:		
Amortization of intangible assets and impairment of goodwill	3,738	5,355
Depreciation of property, plant and equipment	2,482	2,865
Stock options granted to employees	426	659
Increase (decrease) in retirement benefit obligation	41	(65)
Increase (decrease) in provisions	(898)	575
Operating cash flows before movements in working capital	6,922	25,823
Decrease (increase) in inventory	1,959	(310)
Increase in receivables	(480)	(2,186)
Increase (decrease) in payables	4,466	(3,180)
Cash generated by operations	12,867	20,147
Income taxes paid	(338)	(173)
Income taxes received	378	557
Interest paid	(426)	(297)
Net cash from operating activities	**12,481**	**20,234**

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Notes To The Consolidated Financial Statements

Note 31 - Contingent liabilities

There is a potential exposure totalling approximately $2,000,000, relating to stamp duties connected with some placements made by the Company in the past. According to the advice of the Company's legal advisors, and in contrast to the position of the Companies' Registrar, an obligation to pay stamp duties arises only when a stamped document exists, and since the placements were not accompanied by a stamped issuance report, such obligation does not exist. The Company has not provided for such an amount in its financial statements.

During December 2010 the Company received a letter from the Israeli Chief Scientist Officer regarding royalties' audit findings for the years 1999-2003 ("the audit"), without demanding specific payment amount. The Company's management estimates the maximum exposure of the audit is amount of $800 thousands. Based on the stage of the process between the parties and management's estimation of the audit outcome, the Company has not provided for such an amount in its financial statements.

Note 32 - Operating lease arrangements

The Group as lessee

	Year ended 31 December	
	2010 $'000s	2009 $'000s
Minimum lease payments under operating leases		
Recognised in income for the year	**1,769**	**2,166**

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December	
	2010 $'000s	2009 $'000s
Within one year	563	1,024
In the second to fifth years inclusive	391	649
	954	**1,673**

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.

Notes To The Consolidated Financial Statements

The Group as lessor

Property rental income earned during 2010 was $197,000 (2009: $266,000). The properties under lease agreements to third parties by the Group have committed tenants for most of the property for the next two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	31 December	
	2010 $'000s	2009 $'000s
Within one year	96	91
In the second year	67	5
	163	**96**

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:

	2010		2009	
	Number of share options	Weighted average exercise price (in GBP)	Number of share options	Weighted average exercise price (in GBP)
Outstanding at beginning of period	8,315,867	0.9143	8,783,667	0.8744
Granted during the period	1,391,219	0.2483	1,157,500	0.2425
Forfeited during the period	(1,553,365)	3.2957	(414,594)	0.3012
Exercise during the period	(541,430)	0.1850	(1,210,706)	0.1925
Outstanding at the end of the period	**7,612,291**	**0.3454**	**8,315,867**	**0.9143**
Exercisable at the end of the period	**4,369,419**	**0.3695**	**5,257,294**	**1.2164**

The weighted average share price at the date of exercise for share options exercised during 2010 was 0.2956 Great British Pounds ("GBP"). The options outstanding at 31 December 2010 had a weighted average exercise price of 0.3454 GBP, and a weighted average remaining contractual life of 6.58 years. In 2010, options were granted on May 5, August 3 and October 14. The aggregate of the estimated fair values of the options granted on those dates is $592,000. In 2009, options were granted on February 23. The aggregate of the estimated fair values of the options granted on that date is $401,000,

Notes To The Consolidated Financial Statements

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

	2010 $'000s	2009 $'000s
Weighted average share price	0.30	0.37
Weighted average exercise price	0.19	0.19
Expected volatility	36-61	36-69
Expected life	7	7
Risk-free rate	1.5%-4.5%	2%-4.5%
Expected dividends	2.5%	2.5%

The inputs into the Black-Scholes model for the options granted in 2010 are as follows:

	2010 $'000s
Weighted average share price	0.2750
Weighted average exercise price	0.2483
Expected volatility	45-61
Expected life	7
Risk-free rate	1.5% - 2.0%
Expected dividends	2.5%

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 $426,000 and $659,000 related to equity-settled share-based payment transactions in 2010 and 2009, respectively.

Notes To The Consolidated Financial Statements

Note 34 - Retirement benefit obligation

Defined contribution schemes

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.

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 schemes

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 have private insurance during the employment. Conditions that form the liability due to termination of employment: 1. Full retirement age 2. Accumulation of minimal working years 3. Termination of employment by the employer 4. Death of employee 5. occurance 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 10 January 2011 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.

Notes To The Consolidated Financial Statements

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

	2010	2009
Discount rates	3.4%, 4.9%	4.7%
Expected return on plan assets	5.0%	4.8%
Expected rates of salary increase	1-5%	1-5%
Expected inflation rate	2.8%	2.7%

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

	2010 $'000s	2009 $'000s
Current service cost	617	520
Interest on obligation	240	215
Expected return on plan assets	(212)	(83)
Adjustments for restrictions on the defined benefit asset	56	(9)
Actuarial gains recognised in the year	(126)	(255)
Total	**575**	**388**

The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

	31 December	
	2010 $'000s	2009 $'000s
Present value of funded defined benefit obligation	5,646	5,146
Fair value of plan assets	(4,762)	(4,271)
Net liability	**884**	**875**

Notes To The Consolidated Financial Statements

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

	2010 $'000s	2009 $'000s
Opening defined benefit obligation	5,146	4,500
Current service cost	617	520
Interest cost	240	215
Actuarial losses(gains)	(100)	81
Benefits paid	(517)	(284)
Exchange rate differences	260	114
Closing defined benefit obligation	**5,646**	**5,146**

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

	2010 $'000s	2009 $'000s
Opening fair value of plan assets	4,271	3,574
Expected return on plan assets	156	92
Actuarial gains	27	336
Contributions from the employer	524	486
Benefits paid	(498)	(270)
Exchange rate differences	282	53
Closing fair value of plan assets	**4,762**	**4,271**

The history of experience adjustments is as follows:

	2010 $000	2009 $000
Present value of defined benefit obligation	5,646	5,146
Fair value of plan assets	(4,762)	(4,271)
Deficit	**884**	**875**
Experience adjustments on plan liabilities	**(59)**	**490**
Experience adjustments on plan assets	**(35)**	**(390)**

The Liability recognised in the balance sheet at 31 December 2010 was $884,000 (2009: $875,000).

Notes To The Consolidated Financial Statements

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	2010 Total $000	2009 Total $000
Zvi Marom	228	21	8	83	340	686
Ofer Bar Ner	150	20	7	-	177	151
Peter Sheldon	43	-	-	-	43	42
Dan Kaznelson	15	-	-	-	15	22
Ariella Zochovitzky	25	-	-	-	25	35
Koti Gavish	25	-	-	-	25	35
Gideon Chitayat	22	-	-	-	22	-
Amos Shani	10	-	-	-	10	-

The total liability for the Directors in the year-end 2010 was $372 thousand (2009: $289 thousands) related to December 2010 and 2009 wages paid in January 2011 and 2010 respectively and Bonus for 2010 not paid yet and bonus for 2009 paid in January 2011.

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 2010 were as follows.

Ordinary shares	2010	2009
Zvi Marom	92,044,500	91,219,500
Ofer Bar Ner	-	-
Peter Sheldon	750,000	250,000
Gideon Chitayat	-	-
Amos Shani	-	-
Dan Kaznelson	(*)	82,300
Ariella Zochovitzky	(*)	-
Koti Gavish	(*)	111,370

(*) No longer Directors at the year-end 2010

Notes To The Consolidated Financial Statements

Table C – Share Options

Options to subscribe for or acquire ordinary shares of the Company were held by the following Directors during the year.

	As at 01 Jan 10	Granted	Exercised	Lapsed	As at 31 Dec 10	Exercise price	Expiry date
Ofer Bar Ner	330,000	-	-	-	330,000	0.279	31/12/2011
Ofer Bar Ner	250,000	-	-	-	250,000	0.407	31/12/2011
Ofer Bar Ner	250,000	-	-	-	250,000	0.407	31/12/2012
Ofer Bar Ner	250,000	-	-	-	250,000	0.407	31/12/2013
Ofer Bar Ner	333,333	-	-	-	333,333	0.270	07/06/2012
Dan Kaznelson	200,000	-	-	200,000	-	0.315	
Ariella Zochovitzky	138,800	-	138,800	-	-	0.162	
Koti Gavish	138,630	-	138,630	-	-	0.154	

At the last AGM, held on 22 June 2010 the shareholders approved that a loan be granted to the CFO totalling $200,000, repayable without interest in four annual instalments. As of 31 December 2010 the loan balance is $150,000.

Table D – remuneration of key management personelle

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.

	2010 $'000s	2009 $'000s
Short-term employee benefits	462	804
Post-employment benefits	14	17
Other long-term benefits	14	14
Termination benefits	27	27
Share-based payment	108	139
	625	**1,001**

Table E – transactions with related parties

During the year the Company had the following balances and transactions with Shore Capital, of which Dr Zvi Marom is a Director.

Transactions during the year: $ 0.7 thousand

Balance as at 31 December 2010: $ Nil

Notes To The Consolidated Financial Statements

Note 36 – Financial Instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of profits.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 25 to 28 respectively.

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 recommendations of the management, 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

	2010 $'000s	2009 $'000s
Financial assets		
Cash and cash equivalents	22,087	28,095
Fair value through profit or loss	11,022	(*) 7,179
Held-to-maturity investments	-	4,347
Deposits and receivables	57,597	(*) 58,324
Financial liabilities		
At amortized cost	38,850	35,626
Fair value through profit or loss	5,122	4,052

(*) reclassified

All fair value measurements are level 1 fair value measurements, defined as those derived from quoted prices (unadjusted) in active markets for identical assets except for the derivative assets detailed in note 21, that are level 2 fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Notes To The Consolidated Financial Statements

(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 derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written 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 g) and interest rates (refer to section h). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including: Structure 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;

At a Group level market risk exposures are measured using value-at-risk (VaR), supplemented by sensitivity analysis, and stress scenario analysis. At a company level market risks are managed through sensitivity analyses and stress scenario analysis.
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	
	2010 $'000s	2009 $'000s	2010 $'000s	2009 $'000s
New Israeli Shekel	8,311	6,478	11,419	7,944
Euro	11,961	6,394	37,818	33,790
Other	2,540	2,191	7,145	8,906

Notes To The Consolidated Financial Statements

Foreign currency sensitivity

The Group is mainly exposed to US Dollar, NIS and GBP

The following table details the Group's sensitivity to a 5 per cent change in US$ against the respective foreign currencies. The 5 per cent 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 analyses 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$ strengthens against the respective currency.

Profit or loss

	2010 $'000	2009 $'000
NIS Impact	94	62
US Dollar Impact	1,525	1,368
GBP Impact	59	133

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

The following tables detail the fair value of financial assets and financial liabilities that are not carried at fair value in the financial statements:

	Carrying amount $'000	Fair value $'000
	2010	
Consolidated		
Financial assets:		
Held-to-maturity	-	-

	Carrying amount $'000	Fair value $'000
	2009	
Consolidated		
Financial assets:		
Held-to-maturity	**4,347**	**4,373**

Notes To The Consolidated Financial Statements

(g) Interest risk management

The company has non-material exposure to interest risk.

(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.

Finance liabilities

	Weighted average effective interest rate	0-3 months	3 months to 1 year	1-5 years	Total
	%	$'000s	$'000s	$'000s	$'000s
31 December 2010					
Non-interest bearing	-	26,253	692	9,510	36,455
Bank loans interest bearing	3.90	3,631	2,504	4,270	10,405
	-	**29,884**	**3,196**	**13,780**	**46,860**
31 December 2009					
Non-interest bearing	-	21,624	-	9,139	30,763
Bank loans interest bearing	3.90	4,025	2,114	5,801	11,940
	-	**25,649**	**2,114**	**14,940**	**42,703**

Notes To The Consolidated Financial Statements

Note 37 - Events after the reporting period

1. On 23 January, 2011 the company signed an agreement with the minority shareholders in Sunstring to purchase their holding in the company for a consideration as follow:

   A: Within 30 days from the date of signing this agreement sum of $1,159 thousands

   B: The company will pay on all proceeds which the BATM group will receive from any majority held companies held by BATM from the medical line of business which BATM has invested in up until the date of this agreement as well as future investments in the current medical line of business during a period of 10 years from the date of this agreement 10% of all proceeds up to a total of $1,591 thousands and 3% on all proceeds in excess of $15,910 thousands up to a total of $4,341 thousands (which is $5.5m minus all payments above).

2. Proposed dividend-see note 12.

3. On 21 April, 2011 the Company has acquired the major assets and intellectual property of ANDA Networks, Inc. ("Anda Networks" or "Anda") the leader in carrier-class access platforms for wireline networks and mobile data backhaul applications. The acquisition will be satisfied in cash for a maximum consideration of $2.5million (subject to certain conditions on inventory).

   ANDA Networks provides carrier-grade Ethernet access platforms capable of meeting stringent business Ethernet and mobile backhaul service requirements for service providers, mobile operators and cable multiple system operators ("MSOs").

   ANDA currently has an installed base of over 30,000 system platforms, primarily in North America. The combination of ANDA's Ethernet access products and BATM's existing edge switching and mobile backhaul aggregation solutions, means that the Company can offer a fully integrated range of carrier class Ethernet equipment.

Directors and Advisors

Directors

P. Sheldon	Chairman, Non-executive
Dr. Z. Marom	Chief executive
O. Bar-Ner	Finance director
G. Chitayat	Non-executive
A. Shani	Non-executive
A. Mel	Non-executive

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